

रेल
लेखा परीक्षा पुस्तिका

RAILWAY AUDIT MANUAL



सत्यमेव जयते

पांचवां संस्करण
Fifth Edition

भारत के उपनियंत्रक-महालेखापरीक्षक द्वारा जारी की गई

Issued by
Deputy Comptroller and Auditor General of India

PREFACE TO FIFTH EDITION

The fifth edition of Railway Audit Manual is the revision of the diglot version of the fourth edition issued in December 1981. The revised edition is the up-dation of the existing one that has taken place after issue of the fourth edition as well as those felt lacking in the fourth edition due to development taken place, have been included in the fifth edition. In this direction changes required in individual para of different chapters as well as complete revision of two chapters – one on “Internal Audit” and another on “Efficiency – cum Performance Audit” have been made and a new chapter on “Audit of Computerised systems” has also been added to fifth edition.

Accordingly, a comprehensive concordant list showing nature of changes made in para of different chapters of fourth edition co – relating the para of the fifth edition has been enclosed.

Any correction to this manual, will be issued by the Deputy Comptroller and Auditor General of India. He will welcome any suggestion for improvement of the manual.

I.P. SINGH
Deputy Comptroller and Auditor General of India

NEW DELHI
Dated 23rd May 2001

PREFACE TO THE FOURTH EDITION

The fourth edition of the Railway Audit Manual is in revision of the diglot version of the third edition issued in December 1971. In this revised edition, the manual has been enlarged and rewritten taking into account the provisions of the Comptroller & Auditor General's (Duties, Power and Conditions of Service) Act 1971, revised designation of the Officers and Staff of the Railway Audit Department, the new technique and process of audit introduced in 1966 and further refinements thereof as decided in recent years for improving the quality of audit, changes in the Railways' departmental rules and procedures and computerised system of accounting of traffic receipts, pay – roll, provident fund, workshop, stores etc., and the consequential changes in audit procedure.

2. The existing pattern of the manual has been retained except that the chapter on constitution and general duties of the Railway Audit Branch has been spilt into two separate chapters and two additional chapters regarding 'Catering audit' and 'Internal audit' have been introduced.

3. All corrections to this manual, will be issued by the Deputy Comptroller and Auditor General of India (Railways). He will welcome any suggestion for improvement of the manual.

A.R. SHIRALI
Additional Deputy Comptroller and
Auditor General of India (Railways)

NEW DELHI
Dated 30th December 1981

PREFACE TO THE DIGLOT EDITION

Under article 343 of the Constitution, Hindi in Devnagari script is the official language of the Union. The Official Language (Amendment) Act, 1967 further provides the use of English language in addition to Hindi for all official purposes of the Union Govt. For facilitating the progressive use of Hindi in Union Administration, all non-statutory Codes & Manuals of the Central Govt. departments are to be translated into Hindi and all these publications will be in diglot form, the Hindi & English text being given side by side. The Hindi translation of this Manual rendered by the Central Translation Bureau, Ministry of Home Affairs was vetted in this office with reference to the Glossary of Audit and Accounts terms approved by the Commission for Scientific and Technical Terminology, Ministry of Education and Youth Services, Govt. of India.

While every effort has been made to make the Hindi translation correspond to its English texts as closely as possible, it is felt that original text should be referred to where the meaning is not quite clear from the translation. Any errors or inaccuracies coming to light may kindly be brought to our notice so that they may be rectified in the next edition.

Correction slips Nos. 1 to 62 have been incorporated in this edition.

R.K. KHANNA

Additional Deputy Comptroller and
Auditor General of India (Railways) and Ex-Officio
Director of Railway Audit

NEW DELHI

Dated 1st December 1971

PREFACE

The issue of this revised edition of the Railway Audit manual has been rendered necessary by the organisational changes that have taken place as a result of the merger of the Office of the Director of Railway Audit with the Office of the Comptroller and Auditor General of India, from the 15th July 1955. The head of the Railway Audit Department has since been designated as the Additional Deputy Comptroller and Auditor General of India (Railways) and ex officio Director of Railway Audit. From the same date the Chief Auditors of Railways have been made directly responsible to the Comptroller and Auditor General of India in matters relating to Budget, Establishment and Administration. So far as these subjects are concerned, the extent orders and instructions appearing in the Manuals issued by the Comptroller and Auditor General would apply equally to the Railway Audit offices. Accordingly all matters relating to miscellaneous subjects occurred in early edition of this manual have now been deleted, with the exception of certain special orders applicable particularly to Railway Audit Offices.

Opportunity has been taken to incorporate all corrections and orders issued from time to time since the last edition was issued. Account has also been taken of the changes resulting from the regrouping of Railways the decentralisation of the foreign traffic accounts and the localisation of cadres of S.R.A.S. Auditors and Audit Officers.

The programme of Audit appeared as Appendix I to the 1952 edition, has been deleted. It is proposed to issue separately a Memorandum of Instructions regarding extent of Audit in Railway Audit Offices.

All corrections to this manual, will be issued by the Additional Deputy Comptroller and Auditor General of India (Railways) and ex officio Director of Railway Audit. He will welcome any suggestions for the improvement of the manual.

P.C. PADHI

Additional Deputy Comptroller and Auditor General
of India (Railways) and ex officio
Director of Railway Audit

NEW DELHI

Dated 1st December 1959

PREFACE TO THE SECOND EDITION (Revised)

In this edition, the Manual has been enlarged and rewritten taking into account the Constitutional changes that have taken place in the country, the revision of the Convention governing the separation of Railway Finance from General Revenues with consequential changes in the rules of Allocation and Accounts, etc. The regrouping of Railways on a zonal basis, which has only partially materialised so far, may involve certain changes in the structure and organisation of the subordinate audit offices in due course.

The chapter relating to Collieries has been deleted.

P.H.S. RAO
Director of Railway Audit

SIMLA
The 7th December 1951

List of abbreviations

CAG	:	Comptroller and Auditor General of India.
DAI	:	Deputy Comptroller and Auditor General of India.
DF	:	Development Fund.
DRF	:	Depreciation Reserve Fund.
ECPA	:	Efficiency – cum – performance Audit.
GMs	:	General Managers.
GPF	:	General Provident Fund.
IAAS	:	Indian Audit & Accounts Service.
MSO (Admn)	:	Manual of Standing Orders (Administration).
MSO (Audit)	:	Manual of Standing Orders (Audit).
OLWR	:	Open Line Works Revenue.
SC to PF	:	Special Contribution to Provident Fund.
SOGES	:	Section Officer Grade Examination Service.
SRPF	:	State Railway Provident Fund.
TIA	:	Travelling Inspector of Accounts.

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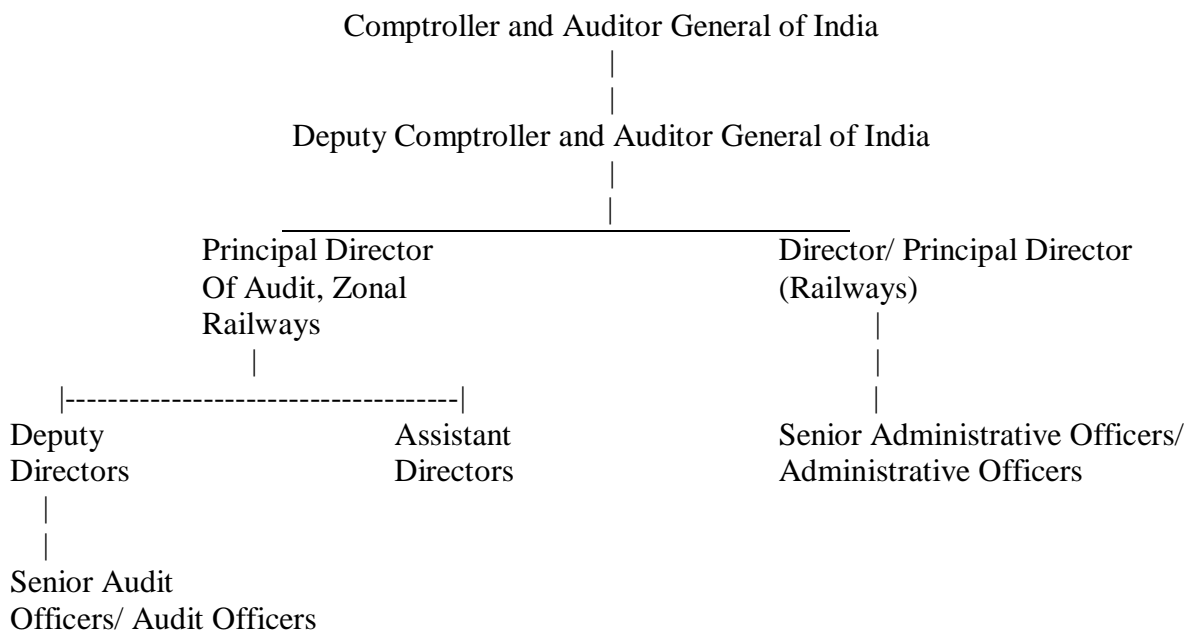
RAILWAY AUDIT MANUAL

PART I - DEPARTMENTAL REGULATIONS

CHAPTER I

CONSTITUTION OF THE RAILWAY AUDIT BRANCH

1. *The organisational set up of the Railway Audit Branch is as under:*



2. The Comptroller and Auditor General of India (CAG) is the final audit authority. His responsibility for the audit of railway accounts is discharged through the Deputy Comptroller and Auditor General of India (DAI). The DAI is assisted by a Principal Director (Railways) at Headquarters. There are also Zonal Principal Directors of Audit (PDAs) under the DAI having their offices at the headquarters of the Railways to which they are attached. In addition, special audit offices may, from time to time, be created for specific purposes.

3. *The Administrative control and jurisdiction of Principal Directors of Audit:* Principal Directors of Audit work under the supervision and direction of the DAI subject to any general or special orders which the DAI may issue, the Principal Directors of Audit may prescribe detailed instructions regarding the division of work and responsibility among his/ her subordinate staff and other matters relating to the organisation of his/ her office.

Directors/ Deputy Directors in the offices of the Principal Directors of Audit under whom they are working should be entrusted with the direct-charge of some important audit sections and inspections. It should be ensured that the Directors/ Deputy Directors hold direct charge of important sections apart from dealing with sensitive matters, performing essential administrative duties like functioning as appointing authority, under the discipline rules, functioning as controlling office etc. It

would also be desirable to rotate their charges, at least once in a year, so that they hold direct charge of all important sections over a period of time. The Principal Directors of Audit may decide how far they can themselves take over the administrative duties and the extent to which they should utilise the services of the Group Officer for the purpose. The audit and the administrative jurisdictions of the Principal Directors of Audit are generally as under:

Principal Directors of Audit	Headquarters	Jurisdiction	
		Audit	Administration
1	2	3	4
Central Railway	Mumbai	(a) Entire Railway including its Divisions, workshops, Stores Depots and Stations. (b) Konkan Railway (Supplementary Audit)	1. Headquarters Audit Offices. 2. Divisional Audit Offices at Jabalpur, Jhansi, Bhusaval, Mumbai CST, Solapur and Nagpur. 3. Workshop Audit Offices at Jhansi, Parel, Matunga and Bhusaval. 4. Railway Electrification Audit Offices at Bhopal and Nagpur. 5. Construction Audit Offices at Mumbai, Jabalpur, Bhusaval, Jhansi, Nagpur and Pune.
Eastern Railway	Calcutta	(a) Entire Railway including its Divisions, Workshops, Stores Depots and Stations	1. Headquarters Audit Offices. 2. Divisional Audit Offices at Sealdah, Mughalsarai, Howrah, Asansol, Dhanbad, Danapur and Malda Town. 3. Workshop Audit Offices at Liluah, Kanchrapara and Jamalpur. 4. Construction Audit Office at Calcutta.
Northern Railway	New Delhi	(a) Entire Railway including its Divisions, Workshops, Stores Depots and Stations. (b) Railway Board (Establishment	1. Headquarters Audit Offices. 2. Divisional Audit Offices at Ferozepur, Delhi, Lucknow, Moradabad, Allahabad, Bikaner, Jodhpur and Ambala. 3. Workshop Audit Offices at

Principal Directors of Audit	Headquarters	Jurisdiction	
		Audit	Administration
1	2	3	4
		Portion) (c) I.R.C.A., New Delhi (d) Metropolitan Transport Project, New Delhi. (e) R.D.S.O., Lucknow (f) R.E., Allahabad (g) R.C.F., Kapurthala (h) COFMOW, New Delhi	Jodhpur, Amritsar, Bikaner, Lucknow, Ghaziabad, Jagadhri and Kalka. 4. Traffic Audit Offices at Delhi – Kishanganj, Jullundur, Allahabad and Jodhpur. 5. Audit Office, COFMOW, New Delhi. 6. Audit Office, RDSO, Lucknow. 7. Audit Office, DCW, Patiala 8. Audit Office, RE, Allahabad. 9. Audit Office, RCF, Kapurthala.
North Eastern Railway	Gorakhpur	(a) – DO –	1. Headquarters Audit Offices. 2. Divisional Audit Offices at Izatnagar, Samastipur, Sonapur, Varanasi, Lucknow. 3. Workshop Audit Offices at Izatnagar, Samastipur, Gorakhpur. 4. Traffic Audit Office at Izatnagar.
Northeast Frontier Railway	Guwahati	(a) – DO –	1. Headquarters Audit Offices. 2. Divisional Audit Offices at Katihar, Alipurduar Junction, Lunding, Tinsukia. 3. Workshop Audit Offices at New Bongaigaon and Dibrugarh. 4. Construction Audit Office at New Jalpaiguri, Jogihopa, Maligaon and Silchar.
Southern Railway	Chennai	(a) – DO – (b) Wheel and Axle Plant at Yellahanka	1. Headquarters Audit Offices. 2. Divisional Audit Offices at Tiruchirappalli, Bangalore,

Principal Directors of Audit	Headquarters	Jurisdiction	
		Audit	Administration
1	2	3	4
		(Bangalore) (c) Integral coach Factory (ICF)	Madurai, Mysore, Chennai, Palghat, Tiruvananthapuram. 3. Workshop Audit Offices at Perambur, Golden Rock, Mysore and Podanur. 4. Traffic Audit offices at Chennai and Tiruchchirappali. 5. Construction Audit offices at Bangalore, Ernakulam Egmore, Tiruchchirappali and Madurai 6. Audit Office, ICF, Perambur 7. Wheel and Axle Plant at Yalahanka
South Central Railway	Secunderabad	(a) Entire Railway including its Divisions, Workshops, Stores Depots and Stations.	1. Headquarters Audit Offices. 2. Divisional Audit Offices at Secunderabad, Hyderabad, Vijayawada, Hubli, Guntakal. 3. Workshop Audit Offices at Hubli, Guntupalli, Lallaguda and Tirupati. 4. Construction Audit Offices at Rajahmundry, Secunderabad and Vijayawada.
South Eastern Railway	Calcutta	(a) – DO –	1. Headquarters Audit Offices. 2. Divisional Offices at Kharagpur, Adra, Chakradhapur, Bilaspur, Nagpur, Khurda Road and Waltair. 3. Workshop Audit Office at Kharagpur. 4. Stores Audit Office at Kharagpur. 5. Construction Audit Offices at Bilaspur and Waltair.
Western Railway	Mumbai	(a) Entire Railway	1. Headquarters Audit Offices.

Principal Directors of Audit	Headquarters	Jurisdiction	
		Audit	Administration
1	2	3	4
		including its Divisions, Workshops, Stores Depots and Stations. (b) Railway Staff College, Vadodara. (c) Zonal Training School, Udaipur.	2. Divisional Audit Offices at Jaipur, Ajmer, Rajkot, Ratlam, Bhavnagar, Kota, Vadodara and Mumbai Central. 3. Workshop Audit Offices at Ajmer, Dahod, Parel, Kota, Sabarmati. 4. Traffic Audit Offices at Ajmer, Delhi & Ahmedabad. 5. Construction Audit Offices at Mumbai, Kota, and Ahmedabad.
Railway Production Units and Metro Railway	Calcutta	(a) Chittaranjan Locomotive works (CLW) (b) Diesel Locomotive Works (DLW) (c) Metro Railway Audit, Calcutta	1. Headquarters and Branch Audit offices attached to each production unit. 2. Metro Railway Audit, Calcutta.

4. The Principal Directors of Audit are responsible for the efficient administration of the offices at their Headquarters and also for the efficiency of the subordinate offices under their control. For keeping a proper control over the subordinate units whether situated at Headquarters or outstations under their jurisdiction and in the interest of effectiveness of the audit work done by the Railway Audit Organisation, the Principal Directors of Audit should visit their subordinate formations as well as important units of the Railway Administration like very big/ major stations, workshops and the sites of important works to be taken up for review from time to time. The Principal Directors of Audit should have a minimum touring of about 7 working days every month. The important points noticed during their visits/ tours/ inspections should be reported to Headquarters office in the form of narrative reports for information of DAI.

CHAPTER II

GENERAL DUTIES OF THE RAILWAY AUDIT BRANCH

5. *Functions of CAG* - The functions of the CAG have been incorporated in CAG's (Duties, Powers and Conditions of Service) Act, 1971. The extent of his responsibility for audit of various types of railway transactions is as follows:

- (a) He is responsible for audit of all expenditure both in and outside India on Railways from the revenues of India; but no responsibility is imposed on him for keeping the accounts.
- (b) He is required to audit all transactions of railways relating to debt, deposits, sinking funds, advance, suspense account and remittance transactions.
- (c) He is required to audit all trading, manufacturing, profit and loss account and balance sheet of railways.
- (d) He is required to audit receipts and accounts of stores and stock relating to railways.
- (e) He is responsible for audit and certification of the accounts of Government companies and corporations relating to Railway established by or under any law by Parliament/ Legislative Assembly in accordance with the provisions of the respective enactments.
- (f) He is required to audit and certify the accounts of any body or authority relating to Railway whose audit has not been entrusted to him, if so required by the President upon such terms and conditions as may be agreed upon between the Comptroller and Auditor General of India and the Government of India.
- (g) The contracts of certain lines not financed by Government provide for some measure of Government Audit in certain matters and this duty also devolves upon him.
- (h) He is responsible for the correctness of the dividend payable from railway finances to the General Revenues of India under the convention for the separation of railway from general finances.

6. *Functions of Railway Audit Wing* - The Railway Audit Wing under the DAI conducts audit on behalf of and under the direction of the CAG and is responsible for:

- (a) scrutinising the adequacy and suitability of all instructions relating to the compilation of railway accounts and internal check procedure, whether these instructions be in the form of codes or otherwise, to satisfy himself that such instructions are consistent with the relevant statutory rules and the requirements of audit and accounts [Cf. Para 2.2.14 of CAG's M.S.O. (Audit)] and,
- (b) audit of
 - (i) sanctions having financial effect accorded by the Government of India other than those pertaining solely to an individual railway or railway accounts office;
 - (ii) sanctions regarding financial rules and general orders issued by the President which are not of a general nature but are applicable exclusively to the Railway Department;

- (iii) tenders invited by the Railway Board for the purchase of cast iron and steel sleepers, rolling stock and other materials;
- (iv) accounts maintained in the office of the Railway Board (Accounts Branch);
- (v) all sanctions and orders issued by the President or Government of India relating to through traffic;
- (vi) rules and modifications issued by the IRCA and all correction slips to tariffs and publications issued by the Association.

Note 1 Sanctions referred to above are not only sanctions to expenditure but also sanctions relating to local traffic and applicable to more than one railway.

Note 2 The sanctions referred to in item (i), (ii), (v) and (vi) above would be scrutinised in the Headquarters office with reference to Railway Board's files, codal provisions, etc. and any specific guidance of instructions considered necessary issued to the field offices. Formal acceptance in audit of the sanctions issued by the Ministry of Railways (Railway Board) need not, however, be communicated to the Principal Directors of Audit of the Zonal Railways. The Principal Directors of Audit should not refrain from conducting scrutiny of such sanctions just merely because the primary responsibility for audit of these sanctions rests with the Headquarters office. The Principal Directors of Audit should communicate objectionable features noticed, if any, in course of their scrutiny of the sanctions, in addition to their remarks on the points as may be referred to by the Headquarters office, so that the same can be taken up with the Ministry of Railways (Railway Board).

- (vii) budget orders issued at the commencement of the financial year;
- (viii) subsequent orders of re-appropriation against the vote of the Parliament;
- (ix) orders of appropriation and re-appropriation issued by the President, and
- (x) orders of regularisation of excess issued after a consideration of the Appropriation Accounts and the Audit Report;

Note In respect of items (vii), (viii) and (ix) the check will be applied to verify that the aggregate allotments to individual railways or departments under each grant and appropriation do not exceed the amount voted by the Parliament or appropriation sanctioned by the President.

- (xi) monthly and annual accounts of railways and of the railway section of the Finance Accounts of the Union Government including the Annual Review of Balances as compiled by the Railway Board, (after check, the material is forwarded to the Director General of Audit, Central Revenues);
- (xii) the Appropriation Accounts prepared by the Railway Board, certifying to their accuracy and submitting the Audit Report thereon to the CAG vide para 3.14.2 M.S.O. (Audit).

7. *Duties of Principal Directors of Audit* - The Principal Directors of Audit attached to the individual railways are responsible for the scrutiny and audit of:

- (i) financial sanctions pertaining to their railways and offices under their audit control, accorded by the Government of India, Ministry of Railways (Railway Board) or the General Manager;
- (ii) the allocation of estimates sanctioned by the same authorities;
- (iii) general orders issued by the General Manager under the powers delegated to him;
- (iv) sanctions pertaining to local traffic;
- (v) sanctions issued by the Railway Administration relating to inter change traffic between railways;
- (vi) the detailed accounts of the railways to see that these have been correctly prepared and are in proper form, no alteration in the form of the accounts or in classification is made without the approval of the competent authority, the system of internal check is efficient and that all appropriations or re-appropriations sanctioned by the General Manager or subordinate authorities are in order;
- (vii) allocation of expenditure divisible between two or more sections of a railway to see that the division between the main and worked lines and between commercial and strategic sections of a railway has been made correctly;
- (viii) expenditure from the Secret Fund placed at the disposal of Railway Administration, only to the extent of seeing that the prescribed certificate is received from the General Manager in respect of each financial year;
- (ix) the annual Review of Balances and the Appropriation Accounts of the Railway and certifying to their correctness;

and also for conducting periodical inspections of the stations and accounts of the executive offices.

The Principal Director of Audit, Northern Railway is also responsible for the scrutiny and audit of (1) all sanctions and orders issued by the President or Government of India relating to foreign traffic transactions with Pakistan (2) sanctions of Railway Administrations relating to interchanged traffic between two or more railways, besides arranging a monthly check of such sanctions with reference to the prescribed minima and maxima of rates relating to all Government railways, and (3) the accounts of receipts and expenditure relating to establishment of the Railway Board and its attached offices.

The Audit of sanctions relating to foreign traffic transactions with Bangladesh will be done by Principal Director of Audit, Eastern Railway.

8. *Certification of accounts* - The various accounts of the railways requiring certification in audit, the form of audit certificate and the authority to sign the certificates are as under:

Particulars of Accounts	Form of Audit Certificate	Authority to sign the certificate
1	2	3
(a) Appropriation Accounts including Balance sheet of	"These Accounts have been examined under my direction. On the basis of the	CAG

Particulars of Accounts	Form of Audit Certificate	Authority to sign the certificate
1	2	3
the Railways as compiled by the Railway Board.	information and explanations that my officers required and have obtained, and according to the best of my information as a result of the test audit of the accounts, I certify, in pursuance of the provisions of Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971 that these accounts are correct subject to the observations in my Report on the Railways for the year	
(b) Net proceeds of Terminal Taxes payable by the Railways	“With reference to Article 279 (1) of the Constitution of India, I hereby certify on the basis of the information supplied by the Railway Administration and test check exercised thereon under my direction, that the ‘Net proceeds’ of the terminal tax levied at under the Terminal Tax on Railway Passengers Act, 1956 are Rs.....(Rupees.....only)”	CAG
(c) Balance Sheet	“I have examined the foregoing Accounts and the Balance Sheet of the Indian Government Railways. I obtained all the information and explanations that I have required, and subject to the observations in the separate Report of the Comptroller and Auditor General of India for the year, I certify, as a result of my audit, that in my opinion, these Accounts and Balance Sheet are properly drawn up so as to exhibit a true and fair view of the state of affairs of the Indian Government Railways according to the best of my information and explanations given to me and as shown by the books of the Indian Government Railways”.	DAI
(d) Annual Accounts of the Railways as compiled by the Railway Board for incorporation in the Finance Accounts of the Union Government.	"I certify that the accounts compiled by the Railway Board, the General Managers and the accounts prepared therefrom by the Railway Board for incorporation in the Finance Accounts of the Union Government for the year	DAI

Particulars of Accounts	Form of Audit Certificate	Authority to sign the certificate
1	2	3
	<p>....., have been examined and audited under my direction in accordance with the requirements of Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) act, 1971".</p>	
(e) Review of Balances	<p>"As a result of test audit carried out under my direction and on a consideration of explanations given to me, I certify that, to the best of my knowledge and belief, the accounts and the review of balances have been correctly prepared".</p>	DAI
(f) Appropriation Accounts and Balance Sheet of the individual Railway.	<p>"The Accounts forwarded herewith have been examined by me in accordance with the requirements of Articles 149 of the Constitution of India read with the Provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971. I have obtained all the information and explanations necessary and according to the best of my information, and on the basis of certificates I have obtained from other Audit Officers, to the extent they are responsible for audit of these accounts, I certify that the accounts are correct, subject to the observations made therein and in the Report of Comptroller and Auditor General of India for the year....., Union Government (Railways)".</p> <p>"I have examined the foregoing Accounts and the Balance Sheet, of Railway. I have obtained all the information and explanations that I have required, and subject to the observation in the separate Report of the Comptroller and Auditor General of India for the year....., I certify as a result of my audit, that in my opinion, these accounts and Balance Sheet are properly drawn up so as to exhibit a true and fair view of the state of affairs of the Railway according to the best of my</p>	Principal Director of Audit of the Zonal Railway.

Particulars of Accounts	Form of Audit Certificate	Authority to sign the certificate
1	2	3
	information and explanations given to me and as shown by the books of the Railway".	
(g) Capital and Revenue Accounts, Finance Accounts, Review of Balances and other Accounts of the individual Railway for the year ending with March Account.	"Certified, as a result of the test audit of the accounts compiled under the direction of the General Manager that, subject to the observations below, the * _____ of the _____ Railway for _____ have/ has to the best of my knowledge and belief, been correctly prepared".	Principal Director of Audit of the Zonal Railway
(h) March Accounts of the individual Railway before their submission to the Railway Board (Accounts)	"Compared with the office copy and found to be a true copy".	Principal Director of Audit
(i) Pilgrim Tax	<p>1. It is certified that all passenger classification returns for the year _____ except _____ list have been received, checked and taken into account and the amount assessed as (to be due on account of) computed tax amounting to Rs. _____ has been credited to Railway concerned.</p> <p>2. An amount of Rs. _____ of _____ returns pertaining to the year _____ (previous year) which could not be accounted for in the certificate for the years _____ (previous years) has been included in the certificate for the year _____ (current year)</p>	Principal Director of Audit

* Name of the Account.

Specific qualification of the certificates of audit on the Appropriation Accounts and the Balance Sheet with reference to misclassification in the accounts of the year would rarely be necessary and should not be made without the prior approval of the DAI. The certificates on the March Accounts and the review of balances may, however, be qualified wherever necessary.

So long as a full list of misclassifications affecting the accounts of the year concerned is appended to the Appropriation Accounts, the certificate of audit on the Finance Accounts and the Capital and Revenue Accounts of the railway need not be qualified with reference to misclassifications.

Note Where the observations do not in any way affect the accuracy of the accounts, a clear certificate should be given. The audit certificate need not be qualified in respect of items such as arrears in Accounts or Audit due to:

- (i) non-availability of certain vouchers just as pay-sheets, contractor's bills, pay orders, unpaid wages statement, claim cases, labour pay sheets, journal vouchers etc.
- (ii) non-preparation of certain subsidiary accounts such as Capital and Revenue Accounts of residential buildings, Statements of stores transactions etc.
- (iii) non-completion of certain subsidiary registers such as Central Check Register, posting in the Register of overpayments waived, non-attestation of Provident Fund Ledgers, non-issue of annual statements of Provident Fund to subscribers etc.

Separate lists of such arrears may, however be sent.

The Audit certificate may be qualified if the arrears are chronic or the amounts involved are substantial or the points are of exceptional importance affecting the accuracy of accounts.

9. *Report of Serious irregularities and losses* - All serious irregularities should be reported by the Principal Director of Audit to the DAI as soon as they come to his notice. A report should also be sent of losses and embezzlements of cash or stores exceeding Rs.50,000 in each case; losses below this limit may also be reported if there are special features such as abnormal delays in investigation or in sending reports to the Railway Board and Audit as required under Para 1102 - F(I), or some important defect in procedure or organisation. The Principal Directors of Audit should also examine the final report of the authorities investigating the irregularities or losses and submit a report to the DAI as to the adequacy of the action taken. Serious irregularities or losses noticed during audit or local inspections should also be brought to the special notice of the Financial Adviser and Chief Accounts officer.

The same procedure should be followed in regard to orders for writing off of large amounts of revenue or waiving recovery of overpayments or advances.

10. *Quarterly Confidential D.O.* - The Principal Director of Audit should send confidentially to the CAG a quarterly D.O. letter bringing out important objections taken up by him during preceding quarter and also the important developments and final results or objections taken up in earlier months or any other important matter of general interest. A copy of this letter should be endorsed to the DAI. This report is not to be encumbered with items of less importance.

CHAPTER III

DEPARTMENTAL REGULATIONS - GENERAL

11. *General* - The instructions contained in paragraphs 3.29 of M.S.O. (Administration Vol. I) are applicable to the Principal Directors of Audit attached to the Railways in the same way as they apply to Accountants General and Principal Directors of Audit attached to non-railway Departments.

12. *Office Organisation of Principal Directors of Audit* - A Railway audit office is divided into branches or sections and a typical sectional organisation is as follows:

I General Audit Branch Comprising:

- (1) Establishment and Provident Fund Audit Section;
- (2) Expenditure Audit Section;
- (3) Books and Appropriation Audit;
- (4) Inspection Section;
- (5) Administration Section;
- (6) Routine Section;
- (7) Central and Report Section;
- (8) Efficiency-Cum-Performance Audit/ Special Investigation section.

(Sometimes two or more small sections are combined together)

II. Traffic Audit Section.

III. Workshop Audit Section.

IV. Stores Audit Section.

V. Computer Audit Section.

VI. Construction Audit Section.

VII. Divisional Audit Offices.

The Assistant Audit Officers/ Section Officers who have been entrusted with efficiency-cum-performance audit/ special investigation duties will work under the personal direction of the Principal Director of Audit.

The actual sectional organisation and the duties assigned to each section are described in the Office Manuals of each office.

13. *Co-ordination of work* - Suitable arrangements should be made in different offices for co-ordination of work of similar nature in different branches, so that the best results may be obtained. For example, there should be a co-ordination in the matter of allocation of work etc., between the Inspection, Workshop and Expenditure branch of an office and in respect of establishment matters between the Establishment, Expenditure, Inspection, Workshop and Stores Branches.

14. *Travelling Allowance* - The staff and officers of the Railway Audit Department (including officers of the IA&AS serving in the Railway Audit Department) are governed by rules in Chapter 16 of the Indian Railway Establishment Code, Vol.II as amended from time to time.

"The rates of daily allowance for the staff and officers in the Railway Audit Department follow the rates sanctioned by the Ministry of Railways for the Railway Staff".

Note The staff and officers of the Railway Audit Department while proceeding on deputation to other Government Departments/ Undertakings/ Organisations and while returning from such a deputation, will be governed by the travelling allowance rules of the borrowing Departments etc.

15. *Free passes and P.T.O.s* - Officers and staff of the Railway Audit Department including officers of the IA&AS serving in the Railway Audit Branch are entitled to the privilege of Passes and Privilege Ticket Orders (P.T.O.s) irrespective of their date of joining the Railway Audit Department. The scale of Passes and P.T.Os. and the rules governing their issue are the same as applicable to railway staff from time to time. In case of officers of the IA&AS when proceeding on long leave i.e. leave exceeding four months, passes/ P.T.Os. are admissible provided they have completed not less than one year's service in the Railway Audit Department and provided also that the CAG declares in each case that the officers will return to a Railway Audit Department on the expiry of leave.

Passes and P.T.Os. irrespective of home or foreign lines will be issued by the DAI and the Principal Directors of Audit in respect of the Officers and Staff of their respective offices.

Note Officers of the IA&AS working in the Railway Audit Department will not be granted certificates to enable them to obtain travel concessions on Railway outside India.

16. In addition to the privilege passes/ P.T.Os. admissible under the pass rules, the officers and staff of the Railway Audit Department in the offices of DAI and Principal Directors of Audit including Officers of the IA&AS serving in the Railway Audit Department are entitled to passes of the following nature to the extent and under the conditions governing the issue of such passes to Railway employees:

- (i) School Passes;
- (ii) Transfer Passes;
- (iii) Free residential Card Passes/ Concessional Season Tickets over sections on which admissible;
- (iv) Pass for transport of car;
- (v) Settlement Passes;
- (vi) Post-retirement complimentary Pass (except) officers of the IA&AS in respect of whom each case will be dealt with on merits and should be referred to DAI.
- (vii) Miscellaneous Passes over the homeline only as admissible to Railway employees under the 'Home Line Pass Rules';
- (viii) Passes to receive settlement dues;

- (ix) Passes on sports account;
- (x) Widows/ Widowers of Railway Audit staff are eligible for the grant of Passes and P.T.Os on the same terms and conditions as applicable to Railway employees in accordance with provisions contained in Schedule V (Widow Pass) of Railway Servants (Pass) Rules, 1986 amended from time to time

Railway Audit staff inducted into I.A. & A.S. will however, not be eligible for this benefit.

(Authority: Railway Board's letter No. E (W) 85-PS-5-8 dated 23.2.1989).

- (xi) Railway Audit staff on their absorption in Autonomous Bodies having pension scheme and who opt for benefit of combined service under the Railways and in the Autonomous Body, are eligible for the benefit of post-retirement complimentary passes; if otherwise eligible only on final retirement from the autonomous body. Those, who opt for the pro-rata retirement benefits and are paid their settlement dues on absorption in autonomous bodies are, however, entitled to post retirement complimentary passes, if otherwise eligible, as are granted on absorption in Public Sector Undertakings; and
- (xii) Railway Audit Staff transferred to other Departments or absorbed permanently in Public Sector Undertaking are eligible for the facility of free passes after they retire from such departments at the scale as are given to Railway employee on post retirement scale subject to fulfilling the prescribed qualifying Railway Service.

(Authority: C.A.G's. Office Letter No.141-RA-W/T/17-12/85/KW-II dated 4/90 read with para 2 of C.A.G's office letter No.811-RA-III/7/12-61/67 dated 28.10.1989).

The Railway Audit Staff shall not be entitled to the following concessions which are admissible to Railway servants only:

- (i) Passes on first appointment.
- (ii) Passes to office-bearers of Unions of staff of the Railway Audit Department.

17. *Travelling allowance for the road journey in conveyance provided by out agents* - Many Railways have out-agencies at points situated away from the Railway. The out-agency agreements usually include a clause that the out-agency contractors will provide to the Audit Staff (both gazetted and non-gazetted) deputed for inspection of the out-agency accounts free transport from the rail-head to the out-agency. In the interest of Government work, the staff of the Indian Audit Department, should invariably avail of the free travelling facilities provided by the out-agency contractors and the grant of T.A. to the staff concerned should be regulated by Note 2 below para 1630 of Indian Railway Establishment Code Vol.II.

18. *Medical Attendance* - For purpose of medical attendance, the staff of the Railway Audit Department are governed by the Central Services (Medical Attendance) Rules, 1944 as amended from time to time. Members of the families of Central Government servants are also entitled, free of charge, to medical attendance and treatment at hospitals as defined in the relevant medical attendance

rules applicable to the Government servants concerned and on the scale and condition allowed to the Government servant himself in each case (O.M. No.F.12(6)WTI/28, dated the 18th April 1945). They are not eligible for medical attendance in Railway hospitals except to the extent as provided in para 606 of the Indian Railway Medical Manual as reproduced below:

"Medical attendance and treatment facilities, to the extent available to railway servants of corresponding status, will be available, free of charge, to the Railway Audit Staff and their family members, in accordance with the detailed rules as given in Sections C & D of this chapter at places where civil medical facilities are unavailable or inaccessible".

(Railway Board's letter No.E46ME39/3 dated 24th June, 1946 and No.64/H/7/158 dated 9th November 1964)

Note An employee will be governed either by the Railway Medical Facilities or the Civil Medical Facilities but not both simultaneously. The option to avail of either the Railway Medical Facilities or the Civil Medical Facilities will be available to each individual employee and need not be exercised by all the employees of an office as a whole. The option once exercised will not be changed except in the event of change of his / her residence at the same station or transfer to another station.

(Authority: CAG's Circular No. 3309 – NGE I/112 – 78 dated 24 September 1980)

19. *Inspection carriages* - The supply of reserved or inspection carriages is regulated in the case of the DAI and other officers attached to his office by the rules and orders issued by the Railway Board and in the case of other officers, by the rules and orders issued by the General Manager of the Railway to which they may be attached.

20. *Responsibility for handling of cash, etc* - The instructions given in paragraph 1.17.4 of the M.S.O. (Administrative, Vol.I) and Rules 76 and 77 of the Compilation of the Treasury Rules, Volume I are applicable to Railway Audit offices.

21. *Transfer of charge* - The instruction given in paragraphs 1.19.1 to 1.19.3 of the M.S.O. (Administration), Vol. I and para 78 of the General Financial Rules are applicable mutatis mutandis to the DAI and the Principal Directors of Audit. The Principal Directors of Audit will, however, send two copies of the memorandum referred to in paragraph 1.19.1 as also the special reports referred to in paragraph 1.19.3 of M.S.O. (Administrative), Vol. I to the DAI. The memorandum accompanying the charge report should be so prepared as to draw the successor's attention to the points which he must particularly bear in mind, including administrative matters and arrears. A short account of all outstanding cases of importance and containing special features should be included.

22. *Private work* - Rules regarding Honorary work of social or charitable nature or occasional work of literary, artistic or scientific character laid down in para 3.36 of M.S.O. (Administration), Vol. I are also applicable to staff and officers of the Railway Audit Department.

23. *Broad Cast Talks by Government Servants* - The instructions contained in para 3.37 of M.S.O. (Administration), Vol. I are also applicable to staff and officers of Railway Audit Department.

24. In respect of entitlements and service conditions not otherwise specified in this chapter, the terms and conditions applicable to the staff and officers of the other departments of IA&AD are applicable to the staff and officers of the Railway Audit Department.

25. *Reversal of orders* - A Principal Director of Audit may not, without the permission of the DAI, reverse any deliberate or important orders passed by his/ her predecessors.

CHAPTER IV
DEPARTMENTAL REGULATIONS - GAZETTED STAFF

26. *General* - The regulations contained in Chapter III and IV of the M.S.O. (Administration), Vol. I apply also to the Officers of the Railway Audit Department.
27. *Change of Headquarters* - The headquarters of Branch Officers other than the IA&AS personnel, are fixed by the Principal Director of Audit subject to general or any special instruction issued by the CAG from time to time and instructions contained in Sl. No.7 under section C of M.S.O. (Administration), Vol. II.
28. *Changes in personnel* - All changes in the IA&AS officers should be reported at once to the CAG and the Principal Director of Audit, Central Revenues.
29. *Reports regarding leave* - The date of departure or return from leave of IA&AS officers should be reported by the Head of the office at once to the CAG and a copy of the report sent to the Principal Director of Audit, Central Revenues, simultaneously.

IA&AS officers should intimate to the CAG their addresses during leave. Senior Audit officers/ Audit Officers should report to the Principal Directors of Audit their addresses during leave.

30. *Gazetted Notification* - All important events such as promotions, confirmations and retirements of Senior Audit Officers/ Audit Officers should be notified for publication in the Gazette of India. Notifications issued in this behalf may be sent by Principal Directors of Audit direct to the press accompanied by Hindi version thereof.

Only copies of Office Orders or advance notifications in respect of promotion to the grade of Senior Audit officers/ Audit Officers/ Assistant Audit Officers, reversion of serving Senior Audit Officers/ Audit Officers and Assistant Audit Officers/ Section Officers, deputation/ transfer on foreign service of Senior Audit officers / Audit Officers /Assistant Audit Officers to Government Department, public sector undertakings etc., and reversions to parent office, therefrom, need be endorsed to the office of CAG.

No abbreviation should be used in the notifications and use of the word "forenoon" and "afternoon" should be avoided. If the transfer of charge takes effect in the afternoon of a date, the next date should be given in the notification.

31. Senior Audit Officers / Audit Officers are not ordinarily transferred from the office of one Principal Director of Audit to another. They are, however, liable like all other Central Government employees, to be transferred from one office to another, subject to the provisions of FR 15. The CAG transfers such persons to any office in the Indian Audit and Accounts Department or to any office under the Central Government on such terms and conditions as may be determined by him in each case.

32. *Leaving headquarters* - Previous permission should invariably be obtained to spend holidays and casual leave outside headquarters or territorial jurisdiction.

The Principal Directors of Audit may avail of Casual leave without prior permission of the CAG. They should, however, as far as possible send advance intimation to the CAG as well as the DAI of their intention to avail of casual leave or restricted holiday.

Whenever Principal Directors of Audit propose to leave Headquarters either on duty or casual leave or during holidays to go any place within their jurisdiction, they should intimate the fact to the CAG as well as the DAI in writing sufficiently in advance as far as possible and should when going out on tour, also send their tour programmes to them in advance. When the absence involves going to a place beyond their jurisdiction, they should obtain prior permission of the CAG sufficiently in advance as far as possible. In either case the address during absence from headquarters should also be intimated to both the authorities beforehand. The Principal Directors of Audit may permit officers working under them to leave headquarters.

33. *Confidential Reports* - These reports should be prepared in accordance with the instructions given in para 3.30 – 3.31 of the M.S.O. (Administration), Vol. I and such subsidiary instructions as may be issued from time to time.

In the case of Senior Audit officers/ Audit Officers the instructions contained in Appendix I, Schedule III of the M.S.O. (Administrative), Vol. III should also be observed.

The confidential report of IA&AS officers should be sent to the Assistant Comptroller and Auditor General (P) by name, to reach by the 15th April each year.

Note 1 Office copies of the report should not be kept.

Note 2 At the time of making over charge of his/ her office Principal Director of Audit should write confidential reports of all officers who have worked under him/ her for 3 months or more during the year under report (mentioning this also in his/ her memorandum accompanying the Charge Report) and leave them with his/ her successor.

CHAPTER V

DEPARTMENTAL REGULATIONS – ESTABLISHMENT

34. *General* - The regulations applicable to Groups 'C' and 'D' staff of the Indian Audit Department as a whole are contained in Chapters V, VI and VIII of the M.S.O. (Administration), Vol.I and they apply also in the establishment of the Railway Audit Department unless in any case they are inconsistent with the instructions contained in this chapter.

35. *Composition of the staff* - The non-gazetted establishment in Railway Audit Offices consists of Group C staff comprising (1) members of Section Officer Grade Examination Service designated as Section Officers and (2) non-Section Officer Grade Examination Service staff and Group D staff under the control of the head of each office.

36. *Pensionable staff* - Staff transferred from permanent pensionable service to the Railway Audit Department shall retain their pensionable status. Those appointed after 31st March, 1930 in these offices shall be on a pensionary footing.

Staff who were in service or on leave preparatory to retirement (including refused leave) on the 1st April 1957 have the option to elect the Liberalised Pension Rules (1950) as amended from time to time. The staff of the Railway Audit Department are governed by the C.C.S. (Pension) Rules 1972 including family pension scheme 1964. The widows and dependent children of the deceased G.P.F. beneficiaries of the Railway Audit Department are eligible for ex-gratia payments.

37. *Nomination forms under the Pension Rules* - The nomination forms in respect of Audit Officers and staff should be kept by the office in which they hold a lien or by the office of recruitment, if no lien is held.

38. *Notice of discharge* - Temporary staff are entitled to one month's notice of discharge from Government service.

39. *Grant of Leave* - Leave applications from staff will be dealt with finally by the Head of their local offices, while those from members of Section Officer Grade Examination's Service will be dealt with by the Head of Office on the recommendation of the Branch Officers. Senior Audit Officers/ Audit Officers can sanction leave not exceeding 15 days at a time to Assistant Audit Officers/ Section Officers working under them, provided no substitutes are required.

40. *Address during leave* - Whenever Assistant Audit Officers/ Section Officer or other staff applies for leave, his address while on leave should be mentioned in the application and any change in that address during the leave must immediately be reported to the office.

41. *Medical certificates* - In case of illness, medical certificates should ordinarily be accepted only from Authorised Medical Attendants and in exceptional cases from Registered Medical Practitioners according to the leave procedure rules applicable to establishment under the control of the Government of India. But the local Head of an office may, at his discretion, accept certificates not complying with these conditions when they are produced to justify mere casual leave of absence. The local Head of an office may also, where he considers it to be necessary, require the counter-signature of a medical certificate by a Civil or Presidency Surgeon.

42. *Medical certificate on first entry into Government service* - Medical Certificate of fitness as required under Fundamental Rule 10 read with Supplementary Rules 3, 4 and 4-A should be obtained in all cases of appointments in the Railway Audit Department. Such certificate should normally be obtained before the appointments are actually made.

In case where an officer is required to join immediately for work or for training, the appointment may be made without first obtaining the medical certificate, though the appointments should be subject to the officer's being declared medically fit. In all such cases if an officer is declared unfit on medical examination and he prefers an appeal, he should be retained in service till the appeal is finally decided.

In case of a Government servant whose appointment is made on a temporary basis on the strength of a medical certificate issued by a lower authority or without such a certificate, it may be necessary to get a certificate of fitness from the appropriate medical authority. If the appropriate medical authority finds that the person is not fit for retention in service at all and if an appeal for a second medical examination from the Government servant concerned is accepted, the person concerned should be allowed to continue in service till the verdict of appropriate medical authority is known. In case it is decided not to accede to the request for further medical examination, the services of the officer should be terminated forthwith.

43. *Appeals against decisions of Civil Surgeons and individual Medical Officers* -

(i) The Government servant or candidates for Government service, who are declared unfit by Civil Surgeons/ individual medical officers/ Medical Boards, have the right to appeal against such decisions. The intimation regarding unfitness should immediately on receipt, be communicated to the person concerned with a note that appeal, if any, must be made by the Government servant/ candidate concerned within one month of the communication of the findings of the Civil Surgeon/ Medical officer/ Medical Board. If any medical certificate is produced as evidence about the possibility of an error of judgment in the decision of the Civil Surgeon/ Medical officer/ Medical Board, who examined him in the first instance, the certificate must contain a note by the Medical practitioner concerned to the effect that it has been given in full knowledge of the fact that the candidate has already been rejected as unfit for service by a Civil Surgeon/Medical officer/ Medical Board. If no appeal is preferred by the Government servant/ candidate within one month of the date of communication to him of the findings of the Medical Officer/ Board his service should be terminated forthwith on the expiry of the period of one month and ordinarily no appeal should be allowed after the expiry of that period.

(ii) Candidates for appointment to Gazetted or non-gazetted posts of less than one year's duration have no right of appeal against the decisions of a Civil Surgeon or an authorised medical attendant but it will be open to the Government to allow re-examination by another Civil Surgeon or a Specialist or by a Medical Board, as may be considered necessary. The fee for such examination, if any, will be paid by the candidate concerned.

Note Candidates who are declared unfit for appointment to Government service, are not to be allowed to join duty till they are declared fit by the second or subsequent medical authority as a result of admission of their appeal.

44. *Absence from headquarters* - Prior permission in writing of either the head of the office or the Branch Officer concerned should invariably be obtained by all Government servants (including Group 'D' staff) to leave Headquarters either on casual leave or during holidays (including Saturdays and Sundays). Such permission should be obtained separately and not on applications for privilege passes or P.T.Os., if any. The address of the employee during such casual leave or holidays should be intimated to the office before the employee leaves Headquarters.

45. *Application for employment elsewhere* - Applications from staff seeking employment elsewhere should be made officially through the Principal Director of Audit. Before forwarding applications of permanent Government servants for posts in Public Sector Undertaking/ Autonomous/ Semi Government Organisations, the Principal Directors of Audit should obtain a written undertaking from the staff concerned accepting the conditions stipulated in the Ministry of Home Affairs O.M. No. 70/62/62-Ests (A), dated 22.01.1966 as amended from time to time. In respect of temporary employees a written undertaking should be obtained before forwarding their applications for posts in Public Sector Undertakings/ Organisation, to the effect that in the event of selection to the posts applied for they will resign from Government Service.

46. *Certificate* - Certificate of service when given should be signed by the Principal Director of Audit. In no case should such certificate be given by the Subordinate Supervising staff.

47. *Localisation of the Section Officer Grade Examination Service* - The Section Officer Grade Examination Service has been localised on individual Railway. The general control over the members of Section Officer Grade Examination Service in the matter of leave, transfers, officiating appointments and promotions rests with the Principal Director of Audit of each Railway, subject to the restrictions imposed by the CAG. Members of SOGES are liable for service in any Railway Audit Office within the Railway on which they are localised and also in the office of CAG. The Section Officer Grade Examination Service personnel are not ordinarily transferred from the office of one Principal Director of Audit to another. They are, however, liable like all other Central Government employees to be transferred to any other office within Indian Audit and Accounts Department or to any office under the Central Government on such terms and conditions as may be determined by CAG in each case.

The Section Officers Grade Examination passed Auditors of the office of DAI are localised in the office of the CAG.

48. *Appointments to the Section Officers Grade Examination Service* - Appointments to Section Officers Grade Examination Service will be made mainly by:

- (1) the promotion of staff of the Railway Audit Offices within a Railway who may have passed the Section Officers Grade Examination;
- (2) the transfer with the concurrence of the Head of the Office concerned of men in Audit or Accounts Offices not under the control of the DAI provided such men have passed the Section Officers Grade Examination prescribed for the branch of the Audit or Accounts Department in which they may be employed (in the later case they may be required to pass in

certain selected subjects of the Section Officers Grade Examination within a specified time);
and

(3) the confirmation of eligible apprentices.

49. No exclusive vested right of appointment to the SOGES can be claimed by any class of employees in the Railway Audit Department and the CAG is not precluded from directing the appointment of any person not belonging to the categories mentioned in paragraph 48.

50. Appointment in the Section Officers Grade Examination service is made on the basis of seniority-cum-merit and is always subject to the condition that the eligible persons are also qualified in the opinion of the appointing authority by ability, character and experience, to discharge adequately and efficiently the duties required of the incumbent of a post in the Section Officers Grade Examination service.

51. Confirmation of a person officiating in the Section Officers Grade Examination Service shall be made on the basis of seniority alone. If an officiating Section Officer of Section Officers Grade Examination service proves to be a failure, he should be reverted to the Senior Auditor's Grade.

52. Appointment of staff to the Section Officer Grade Examination service is departmental promotion for purposes of Government of India orders governing reservation of posts for redressing communal inequalities; but in regard to appointments made from the other sources mentioned in para 48, the appointing authority shall pay due regard to the proper and adequate representation of the various communities in the Section officers' service.

53. *Seniority list* - For the purpose of regulating the promotion of Section Officers Grade Examination passed staff to the rank of Section officers a single seniority list of all such men of every Railway should be maintained by the Principal Director of Audit. As soon as the results of Part II of the Section Officers Grade Examination are published, the seniority of staff who are declared to have passed that examination should be determined by the Principal Director of Audit concerned in accordance with the prescribed rules of seniority and the names of such staff added in the proper places in the seniority list of the Railway concerned.

Seniority lists will be maintained by the Principal Directors of Audit in respect of the members belonging to his/ her office in accordance with the instructions issued from time to time, the usual number of copies being submitted to the CAG.

54. *Section Officers Grade Examination* - For detailed rules regarding the examination see Chapter IX of Manual of Standing Orders (Administrative), Vol.I.

55. *Officiating Promotions* - Principal Directors of Audit may make officiating promotions in vacancies to the ranks of Section Officers from amongst Section Officers Grade Examination passed staff of his Railway subject to any orders issued by the CAG from time to time.

56. *Promotions of non-Section Officer Grade Examination Service staff to hold charge of Section Officer Grade Examination Service posts* – Promotion of un passed staff to hold charge of a Section Officers' posts can be made by the Principal Directors of Audit subject to any orders issued by the CAG from time to time. Such promotees are designated as Supervisors.

57. *Transfers* - The Head of the office is responsible for ordering transfers of the SOGES staff but every endeavour should be made to reduce transfers to a minimum.

58. *Confidential Reports of all Group B and C employees* - The confidential reports of all Group B and C employees should be written in accordance with the instructions contained in the CAG's confidential circular No.193-N.2/23-87 dated 27.02.1987 and No.296-N.2/23-87 dated 31.03.1987. The confidential reports shall be written up in the form given in CAG's M.S.O. (Administration), Vol. III for each financial year or part thereof [Para 10.11 of M.S.O. (Administration), Vol. I].

59. *Transfer of staff* - The Railway Audit staff is borne on a local cadre and is not ordinarily liable to transfer to other offices. They are, however, liable like all other Central Government employees, to be transferred to any other office within Indian Audit and Accounts Department or under the Central Government on such terms as may be determined by the competent authority.

Note The non-Section Officer Grade Examination Service men promoted temporarily to the Section officer Grade Examination Service posts as well as the auditors-in-charge already working against Section Officer Grade Examination Service posts are liable for transfer to other offices as found necessary, just like the Section Officer Grade Examination Service personnel.

60. *Confirmation of staff in the Auditor's Cadre* - The orders issued from time to time by CAG regarding Departmental Examination for Auditors held in Railway Audit Offices should be carefully observed for purposes of confirmation of staff in the Auditor's grade. The syllabus for the examination is given in Para 9.4.8 of M.S.O. (Administration), Vol. I. Graduate Group D and graduate Clerks with three years' continuous service are also eligible to appear for this examination.

The following Departmental Examinations are held for Group C and D staff:

- (i) Limited Departmental Competitive Examination for promotion of Group D to Clerks.
- (ii) Limited Departmental Examination for Clerks to be promoted as Stenographers.
- (iii) Incentive Examination for Senior Auditors.

61. *Training of Auditors and Section officer Grade Examination Service personnel* (See Para 9.2.8 and 9.2.9 of M.S.O. (Administration), Vol I - The CAG attaches great importance to the systematic training of newly recruited staff and Section Officer Grade Examination Service personnel. The course should cover all details pertaining to office procedure and routine in addition to the main principles of audit of all the branches of Railway transactions such as Establishment, Engineering Works, Workshops, Stores, Traffic etc., and the Code rules regulating them. Wherever there is a separate Training Superintendent, he should maintain an official diary of his work and submit the same to Principal Director of Audit weekly. The detailed syllabus of studies and the actual method of training should also be approved by the Principal Director of Audit before hand.

Step should be taken by Branch Officers and Asst. Officers / Section Officers to ensure that on each change of incumbency, the staff concerned know exactly what rules are to be applied to the work to which they have been transferred. This, however, should not be taken to mean that it is preferable to leave Sr. Auditors / Auditors un-disturbed for long time in any particular section or on any particular work. Ordinarily no person in the Department should be kept on the same item of

work for more than three years except for very special reasons. The work of reviewing the position should be made the special responsibility of the Administration Section and the same entered in its duty list and also watched by means of the Calendar of Returns with a suitable date prescribed for it.

62. *Government Servants Conduct Rules* - The Central Civil Service (Conduct) Rules, 1955 are applicable to all members of the establishment. Copies of the rules should be kept up to date and available for general reference in each office.

63. *Supply of liveries to Group 'D' staff* - Supply of liveries is made according to the scale laid down by the respective Railway Administration for their own staff.

Liveries of Group 'D' staff should on no account be washed at Government expense where the allowance is inadmissible.

No washing allowance should be paid to Group 'D' for the period during which they are on regular leave, exceeding 15 days.

64. *Purchase of Bicycles* - The Heads of Department are authorised to sanction the purchase of bicycles for the use of messengers employed in their own offices or in offices subordinate to them, where supply is rendered clearly necessary by the requirements of public business, provided that (i) the price of each bicycle does not exceed the price fixed by the Director General, Supplies and Disposals from time to time, the purchase is made through him or against the rate contract placed by him and (ii) not more than three bicycles are provided for any one office without the general or special sanction of Government.

Note For relaxation of the restriction imposed by the Government of India previous sanction of the CAG who exercises full powers, in respect of contingent expenditure should be obtained by explaining full circumstances justifying the demand.

CHAPTER VI

EXPENDITURE ON RAILWAY AUDIT

65. *General* - The expenditure of the Railway branch of the Audit Department is met from railway revenues and is charged to the Major Head "2016-Audit".

66. *Arrangements for payment of expenditure of Railway Audit Offices and Audit thereof* - Payments of all charges relating to the Railway Audit Offices will be made by the Accounts Officers of the respective Railways (c.f. Para 1224-1226A).

67. The Railway Accounts Officers will function only as Treasury Officers and Accounting Officers in regard to the expenditure of the Railway Audit Department and exercise only such checks as are prescribed from time to time by the Ministry of Railways in consultation with CAG of India. The remaining checks of the transactions would be performed ordinarily once in three years by the other Railway Audit Officers nominated for post audit of their expenditure vide Para 72. Arrear claims over six months old will also be pre-audited by them.

The local inspection of the Railway Audit Offices will be done by the Principal Director (Inspection), Headquarters (see paragraph 1-17 at seq. of Comptroller and Auditor General's Manual of Standing Orders (Administration), Vol. I).

68. Pay bills should be completed and submitted to the Accounts Officer at least three days before the due date for payment. In cases where the Accounts Officer is located at another station the date of submission should be fixed in consultation with him. (see also note 217 of the Compilation of the Treasury Rules, Volume I and Note 1 thereafter).

69. Copies of all financial sanctions issued by the CAG and by higher authorities will be sent to the accounting officer concerned with their despatch simultaneously to the offices affected and their audit offices concerned.

70. The changes in the Audit Officer responsible for the final audit of expenditure on Railway Audit Department should be communicated to the Government of India, Ministry of Finance.

71. *Permanent Advances and Contingencies* - No officer of the Railway branch of the Audit Department may have a drawing account in his official capacity with any treasury or branch of the Reserve Bank as the case may be. Each office will have a small permanent advance to meet petty contingent charges, the amount of the permanent advance being fixed by the CAG. These advances should be recouped periodically through bills submitted to the Accounts Officer.

All expenditure on contingencies whether paid from the permanent advance of the office or paid by another office and transferred by adjustment should be recorded in a contingent register as required by Rule 298 of the Compilation of Treasury Rules, Volume I. The register should be submitted to the gazetted officer each time the advance has to be recouped.

Note The Ministry of Finance have decided that payment of railway freight should be made by credit notes instead of in cash on contingent bills, vide CAG's Endt. No.1399-Admn. 261/49, dated 15th July, 1949.

72. *The Audit of charges relating to Railway Audit Offices will be conducted as follows:-*

1. All payment to IA&AS officers will be audited by the Principal Director of Audit, Central Revenues
2. Payments of Gazetted Officers and non-gazetted staff and contingent bills of the various offices indicated below will be audited by the Audit Officer mentioned against each:

Office	Audit Office
Principal Director of Audit, Central Railway	Principal Director of Audit, Eastern Railway
Principal Director of Audit, Southern Railway including ICF.	-DO-
Principal Director of Audit, South Central Railway	-DO-
Principal Director of Audit, Eastern Railway	Principal Director of Audit, Northern Railway
Principal Director of Audit, North Eastern Railway	-DO-
Principal Director of Audit, Northeast Frontier Railway	-DO-
Principal Director of Audit, South Eastern Railways	-DO-
Principal Director of Audit, Railway Production Units (CLW and DLW) and Metro Railway, Calcutta	-DO-
Principal Director of Audit, Northern Railway	Principal Director of Audit, Central Railway
Principal Director of Audit, Western Railway	-DO-

73. *Audit of Provident Fund Accounts of the Statutory Audit Staff* - The General Provident Fund Accounts of Group 'A' officers of the Railway Audit Department are maintained by the Pay & Accounts Officer of Accountant General's office of the state except those posted at a place where no Pay & Accounts Office of Accountant General is located, their General Provident Fund Accounts (GPF) are maintained by the FA & CAO of the concerned Railways. The GPF Accounts of Group 'B' 'C' and 'D' staffs of Railway Audit Department are maintained by the FA & CAO of Railway concerned (see para 1228 A and note under para 901 A).

The General Provident Fund Accounts of Railway Audit staff and officers maintained by the FA & CAO of the Railway should be audited by another Railway Audit Officer just like other expenditure. On grounds of convenience the Principal Directors of Audit have been entrusted with the audit of the General Provident Fund Accounts of their own staff also. A special and careful review of / audit of these accounts by a Gazetted Officer i.e., the accounts checked by the members of same office should be arranged for.

74. *Preparation of Budget Estimates* - The CAG is responsible for preparing the budget and revised estimates for the railway branch of the audit department and for submitting them to the railway department [see also paragraphs 11.2 and 11.11 of the MSO (Administration) Vol. I].

75. Principal Directors of Audit will submit budget estimates in duplicate to the CAG office without fail by the date prescribed for the purpose.

76. The detailed heads and sub-heads by which the estimates should be submitted and the instructions for preparation of the estimates will be intimated from time to time.

77. *New services not contemplated in the budget* - The responsibility for determining whether new expenditure in the railway branch of the audit department should be incurred or not, rests with the Ministry of Finance to whom the proposals should be submitted by CAG.

It is not in the power of CAG or of the Government of India to authorise expenditure on "a new service not contemplated in the budget of the year" even though the cost can be found by re-appropriation. [see para 2.2.5 of MSO (Audit)]. The expenditure sanction of the CAG is in any case necessary and in forwarding financial proposals to him it should always be specified if such a "new" service or instrument of service is involved.

If a “new service not contemplated in the budget” is involved which it is proposed to introduce during the course of the year, after the receipt of the CAG’s expenditure sanction, necessary memorandum for the vote of Parliament shall be prepared and submitted to Ministry of Railways by the CAG.

78. *Estimates for Loans & Advances* -The CAG is responsible for submitting to the Ministry of Finance revised and budget estimates for certain items of loans and advances (e.g. advances for purchase of conveyance, house building loans) for the railway audit department. For this purpose the Principal Directors of Audit should submit the estimates for loans and advances pertaining to their offices in the prescribed form to the CAG so as to reach by the dates fixed and as per instructions issued from time to time.

79. *Budget of pensionary charges* - Budget and revised estimates in regard to pensionary charges relating to their office should be submitted by the Principal Directors of Audit to the Financial Adviser and Chief Accounts Officers of their Railways by the prescribed dates. In order to enable the Financial Adviser and Chief Accounts Officers (FA&CAOs) to prepare the estimates correctly, copies of all fresh sanctions to pensions or commutation of pensions should be sent to them.

80. *Appropriation Accounts of Grant No. 33 – Major Head 2016-Audit* - The Principal Directors of Audit should send in duplicate to the Director General of Audit, Central Revenues by 21st August every year, the Appropriation Accounts in Civil Form for the Audit Grant relating to the major head 2016 - Audit together with the necessary audit certificate thereon. The accounts should be prepared in accordance with the instructions issued by the Director General of Audit, Central Revenues from time to time.

CHAPTER VII

OFFICE PROCEDURE

[See also Chapter II, Manual of Standing Orders (Administration)]

81. *Office Manuals* - Every Principal Director of Audit should maintain for the guidance of the staff, a manual containing instructions subsidiary to those in the CAG's publications and this manual or on subjects not touched upon therein. The manual should also contain such special directions regarding audit procedure as peculiarities in the internal check procedure of the Accounts Office or as local rules and orders may render necessary. Five copies of the manual and of all correction slips thereto should be supplied to the DAI. The manual should be kept up to date and the sections receiving the original letters, which require any change in the manual, should be made responsible for submission of the draft correction slip with the approval of the Principal Director of Audit to the Section concerned to get it printed.

The Head of the office should notify to the staff by correction slips to the manual or if the matter is not so important as to necessitate manualising, through office orders, all changes in the audit office procedure made necessary by alteration in the Accounts Office procedure or for any other causes.

Arrangements should also be made in each office for circulation of all important orders to audit staff.

82. *Hours of Work* - Railway Audit Offices should observe the same hours of work as are observed by the offices of the respective General Managers or/and Financial Adviser and Chief Accounts Officers.

Assistant Audit Officers/Section Officers are authorised, in order to prevent an accumulation of arrears of work to require the attendance of their subordinates before and after the usual hours and if necessary, with the sanction of the Branch Officer-in-Charge, on Saturdays/ Sundays and holidays.

The staff as they come into the office should place their initials against their names in an attendance register in a standardised form kept for the purpose. This register should be submitted to the Branch Officer by the Assistant Audit Officers/Section Officers within a quarter of an hour of the official time of the opening of the office. The time of arrival of those who come late should be marked in the register. Late attendance up to an hour may be condoned by the Section Officer/Assistant Audit Officer/Branch Officer on not more than two occasions in a month, if he is satisfied that it is due to unavoidable reasons. In other cases of late attendance, half a day's casual leave should be debited to the casual leave account of an employee for each late attendance.

83. *Holidays* - Railway Audit Offices should observe the same holidays as are observed by the office of the respective Railway Administrations and/or Accounts Offices but the total number in a year should not exceed the number fixed by the Government of India. Sectional holidays should be allowed only to the extent actually allowed in the office of the respective Administration and/or Accounts Offices.

84. *List of Holidays* - The Head of each office should submit to the CAG on or before the 15th December of each year, a list of gazetted and local holidays other than Saturdays/Sundays on which his office will remain closed during the ensuing calendar year. Modifications in the list, if any, arising after the submission of the list should be promptly intimated.

85. *Casual Leave* - The amount of casual leave admissible to officers and staff is 8 days in the calendar year. Casual leave entitlement stands reduced from 12 to 8 days effective from 1st January

1998. Corresponding reduction also made where casual leave entitlement for certain categories of employees was higher than 12 days. (Cf. Ministry of Personnel, PG and Pension, Department of Personnel & Training OM No.12/9-94-JCA dated 14.1.1998). Only in special circumstances 8 days casual leave may be allowed at a time subject to the condition that the total period of absence at a time does not exceed ten days. Saturdays, Sundays and other holidays including "Restricted" holidays may be allowed to be prefixed and/or affixed to a period of casual leave and may not count as casual leave. Saturday/Sunday and other holidays, which intervene during a period of casual leave will not also be treated as casual leave.

Casual leave may be granted by Assistant Audit Officers/Section Officers to Group 'C' and 'D' staff working under them upto a maximum of 5 days at a time and by Branch Officers upto 8 days at a time when the period exceeds the Assistant Audit Officer's/Section Officer's power of sanction.

In the case of persons joining service during the course of the year, the sanctioning authority will have the discretion to grant either full 8 days casual leave or less, after taking into consideration all the circumstances of each case.

A casual leave register should be maintained to record the casual leave taken. No person may, except in unavoidable circumstances like sudden illness, take casual leave unless already sanctioned previously by competent authority.

86. *Compensatory leave* - For compulsory attendance on Saturdays/ Sundays and/ or other public holidays the staff should, as a rule, be granted compensatory leave in lieu unless it is imposed on them as penalty or it is required to clear arrears for which they are personally responsible. When such attendance is required for half-a-day, only half a day's compensatory leave will be admissible.

The attendance in such cases should be under the previous orders of the Branch Officer in charge and marked in the attendance register. The number of days of compensatory leave earned will be noted in the casual leave register under the initials of the Branch Officer and the grant of leave noted therein.

The accumulation of compensatory leave is not subject to any limit but such leave should normally be allowed within a month of its becoming due. Compensatory leave may be allowed to be prefixed and/or affixed to regular leave or casual leave.

87. *Special casual leave* - Special casual leave may be granted to the staff in accordance with extant orders for certain recognised purposes e.g. participation in Sports, tournaments, activities of the recognised service associations, etc.

88. *Railway passes* - Card passes and the stock of books of cheque passes and privilege ticket order forms should be kept in the custody of a Branch Officer nominated for the purpose by the head of the office. In the case of a Divisional or Branch Audit Office working without a Branch Officer, one or more card passes for urgent requirements and pass book actually in use may be kept in the custody of a responsible Group B and C staff.

Any instructions issued by the Railway Board or by the Railway Administration about the maintenance of records in connection with metal, card or cheque passes and privilege ticket orders should be observed.

Application for privilege passes and PTOs from the officers and staff should be seen personally by the Branch Officer authorised by the Principal Director of Audit to issue passes and PTOs on his behalf and papers should be submitted quarterly for review and confirmation of the Principal Director of Audit.

Where the applications have to be transmitted to the General Manager of the Railway for the issue of passes or privilege ticket orders, the papers should not be forwarded to him without the prior

approval of the Principal Director of Audit. When the Principal Director of Audit is absent from headquarters, these applications may be dealt with by the Director / Deputy Director but all such cases should be submitted for review by the former on his return to headquarters.

Where an office is in charge of an officer other than the Principal Director of Audit and at a Station other than the Principal Director of Audit own headquarters, these applications should be dealt with by the Senior Audit Officer / Audit Officer on the spot but should be reviewed by Principal Director of Audit personally during his visit to the office.

Applications from staff working in Audit Offices away from headquarters should ordinarily be submitted well in time to ensure the observance of the above procedure. In urgent cases, however, passes and privilege ticket orders may be issued or the applications forwarded to the General Manager by the Senior Audit Officer/ Audit Officer in charge of the office, but the papers should be submitted as early as possible thereafter for the confirmation of the Principal Director of Audit.

The year ending passes whether on privilege or post retirement account will be issued during the next three to four months following the year i.e. upto 31st March or 30th April depending on whether the pass is a single journey pass or a return journey pass but the validity of the year ending pass will not be beyond 31st March or 30th April as the case may be and they will be debited in the account of previous year. The above procedure should be adopted in case of PTOs also subject to the condition that the validity period will not be beyond 31 March of the following year.

A declaration may be taken once in five years or as and when there is change in the composition of his/her family from each member of the staff entitled to passes of the number of his children or dependent relatives depending on the date of birth of each. The age correct to the nearest quarter year may be entered on the pass.

Duty passes may be issued to the staff only after the orders of the Branch Officer concerned have been obtained even though under the local rules they may be issued by a subordinate.

89. *Transfers* - When a member of the establishment is transferred from one office to another, the number of days casual leave/restricted holidays taken by him/ her and the number of passes and privilege ticket orders granted to him/ her during the calendar year should be intimated to the office to which he/ she is transferred.

90. *Correspondence* - The rules for correspondence in para 2.17 of the Manual of Standing Orders (Administration), Vol. I as supplemented by those contained in this manual should be observed. No important letter to the Government of India, the Railway Board, or the CAG, General Manager of the Railway etc., should ordinarily issue unless signed by the head of the office. The head of an office when absent from headquarters may make special arrangements for the next senior officer to sign communications "for" him. All such papers should be put up to the head of the office for approval later on either in camp or after return to headquarters, but it should be remembered that a letter signed "for" an officer ordinarily means that the officer has himself passed the draft of the letter, or has issued unmistakably explicit orders on the subject of the letter.

91. *Telegrams and Speed Post letters* - Strict economy should be observed in the use of telegrams/speed post letters. The word 'speed post' should always be prominently marked on the letters themselves. The work code for Indian Railway Telegrams may be used in telegraphic communications.

Telex machines have been installed in certain offices of the Indian Audit & Accounts Department at places like Delhi, Mumbai, Calcutta, Chennai and other major cities for speedier transmission of urgent messages and for effecting reduction of telegram charges. Exchange of all telegraphic/urgent messages between the offices of the Indian Audit & Accounts Department at Telex linked stations should be done through Telex.

92. *Books, Codes, etc.* - (i) Subject to the limitations in their Financial Powers and other rules and orders of competent authority, Principal Directors of Audit are authorised to purchase from their allotments for contingencies, books and periodicals required for their offices or the offices under them.

All books of references, gazettes and other printed publications received in the office should be kept in the custody of a responsible person who should maintain an upto date catalogue of all such publications and post all correction slips therein. All issues should be made against receipts, which should be returned or cancelled when the book is returned.

Individual officers are responsible for seeing that all correction slips are pasted in their own copies of Codes.

A Clerk/Auditor in each section should be made responsible for the upkeep (including pasting of corrections) of the sectional library.

The books in stock should be verified annually as laid down in para 2.15 of the MSO (Administration), Vol. I.

(ii) Personal copies [see para 2.8 and 2.12 of the MSO (Administration) Vol. I]. The supply of personal copies should be restricted only to those books, which would, in the opinion of the Principal Director of Audit be both necessary and useful for the work entrusted to the person concerned. A list of such books should be indicated in the office Manuals of the Principal Director of Audit.

93. *Spare copies of Codes for examinees* - Two spare sets of Departmental Codes will have to be kept in the Office Library to be loaned in rotation to candidates preparing for the Section Officer Grade Examination. They should be kept up to date and should be issued on written applications from the candidates. In case any one loses any of the books supplied, double the price of the book lost should be recovered from the person concerned.

94. *Supply of Specimen signatures to Accounts Officers* - Specimen signatures of officers authorised to sign establishment bills and other vouchers (who should be not more than one at a time in each office) should be supplied to the Accounts Officer and frequent changes in the officers so authorised should be avoided.

95. *Receipt and disposal of cash and cheques* - The receipt of moneys, otherwise than as recoupment of the permanent advances and their disposal should be suitably accounted for in a separate Cash Book outside the Permanent Advance account.

Ordinarily cash (including cheques) is not accepted in the Audit Offices in discharge of debts due to Government or for credit to the public account unless acceptance is enjoined by a specific rule or order. If, however, cash is received, the orders of the Group officer should be taken immediately for its disposal. An account of such cash received and its disposal should be maintained distinct from the account of permanent advances, by opening a separate Cash Book as laid down above. The entries should be attested by the Branch Officer. The cash should be deposited in the Cash Department of the Railway or Stations without delay. Till then its receiver will be responsible for its safe custody.

96. *Treatment of records* - The work of filing papers and vouchers and the maintenance of records must receive careful attention. The Principal Directors of Audit should lay down suitable procedure to be observed in each office in this regard and embody the same in the local manuals. It is important that the records should be weeded out and destroyed at regular intervals and not allowed to accumulate. The instructions regarding the destruction of records are detailed in Appendix 1 to this Manual.

97. *Calendar of Returns* - The instructions regarding maintenance and submission of Calendar of Returns laid down in paras 1.15 of the Manual of Standing Orders (Administration) Vol. I should be observed. Each section of the office should maintain a calendar showing the due and actual dates of (1) receipt of returns from other offices, (2) dispatch of returns, etc. from the section or office to other sections or offices respectively, and (3) submission of register, etc. to Branch Officers. The returns should be classified as bi-weekly, monthly, quarterly, half yearly or annual and entered in the calendar chronologically under each heading. Delay in the submission of any return should be suitably explained. The calendars should be put up to the Principal Directors of Audit for his review once a month. The various returns to be submitted by the Principal Director of Audit to the office of the DAI are indicated in Appendix 2 to this manual.

98. *Register of important orders* - Classified guard files or registers containing copies of important orders or precis thereof should be maintained in each office for consultation by all Branch Officers and staff.

99. *Record of important cases* - In cases where a Principal Director of Audit has under him an office situated at some distance from his headquarters, he may, if necessary, arrange that his Deputy maintains a record of all important cases or matters of general interest arising from day to day, which may be submitted to him periodically for perusal.

100. *Service Register and Leave Accounts* - All Service Books and leave accounts of staff should be thoroughly checked independently, i.e., by staff, who have had nothing to do with the preparation or the check of these documents previously. The work should be undertaken once a year.

101. *Control over state of work and report on arrears* - Principal Directors of Audit should prescribe a regular procedure for reviewing monthly the state of work in the offices under their control following generally the instructions laid down in paras 1.16 of the MSO (Administration) and have the results placed on record for perusal of the DAI during his visit. They should submit quarterly to the DAI a certificate to the effect that the work of the office is upto date and that the test audit and other work required to be completed upto the end of the quarter, has been completed together with the details and explanation for the arrears, if any, existing on the last day of the month. The arrears should be detailed separately by each class of work, e.g., continuous test audit, local inspections, correspondence etc., and items which have been in arrears for more than a month and pending items should be distinguished from the rest. A summary should accompany such reports showing arrears owing to arrears in Accounts Office, non-availability of vouchers and arrears in Audit Offices proper, as compared with the position reported during the previous quarter. The state of work in connection with Original Audit and reviews by Branch Officers and subordinate supervising staff should also be shown in the report.

A brief resume of more important items of arrears, the period to which they relate, the reasons for such arrears, the steps taken or proposed to be taken for their clearance and the date by which they are likely to be cleared should be submitted. The extent of arrears (expressed in terms of man day) cleared between the last date of the month and the date of submission of the report should also be indicated separately.

The DAI will bring to the notice of the CAG any serious arrears in work in his own office as well as in any of the other offices under his control and Principal Directors of Audit should keep the DAI informed for this purpose. [See para 1.16.6 of the MSO (Administration)].

102. A reminder register should be maintained in every section of the offices under the Principal Directors of Audit, showing the reminders received from DAI and their disposal. The register should be submitted to the Branch Officer on every Monday and every Thursday so that he may see to early disposal of the outstanding cases. A third reminder should invariably be submitted to the Principal Director of Audit with the register and the original case within two days of its receipt. Principal

Directors of Audit may lay down any further details of procedure, which should be included in their office manuals.

103. Increments - Increments cannot be withheld except as a penalty after taking action under the Central Civil Services (Classification, Control and Appeal) Rules.

104. Register of Liveries - A register should be maintained by each office in which all articles of liveries or other equipment of Group D staff should be entered as they are received. There should be a flyleaf in the register indicating the scale of supply, giving reference to the authority therefor, or in the alternative similar information should be embodied in the office manual.

Separate pages in this register should be allotted for different articles and the distribution list of all the articles on hand maintained carefully upto date, the signature of the recipient of each article being obtained separately and kept on record. In addition to this, separate pages in the register should be allotted to each member of the Group D staff and various articles given to him for which he is to be held responsible, should be entered against his name, reference being quoted at each page of the register where his acknowledgement for the receipt of the articles in question is to be found.

The Senior Auditor/ Auditor in-charge should be held personally responsible for keeping this register upto date and submitting it to the Branch Officer in-charge for his inspection half-yearly at the beginning of April and October every year.

105. Liveries to Group D Staff - Surrender of - at the time of retirement from service -Group D staff, when they proceed on leave preparatory to retirement or actually retire may be allowed to retain their uniform provided the uniform has outlived more than half of its prescribed life.

106. Stationery and Form - The Railway stationery and forms will be obtained from the Controller of Stores of the Railway concerned and the civil forms from the Deputy Controller of Stationery, Calcutta. In each office, a clerk should be put in charge of the stock of stationery and forms and arrangements made for an independent check at some period during the year. The Section Officer/Asst. Audit Officer in-charge of the section should carry out a surprise check of the stationery stock balances, with the balances in the Stationery Register once a year and record a certificate to that effect in the register bringing, shortages or excesses to the notice of the Branch Officer. To facilitate control, the number of categories of stock should be kept as low as possible and economy should be attempted in the selection of the articles. The annual indent should be based on the actual stock in hand plus anticipated requirements of the ensuing period.

107. Condemnation of typewriters and their replacement - The estimates submitted by the firms for repairs of typewriters should be scrutinised to see if they contain items for missing or broken parts (not worn out parts) which should in normal course not be missing or broken. In case such items appear in the estimate, it should be certified that (a) the estimate has not been unduly inflated, and (b) that an enquiry to fix responsibility in respect of broken and missing parts has been held before a demand for replacement is placed on the Deputy Controller, Stationery, Calcutta.

108. Dead Stock Register - A numerical inventory should be maintained of dead stock, viz., plant, machinery, furniture and fixtures in each Railway Audit Office. The price of all articles costing above Rs.100 should also be shown against them.

The inventory should be test-checked by actual verification in January every year by the Branch Officer in-charge of the section and a record maintained to show which items were so test-checked and what excess and deficiencies were found. It will be desirable to have each article of furniture permanently marked with a distinctive letter and number which should also be recorded in the register to facilitate identification.

109. Permanent advances and contingencies - Every office has been allowed a permanent advance to meet contingent expenditure which will be in the custody of an officer. This is intended to meet the

contingent expenditure of the office and the advance should be recouped periodically through bills submitted to the Accounts Officer concerned.

110. Sectional Register - Each Assistant Audit Officer/ Section Officer should maintain a register to serve as a permanent record of orders affecting the duties of that section. In this register the sanctioned strength of the section together with the nominal roll with the status and qualifications and home address of each member, dates of his/ her posting and relief, the prescribed duties of the section as a whole and of each individual member thereof, a complete list of the books comprising the sectional library and orders which affect the section individually (not general orders which apply to all sections alike) should be entered. The specimen signature and initial of each individual member should also be recorded against the entry indicating his/ her duties in this register.

111. Register of Points to be watched - A large number of mistakes in audit offices are due to the effect of changes in the staff. In order to minimise these, each Assistant Audit Officer/ Section Officer and Senior Auditor/Auditor should maintain a record of the points he has to watch which are not required to be Noted in any one of the prescribed registers. This record should be handed over to the successor whenever there is a change in incumbency.

Wherever necessary, as in the case of sections dealing with office establishment and establishment audit, the Senior Auditor/Auditor or clerk concerned should maintain a suitable manuscript register in which payments and recoveries, etc. should be entered and duly attested by the Asst. Audit Officer/ Section Officer.

112. Routine Work - Routine work of Railway Audit Offices should be kept low and whenever possible decentralised and the staff employed on the central sections, if any, set free for audit work. Heads of Railway Audit Offices may at their discretion deal with the arrear reports. Tools and Plant return and similar other returns of each branch Audit Office should be kept separately instead of requiring them to be consolidated.

113. Railway publications - Staff should be encouraged to study the publications of Railway Administrations and of the Railway Board to improve their knowledge of working of the Railway System and to gain a concrete idea of the work of Railway offices and manifold practical conditions which they have to encounter.

114. The general instructions contained in paras 2.9 – 2.12 of the MSO (Administration) should be kept in view. As for audit of vouchers and other records, it is of utmost importance that the books and codes should be kept up to date. The officer-in-charge should visit the section at intervals and see that the books are properly arranged and kept upto date.

115. Taking work home - Office files, vouchers, registers etc., should be taken home by the non-gazetted staff in very special circumstances only with the permission of the Branch Officer or the Assistant Audit Officer/ Section Officer where no Branch Officer is stationed.

116. Delays in Replies from Accounts Offices etc. - In order to speed up the disposal of inspections and specific reports the following procedure should be followed:

If a reply is not received within four weeks from the date of issue of such reports, a reminder should be issued to the Accounts Office. Within a fortnight of this reminder if no reply is received, the Branch Officer should demi-officially ask the Accounts Officer concerned for expediting reply or alternatively arranging for a tripartite meeting between Audit, Accounts and the Executive for disposal of the audit objection. This may be followed up, if necessary, by a d.o. reference from Director / Deputy Director to his counter part in the Accounts Department. If in spite of this, disposal of the audit objection continues to be delayed, the case should be submitted to Principal Director of Audit for speaking personally to the Financial Adviser and Chief Accounts Officer or writing a d.o.

to him. The note to the Principal Director of Audit should bring out chronologically the action taken in the matter since issue of the audit note, inspection or specific report.

If the D.O. reference to the Financial Adviser and Chief Accounts Officer does not also expedite disposal of the report and the delay is for more than two years, the case should be put up for orders of the Principal Director of Audit, whether a special report may be made to the DAI for taking up with the Railway Board.

117. Charge Report of Subordinate staff - Whenever a Senior Auditor/Auditor or a Clerk goes on leave or is transferred, a complete list of all papers including books of reference, stationery or furniture under his charge, state of work up to the time of his relief with particular reference to all important items requiring immediate or special attention, as also the arrears, if any, together with the reasons should be explicitly mentioned in the Charge Report Register which should be put up to the immediate superior by the person taking over charge. Unless this is done both the relieving and the relieved persons will be held responsible for any arrears or irregularities subsequently discovered.

PART II - GENERAL INSTRUCTIONS REGARDING EXTENT AND PROCEDURE OF AUDIT

CHAPTER VIII

GENERAL

118. *General* - The general principles and rules of audit applicable to different classes of transactions laid down in the MSO (Audit) should be observed as far as applicable in the audit of railway expenditure. The instructions contained in this manual prescribe procedure of audit to be applied to various transactions of the Railway Department. They may be supplemented or modified to suit local conditions and circumstances of individual railway procedure. Any important modifications in the rules of procedure should be reported to the DAI.

The instructions regarding detailed audit processes given in this manual are not meant to be exhaustive.

119. The purpose of separated audit on railways may be considered to be three fold:-

- (a) to test the numerical accuracy of the accounts which are the basis of Finance Accounts of the Union Government for the accuracy of which the CAG is responsible;
- (b) to test the compliance of executive authorities with the various financial and accounting rules which have been laid down for their guidance as well as to bring to light instances of improper expenditure or waste of public money or stores according to the general principles which have long been recognised as standards of financial propriety; and
- (c) to see that a set of rules or instructions consistent with correct financial principles has been laid down and promulgated in suitable form for the guidance of executive and accounting authorities.

These objectives will be achieved in one or other of the following ways:

- (1) a continuous test audit of documents conducted in the central office;
- (2) a scrutiny of financial and account rules, codes, manuals, procedure orders and their practical application;
- (3) periodical inspections of central and local accounts offices in order to examine the general internal accounting arrangements and to scrutinise individual accounts processes;
- (4) local audit of documents and accounts which are not rendered to the central accounts office or which it is more convenient to examine on the spot (see Chapter XXI);
- (5) general reviews of accounts or of administrative or other reports; and
- (6) special investigations.

120. *Scrutiny of Codes, Manuals, Rules, Procedure Orders, etc.*- (a) The DAI will arrange for scrutiny of the Codes and manuals (with correction slips thereto) issued by the Government of India in the Ministry of Railways and the IRCA. Principal Director of Audit will similarly scrutinize the manuals and (correction slips thereto) issued by the Accounts Department and Railway Administrations, in so far as they affect financial accounting or audit procedure. Three copies of such manuals should be sent to the DAI as soon as they are finally issued and the Principal Director of Audit should, in due course, send an intimation to the DAI about the completion of his scrutiny. It should be made clear to the authorities concerned when a manual is sent by them to Audit for scrutiny that the scrutiny by Audit is not tantamount to the acceptance of all that is included therein (see para 2.2.20 of MSO (Audit)).

(b) Orders issued by the Government of India, or the Railway Board relating to changes in the procedure of (1) compilation of railway accounts or (2) internal accounting checks will be scrutinised by the DAI to see that:-

- (1) the material required for preparation of the Finance Accounts of the Union Government is not affected in any way;
- (2) the calculation of Dividend payable by the Ministry of Railways to General Revenues under the convention for separation of railways from general finances is not affected;
- (3) any of the existing safeguards against irregularity; fraud or overpayment are not impaired and that no fresh loophole for irregularity, fraud or overpayment is introduced;
- (4) the changes are not likely to lead to deterioration in the accuracy of the accounts or in the punctuality of their presentation; and
- (5) any changes in audit procedure required in consequence are prescribed and brought into force. So long as these factors are satisfied, no objection should be raised against a change in accounting or financial method merely on the ground that it does not fit in with the prescribed audit procedure [see paras 2.2.11, 2.2.14, 2.2.20, 2.2.22, 2.2.24 of MSO (Audit)]

Although the primary responsibility for the issue of rules or orders governing accounts classification rests with the Ministry of Railways, no such rules or orders which may affect the form of the Finance Accounts is to be issued without the concurrence of the CAG.

The DAI will bring to the notice of the CAG any case where through any cause whatsoever a large item of expenditure previously recorded under one head in the Finance Accounts comes to be recorded under another head.

121. Reports of Parliamentary Committees - Besides the Public Accounts Committee which considers the Railway Audit Report, various other Parliamentary Committees like Railway Convention Committee, Estimates Committee etc. quite often go into the financial and working arrangements of the Railways. The reports containing the observations/recommendations of such committees as well as the reports of other committees as may be set up by the Railway Board on its own and/or in pursuance of the recommendations of the Parliamentary Committees should be examined in the headquarters office and put up to the DAI so that suitable instructions, as may be considered necessary, may be issued to the Principal Directors of Audit for examining the adequacy and efficacy of the action taken by the Railway Administrations on the recommendations of the committees.

122. The programme of Audit - The extent of audit to be undertaken in the Railway Audit Offices is prescribed in a separate Secret Memorandum.

123. Extent of Audit - Principal Director of Audit will not ordinary deviate from the prescribed programme of audit except as laid down in para 3 of the Secret Memorandum of Instructions regarding the Extent of Audit (Railway Audit).

124. Date of completion of audit - Principal Director of Audit should fix after taking into consideration the local circumstances the dates by which audit of the various records and documents should be taken up and completed. Special arrangements may have to be made in the case of documents, which leave the Accounts Office, e.g., Warrants and Credit Notes, Telegraph return etc. The dates on which the various accounts records and documents will be made available for audit should be settled with the Financial Adviser and Chief Accounts Officers and mentioned in the office manual. They should be the earliest possible dates compatible with the completion of internal check. Similarly the dates on which audit of the various documents should be completed should be prescribed in the office manual. In the case of documents which are audited every month, the general

rules should be that the audit of the documents relating to a particular month should be completed some time before the documents of the following months are available for audit. In the case of documents which are audited periodically, audit should generally be completed within a fortnight of the documents being available, unless a longer period has been fixed with the approval of the DAI.

125. An item of work cannot be considered as having been completed until the current review of the vouchers has been completed and the Test Audit Note, if any, on the results of audit issued. In the case of annual items of work, though no specific dates have been laid down for the completion of audit of different items, the intention is that these items should be completed within a few months of closing of the annual accounts. As a working arrangement, it would be convenient if these annual items of work are spread over some months instead of being left to be done all together after the close of accounts. There should be no objection to the annual items of work which need not necessarily be postponed till after the closing of the annual accounts being taken up and completed before the annual accounts are closed. One of the important factors that should be borne in mind in such cases is that the review should cover the entire period from the date of the last review and not the transactions for that financial year only.

126. Every voucher, register or document audited, whether at headquarters or during local inspections, should bear an audit encasement and the dated initials of the person (whether Sr. Auditor / Auditor, Section Officer or Branch Officer), who audited it, as indicated below:

Audited

Initials

Date

The supervising staff should ensure by test-check that the documents audited are duly stamped and initialled. Notwithstanding the Audit encasement, the person concerned should be held responsible for the audit of all documents which may have been allotted to him for audit unless he has reported in writing that he has not audited certain specified documents with reasons therefor. Such reports and the orders thereon should be carefully filed along with the orders relating to the selection of specific documents.

Note 1 Service book, leave accounts and contracts, Provident Fund Ledger Cards etc. need not be stamped with audit encasement. A list of such service books, leave account and contract examined should, however, be kept. Vouchers selected purely for tracing should bear the encasement 'Traced'.

Note 2 In case of registers, the entries which are subjected to review, the encasement 'Reviewed' should be made in the fly leaf or on the back of the register. Vouchers which are usually large in number need not be encased individually but the covering sheet of each bundle should be encased provided all vouchers therein have been audited.

127. It often happens that some of the vouchers selected for audit in a month cannot be audited in that month due to causes such as the vouchers being not immediately available from the accounts office or where the selections are made from the Register of Bills received, the bills not yet having been passed in the Accounts Office. These vouchers would come under audit in the subsequent months. With a view to ensure that these vouchers do not escape the selection for current review or post review, necessary steps should be taken to see that the current review or post review selections are made with reference to the vouchers actually audited in a month. Where, however, these selections for current review and post reviews are made on the basis of the documents selected for audit in a month, the selections should be made without reference to the vouchers actually audited and the current or post review of a voucher not yet audited but selected for review, reviewed as soon as the vouchers are received and the audit completed.

128. *Special Investigation* - The officers of the Railway Audit Department should initiate special audit investigations on various schemes of Railway working and for this purpose the principles

enunciated in Paras 2.2.39 and 2.2.40 of MSO (Audit), the contents of Railway Audit Reports, the Appropriation Accounts, Railway Administrations' Reports and the Codes, Manuals and Orders which have been issued for the regulation of executive and accounts procedure may be borne in mind. They should also instruct their Assistant Audit Officers/Section Officers to be on the look out for special classes of documents which are likely to be of audit interest, such as all forms of contracts, inspection report by the executive, the results of certain classes of civil and criminal suits to which the railway has been a party, and frauds and embezzlements perpetrated against the railway. Selected extract from the register of important results of audit have been arranged to be circulated periodically by the Principal Director of Audit to all other Principal Directors of Audit for investigation on similar lines on their railways, if necessary.

129. These investigations must be carried out with great thoroughness, circumspection and patience. The conclusion should be tested as far as possible in the light of all available facts and statistics, the collection, verification and shifting of which may sometimes take a considerable time. The duty of collecting these facts and statistics, as well as arranging them in proper form, devolves entirely on Audit, and Accounts should be requested merely to put the connected documents at the disposal of Audit and not to furnish extracts or copies. In all such cases the convenience of Accounts must be consulted in regard to the supply of documents (See also para 124). The DAI should be freely consulted and kept advised about special investigations.

130. In the exercise of audit functions, it should be remembered that the Railways are a commercial organisation. While the necessity for building up profits by developing revenue and keeping down expenditure is paramount, it has also to be borne in mind that transactions have frequently to be viewed from various aspects and it may occasionally happen that it is to the advantage of the State in the long run that certain sources of revenue should be foregone or not claimed in full in order to develop traffic or preserve the goodwill of large customers. Suggestions for economy may be made by audit but in doing so the principles contained in Para 2.1.5 of MSO (Audit) should be borne in mind.

131. *Action when investigation has been initiated by Accounts or the Executive* - Where Accounts or Executive have already taken up the investigation of any case, Audit should ordinarily not intervene until investigation is complete. At this stage its scrutiny will be principally directed to seeing whether the relevant rules are adequate and properly promulgated and whether proper disciplinary action has been taken against the staff concerned.

132. *Scrutiny of sanctions* - In scrutinising sanctions, the files or papers leading to the sanction should be looked into as far as practicable. (See also the last sub-para of para 134). Ordinarily sanctions accorded by a competent authority remain valid for the specified period for which they are accorded. It is, however, essential to review such sanctions periodically to see that the conditions attaching thereto are duly fulfilled before expenditure incurred thereunder is finally admitted in audit. The necessity of having such sanctions reviewed periodically by the sanctioning authorities, say one in 10 years or oftener, should be borne in mind.

Sanctions to the write off of losses should be completely investigated and traced into the Register of losses or the Register of Serious Irregularities maintained by the Accounts Office so that all matters requiring further departmental consideration are promptly brought to notice.

All sanctions for payments arising out of arbitration award should be thoroughly scrutinised with reference to the files leading to such sanctions. The following points should be specially looked into:-

- (i) that proper legal and financial advice was obtained before deciding on the necessity for arbitrations and that the points for arbitration were reduced to specific terms and were not in any way left ambiguous or vague;

- (ii) that the Railway's case was properly prepared and presented, utilising all available evidence for the purpose and that there was no joint submission with the contractor;
- (iii) that the points of defence were based on the actual conditions of the contract; the question whether these conditions were equitable should have no consideration in preparing the Railway's case;
- (iv) that claims of the nature of 'ex-gratia' payments did not form a matter for settlement by arbitration, and if such claims were pressed by the contractor, they were firmly opposed and the fact they were not contractual was prominently placed before the arbitrator;
- (v) that arbitration was not rendered necessary on account of any lack of precision in terms of the contract;
- (vi) that adequate steps were taken by Administration to rectify any defects in procedure which might have come to light; and
- (vii) that necessary report has been duly sent to the Railway Board in respect of cases where payment exceeded the amount considered due by the Railway Administration by more than Rs.50,000 and/or deficiencies in general conditions of contract or procedures noticed.

133. *Audit of Railway Board's sanctions* - Objections in respect of sanctions issued by the Railway Board or any higher authority should be reported to the DAI for necessary action.

Each Principal Director of Audit should submit a monthly report to the DAI on the 7th of the each month showing:-

- (a) the audit objections raised against sanctions of the Railway Board during the previous month;
- (b) the objections raised for want of sanctions of the Railway Board during the previous month; and
- (c) all other major audit objections raised during the previous month.

The facts relating to each objection and nature of the objection should be given briefly but comprehensively. A reference to the Railway Board's letter or the Administration's letter to the Railway Board should invariably be given, while communicating the details of objection.

All sanctions should be fully audited with reference to the canons of financial propriety and the Schedule of Powers. Where the sanctions should have been endorsed on behalf of the Financial Commissioner, it should be seen that this has been done.

All sanctions and orders involving financial considerations emanating from the office of the Railway Board are invariably seen by the Finance Branch as an internal arrangement. In these cases the sanctions are not endorsed on behalf of Financial Commissioner. In all other cases sanctions and orders involving financial considerations, i.e., sanction and orders accorded by the President of India, the endorsement by an officer of the Finance Branch of the Railway Board is necessary. It should also be seen that all financial sanctions are issued under the signature of the Officers concerned in ink and not over cyclostyled signatures.

134. *Relations with Accounts and Executive Officers* - All requests by audit for information on any subject relating to Railway should be addressed to the Financial Adviser and Chief Accounts Officer whether such information is available in his office or may have to be obtained from the executive or administrative authorities of the Railways.

However, a Principal Director of Audit may, by informal arrangement with the General Manager and the Financial Adviser and Chief Accounts Officer of the Railways, enter into direct communication or informal discussion with the heads of Departments of the Railway provided that any important decision arrived at as a result of such formal or informal discussion shall be recorded in writing and formally communicated to the Financial Adviser and Chief Accounts Officer. It is

desirable that Principal Director of Audit should not only maintain close personal contact with Accounts and Executive Officers but should encourage all their Branch Officers to do the same.

A good deal of official correspondence may be avoided if there is a system of periodical consultations between the Principal Director of Audit and the Financial Adviser and Chief Accounts Officer.

A Principal Director of Audit is entitled to have access to any papers either in executive or administrative offices, which are necessary to enable him to ascertain the exact facts of any financial matter. If, any instance, he is not given access to documents, which are necessary for the performance of his duties he should make a report to the DAI who will, if he thinks fit, communicate with the Railway Board. Principal Director of Audit, however, should be cautious in demanding to see other than strictly accounting documents so as not to throw unnecessary work on the Railway Administration or dislocate their work.

135. Working of the Accounts Department - In conducting the audit of vouchers and documents as laid down in secret memorandum of instructions regarding extent of Audit (Railway Audit), audit staff should generally keep a watch over the progress of work in the Accounts Office and the efficiency of internal check. For this purpose the registers of test check by Section Officers (Accounts) and Accounts Officers (cf. Para 101-A), Calendar of returns, monthly progress reports, half yearly arrear reports to the Railway Board and finger print check system etc. should be generally reviewed. Any unsatisfactory feature or serious arrears in the Accounts Office and inadequacy of action for setting right the irregularities and clearance of arrears should be promptly brought to the notice of the Principal Director of Audit, who may arrange for special reviews at such times or intervals as he/ she may deem necessary.

A separate local inspection of the Accounts Office is not necessary as the initial records are available for scrutiny at the time of audit of the relevant vouchers and documents. The programme of Audit provides for test-audit of some records which are usually checked during local inspection of other offices. The other initial records e.g. (Service Registers, Attendance Registers) should come under scrutiny along with the connected items of the audit programme.

An annual review of the work of the Accounts Office will be carried out in the form prescribed in the Secret Memorandum. The review will be undertaken personally by the Assistant Audit Officers/ Section Officers along with the audit of March accounts. A report specially bringing out all details collected and defects noticed during the review should be submitted to the Principal Director of Audit. The Principal Director of Audit will decide on merits, whether any of the defects should be referred to the Financial Adviser and Chief Accounts Officer in the form of consolidated report or whether they should be taken up as Draft Paragraphs for inclusion in the Railway Audit Report.

A systematic record of the reports and the orders of the Principal Director of Audit thereon should be maintained.

CHAPTER IX

DISTRIBUTION OF WORK

[Cf. Paras 15-18 of the MSO (Administration)]

136. *Distribution of work among gazetted officers* - The Principal Director of Audit is generally responsible for the whole work of the office and in particular, for the efficient administration of establishment of his/ her office. Subject to the instructions below, the Principal Director of Audit may determine the distribution of the work of the office between himself/ herself and Branch Officers.

137. With a view to maintain direct contact with the original work of the auditing sections the head of each office should arrange to have one or two important sections (other than the Appropriation Audit and Administration sections) by rotation directly under his charge. This object would be further promoted if he/ she also arranges that the work of any of his/ her branch officers who may be absent from headquarters should come up to him/ her direct.

138. Principal Directors of Audit should arrange that all important estimates, completion reports, journal vouchers (as far as possible), Part I inspection reports, and audit notes, Weekly and Monthly progress reports and any other documents of similar importance are sent to them for scrutiny. In cases where this is not possible, such documents should be put up for their scrutiny during their periodical visits to the office. They should also personally examine the final disposal of the following:-

- (i) the agenda for the Principal Officers Meetings, which they attend on certain Railways;
- (ii) all letters signed personally by the Financial Adviser and Chief Accounts Officer; and
- (iii) letters containing important audit objections, draft paragraphs for the Railway Audit Report, any special reports called for by the DAI or higher authority.

139. *Distribution of work among non-gazetted staff* – The distribution of work among various grades of the subordinate staff should be settled by Principal Director of Audit according to local requirements through office orders which may be incorporated in the Office Manual. In arriving at this distribution, the following principles should be observed:-

- (1) the exact and detailed responsibility of each member of the staff should as far as practicable be clearly defined so as to be subsequently seen from recorded documents;
- (2) the primary responsibility for efficient audit and its punctual completion should be laid upon the Assistant Audit Officer/ Section Officer concerned, although he/ she may be given the assistance of one or more Senior Auditors/Auditors;
- (3) the services of Senior Auditors/ Auditors should, as far as practicable, be utilised on the detailed audit of vouchers, tracing of their accounting through various stages and documents on arithmetical checks and on other formal and straightforward processes of audit;
- (4) all important investigations should be conducted by a Branch officer or by an Assistant Audit Officer/ Section Officer, in the latter case under the close personal supervision of a Branch officer;
- (5) work at local inspections should be divided among the persons forming the inspection party according to the personal experience and aptitude of each, the most senior man in the party being held generally responsible for the work of the entire party; and
- (6) regard should be paid to the need for arranging that each Assistant Audit Officer/ Section Officer does some original audit work.

140. *Original Audit by Branch Officers, Assistant Audit Officers/ Section Officers* - Branch Officers, Asst Audit Officer and members of the Section Officer Grade Examination Service should take a personal part in original audit work in addition to their supervision, direction and review of the audit work done by Senior Auditors/ Auditors. Certain items of Audit works have been entrusted to Senior Audit Officer/ Audit Officer / Assist Audit Officer / Section Officer as original audit work abinitio. In addition to such original audit the Senior Audit Officer / Assist Audit Officer / Section Officer will have to undertake two days original audit work also as part of their regular monthly duties. Principal Directors of Audit should also arrange to make periodical changes in the items of work normally allotted to an Assistant Audit Officer/ Section Officer, since it is not desirable that he/ she should always be doing the same items as original audit. As regards original work to be done by Branch officers and Assistant Audit Officers/ Section Officers during local inspections please see paragraph 419.

Note Original audit work done during local inspection will not count towards the two days' original audit herein referred to.

141. A list of items of original audit work that may with advantage be done by Branch officers, Assistant Audit Officers/ Section Officers should be kept in each section duly approved by the Principal Director of Audit. This list should be revised from time to time in the light of local conditions and the relative importance of the various items of work allotted to the section.

Branch Officers themselves should select the items of original audit work to be done by them as well as by Assistant Audit Officers/ Section Officers working under them from the lists of items approved by the Principal Directors of Audit. The volume of work being determined so as to represent at least two days' work in a month.

Where an item of work, which has been selected for original audit by a Branch officer or Assistant Audit Officer or Section Officer is also due for audit in the month, the Branch Officer or Asst Audit Officer / Section Officer should personally check a proportionate number of documents or vouchers comprised in that item, a suitable record of the work being kept. The rest of the documents will be checked by the Senior Auditor/ Auditor or Section Officer or Assistant Audit Officer concerned as part of his/ her normal duties.

142. The original audit should be a thorough personal check of the documents selected through all stages. The Branch Officers may be allowed during the course of their check to take the help of Senior Auditor/ Auditor for routine calculations. Where the scope of any item is sufficiently large it may be split up into a number of convenient and self-contained units to be undertaken separately at different times or by different members of the staff.

143. A careful record of the selected items and the results of original audit should be kept for each member separately. The final disposal of the points taken up should also be noted therein. When original audit is done by Assistant Audit Officers/ Section Officers as part of their normal monthly duties, a similar record should also be kept.

The important results of original audit by the Branch Officers should be submitted to the Principal Director of Audit. The records of original audit by the Assistant Audit Officers/ Section Officers should, however, be regularly scrutinised by the Branch Officer-in-charge.

The results of audit of the original audit items during inspection need not be recorded in the register prescribed in this para. The case of the Assistant Audit Officer/ Section Officer-in-charge of inspection section may be treated as an exception to the above as he/ she has no items of original audit at headquarters.

CHAPTER X

SELECTION OF DOCUMENTS FOR AUDIT

144. *General instructions* - The various classes of documents for audit should, as far as possible, be divided into units, the size and character of each unit depending on the nature of the work to be test audited and the percentage of check prescribed in respect of it. The units must be of a convenient size and must embrace all work up to the stage immediately preceding the final compilation. The selection of units and documents for test audit should be done by the Branch Officer of the section except in cases where it may not be possible for him/ her to do so. In such cases the initial selection made by a Assistant Audit Officer/ Section Officer should be submitted to the Branch Officer for confirmation. The selection must be made personally by the Branch Officer/ Assistant Audit Officer/ Section Officer and this duty may not be delegated. The detailed processes of selection of vouchers should be laid down in the local office Manuals.

145. In all cases the selection should be made in such a way that vouchers and other documents of every drawing (or account rendering) officer, department, branch, division or district of the railway, come under audit during the year according to the prescribed percentage programme of audit.

Note 1 Minimum of one voucher should be selected in each case.

- 2 In case any voucher selected for audit is not made available resulting in arrears, no alternative selection should be made in lieu of the same. To deal with the problem of wanting vouchers, a better course would be to write off the arrears in the exceptional cases, where it is established to the satisfaction of Audit that the vouchers on demand are not being deliberately withheld.

Before dispensing with the audit of such vouchers, the Principal Directors of Audit should ensure with reference to initial records, etc. that the claims paid or adjustments or disbursements made through the missing vouchers are prima facie genuine and in accordance with the rules and that there is no reason to suspect fraud or concealment. Each case may be decided on its merits and the genuineness of the payment should be verified with reference to the available collateral evidence. A general review of the vouchers for some period immediately before and after the date of missing vouchers may also be carried out, where necessary, to see that there is nothing to suggest a continued irregularity. Where a fairly large number of documents relating to a particular unit are not available for audit the question of making an alternative selection should be considered.

146. It is essential that the system of selection should involve minimum of labour. While it is recognised that Audit cannot call upon the Accounts Department to maintain documents according to its (Audit) requirements if it would involve additional work, it would not be unreasonable to request Accounts Offices to keep their registers, etc.; in a form suitable to audit when it would not entail any extra labour to them. It is not necessary that a full enumeration of documents should be carried out if a system is followed which ensures that, on the average, the prescribed percentage will be approximately observed. A record should be maintained and attested by a Branch Officer, which will indicate the particular documents selected and the staff who have been made responsible for various processes of scrutiny connected with them (see paragraph 137). The system should also be such that no detection can be made before hand as to which documents are likely to be selected.

147. It is important that vouchers are correctly classified under various categories prescribed in the Programme of Audit, so that the required percentages are worked upto, only those which do not fall under any other definite category defined in the programme will be grouped under 'Miscellaneous' bills or vouchers. Cash bills and pay orders passed by the Traffic Accounts Branch should not be omitted and may be included under 'Miscellaneous' bills if they cannot be brought under any specific category. In the memorandum put up to the Branch Officer for selection of vouchers the amounts of

bills should be specified so that really important ones are selected. The amounts of contractors 'on account' bills should also be given in connection with the selection of final bills.

If the number of final bills passed for payments is generally large and require considerable clerical labour in listing the connected 'on account' payments, page number, and volume number of the relevant contractor's ledgers may be noted against each of the final bills listed out for selection and such list together with contractor's ledgers should be put up to the Branch Officer to enable him/her to assess the importance of the final bills with reference to the connected ledgers.

Where the railway administration embark upon any special activities such as departmental working of Road Transport Schemes, Catering etc., under competent sanction, the procedure for the selection of voucher for audit of receipts as well as expenditure should provide for a separate grouping of the vouchers relating to the schemes, so as to ensure that the prescribed check is exercised over the receipts and expenditure relating to each of the schemes. The result of working of these schemes prepared periodically by the Railway Administration should also be separately checked fully.

148. The listing of vouchers done monthly by the Senior Auditors/ Auditors for purposes of selection for audit should be subjected to surprise test check by the Assistant Audit Officers/ Section Officers at least four times a year, with a view to ensure its correctness and completeness and any defects found in the system brought to the notice of the Branch Officer.

149. Branch Officers should review the scheme of units prescribed for selection from time to time and effect such improvements as may be necessary to ensure the due completion of all the prescribed audit checks (vide para 144). When vouchers are selected for audit solely from the register of bills received (A 1104), a half yearly reconciliation between the A 1104 and the A 1107 registers should be effected in the audit office.

The month selected for this reconciliation should be the same for all the sections of the office and this item of work should be included in the progress reports of each section.

A complete and upto-date list of all the bills passing sections of the Accounts Office should be kept and used at the time of the prescribed half-yearly reconciliation to safeguard against inadvertent omission of any group or class of vouchers from the scope of selection.

CHAPTER XI

REVIEW OF AUDIT

150. *General* - After the accounts and vouchers have been audited they should be subjected to concurrent and post review according to the rules prescribed in this chapter. Senior Audit Officers/ Audit Officers/ Assistant Audit Officers and Section Officers when reviewing the accounts etc., should bear in mind specially the requirements of audit against propriety (Cf. Para 2.2.39, 2.2.40 and 4.2.7 of MSO Audit).

151. *Current Review of Audit* - After the Senior Auditors/ Auditors have completed the audit of documents and of accounting, the Assistant Audit Officers/ Section Officers should only review them generally to see that no important points have escaped the Senior auditor/ Auditors scrutiny but the items selected for his/ her current review should be audited in detail. Particular attention should be given to the adjustment vouchers to see the necessity and regularity of the adjustment [Cf. 4.2.7, 4.2.8 of MSO (Audit)].

152. Senior Audit Officers/ Audit Officers will as far as practicable current review the original audit work done by Assistant Audit Officers/ Section Officers. As regards periodical items like the Appropriation Accounts, Review of balances etc., which are concurrently checked by the Senior Audit Officer/ Audit Officer in the ordinary course, a further current review is not essential.

153. *Completion of current review* - Current review and the submission of draft audit notes should normally be completed within the period prescribed for the audit of various classes of documents. Any such review not completed or draft audit note not submitted before the date fixed for the completion of audit should be deemed to be in arrears and exhibited in the arrear reports.

Note Rough audit notes sent to the Accounts Office in advance may be treated as draft audit notes for the purpose.

154. *Post Review of Audit* - In addition to the current review, Principal Directors of Audit should arrange for a post review by Senior Audit Officer/ Audit Officer/ Assistant Audit Officer/ Section Officers of the Audit work done in their offices. For this purpose the audit work in a section should be divided into suitable units and the selection made in such a manner that the entire audit work done in a section is reviewed at least once a year by a Senior Audit Officer/ Audit Officer and once by an Assistant Audit Officer/ Section Officer. The monthly items for post review should be distributed evenly into 12 units and the annual or other periodical items grouped separately and their post review arranged for as and when the audit of each is completed.

155. The reviewing officer should subject the complete work comprised in a unit to a careful test audit, the percentage of the test audit being that fixed for the current review. Any portion of current review or check also due for post review, already carried out by Assistant Audit Officer/ Section Officer during current review, need not again be reviewed by him / her during the post review. One half of the review work of the Senior Audit Officer/ Audit Officer should be devoted to a re-check of the current review done by the Assistant Audit Officer/Section Officer.

156. Principal Directors of Audit should occasionally arrange for the post review of the work of one section by the Assistant Audit Officer/Section Officer of another section. In doing this, unnecessary expenditure or dislocation of normal work should, as far as practicable, be avoided.

Note In case of Divisions where the strength of Assistant Audit Officer / Section Officers is two, the work of the Senior Auditors/ Auditors under one Assistant Audit Officer/ Section Officer should be post-reviewed by the other Assistant Audit Officer / Section Officer and vice versa. Where, however, only one Assistant Audit Officer/ Section Officer is stationed, Assistant

Audit Officer/ Section officer from the other Divisions or headquarters office need not be deputed for this purpose.

157 Branch Officers themselves will select one unit to be reviewed by them every month from the lists of post review units. They should also specify every month the documents or registers comprising the unit to be reviewed by Assistant Audit Officer/ Section Officers working under them. Documents so selected should be retained until this review has been completed which should be done expeditiously while the other documents should be returned to the Accounts Office at once.

158 In selecting units for review, it should be ensured that selection is not rendered infructuous either because no documents comprised in that unit were audited during the previous month or period or the unit selected itself was initially checked by the Assistant Audit Officer/ Section Officer as part of his/ her normal duties. When submitting the register of units for selection, suitable remarks should be given for the information of the selecting officer, so as to enable him to select units, which will be really useful.

159 The object of the review is not merely to see that the documents and accounts have been properly audited and all objections taken, but also to subject the accounts as a whole to an examination from a broad stand point with a view to discover types of irregularities and defects in procedure and elicit points for special investigations.

160 *Reduction of post review* - Post reviews should not be reduced except for special reasons to be recorded in writing but Principal Directors of Audit may at their discretion assign some post reviews normally to be done by Assistant Audit Officer/ Section Officer of a section to Assistant Audit Officer/ Section Officer of another section provided the required quota of post review for them is not reduced.

161 *Selection of vouchers for review* - The selection of documents and vouchers for current and post reviews should be done personally by the Senior Audit Officer/ Audit Officers and this duty may not be delegated. The required number of vouchers to be reviewed should be chosen as far as possible according to the following principles:-

- (i) The review should cover the more important documents and vouchers
- (ii) Wherever necessary or practicable, the selection of vouchers should be made after glancing through all the vouchers that have been audited. Where audit comprises several units or registers, units or registers representing the required percentage of the whole may be marked for review.
- (iii) The register of vouchers audited should generally indicate the nature of the expenditure and the amount and in the case of contractors' final bills' the number of 'on account bills'. The more important vouchers may easily be chosen with the aid of such a register.
- (iv) The same types of vouchers should not be selected for review month by month.
- (v) The Senior Auditors / Auditors should not know what vouchers are likely to be left un-reviewed.

162 *Results of reviews* - Detailed records should be maintained in respect of both Post and Current Reviews showing the particulars of documents reviewed and all the points discovered however minor they may be. If a separate register for recording the results of current review should involve much labour, the same can be maintained in the Selection Register of Vouchers itself where sufficient space may be left for the purpose. In this, brief details of the objection and cross reference to the audit note issued need only be given. Only the specific defects noticed should be noted. The various audit processes should not be detailed. The final disposal of points taken up in the course of current and post review should be noted in these registers either by reference to the audit notes issued or other correspondence initiated.

The records of Post Review and Current Review by Assistant Audit Officers / Section Officers should be scrutinized monthly by the Senior Audit Officer/Audit Officer of the Section. The registers of results of reviews by the Senior Audit Officers/Audit Officers should be submitted to the Principal Director of Audit as and when important defects are noticed and also half yearly bringing out the extent of arrears, if any. The registers of the results of reviews undertaken as per para 156 should be submitted to the Principal Director of Audit in all cases.

The records should be kept as far as practicable in the form given below:-

Register of results of

Post review

Current review.

Original audit.

Name of Section.

Name of Branch Officer

Name of Senior Auditor/ Auditor/ Assistant Audit Officer/ Section Officer concerned.

Dates of Selection and completion of Review	Units of Work	Particulars of documents checked or reviewed	Defects found	Remarks of Sr. Auditor /Auditor or Assistant Audit Officer/ Section Officer concerned	Remarks of reviewing officer	Orders of the Principal Director of Audit or action taken, reference to audit note etc.	Final disposal	Remarks

Note The entries in the Registers for selection of posts and current reviews indicating the completion of reviews should be verified with the Registers containing the remarks of the Reviewing Assistant Audit Officer/ Section Officer or Branch Officer to ensure the correctness of the former.

PART III - AUDIT OF EARNINGS

CHAPTER XII

AUDIT OF EARNINGS (LOCAL TRAFFIC)

[See also Para 2.4.3 and 1.1.4 of M.S.O. (Audit)]

163. *General* - The essential duty of audit is generally the same as that laid down for the Accounts Officer (cf Para 2000 - A). It should verify by auditing the traffic accounts and by inspecting initial records at stations that the assessment of railway charges is correct according to the rules prescribed under the authorities indicated in the next sub-para, that these amounts have been realised and that the money realised has been collected from the stations and other sources and remitted to the treasury / Bank for credit to railway revenues.

The check of earnings should be carried out with reference to (1) the Indian Railways Act 1890 and rules etc. made thereunder, (2) the orders, rules and regulations issued by the President or the Railway Board, (3) the Conference Regulations framed by the Indian Railway Conference Association, (4) the tariffs rate circulars etc., issued either by the Indian Railway Conference Association or by the Railway Administration and (5) the relevant contracts between the main and worked lines.

164 The audit should first examine that the system provides adequate checks and balances. During the audit of documents at headquarters and local inspections of station accounts, it should therefore first be ascertained that a suitable system of accounting and internal check is in force and the instructions relating thereto have been laid down in a convenient form. In doing so the prevention against fraud, leakage of revenue and other irregularities should be borne in mind. Audit should be conducted in general taking into account the system of internal check in force.

165 *Selection of station accounts for audit*—The revenue of Railways is realised through agency of stations (including City Booking/Out Agents) which initially accounts for the transactions and submits various abstracts, returns and accounts to the Traffic Accounts Office. For selection of station accounts for audit, the whole field should be divided into a number of suitable groups or units separately for major and minor stations, keeping in view the percentage of check prescribed and one group or unit each of major and minor stations selected each month for audit. In addition, one or two stations outside the particular group should also be selected to provide an element of surprise. The abstracts, returns, accounts, etc. pertaining to the stations so selected should be checked to the extent prescribed for individual items.

The vouchers pertaining to warrants/credit notes traffic will not be available in the Railway Accounts Office when the monthly audit of stations accounts is taken up by Audit usually in the fourth following month. A concurrent scrutiny of these documents is, therefore, conducted with reference to the warrants/credit notes, in support of claims raised against the user departments during current month. For this purpose two lists may be prepared of stations which frequently exchange warrant/credit notes and those which only occasionally do so, in the same way as major and minor stations are dealt with, and required number of stations in each group selected for audit every month.

166 *Computerised system of traffic accounts*: The computerised system of accounting has been introduced on the Railways for passenger traffic pertaining to Printed Card Tickets, computer Printed Tickets (CPTS) and for goods traffic. The operations in the computerised application are mainly as under:

(i) *Passenger Accounts* - The Master file in the computer based system is the PALLCARDS TAPE which is initially created by feeding the existing information in the passenger classification directly into the system software converting the punched cards to P BASIC TAPE. The

PALLCARDS TAPE containing the fixed information such as class/type/distance/rate and codes for pilgrim tax/out agency and worked lines etc. is run with P BASIC TAPE on the computer for updating with reference to the transactions for the month and for checking the total amount of fares realised for each index number of tickets. The output of this run is (a) the updated 'PALLCARDS TAPE' (b) an incorrect records of tape (c) first incorrect list of transactions for the month and (d) list of passenger unmatched basic cards.

While the incorrect list prints out errors like non-accountal of a particular series of tickets (No Entry); under/overcharges in fares, closing number lower than the opening number (CLO No. LOW) and non-receipt of classification from stations (NO CLASS); the list of passenger unmatched basic cards brings out cases of 'Month Unequal' indicating non-receipt of classification in an earlier month and 'No Rate Master' showing particular series not on the master file.

After these print-outs are checked in Traffic Accounts Branch for errors and omissions in Data entry, correction cards are punched and run through the computer with the incorrect tape and the final incorrect list is printed, which forms the basis for the Accounts Office for issue of error sheets to the stations in cases of undercharges and overcharges. A final control list called the 'Statement of Station Figures' is also printed showing station-wise figures of total cards, non-issues, concession issues, concession fare and total fare.

The PALLCARDS TAPE is subjected to two important runs for verifying the veracity of information on the master file. The first of these runs prints a List of Passenger Master Records with the information opening number, rate, class, distance, pilgrim/terminal tax code, out agency code etc. for each index number for each station. The second run attempts a scrutiny of the master file, once in six months or when there is change in passenger fare rates, by checking consistency between the rate, distance, type and class. For this purpose cards are Data entered from passenger fare table and after preliminary editing put on tape which is then run with the PALLCARDS TAPE for checking the fare. For differences in the rates as calculated through the computer and as given in the PALLCARDS TAPE a statement called 'Checking Passenger Fares' is printed to indicate the correct passenger fare and the fare as per tape for each pair of stations.

(ii) Goods Accounts - Accounts foils of invoices received from the stations according to a prescribed programme are checked in the Accounts Office to find out missing invoices, if any, and for accuracy of classification, rates and other charges. The checked invoices, after codification regarding 'other charges', 'station to', 'commodity', 'to pay' or 'paid', weight handled by owner or Railway etc. are Data entered and verified and tabulated to detect missing or duplicate invoices. The punched cards are then run on the computer to calculate and check freight. Whenever the station freight and calculated freight differ, an incorrect statement is prepared for check in the Accounts Office for detecting punching mistakes.

The corrected data entries are recorded on a tape called the 'Goods Basic Tape' from which the following statements are prepared for purposes indicated against each:

- (a) Statement of incorrect invoices - This shows undercharges and over charges separately for 'Paid' and 'To Pay' traffic and forms the basis for raising error sheets by Accounts Office against the stations and preparation of the lists of voluntary refund of over charges.
- (b) Outward abstracts (MPAS) - All the invoices issued to each station are grouped together, at one place in these abstracts. These are sent to the receiving stations for comparison with the delivery book posted from the destination foils of the invoices. As a result of comparison,

entries are forced into the delivery book or inked into the outward abstracts (converted abstracts) in respect of invoices appearing in one or the other but not in both these documents. A reconciliation statement is then, prepared by the stations.

- (c) Paid statement - This shows invoice wise list of traffic booked each 'station from', weight handled by Railway or owner etc. and is used for (i) ascertaining the station liability for outward 'paid' traffic and checking the same with station balance sheet; and (ii) checking (a) continuity of machine Nos. of 'paid' invoices and (b) handling contractors bills.
- (d) 'Paid on Charges' Statement - This is used for checking the special credit taken for rebooked consignments in the station balance sheet.
- (iii) **Computerised passenger Reservation System** - The on-line computerised reservation system introduced on railway is called IMPRESS (Integrated Multi-train Passenger Reservation System). Under this, the following information is fed into the system.
 - i) Master Fare Table (IRCA Coaching Tariff Pt II)
 - ii) Various types of concessions/vouchers and rules regarding them identified with codes.
 - iii) Rules for rounding off
 - iv) Rules for collection of other charges like reservation fees, sleeper charges etc.
 - v) Rules regarding cancellation, journey alteration etc.
 - vi) Train details like Train No., accommodation available, allocation of seats/berths, stations to which tickets can be issued, stoppages with timings, intermediate stations, distance between train originating station and various destinations.

Whenever tariff is revised a 'Fare Dump' showing the distance and fares for various classes for stations to which tickets can be issued by a particular train is printed out and Accounts vetting is obtained thereon before giving effect to the revised tariff. The computerised reservation tickets are generated through man-machine interaction by the terminal operator. Certain function like special cancellation and change of name etc. require authorisation at supervisory level. At the end of each shift or termination of operation by an operator earlier than the shift time, a Daily Terminal Cash Summary indicating details of cash vouchers etc. is obtained from the system terminal wise and the concerned operator hands this over to cashier (Booking Office) along with his cash collection.

The following returns are generated by the system in regard to issue and accountal of computerised reservation tickets.

- 1) Daily Terminal Cash Summary Book
- 2) Daily Statement of Transaction (Ticket information)
- 3) Daily Statement of Transaction (Cash information)
- 4) Daily Statement of Cancellation-Passenger (ROPD)
- 5) Daily Statement of Modification - Passenger
- 6) Daily Statement of Non-issued Ticket - Passenger
- 7) Daily Statement of Concession Vouchers

The monthly summary of the following statements are also generated through computer at stations.

- 1) Monthly summary of Transactions (ticket information)
- 2) Monthly Summary of Transactions (Cash information)
- 3) Passenger Classification Summary (including BPTs)
- 4) Monthly Statement - Cancellation - Passenger Summary

- 5) Monthly statement-Modification summary
- 6) Monthly statement - Non-issued tickets Summary
- 7) Summary of refunds for the month
- 8) Summary of non-issued and special cancellation statement.
- 9) Statement of Credit cards

The Balance Sheet is, however, prepared manually and sent to Accounts with the above monthly statements.

167 Audit of computerised accounts- With the computerisation of traffic accounts the scope of audit, so far, as it relates to arithmetical accuracy of the compiled accounts, is limited. More emphasis has to be paid on the check of initial records and station accounts, which form the nucleus for input of the machine compiled accounts. In order to ensure the veracity of the data under the computerised system, the following checks should be exercised -

- (a) Passenger accounting -(i) A listing of the passenger fares tape / rate master should be undertaken to see that the rates of fares are in accordance with the rates notified by the Rail Board and
- (ii) the statement 'Checking Passenger Fares' should be examined to see that correction to PALLCARDS TAPE are made without delay and there has been no loss of revenue owing to under charges having remained undetected because of incorrect rates on PALLCARDS TAPE.

Note - The periodicity of these checks should conform to the periodicity in which the programmes are run by the railways (cf sub-para 4 of para 166(i))

- (b) Goods accounting-It should be seen that.
 - (i) run to run totals prescribed for processing integrity are actually agreed;
 - (ii) the total number of invoices as shown in the station forwarding memo for the selected stations agree with the number of cards in the card to tape programme and the grand total number of cards in this programme agree with the total number of cards in the paid statement and the outward abstract programmes, and
 - (iii) the machine prepared statements 'continuity check of invoices' agree with the station memo of invoices and the Register of missing invoices in respect of the selected stations
- (c) Computerised Passenger Reservation System
 - (i) In Audit the correctness of the base fare incorporated in the Master Fare Table should be checked by obtaining a print out of the Master Fare Table. In addition the train-wise fare-dump listing sent to Accounts for vetting at the time of revision of tariff should be test checked as to the correctness of fare as calculated by the system between pair of points. During station inspection the correctness of fare and other charges collected should be test checked from DTC (cash information) statement generated on Audit requisition for selected days and terminals. It should also be seen that the initial records are properly maintained and correct amounts due are collected in respect of concession, cancellation, etc. and accounted by checking the various daily statements generated at these stations.
 - (ii) The manually prepared Balance Sheet of the Computerised Passenger Reservation system stations received in Accounts is checked for the correctness of the system base fare, other charges etc., with reference to the monthly statements as detailed below:

Debit Side	Statement generated for check
1) System Base fare-other charges	Passenger Classification Summary (including BPT)-Foreign & Local
2) System other charges Local and Foreign	-do-
3) System Vouchers Local & Foreign	-do-
4) System CST (Government Passengers) Local & foreign	Monthly Summary of Transactions (Cash information)
5) System- Cancellation charges	Monthly Summary of Transactions (Cash information)
Credit Side	Statement generated for check
1) Cash and Vouchers	Acknowledged Cash Remittance Notes (Manually)
2) System Cash Refund-local & Foreign	
3) System Vouchers Refund - Local & Foreign	Monthly Summary of Refunds, Modification, Cancellation Statements
4) System CST (Government Passengers) Local & Foreign)	

168 The errors noticed in the various statements, accounts etc. prepared on the computer should be carefully analysed to see whether these are due to wrong coding, punching etc., or defects in the programme. If the latter is suspected or if any control provided in the system has proved ineffective it must be realised that such errors would have affected all transactions of that type and would therefore call for extensive review/corrections/remedy. Such cases should be taken up with the Administration and simultaneously a detailed report furnished to the DAI. The comments of the Administration, remedial action taken etc., should also be advised to him.

Consequent on computerisation of traffic accounts and change over from 'received' to 'forwarded' basis of accountal, the changes in the scope and procedure of check as decided from time to time in respect of individual items/documents pertaining to passenger and goods traffic are mentioned in the succeeding paras.

169 *Passenger classification* (see paras 2109 to 2130 and 2135 to 2138 -AII-(i) While selecting the series of printed card tickets into passenger classifications, all 'out of series' issues in the preceding month should be selected for scrutiny as far as possible. It should be seen that 'out of series' issues in the current month are entered in the 'out of series' Register maintained by the Traffic Accounts Branch. This register should also be reviewed periodically with a view to verifying that the incidence of 'out of series' issues are not specially heavy on any particular station and that 'out of series' issues are accounted for promptly.

The entries in the passenger classification should be generally examined with reference to the index numbers of tickets supplied to the stations and the highest number of tickets collected as per Ticket Collector's Report. Amount of fare realised as per classification should be agreed with the corresponding entry in the 'statement of station figures' and traced into Coaching Balance Sheet.

(ii) The list of passenger master records should be checked for the index number selected for audit to see that the distances between a pair of stations, the pilgrim tax leviable and the fare chargeable are correct. The fare so checked should be agreed with the fare in the passenger classification.

(iii) The errors noticed in the check of entries in the passenger classification should be traced into the incorrect list. In addition to such tracing, the incorrect list as a whole for the stations selected for audit should be reviewed to see that cases marked 'No CLASS' agree with the record of outstanding passenger classifications in the Traffic Accounts Branch and adequate action has been taken to call for the same.

(iv) The correctness of the action taken on the items in the statement "List of passenger unmatched basic card" should be checked.

(v) The records of Traffic Accounts Branch should be examined to see that the cases of under-charges/over charges are promptly settled.

170 Rail travel facilities to member of Parliament- Under the extant rules in respect of journeys performed by the spouse of member of Parliament against a free non-transferable 1st Class pass issued by the Lok Sabha /Rajya Sabha Secretariat, the member concerned is required to fill up a prescribed spouse's railway journey form and hand over the same to the ticket collecting staff at the detraining station. It may be ensured in central audit that the detraining stations regularly send these vouchers to the accounts office and the later after evaluating the cost thereof submit them monthly to the Lok Sabha/Rajya Sabha Secretariat for necessary recovery.

171 Pilgrim Tax statements- The totals of the statement of pilgrim taxes printed on the computer should be traced in the Register of pilgrim tax maintained by the Accounts Office. In addition, while checking the passenger classification (printed series), all entries (viz. station to) having pilgrim tax should be traced into the pilgrim tax statement printed by the computer. The tracing of pilgrim tax should also be done in respect of all passenger classifications of printed tickets which are accounted for manually by Accounts Office due to delay in their receipt. This would provide a test check for ensuring that all items of pilgrim tax appearing in the passenger classification have been processed on the computer.

172 Check of 'Paid' parcel traffic- Outward "paid" Parcel Way Bills (P.W. Bills) and "Paid" Parcel Cash Books should be checked in accordance with the provisions contained in Para 2228 – 2238 A II. The checked parcel way bills (Account foils) of the stations selected for audit should be compared with the "Cash Book" copy received in the Accounts Office from the forwarding station. However only a percentage of "Guard Foils" are received in Accounts Office of the forwarding Railway, directly from "local" destination stations and through Accounts Office of the receiving Railway in respect of "Through" destination Stations, in terms of Para 2235 (3) A II. As such these "Guard Foils" in respect of two selected destination stations (local and through) should also be compared with "Cash Book" copy received from the forwarding station.

The Audit staff going on station inspection should verify the machine number of the Books (P.W. Bills) supplied to the station under inspection, with those actually in use there (c.f. Para 2235 A II).

173 Check of Invoices (See paras 2306-2320-A II)

(1) The continuity of paid' invoices should be verified with reference to the register of paid invoice books supplied to the stations, while that for 'To Pay' invoices with the commencing and closing numbers given in the covering memo received from the stations. In addition, the first entry in the current month's paid statement (viz. month of accounts selected for audit) should be compared with the last entry in the previous month's paid statement. The continuity of invoices within the 'Paid statement' compiled on the computer should also be checked.

- (2) While all invoices selected for audit should be checked in regard to class, rate, other charges etc. Calculation of freight (rate X weight) where done on computer and not manually, is to be checked to the extent prescribed in the Secret Memorandum.
- (3) If the invoice selected for check had been endorsed for weighment enroute, the actual chargeable weight should be ascertained from the monthly statements of weighment, daily advices received from weigh-bridge stations (vide rule 1424 (b) and 1425 of Indian Railway commercial Manual) and compared with that taken into account by the destination station in its converted abstract for purpose of recovery of freight and discrepancies, if any, taken up.

Since Audit Office of the forwarding railway will not be able to check the invoices marked for weighment enroute with reference to the weigh-bridge advices and converted machine prepared abstracts, they should send to the audit office of the receiving railway full particulars of such foreign invoices selected for monthly audit for conducting necessary check. The receipt and submission of such statements by each railway Audit Office from/to other railway Audit Office every month should be watched through the calendar of returns.

- (4) The audited invoices should be traced into the machine prepared abstract. During such tracing it should be seen that invoices marked for weighment enroute have been properly identified by an asterisk in the machine prepared abstracts or alternatively have been included in the statement of invoices marked for weighment enroute.
- (5) Tracing of audited invoices into the 'Paid statements' and verification of debit taken into station balance sheet on account of outward paid traffic should be reinforced by checking of accuracy of the totals of the Paid statement both in respect of freight and weight handled by the owner. The correctness of the total amount shown under 'Invoiced freight to pay' in the outward abstract should be similarly manually checked and the inked entries in the converted abstracts should be verified with the accompanying invoices before it is used to check the correctness of debit taken into station balance sheet, on account of 'Inward to pay' traffic. It should be ensured that 'Inward abstracts' sent by stations along with the balance sheet correspond to those received in the Accounts Office from the foreign railways. For this purpose entries in the register showing receipt of machines prepared abstracts from foreign Railways should be scrutinized and it should be seen that station returns correspond to all the sheets received from the foreign railways.
- (6) The action taken by the Accounts Office on entries inked in the machine prepared abstracts (converted) by the destination stations (c.f. para 2337-A II), should be verified in respect of local traffic with reference to the original invoices themselves with a view to ensuring correctness of the advice of withdrawal of debit against the station. As for foreign traffic a list of inked entries should be sent to the Principal Director of Audit of the originating railway for similar verification.
- (7) The credit on account of 'Paid on charges' taken in the station balance sheet should be checked with reference to the machine prepared 'Paid on charges statement' and the entries therein verified with the details of items relating to Paid on charges. For ensuring that the debit is forced correctly against the station to which the consignment is rebooked, selection of invoices for audit should include some rebooking invoices within the percentage prescribed and such invoices should be traced against the relevant destination station in the machine prepared outward abstract.

- (8) The undercharges noticed as a result of check of invoices should be traced into the “Incorrect statement”. The incorrect statements of stations selected for audit should be reviewed with a view to verifying the action taken by the Accounts Office for issue of error sheets etc. to the station concerned. While dealing with foreign inward traffic the issue of error sheets etc. should be checked with the entries in the Register showing receipt of incorrect invoices from foreign railways (c.f. para 2326 -A-II).

174 Apportionment of earnings between main and worked lines- The scope of audit should cover all worked lines and sections of the system (e.g. lines guaranteed by State Government etc.) the interests of which are distinct from those of the main line. The correctness of the apportionment in accordance with the rules and contracts should be verified up to the final stage of compilation of the earnings of the worked lines (See para 3103 -3109 -A II)

Note: The statement of apportionment of earnings in respect of inter changed telegrams booked in railways telegraph offices, which is prepared by the Accounts Office should be scrutinised along with the connected journal vouchers to the extent prescribed for the audit of supplementary vouchers. A similar test-check should be carried out in respect of the surcharge levied on inland ‘sent’ telegrams, which is shown as a separate item in that statement. The correctness of the statements of apportionment in respect of telegrams booked in the telegraph offices of the Post and Telegraph Department received from the Telegraph Check Office need not be checked. (See paras 2250-2253 A II).

175 Out agencies- The returns submitted by out-agencies will be checked in the same way as those of stations. In order, however, to verify the correctness of apportionment of the earnings from traffic interchanged between the railway and the out-agencies, a test audit should be carried out generally in the same manner as for worked lines. (See paras 2319 and 3103 - 3106 A II).

176 Remission of wharfage and demurrage charges- The remission of these charges by the competent authority should not ordinarily be challenged in audit, but if such remissions are allowed on a very large scale or as a matter of course or there are any other important features a report may be made to the DAI.

177 Compensation for goods lost - The admissibility of the claim with reference to the contractual position (protection afforded by risk notes etc.) and the evidence regarding loss or damage should be scrutinised. The question of disciplinary action and the initiation of remedial measures, wherever necessary, should also be looked into. Judgements delivered in court cases decreed against the railway should be scrutinised for any material they might furnish for the Railway Audit Report.

Besides the results disclosed during this limited test audit, the data relating to the payment of claims available in the Annual Reports or during the inspection of the commercial offices may be reviewed to see if any general deduction can be drawn and usefully presented to the Executive.

178 Traffic Book and Accounts Office balance sheet - (See chapter XXXII and XXIX-A II)- The correctness of the compilations should be checked to the extent laid down. The reconciliation of the figures with those in the General Books and the correctness of the amount shown under “Cash in transit” should be looked into. In the case of the Accounts Office balance sheet, a review should be conducted especially of items not coming otherwise under test audit, in order to see if claim is promptly and correctly made and adequate action is taken to keep unrealised earnings at a minimum. While arithmetical checks may be entrusted to Sr. Auditors/Auditors, it is desirable that the review is carried out by or under the immediate supervision of a Branch Officer, in order that the outstandings might be examined critically and all relevant questions taken up promptly.

179 Refund lists and over-charge sheets – (Paras 2403 - 2412- A II) - The possibilities of irregular payments and frauds should especially be borne in mind. It must be seen that entries in regard to

refunds are made in the abstracts or other suitable procedure exists in order to prevent the certification of duplicate claims.

180 Rate circulars and tariff changes - A suitable percentage should be checked to see that the maxima and minima rates laid down by the Government of India are not infringed without competent sanction. The scope of work should cover also railways not worked or owned by the State but the contracts in regard to which prescribe the fixation by Government of maxima and minima rates.

It is not the function of audit to review the financial effect of special rates but audit is not precluded from investigating cases, if any, where it considers that the introduction of special rates has caused a diversion of traffic or such other results prejudicial to Government interests as a whole.

In order to check station-to-station and other special rates for goods traffic, where terminals have not been separately specified, with reference to Government maxima and minima, it is only necessary to see if such rates (without any deduction) are within the prescribed maximum of the class plus full terminals, short distance and other special charges applicable as notified in the tariff of the railway concerned and are within the bare minimum of the class without any additional charges.

Grant of concessions either in the form of reduced rates for, or free conveyance of particular classes of traffic or particular persons, class or community are also subjected to audit with reference to the relevant orders. Where such concessions in particular cases are noticed during the check of station returns the audit of such concessions should be done along with the check of the returns concerned. Customary concessions may also be reviewed from time to time and the necessity for their continuance and the adequacy of the rates charged examined.

181 Terminal and other taxes - (See chapter XXVI-A II) The responsibility of audit in regard to terminal taxes levied before and after the commencement of the constitution of India is indicated below:

- (a) Before commencement of the constitution – When terminal tax receipts are shown on separate records and not along with railway earning all that audit need do is to see that no more is paid to the Municipalities than is collected on their behalf and that the railway gets its correct percentage to cover the cost of collections. It is not the function of audit to check the correctness of the collections, If Municipalities desire to impose a further check they should do it themselves or pay for it. Again, for those classes of traffic where terminal tax receipts and railway earnings are shown on the same invoices, it will be necessary to do a test check in addition to the check mentioned above to ensure that the amounts on the invoices are correctly taken to the abstract of terminal tax receipts. But here again it is not the function of audit to check the correctness of collections. The same principles are applicable to the audit of municipal and pilgrim taxes levied before the commencement of the Constitution of India.
- (b) After commencement of the constitution – The net proceeds of the taxes levied under Article 269 (1) (c) & (d) of the Constitution requires to be ascertained and certified by the CAG. These should, therefore, be checked to such extent as may be prescribed by the DAI. The net proceeds of taxes which continue to be levied by a State Government or a local authority by virtue of the saving provision in Article 277 of the Constitution or the taxes enhanced under the Article are not required to be certified by CAG.

182 Routing, etc & Agreements - In scrutinising routing, running power and other agreements, attention should be paid mainly to such points as are likely to affect appreciably the interests of Government as a whole and too much stress should not be laid upon the distribution of costs or receipts between the various railways managed by the Indian Governments.

CHAPTER XIII

AUDIT OF EARNINGS (THROUGH TRAFFIC)

183 *Audit of through traffic earnings* - Traffic originating on one railway but terminating on another railway is called 'Through' traffic as distinct from 'Local' traffic originating and terminating at the stations within the limits of the same Railway. The audit of earnings relating to 'through' traffic interchanged between Zonal Railways devolves on the Principal Directors of Audit of the respective Railways on which the traffic originates.

184 The main duties in regard to audit of through traffic earnings is generally the same as mentioned in the preceding chapter dealing with check of local traffic earnings. The work in the audit office is done according to the programme laid down in the Secret Memorandum of Instructions regarding the Extent of Audit (Railway audit), the orders issued by the DAI from time to time and the subsidiary orders issued by the Principal Directors of audit. The method of selection of documents for the purpose of audit should be the same as indicated for local traffic in the preceding chapter. The checks prescribed for through traffic earnings may, as far as possible, be confined to the same period and the stations as are selected for audit of local traffic.

185 *Procedure of apportionment of through traffic earnings (cf paras 3221, 2334, 2129, 2227 and 2237-A II)* - The apportionment of earnings from Goods, Passengers and 'Paid' parcel traffic interchanged between the Zonal Railways devolves on the forwarding Railway. No adjustment is made in respect of Excess Fare, Luggage, Animals and Birds etc. traffic, such earnings being retained wholly by the collecting Railway.

In the case of traffic interchanged with non-Government Railways the adjustment of all coaching traffic except parcels devolves on the forwarding railway and adjustment of Parcels and Goods Traffic devolves on the receiving Railway.

So far as traffic between Zonal Railways is concerned, detailed accounts of apportionment technically called the 'division sheets' are not prepared. In the case of goods traffic both 'Paid' and 'To Pay' the share of each Railway is worked out on the computer and the net result of apportionment advised to the concerned Railways. The apportionment of passenger earnings is made on distance basis from the details in passenger classification, while that relating to parcel traffic is carried out on percentage proportion of 'paid' parcel basis, with reference to the 'paid' parcel cash book.

In the case of traffic interchanged with non-Government Railways, division sheets are prepared and rendered to each other by the Railways, showing in detail the proportion due on interchanged traffic. The division sheets are compiled from the invoices, passenger classification, outward 'Paid' Parcel cashbook and abstract of outward luggage traffic etc., (c.f. paras 2217, 3222 and 3223-A II). Proof sheets are prepared for each description of traffic from the summaries of respective returns and the totals reconciled with the figures in the division sheets.

186 *Check of apportionment of earnings* - In respect of through traffic earnings subjected to test audit it should be seen in particular that in the compilation of accounts and apportionment of earnings among the various Government and non-Government Railways, the interests of the Government are safeguarded.

In the office of the Principal Directors of Audit the check of apportionment of earnings as between Government Railways is not necessary.

187 *Division sheets* - The division sheets received from non-Government Railways should, however, be subjected to a check in accordance with the procedure followed in Accounts Office as described below:

In the case of goods and parcels traffic a comparison of the outward abstracts is made with the Division Sheets and a list of invoices / P.W. Bills not accounted for by the Railways receiving traffic is prepared and sent to them to ensure the account of items listed. The correctness of the Division sheets should also be verified with reference to the accompanying Inward Abstracts.

In the case of passenger traffic the collected blank paper tickets as well as the highest number of collected printed tickets are compared with the entries in the division sheets. In the case of luggage traffic, the collected luggage tickets are compared with the forwarded abstracts accompanying the inward luggage division sheets. In addition to the above the connected invoices / parcel waybills and entries in the passenger and luggage division sheets are checked in respect of the Government share for traffic interchanged with the non-Government Railways.

In the case of invoices the changes made in the through Machine Prepared Abstracts by the destination stations as a result of their comparison with the Delivery Book may be reviewed to see that these are checked by the Accounts Office with reference to the original records and appropriate action taken for the irregularities noticed. (c.f. paras 2337 and 2338- A II).

CHAPTER XIV

CATERING AUDIT

188 *General* - The audit of catering transactions should be conducted to the extent and in the manner indicated in the programme of audit appended to the Secret Memorandum of instructions, keeping in view the general principles laid down in the paras 735--739 of the Indian Railway code for the Traffic Department and the rules contained in Chapter XXVIII of the Indian Railway Commercial Manual, Volume II. General items like sanctions, contractors' bills, purchase order, journal vouchers, suspense registers etc. which are common to other branches of audit should be checked in accordance with the instructions detailed in the relevant chapters of this manual. The procedure of check in respect of transactions peculiar to catering units is mentioned in the following paragraphs.

189 *Cash Memo* - During audit it should be seen that-

- (i) continuity of printed serial No. of the cash memo books in use in each unit is maintained.
- (ii) the cash memo bears stamps of the Units Manager;
- (iii) in the case of cancelled memo both the foils (Accounts foil & Passenger foil) are submitted with an endorsement showing the reasons for cancellation duly attested by the Unit Manager;
- (iv) the rates for the menu charged are in accordance with the price list fixed by the Railway Administration and the changes made thereto from time to time. The monthly summary of sale proceed is posted in the prescribed proforma correctly and send to Chief Commercial Manager (Catering) and Account office.
- (v) there is no error in calculation or in total; and
- (vi) the sales tax on meals or stores, where leviable has been correctly realised.

190 *Daily Abstract of Cash Sales* — It should be seen in audit that-

- (i) the sale proceeds as per cash memo selected for check have been properly accounted for in the daily abstract of cash sales;
- (ii) the total is arithmetically correct; and
- (iii) the total sale proceeds as accounted for in the daily abstract have been remitted to the Station Master through cash remittance notes after deduction of the authorised amount for meeting day-to-day expenses on account of bazar purchase and the acknowledgement of the Station Master obtained on the Cash Remittance Notes. When any portion of the sale proceeds has not been remitted to the Station Master, but shown as transferred to other Catering Units to meet their urgent requirements, it should be seen that such transfer of cash has been acknowledged and duly accounted for by the receiving units. It should be seen that the total amount of sale tax has been collected at prescribed rate and shown separately on cash memo and remitted under separate under in miscellaneous cash remittance note.

191 *Daily account of Cash bazar Purchases* — For daily purchases of stores the catering managers are allowed a cash imprest or permitted to retain a specified amount of sale proceeds to meet the local requirements. For local purchases the unit managers render daily accounts of cash bazar purchases which should be checked to see that—

- (i) the previous cash balance and the amount retained out of the sale proceeds of the previous day have been brought into account;
- (ii) the rates paid are not inconsistent with the market rates. Comparison of the rates at which purchases were made during the past one month by the unit under check as also by other units in the same or nearby areas may be made.
- (iii) all possible vouchers in support of the purchases made are attached with the account;
- (iv) there is no mistake in calculation and
- (v) purchase like milk are made from Government or Co-operative Sales Depots where available when their rates/quality are advantageous to the Railway Administration.

The details accompanying the imprest recoupment bills should be scrutinised to see that the imprest has been utilised for the purpose for which it has been sanctioned.

192 Imprest Cash - It should be seen that—

- (1) proper arrangements exist for safe custody of imprest cash and the amount of sanctioned imprest is available in cash and/or vouchers;
- (2) proper account of cash imprest is maintained and every item of expenditure met out of the imprest is supported by a voucher;
- (3) if the total amount of recoupment bills is consistently less than the sanctioned imprest, desirability of reducing the amount of imprest is suggested to the Administration;
- (4) sale proceeds are not utilised by unit managers holding cash imprests, unless the amount of imprest is considered to be insufficient to meet the requirements; and
- (5) frequent utilisation of sale proceeds by unit managers holding imprests receives special attention in audit to see whether it is avoidable and precautions exist to prevent possible misuse of cash.

193 Daily Account of Credit Bazar Purchases — The returns received from the catering units should be traced into the purchase register maintained for this purpose in the catering Accounts Office.

194 Daily Transaction Statement - In this statement are shown daily purchase of materials as well as sale under each major head showing wastages etc. and the total cash receipts. While the details of the purchases should be tallied with daily account of cash/credit/bazar purchases, the sales should be checked to see that

- (i) the total quantity of each kind of meals including those received from base kitchens and stores, sold in a day agrees with the sales proceeds as per cash memo of the corresponding date;
- (ii) the number of meals received from base kitchens and accounted for in the transaction statement of Pantry Cars should be tallied with the daily summaries of issues prepared by the base kitchens;
- (iii) the rates charged are according to the price list fixed by the Railway administration and the changes made thereto from time to time;
- (iv) the total quantity of meals, stores and sale proceeds thereof agree with the daily abstract of cash sales; and
- (v) the sales tax realised as per cash memo have been properly accounted for.

In regard to wastages it should be seen that these are not in excess of the prescribed limit.

195 *Daily/Trip-wise/10 day summaries of Raw materials issued* - Materials issued for preparation of articles should be compared with those required on the basis of the prescribed formulae and the actual yield. Any differences should be investigated. Issues made to refreshment rooms, stall keepers and vendors as recorded therein should be traced into their sales return. Similarly, transfer of material from one catering unit to another and supply of meals by base kitchens to the Pantry Cars should be traced into the transaction statement of the receiving units.

196 *Issue of Table / Contingency Account* - It should be seen during monthly audit that-

- (i) the rates and the amount on account of stores issued daily have been properly computed; and
- (ii) the value of stores issued agrees with that shown in the debit side of the 'statement of receipts and expenditure on table account'.

During inspection it should be seen that the quantity of stores shown as issued from stock agrees with that shown in the Production Analysis Register. The weight of various items (eatables) made shall be test checked to see that their weight agrees with the approved weight of the items or otherwise.

197. *Statement of Receipts and Expenditure of Table Account* - Monthly debits on account of cash bazar purchases and value of stores used from stock and credits on account of sale proceeds are shown in this statement along with a summary of receipts and expenditure during the month. It should be seen during audit that-

- (i) the daily postings of the value of stores used and the cash bazar purchases on the debit side agree with the corresponding vouchers, viz. daily issues to table/ contingency account and daily account of cash bazar purchases;
- (ii) the daily sale proceeds as accounted for on the credit side agree with those shown in the daily sales abstract of cash sales;
- (iii) the totals of both debits and credits are correct; and
- (iv) the total expenditure is not in excess of the receipt during the month.

198. *Price List* - It should be seen that the rates have been so fixed as to make the budget of the Catering Department balanced, that uniform rates have been fixed over the entire area and their variations in the actual menu to suit local taste have been taken into account.

199. *Audit of Profit and Loss Account* - Each and every item of this form is required to be checked with the various returns received from the catering unit. The total of each return is to be placed in the form under the appropriate head. While checking the Profit and Loss account it should be seen that-

- (i) the opening balance of the month agrees with the closing balance of the previous month;
- (ii) debit on account of pay and allowances of the direct staff is checked with reference to actual paid vouchers;
- (iii) the proportionate debit on account of indirect staff is according to the scale laid down by the Railway Administration;
- (iv) debits for raw materials, manufactured items etc. is correctly taken into account;
- (v) credits for sales agree with the monthly sale summary;

- (vi) the results of monthly stock taking of stores with the catering unit have been duly taken into account in preparing the Profit & Loss account; and
- (vii) losses incurred on a particular unit for a continuous period are investigated to see what are the reasons therefor and the adequacy or otherwise of the measures taken to reduce the losses.

200. *Account of left over or spoiled materials etc.* - It should be checked during inspection that-

- (1) purchase and production of food stuffs are on the basis of minimum requirements for a day;
- (2) no loss or deterioration generally occurs where there is proper cold storage equipment. Where there is a regular and high incidence of wastage the reasons, if any, for not providing cold storage facility may be examined;
- (3) wastages exceeding the prescribed limits are properly investigated;
- (4) consumable stores are certified by the officials as unfit for consumption due to long storage or otherwise after duly examining whether the loss could have been avoided by taking due precautions;
- (5) amount of loss has been recovered from the defaulting staff or written off under the sanction of competent authority; and
- (6) the schedule adopted for purpose of comparison is correct and up to date;
- (7) figures showing ingredient actually drawn are tallying with those in the ledger of consumable stores;
- (8) the rate adopted for working out wastages is as prescribed; and
- (9) the wastage has been worked out for all items of stores held in stock without omission etc.

PART IV - AUDIT OF EXPENDITURE

CHAPTER XV

ESTABLISHMENT AND PROVIDENT FUND AUDIT

ITEMS OF AUDIT RELATING TO GAZETTED AS WELL AS NON-GAZETTED STAFF

201 *General* - In the audit of establishment charges, rules contained in Indian Railways Establishment Code, Chapter VIII of Indian Railway Financial Code, Vol. I, Chapters VIII, X and XII of Indian Railway Administration and Finance, Chapter XVI of Indian Railway Establishment Manual, Vol. I, Chapter VIII, XII and XIV of Indian Railway Accounts Code Vol. I, any special rules and procedure approved by competent authorities for individual Railways as well as the instructions contained in Chapter 2-6 of MSO (Audit) should be borne in mind.

202 All sanctions should be fully audited with reference to the canons of financial propriety and the schedule of powers. Where the sanctions should have been endorsed on behalf of the Financial Commissioner, it should be seen that this has been done.

203 *Computerised pay roll system*- The computerised pay roll system introduced on the Railways provides for preparation of Pay Sheets of the employees along with the accompanying schedules, maintenance of Provident Fund Account, Suspense Registers etc. The system flow charts relating to pay roll and provident fund applications are shown in the annexure. The basic features of the system are given in the paras, which follow.

204 A master file of the employees is built up on tape which under the tag of identification number allotted to each individual by appending a check digit to his Provident Fund Account Number, carries details like name, designation, pay scale, rates of pay and allowance, standard deductions like Provident Fund subscription, refund of advance, house rent, income tax etc. This data is initially collected from service records and other connected documents and entered on 'Master Data Forms' for purpose of punching and verification. Cards are punched and verified from these data forms and then run on the computer to detect mistakes in coding and punching. A check sheet is produced highlighting these errors for manual check and rectification. After all the cards are found error-free, they are taken on magnetic tape which becomes the Pay-roll Master.

205 For transfer of staff to and from the bill units as well as for changes in the entitlements of an employee to pay and allowances due to increment, revision of pay, promotion, reversion, leave etc. necessary entries are made in the coding Sheets by the Personnel Branch. The Coding Sheets are sent to Data Processing Branch where after a preliminary scrutiny in regard to their completeness and conformity with the prescribed formats. The sheets are punched in the form of cards. The punched cards are run through the computer for general validity and agreement of the control totals developed manually with those worked out through the computer. In this process of scrutiny the punched cards are also written on a tape called the 'Change tape'.

206 The Change tape and the previous month's Master tape are then run together for updating the latter with the changes as per the Change tape. The pay sheets of individual employees are printed from pay-slip tape, which is created by running the updated Master tape with the Change tape. At

this stage all calculations are done for regulating pay, allowances and recoveries. The pay-slip tape is run to create a summary tape from which allocation summary of debits and credits are printed. Further the pay-slip tape, change tape and the Master file run together to create an output report tape which is sorted to print the various statements accompanying the pay sheets viz. Memorandum of differences, absentee statement, variation statements of Provident Fund, rent and other recoveries, etc.

207 For PF accounting two basic files- Provident Fund Master file and Provident Fund Transaction file are maintained on tape. To start with, the balances in the Provident Fund account of each individual employee as per check sheet are punched into cards.

208 'Page total cards' are also punched for closing balance amounts in each page of the Check Sheet A-912. The opening balance cards and closing balance cards are put to Edit Run and error messages are printed for unmatched cards. The opening balance cards are then corrected as per error messages, sorted in order of Provident Fund Numbers and processed as input duly matching with the Provident Fund Numbers in the (Pay Roll), deduction Master file to obtain employee's identity details. The output is the PF Master file along with a statement of opening balances, giving details of Provident Fund numbers, name, designation, opening balances of subscription, bonus etc. The deduction master file from which the pay bill is prepared is itself used along with cash and JE files as input to obtain the Provident Fund Transaction file. The Provident Fund transaction file is updated and used as further input to obtain the merged Provident Fund transaction file, which in its turn is run along with the Provident Fund Master file to obtain the Provident Fund ledger.

209 While check of computer programme is not at present undertaken, audit should be conducted by checking the accuracy of the source documents and compilation of the output with the source documents. The Provident fund transaction file containing the monthly transaction in respect of each Provident Fund Number is updated for correcting errors, if any, or posting un posted items through a card input. Since in this updating programme manual intervention is possible, the list of updated items should be reviewed in audit to ensure that the corrections made are for genuine errors and un posted items only.

210 *Audit of pay bills-* The duties of Assistant Audit Officers/ Section Officers in regard to the audit of pay bills are generally specified in Paras 3.2.7, 3.3.5 and 3.3.10 of the MSO (Audit) and should be borne in mind in so far as these are applicable to railway service conditions and procedures also vide Paras 1204-1212 A.

1. The essential points in the audit of pay bills are to see that:
 - (i) There is proper sanction to the post held by the employee;
 - (ii) the employee is entitled to the amount paid to him;
 - (iii) the allocation of the charges has been correctly made;
 - (iv) checks against budget provision is carried out as laid down in Para 1204 A;
 - (v) deductions for P.F. subscriptions are in accordance with the provisions of the Provident Fund rules and the deductions are traced into the recovery sheets.

- (vi) the amount has been correctly acknowledged by the employee
- (vii) the payment has been witness by a competent authority in terms of the provisions of 1965-1970 A.I

2. To apply the first check the posting of the bill into the Cadre Register (Form A 1319) should be checked to see that the sanctioned cadre is not exceeded. References in the Register of sanctions to new posts should be traced to the original sanction itself.

3. As regards entitlement to the amount paid to employees, gross amount of the pay drawn should be checked with the sanctioned pay of the post and with reference to the Salary Register (A1305 or A-1306) in the case of gazetted railway servants and with the memorandum of difference & the absentee statement in the case of non-gazetted railway servants. So far as members of the Accounts Department are concerned, the prescribed check should as far as practicable be carried out with reference to entries in the Service Registers, which are available at the Headquarters.

Wherever the preparation of memorandum of differences has been dispensed with under computerised pay bill system, the check on the entitlement of the employee to the amount paid to him should be exercised with reference to the change statement available in the Accounts Office as under;

- (a) the pay in respect of each employee under check should be compared with the pay in previous months' bill and the difference if any, tallied with the change statement;
- (b) the correctness of preparation of the source documents checked with reference to the initial documents during inspection of the respective executive office; and
- (c) with a view to ensuring that there is no un-authorized insertion of name in the pay bill, all the employees (with their P.F. No/ Ticket No. etc.) appearing in the pay bill, selected for audit should be paired with the names in the previous month's bill and the new names, if any traced into the change statement.

5. With a view to avoid corrections to computer printed pay bill it may be that minor overpayments detected during the internal check are advised to the data processing centre for necessary adjustment in the subsequent months instead of disallowing the over payments and issuing dis-allowance list to the department concerned as required under Para 850 A. Actual adjustments when effected are noted in objection statements (vide Para 851 A) maintained in Accounts Office. In such cases the following supplementary checks should be exercised:

(i) Discrepancies noticed during the audit of a month's pay bill and the adjustments carried out therein in respect of discrepancies relating to the earlier pay bill for the same unit selected for check should be linked with the corresponding item in the objection Statements (vide Para 851. A) of the respective month with a view to ensuring that the discrepancies noticed in internal check/ audit are duly noted in the statement and the discrepancies noted earlier are duly adjusted in the subsequent month's pay bills.

(ii) The Accounts Office file containing the objection statements (vide Para 851 A) should be reviewed along with the quarterly review of Recovery Register and cases of delays or omissions in adjustments of the discrepancies taken up.

(iii) The overpayments though minor are objectionable. It should, therefore, be ensured that the items outstanding in objection statement (vide Para 851 A) are entered in the Objection Book till recoveries are effected.

6. The audit of pay bills should be further supplemented by check of the following documents, which are generated with the payroll operation to see that:

- (a) the coding sheets are received in respect of all bill units;
- (b) Appropriate corrective action is taken in all cases included in the Error List and Exception Report;
- (c) the various control totals and hush totals are properly agreed; and
- (d) the run to run totals intended to ensure processing integrity are duly agreed.

7. The errors detected in the course of audit should be carefully analysed and the errors on account of defective programming taken up with the EDP Manager. This check should be extended to cover the errors detected in the scrutiny of pay bills by Accounts/ Personal Branch as well. For this purpose errors reported to EDP Manager by Accounts/ Personal Branch should be analysed to see that (i) remedial action taken to rectify the errors; and (ii) necessary correction to programme are made.

211 Increments- Increments should be checked with reference to the Service Records wherever such records are available easily to audit. In other cases the check should be exercised with the details furnished in the statement prescribed in Annexure III to Para 1206 of A.I. During local inspections the increments drawn during the month selected for special check should be fully checked with reference to the relevant Service Records. Positions contained in section II of Chapter VI of IREM may also be kept in view in the matter.

212 Officiating appointment- It should be seen that any officiating promotion has been made against a specified vacancy after taking into consideration any leave reserve in the cadre, that work of increased responsibility is involved and that the initial pay has been fixed correctly according to the rules.

213 Additions to pay- It should be seen that additions to pay and other special concessions and allowances (e.g. overtime, running, compensatory, house rent, subsistence allowance etc.) are correctly drawn in accordance with the rules on the subject (Cf para 1416 A regarding internal check procedure). The justification for some of the additions and allowances may be broadly reviewed periodically and any reductions, which appear to be justified by the circumstances, suggested to the Executive, but some circumspection must be exercised in making such suggestions. As an instance, it might be seen that overtime allowances are not ordinarily given to such staff as clerks, where there is a possible tendency to slow down work during the ordinary hours, accumulate arrears and work extra hours or attend on Saturday / Sunday etc. to claim the overtime allowance (See also Para 2.2.13 of MSO (Audit).

In case of payments of honoraria and fees it should be seen that the requirements of the rules contained in the Indian Railway Establishment Codes [Rule 103 (18) and 103 (24) of R.I and Rule 1334 of R.II] have been fulfilled [Cf para 3.2.9 – 3.2.10 of MSO (Audit)].

214 Revision of pay with retrospective effect - Cases where retrospective effect is given to a revision of pay of establishments or individuals, the sanctioning authority should be asked to specify the special circumstances which necessitate sanction being accorded with retrospective effect. Cases should be promptly brought to the notice of the DAI when the cost involved by revision is large and the reasons given for according sanction with retrospective effect are not satisfactory.

215 Economics-An intelligent proposal for reduction of work in any department of the Railway e.g. by combination of duties of posts into one without undue loss of efficiency and without throwing undue burden on one post, or by the transfer of work from one department or office to another or by modification of the procedure, may occasionally be made by audit for such action as may be considered necessary by the Executive, but some circumspection will be necessary in the treatment of the subject. [See also the instructions contained in Para 2.2.42-2.2.44 of MSO (Audit)].

216 Revisions of Pay - Whenever there is a general revision of scales of pay, the re fixation of the initial pay of the Gazetted Officer and the non-gazetted staff should be checked to the extent prescribed. This check should be completed within 3 months in the case of Gazetted Officers and within 6 months in the case of non-gazetted staff of the first bill in which the new rates of pay have been drawn. The check may be treated as special work and not as part of the ordinary programme of work. In the selection for the percentage check in regard to non-gazetted staff, special attention should be given to the more difficult cases where there are complicating factors.

217 Allocation- It should be seen that gross amount of the bill is allocated to the Heads and Sub-heads of Accounts concerned and that proper allocation of the deductions has also been recorded on the bill. The pay-sheets printed on the computer do not indicate the page-wise and item-wise totals of the entitlements and recoveries of the employees as were available in the manual system of bill preparation. The correctness of computer generated abstract of allocation and the summary showing the net amount for which the pay bill is passed for payment should therefore be checked as under:

- (i) One pay bill should be selected for complete check of allocation and the net amount for which cheque is drawn, by manually transcribing entries in the individual pay sheet under the various detailed heads and totals struck for comparison with the computer generated total; and
- (ii) In other cases following checks should be exercised-
 - (a) on the accuracy of the account head to which the amount has been debited/ credited; and
 - (b) where manual alterations have been made in the printed pay sheets by Personnel/ Accounts Department, with reference to such alterations.

Cases where an employee is working in one post while his pay is charged to another post should be specially watched during inspection by examining attendance register. In checking the allocation of other bills chargeable to works, the connected estimates should be consulted.

218 *Arrears of pay* - The rules contained in Para 1006-1012 of Indian Railway Administration and Finance should be applied in the audit of claims for arrears of pay. In checking such pay orders it should be seen that the amounts have not been paid in any previous pay order and if such amounts have already been shown in any previous bill and remained unpaid, suitable remarks have been made against these items to prevent a subsequent payment.

219 *Payment of cash equivalent of leave salary* - The bills on account of payment of cash equivalent of leave salary to family of Railway Servant who dies in harness and cash payment in lieu of unutilised leave on average pay on the date of retirement may be checked to the same extent as the supplementary pay bills in respect of unit selected for monthly audit of pay bills of officers and staff.

220 *Advances of pay, travelling allowance and for purchase of conveyances etc.* - The instructions contained in Chapter X of Indian Railway Administration and Finance, Chapter XI of IREM, Vol. I, paras 1217-1218 AI and paras 3.12.22 – 3.12.23 of MSO (Audit) should be applied in the audit of advances.

221 *Rent of Residential Building* - Under the simplified procedure for preparation of rent rolls and maintenance of rent registers, rent rolls are prepared only for one month in the year- April or May and for the remaining months a statement of variation in the recovery of rent, if any, is annexed with the pay bill. Similarly instead of posting the recovery of rent in the rent registers from month to month in respect of each building, the total recoveries in respect of all the quarters forming part of a particular pool are posted for comparison of the capital outlay with the rent return in each pool.

The rent rolls/ variation memo pertaining to the pay bills taken up for audit should be examined to see that the rent is correctly recovered under the rules obtaining on the Railway. The rules generally provide that 10 per cent of emoluments or the assessed rent whichever is less, is recoverable. Where the limit of 10 per cent of emoluments is operative, it should be ensured in audit that the amount to be recovered is recalculated with every change in the emolument. Cases in which the rent recovery is considerably less than the assessed rent should be reviewed. It should be seen that:

- (a) The quarter allotted to a particular officer is occupied by him and not left vacant;
- (b) If it is allotted to any other officer there is no loss of rent on account of such allotment,
- (c) Cases of quarters remaining vacant for unduly long period have been examined and appropriate action taken by the Administration, and
- (d) Special orders regarding penal rent etc., are implemented wherever warranted.

In cases where rent rolls do not accompany the pay bills, a percentage check on rent rolls should be exercised at local inspections of the offices concerned. It should be seen that rent rolls are received (or rent recovered where rent rolls are not received) in respect of all rentable buildings, either by a check at headquarter of a suitable percentage of entries in rent rolls with the particulars given in the lists of buildings and the Capital and Revenue Accounts, or during local inspections.

When an employee is enjoying an unusual privilege, e.g. rent free or partly free quarters, free or partly free electric or water supply, it should be seen whether he is entitled to such concessions under the rules of the Railway and that the rule in question has not been abused in the particular cases.

222 *Travelling Allowance Bills* [See also Paras 3.2.12 – 3.2.15 of MSO (Audit) and Paras 1213-1215 AI]. The traveling allowances rules are contained in Chapter XVI of the Indian Railway Establishment Code, Vol. II.

Points, which may suggest themselves for inquiry are:

- (a) travel by air, if any, is covered by the rules or special sanction therefor;
- (b) whether officers who countersign their own bills do not abuse this privilege;
- (c) whether countersigning officers duly carry out their responsibilities as such;
- (d) whether a change of Headquarters in certain instances would result in a reduction of travelling allowance;
- (e) the possibility of reducing the number of Group D staff accompanying an officer on tour;
- (f) the desirability of granting a fixed conveyance allowance where the charges for conveyances are heavy;
- (g) the justification for the rate of motor car allowance which may have been granted in comparison with the amount of travelling to be done;
- (h) the possibility of reduction of fixed travelling allowance to officers on construction when the linking is complete and the free use of a trolley is granted; and
- (i) whether arrangements exist to deface travelling allowance journals accompanying travelling allowance bills in a proper manner to prevent them from being passed a second time for payment. In the case of Survey Officers it should be seen that no fixed travelling allowance is drawn during recess.

223 *Scale check registers of non-gazetted establishment and cadre registers of gazetted officers* - (Cf. Paras 1319-1323, 1408-1411-1414 A.I). It should be seen that sanctions accorded are correctly posted. In the case of sanctions to temporary posts it should be seen that the dates on which the sanctions expired are noted prominently so that there may be no possibility of passing the connected pay bills beyond that date. The payment column should be reviewed to see that bills passed without proper sanction are carried over to the objection book.

In the course of scale check it should be seen that number of officers (i) drawing substantive pay and officiating pay; and (ii) drawing substantive pay and leave salary does not exceed the sanctioned cadre. For this purpose the posts of Assistant Officers created against vacancies in the cadre may also be taken into consideration.

224 *Register of Disallowance list* - (See Paras 852, 853, 854 A) The disallowance lists and objection books should be reviewed to see that prompt action is being taken to clear outstanding items. It should be seen inter-a-lia that the objections taken have been pursued and brought to a

satisfactory conclusion and that there is no inconsiderate delay in the disposal of the same by the departments.

225 *Registers of foreign service contribution-* (Paras 1221-1223 A) - This register should be checked to see that correct recoveries are being made towards leave salary, pensions, provident fund contributions, gratuity etc.

226 *Passes and P.T.O* - The points to be looked into at headquarters and during inspections have been laid down in para 438.

227 *Contingent vouchers* - The general instructions contained in paras 3.4.6 – 3.4.8 of MSO (Audit), Chapter V of Part V of the Compilation of the Treasury Rules, Volume I, para 130 and Appendix to the Compilation of General Financial Rules and Chapter X of the Indian Railway Financial Code, Vol. I should be borne in mind. In the audit of contingent vouchers it should be seen, inter-a-lia, that

- (a) each class of expenditure;
 - (i) is a proper charge against the grant concerned;
 - (ii) has received such sanction as is necessary;
 - (iii) has been incurred by an officer competent to incur it;
- (b) no canon of financial propriety is infringed;
- (c) the bill is in proper form;
- (d) the amount in words and figures agree;
- (e) the classification is correctly recorded;
- (f) the rates are apparently not extravagant;
- (g) no bills are paid from imprest cash which ordinarily should have been submitted for pre-audit and payment like other bills; and
- (h) bills containing charges for miscellaneous supplies bear a certificate that the articles have been received in good condition and entered in the stock account.

228 *Leave account* - (See also Paras 3.3.3 – 3.3.4 of MSO (Audit) - As the leave accounts of the subordinate staff (except those of the Accounts Department) are not generally maintained in the Accounts Office, it is not possible to check their leave salary certificates at headquarters and it will be sufficient if the leave accounts of those employees are generally scrutinised and test checked at local inspections.

Audit should bring to notice cases where any attempt is made to evade the principles of leave rules although there may be no technical evasion, as for example when an employee entitled only to four months leave on average pay at a time rejoins duty and very shortly afterwards, again proceeds on another four months leave on average pay.

In case of leave in India, in addition to the check of leave salary on the basis of the statement regarding calculation of average pay, absentee statement, memorandum of differences etc., the leave

salary of persons appearing in the bills of the month selected for audit during local inspections should be verified from the original service records and leave accounts.

The check of leave accounts should be a complete one from the beginning or from the last entry checked to the date of scrutiny and should cover cases of all employees due to retire prior to the end of the year in which next inspection is due, a record of the accounts checked during each inspection being maintained for the purpose.

229 *Gratuity or special contribution to Provident Fund* - Bills on this account should be audited with reference to Railway Gratuity/ SRPF Rules or the rules applicable to the Old Company Railway Staff, who are governed by them. One of the points that should be specially looked into is that a record of payment has been made in the service record under the initials of a Branch Officer in such a way that a second bill for gratuity cannot be prepared and passed. In those cases where running allowance has also to be added to 'pay; under the rules, the record of running allowance should be test-checked with reference to the bills in which running allowances were drawn and it should be seen that the average pay and allowances have been correctly worked out.

II. ITEMS OF AUDIT RELATING TO GAZETTED OFFICERS ONLY

230 *Medical attendance bills* - The rules contained in chapter VI of the Indian Railway Establishment Code, Volume I should be borne in mind.

231 *Service Cards (History of Services) of officers of the Railway Department* - The system of maintaining service cards for officers on the railways was introduced with effect from 1-5-1959, giving reference to the year of publication and page number of the last issue of the history of services in which the officers name appeared. It should be seen that the Service Cards are brought upto date at interval of 2 years or when an officer returns from leave whichever is earlier.

III. ITEMS OF AUDIT RELATING TO NON-GAZETTED STAFF ONLY

232 *Workmen's Compensation Act Payments* - Payments made under the Workmen's Compensation Act should be checked to see whether these have been correctly made according to the Act. In admitting these claims against the Railway, it should be carefully seen that the workman was employed not by a contractor for railway work, but by the railway itself direct. Where the railway pays compensation for contractor's labour, by virtue of the provision in the Act, it should be seen that the amount is recovered from the contractor.

233 *School fee bills and contribution to Schools* - The rules to be applied in the audit of these items are contained in Chapter XXII of the Indian Railway Establishment Manual Vol. II. The payments to individuals should be checked to see that they are in accordance with the existing practice of the railways based on the above rules (See para 1418-1419-A also). In checking grants-in-aid to schools, the justification for the same should be scrutinised. If the grants-in-aid are dependent on the number of scholars actually in attendance during a specific period or on the expenditure on certain objects during that period, it is necessary to test the accuracy of the calculation by which the grants-in-aid have been determined. Many grants-in-aid are made on the understanding that certain conditions will be fulfilled in the course of expenditure of the grant, the audit scrutiny will be confined in such cases to an examination of the annual reports.

234 *Subsistence Allowance bills* - These are audited along with the pay bills and should be separately indicated in the register of selection of vouchers so that the reviewing officer may select, if he so desires, any or some of them for review.

IV. OTHER ITEMS OF AUDIT

235 *Confirmation of General managers* - Since 1948, the Railway Board have given up the policy of confirming the General Managers on the railways where the vacancies occur and the confirmations are being made against the combined cadre of all railways. These confirmations have, therefore, to be checked by the office of the DAI from the Railway Board proceeding and registers.

236 *Post Audit of Establishment Bills of the staff employed in Railway Audit Offices* - The arrangements for the internal check and post audit of the expenditure on Railway audit Offices have been detailed in Chapter VI.

The Audit Officers nominated in para 72 may conduct the audit of establishment and contingent relating to the Railway Audit Offices in the same manner as laid down in chapter 3 of Section III of MSO (Audit) and to the same extent as prescribed in paras 4 and 7 of the Secret Memorandum (Civil).

237 *Audit of Provident Fund Account [See para 3.10.1 and Chapter 11 of Section III of MSO (Audit), Chapter IX-R and Chapter IX-A]* The figures in the deduction lists accompanying the pay bills of the employees whose accounts are to be checked should be traced into the relevant ledger accounts. As far as possible the same deduction lists into which the recoveries of P.F. have been traced at the time of check of the pay bills vide para 210 (v) may be traced in the P.F. ledgers to the extent specified, with a view to avoid the possibility of the amounts in the recovery sheets being inflated. It should be seen whether the contribution credited to the account in the previous half-year is correct, whether the closing of the account and the calculations of interest for the previous year have been correctly done according to the rate of interest applicable to the persons concerned and whether recoveries on account of advances are being regularly made in accordance with the rules. In the case of new accounts it should be seen whether the employee is eligible to subscribe to the fund.

In case preparation of deduction sheet has been dispensed with under computerised system of accounting, the tracing of P.F. recoveries may be done directly from the Pay bills.

Where under the computerised system of Provident Fund accounting the Provident Fund ledger is printed collectively at the end of the financial year, the entries in the deduction lists for the month of March, preferably relating to more than one department, only need be traced. It should be seen whether:

- (i) the contribution credited to the account in the previous half year is correct;
- (ii) the closing of the account and calculation of interest for previous half year have been correctly done according to the rate of interest applicable to the person concerned.
- (iii) recoveries on account of advances are being regularly made as per rules;
- (iv) in the case of new accounts the employee is eligible to subscribe to the fund; and

- (v) the amounts of incentive bonus credited, if any, to the accounts of a subscriber have been correctly worked out and the conditions prescribed for the grant of such bonus are fulfilled.

238 *Temporary withdrawals* – [See para 3.11.4 of MSO (Audit)] - Temporary withdrawals from Provident Fund should be checked to the extent prescribed to see that the withdrawals are for the purposes as specified in the rules and sanctioned by the competent authority (Cf. para 923-R). In case of payments of life insurance premia instead of subscription, it should be seen that the rules (paras 927-939-R) are correctly observed and proper records of such policies are kept by the Accounts Office.

The debits for temporary withdrawals audited during the month should also be traced into P.F. ledgers. If under the computerised system P.F. ledgers are printed only at the end of the year instead of monthly as under the manual system, the tracing of debits in the P.F. ledgers may be done as an annual item for all cases of temporary withdrawals audited during the year. For maintaining surprise element, an additional percentage, as prescribed in the Programme of audit, of all the vouchers passed during the year may also be traced in the P.F. ledgers.

239 *Final withdrawals* - In the audit of final withdrawal of Provident Fund the check of the connected ledger account should include a recheck of the transactions as recorded in the ledger for the last 2 years with those in the deduction sheets/variation mema as far as they may be available without difficulty. If this reveals a substantial discrepancy a recheck of the whole account as far as possible should be undertaken.

It should be verified that contribution to contributory SRPF account has been correctly calculated up to the date of termination of service and that interest has been allowed up to the date of tender of payment or up to the end of the sixth month after the month in which the subscriber quitted the service or died, whichever is earlier; that there is a clear certificate to the effect that no amount is outstanding against the person concerned. Cases of delay in the disposal of claims may be specially brought to the notice of the Accounts Department.

In respect of computerised Provident Fund Accounts, it should be ensured during audit of P.F. settlement cases that the opening balances on the date of computerisation were correctly carried forward from manually maintained ledgers to the computer printed P.F. Ledgers.

240 *Contributions and Interest* - The journal entries in which the half-yearly contributions and the annual interest are credited to the fund should be checked. Any large fluctuations in the contributions credited from year to year should be investigated. The total interest should be checked by working out interest, on the monthly balances under “Provident fund” for the subscribers in the P.F. ledgers or Check Sheets. If the difference is not more than one per cent it may be assumed that the bulk of the individual interest charges are approximately correct.

In the case of computerised system of P.F. accounting where check sheets have been discontinued, the journal entries for Bonus contribution and interest should be checked with reference to the control figures i.e. the lumpsum amount of bonus and interest as obtained from the computer.

241 *Payment under Deposit linked Insurance Scheme* - Under the Deposit linked Insurance Scheme introduced on the Railways with effect from 8-1-1975, an additional amount, equal to the

average of the last 3 years' balances in the Fund of the deceased Railway servant is admissible to the persons eligible to receive the Provident Fund dues of the deceased subscriber under the relevant rules.

These payments should be checked to the same extent and in the same manner as prescribed for the final withdrawals from Provident Fund.

242 Railway Employees Insurance Scheme - The monthly contribution recovered from the employees towards insurance scheme may be checked in the same way as other items of recoveries like SRPF or rents etc. are checked during audit of Pay bills. The recoveries of contribution through labour pay sheets may likewise be checked while auditing labour pay sheets during inspection of executive offices. The vouchers relating to payments on retirement/death under the insurance Scheme should be checked to the extent as prescribed in the Secret Memorandum of Instruction regarding extent of audit. The transfer of debits/credits for recoveries and payments are to be treated on par with settlement of inter-departmental and inter-Governmental transaction as per item VIII – 6 (a) of Central audit programme in the Secret Memorandum.

243 Productivity linked bonus - The payments of Productivity Linked Bonus to the Railway employees should be checked as prescribed in the Secret Memorandum particularly that:

- (a) the individual employee receiving the payment is eligible for the same;
- (b) in the case of employees on unauthorised absence/suspension, bonus is not allowed till regularisation of the absence and the status of the suspended employee remains indeterminate; and
- (c) the wages per day of individual employee have been correctly computed as per extant order of the Railway Board, taking into account the prescribed ceiling on monthly wages.

244 Reconciliation with General Books - The reconciliation of the Provident fund ledgers with the General Books should be reviewed with a view to see that any discrepancies are set right at once. It is necessary that the review of the reconciliation should include a test check of the totals of check sheets and summaries. A method similar to that described below and modified to suit local conditions may be adopted for the purpose to ensure that the entire field is covered in a cycle of prescribed period.

When the accounts extend over several ledgers, accounts of subscribers working upto the number prescribed are selected each month from one particular ledger. These accounts will be checked in full, the totals of the check sheets of that particular ledger being checked completely and the totals traced into the summary ledger which totals up the figures from other ledgers also. The grant total of the summary ledger (of opening balance, debits and credits and closing balance) should then be reconciled with the figures in the General Books.

Where the maintenance of Provident Fund accounts has been computerised and no check sheets are prepared, the reconciliation with General Book figures obtained from Cash and J.E files should be carried out with reference to the control totals i.e. the total figures for credits and debits printed separately on the computer.

245 *Machine system of accounting or other changes* - Whenever there is a change in procedure or method, e.g., due to the introduction of mechanical accounting, it should be seen that no important processes of check or accounting are left out and in particular, that there is a provision for reconciliation of the total amount of the balances in the Provident Fund ledgers with the total amount as per the General Books.

246 *Provident Fund Rules* - The Contributory (Transferred Railway Personnel) Provident Fund Rules have been reproduced in Para 942-RI.

247 *Accounts of Staff Benefit Fund* - The annual contribution to this fund should be checked with reference to para 805-RI. It should be seen that the balance of loans from the fund against individuals is reconciled with total balance as per accounts.

248 *General Provident Fund and other Provident Fund Accounts* - The instructions given in chapter 11 of Section III of MSO (Audit) should generally be followed in the audit of the above mentioned accounts.

249 *Pension* - The instructions and principles contained in Chapter 6 of Section III of MSO (Audit) are applicable, as far as possible, to the audit of pension sanctions and payments. The verification of qualifying service for pension should be conducted in the manner and to the extent as prescribed in Para 23 of Secret Memorandum regarding Extent of Audit (Railway Audit).

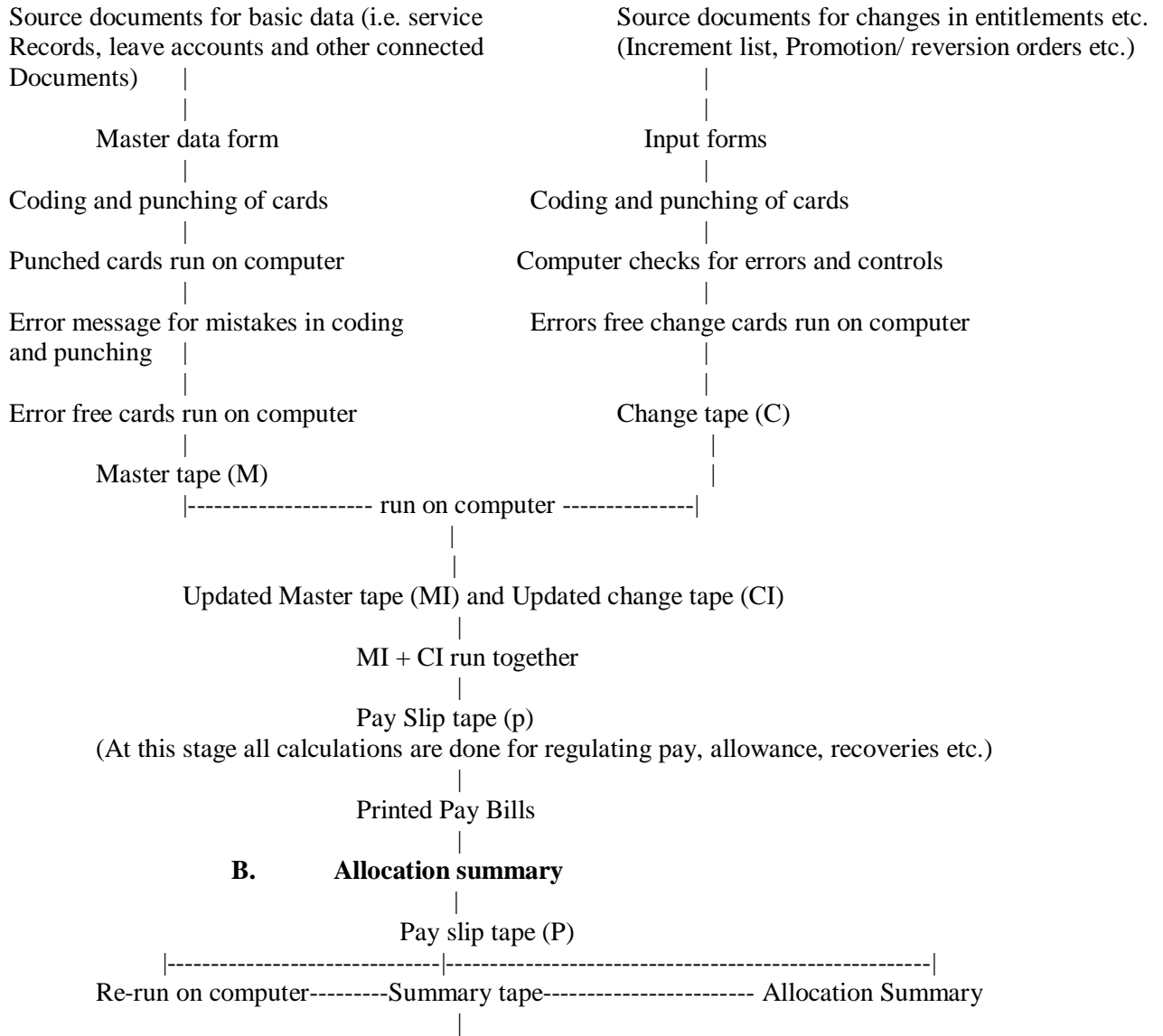
The Principal Directors of Audit should pay greater and closer attention during the last 10 months of service of railway officers to cases of their fixation of pay, grant of leave or drawal of leave salary and other connected matters, which may have a direct or indirect bearing on the amount of pension.

The disbursements of pensions to Railway pensioners are made through treasuries (or through Railways at Calcutta) as well as Post Offices and Public Sector Banks. Paid vouchers of payments made through treasuries etc. are received in the Accounts Office. In respect of payments through Post Offices/Public Sector Banks, however, only Debit Schedule/Scrolls, indicating the details as available in the pension bills paid through treasuries, certificate of payment etc., are received in the Railway Accounts Office. These debit Schedules/Scrolls should also be treated as paid vouchers for the purpose of audit. The selection of pension payments through treasuries (or through Railways at Calcutta), Post Offices and Public Sector banks may be made separately for each type of payments.

ANNEXURE (Cf. Para 203)

Computer system flow chart -Pay roll application

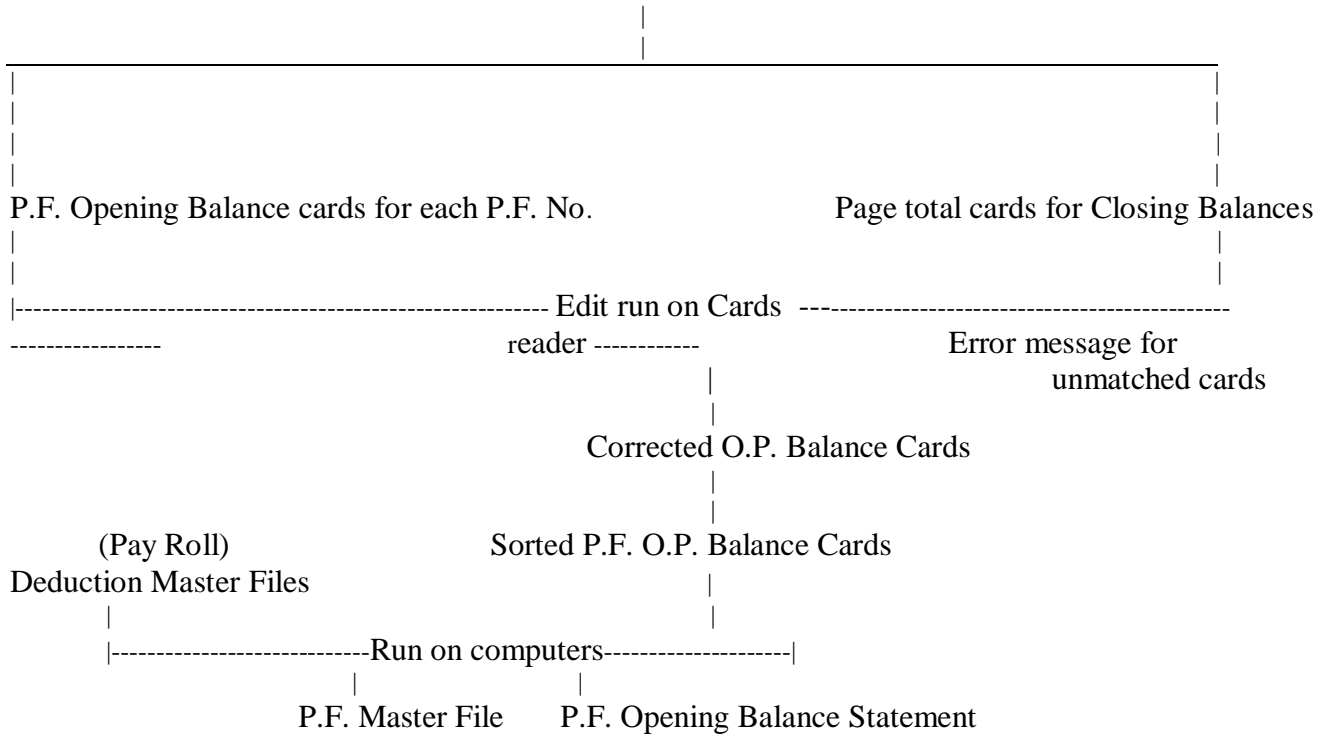
A. Master tape, change tape and pay slip tape



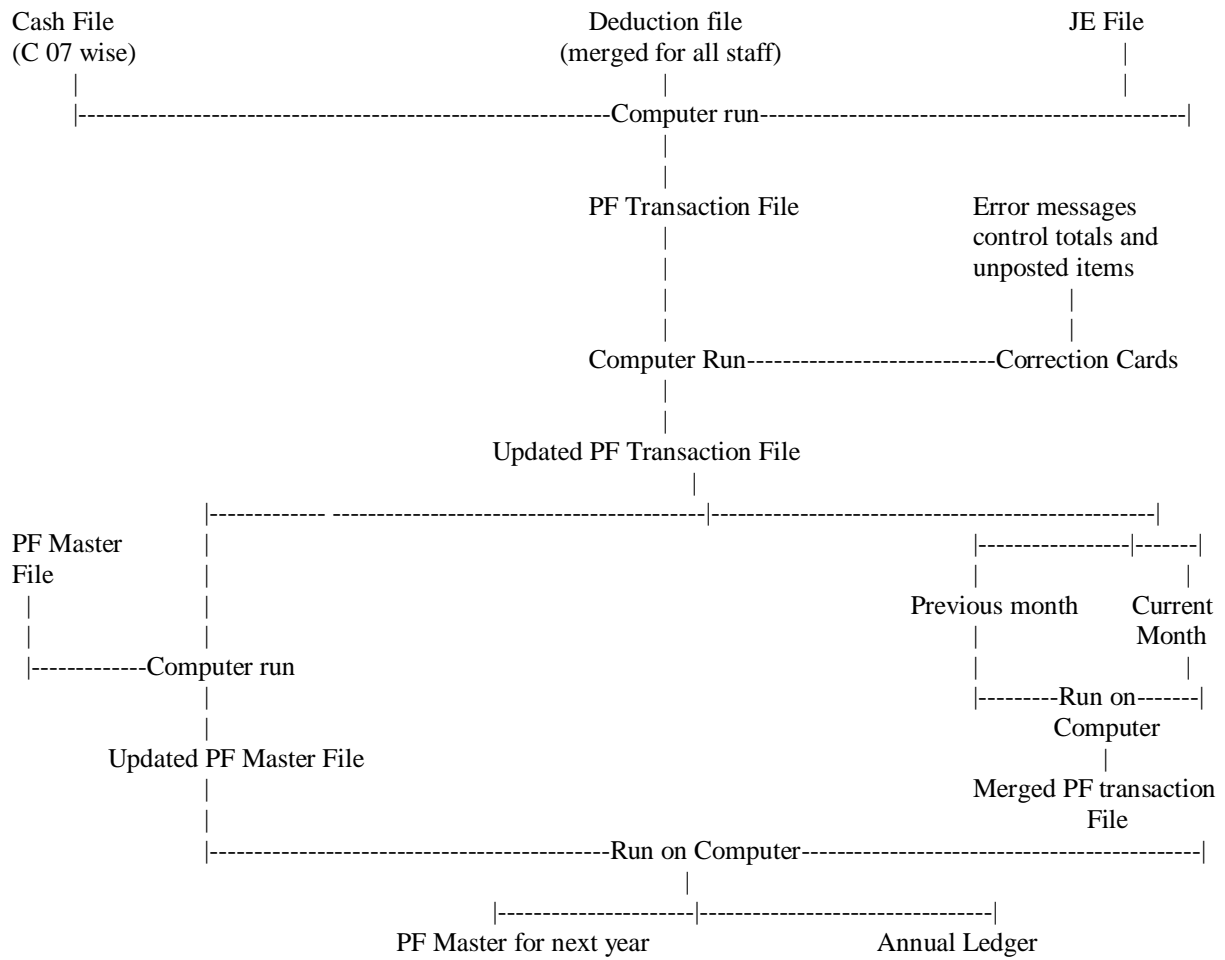
C. Schedule to Pay Bills

Updated Master Tape (M1)			(R Sorted to print various
Change Tape (C1) and	-----	Out put Report (R) -----	schedules accompanying pay
Pay Slip Tape (P) run on			bills)
Computer			

System flow Chart – PF application
A PF Opening Balance File
 Check Sheet (A 912)



B. Transaction file



CHAPTER XVI

WORKS AUDIT

250 *Audit of sanctions*- Sanctions to be dealt with in the Works Audit Branch will generally relate to estimates or completion reports and for the incurrence of other special items of expenditure which are covered by ordinary rules and have, therefore, to be sanctioned by competent authority, such as ex-gratia payments to contractors, payment of taxes to municipalities or local bodies etc. The arrangements in force for the receipt and audit of sanctions accorded by the General Manager should be specially reviewed, with a view to ensure that such sanctions come under audit scrutiny without any omission. While auditing the sanctions, instructions given in paras 132 and 133 of this Manual should be borne in mind.

251 *Audit of estimates*- The check of estimates should be done along with the audit of contracts, contractors' bills and completion reports. A record of the estimates so checked may be kept in the voucher selection register.

252 In reviewing the estimates along with contracts etc. it should be especially seen that all the contracts are in conformity with the estimates and also how the estimates have been framed keeping in view the various specifications, drawings etc. While there is likely to be some time-lag between such review of estimates correlated with contracts and the sanction to estimates, the following points may also be looked into in the initial stage itself in course of audit of sanctions to estimates, review of annual works programme, review of major works etc.

- (i) the propriety of justification for the expenditure that is proposed to be incurred. (This includes check of financial return/assumption for calculation of return etc. of the project);
- (ii) the incidence and classification or allocation of the charges;
- (iii) the existence of the sanction of competent authority; and
- (iv) the cost of the estimate is not unduly inflated.

The report accompanying the estimate should first be read with a view to understand thoroughly the nature, object and scope of the work. If the report is incomplete or if additional information is considered necessary for a definite settlement of, say, the question of allocation, the papers concerning the evolution of the proposal for the work should be called for and looked into. It should also be seen that the estimate does not contain provision for any item that is not legitimately chargeable to Railway Funds or a charge of an unusual nature requiring special sanction.

253 As regards propriety of justification of the work, an adequate return on the expenditure proposed to incur may be expected either in the shape of enhanced revenue or of reduction in expenses or in other cases the work may be essential either for safety of the line or in the pursuance of settled policy or for other valid reasons vide Chapter II, Indian Railway Financial Code, Vol. I. An item of expenditure which prima-facie is wasteful or un-remunerative or on which expenditure already incurred elsewhere seems likely to prove unfruitful or of which the result is still awaited should ordinarily be the subject of comment. In the case of estimates for new constructions, where this factor is relevant, any proposed or accepted guarantee should be examined and tested in the light of known or likely circumstances. The instructions given in Paras 2.2.39 to 2.2.45 of MSO (Audit) should be borne in mind.

Estimates chargeable partly to Main lines and partly to Branch lines and those relating to deposit works and joint stations with other than Indian Railways should receive particular attention.

In the case of works required to meet the immediate needs of traffic etc. (vide paras 1103 to 1107 E) and started on Urgency Certificates it should be verified that no expenditure is incurred before the sanction of the Urgency Certificates by the competent authority and that the due date for submission of the detailed estimates as specified in the Urgency Certificates is observed. It should also be examined whether the Urgency Certificate has not been issued long after the proposal for the new construction was administratively approved.

254 *Abandoned Assets* - All cases in which it is proposed to treat an asset as abandoned should be carefully scrutinised. Works which are abandoned soon after construction due to having lost their utility or not having served the purpose for which they were designed should be specially brought to notice and the loss to Government determined.

Where the dismantlement or abandonment of an existing work is involved, it should be seen that its original cost (the cost at debit of Capital, Development Fund) has been written back from Capital/ Development fund to Depreciation Reserve Fund and that reasonable provision is made for credit on account of released materials. The provisions of Paras 704 (i) and 788 (c) of Indian Railway Financial Code Vol. I should also be kept in view. [See also Para 2.3.13 of MSO (Audit)].

255 *Assisted siding estimates* - In cases of sidings constructed for private parties/Govt. departments it may be seen (1) whether the revenue expected is sufficient to cover the interest and maintenance charges etc, and (2) that all items of capital or revenue expenditure which are under the rules recoverable from the concern are shown in the estimate and agreement accepted by the concern (See paras 1822 - 1842 E)

In the case of estimate for sidings and deposit work, one of the important points to be borne in mind is that any credit to capital on account of the removal of any existing railway asset has no effect of reducing the cost of work chargeable to the parties.

256 *Revised estimates* - In the case of revised and supplementary estimates it may be seen (1) that they do not disclose want of reasonable precautions in the first instance, (2) whether any financial justification based on the original estimate is affected by the altered cost in the revised estimates, and (3) where the work is in advanced state, no portion of expenditure already incurred becomes a loss due to a revision in the plan or method of execution.

257 *Material modifications of estimates* (See Paras 1109-1114 E) - It may be possible for audit to detect palpable cases of material modifications from a comparison of revised estimates with original estimates, detailed estimates with abstract estimates, quantities in the contractor's bills with those provided in the estimates and the booked expenditure with the latest sanctioned estimates. The instances of what are regarded as material modifications given in the Indian Railways code for the Engineering Department should not be considered as exhaustive (cf. Para 1110 E).

258 *Estimates for residential buildings* - In the case of estimates for residential quarters it should be seen that the principles laid down by the Railway Board in regard to the provision of quarters for railway staff are not infringed (cf. Chapter XIX-E). It should also be seen that the number as well as cost of provision of staff quarters in a construction project is not so high that in the event of completion of the concerned project the left over assets could be fully utilised and there will be no chance of these residences being simply abandoned affecting the commercial viability of the project, in question.

259 *Capital and revenue accounts of residential buildings* - These accounts prepared by the Accounts Officer should be checked to see that all new residential buildings completed during the year as well as additions to those already in existence have been taken into account and that the requisite percentage return is realised for all quarters in each class. It should be seen during the check that there has been no re-classification of quarters from one group to another, to cover up cases where the minimum economic rent is not realised. Where the prescribed minimum return has not

been realised on any class of quarter repeatedly from year to year, the Administration should be asked to examine whether the assessed rent in those cases should not be suitably revised so that the minimum return can be secured.

A periodical examination may also be conducted to see that the expenditure on repair and maintenance of quarters compare favourably with the cost of buildings themselves and that such repairs and maintenance are spread over all types of quarters. The result of review of the accounts of residential buildings may be advised to the Headquarters Office in the form of comments duly accepted by the Railway Administration.

When part of a residence has been allotted for use as an office it should be seen that the reduction of rent of the residential portion on this account is reasonable.

The recoveries should include not only the actual rent but also charges for any other facilities provided by the railway and proportionate to the amount paid to the Municipalities or local authorities (see paras 1920 – 1927 E). Whenever there is an increase in the tax levied by the Municipalities etc., a corresponding increase should be made in the proportion recoverable from the parties concerned. It should be seen that a proper record is kept by the Accounts Officer, of all railway buildings, rented to outsiders, other departments, etc., and that recoveries are duly effected in respect of each building. The test-check at headquarters should be supplemented by local scrutiny during inspections, where necessary, and a check with the list of buildings, the advices and bills submitted to the Accounts Office by the departmental officers to see if there are any avoidable delays in allotment of the buildings after their completion, involving loss of revenue. The arrangements for advising the Accounts Department of the lease of railway buildings and for recovery of rent should be generally scrutinised.

260 General examination of procedure regarding estimates and control - A general examination should be made from time to time of the machinery existing for the preparation of estimates to see that supervision is exercised over them and that rates adopted in estimates are based on the Railway's approved schedule of rates and that approved draft estimates exist for standard works. It should be seen that the estimates are prepared in such detail as is required by the rules contained in Chapter VII of the Indian Railway Code for the Engineering Department.

For the purpose of financial sanction a group of works which forms one project/scheme shall be considered as one work and it should be seen that the necessity of obtaining the sanction of higher authority to a project/scheme is not avoided by reasons of the fact that the cost of each particular work in a project does not require such sanction [cf para 2.2.28 of MSO (Audit)].

261 Amenities for employees – (See Chapter XIX of the Indian Railway Code for the Engineering Department and Note 2(B) below para 711 of the Indian Railway Financial Code, Vol. I).

Railway Administrations have no power to sanction estimates for new schools or quarters for teaching staff or incur expenditure on existing Railway schools except as provided in paras 1929-1933 E. In general, the expenditure on buildings not essential to Railway working, should not exceed the limits provided in the sanctioned budget of each financial year.

It should be seen that arrangements exist to ensure this control. The limitations on the General Manager's powers of sanction to estimates as given in Annexure II to para 505 of Indian Railway Financial Code Vol. I apply to this category of work as well.

As regards expenditure on Institutes it should be seen that the general principle enunciated by the Railway Board viz., that the Railway shall provide everything which a landlord would ordinarily provide and the Institute should pay for all that, a tenant would usually undertake is followed. (cf para 1936 -1939 E).

262 *Classification of expenditure* - The classification of expenditure on works relating to amenities for passengers and Railway users, unremunerative operating improvements etc. should be checked with reference to the allocation rules detailed in Chapter VII of Indian Railway Financial Code Vol. I.

263 *System of Allotments* - After the budget for a year is sanctioned by the Parliament, separate allotments are made by the Railway Board for works chargeable to Capital, Development Fund, Depreciation Reserve Fund and OLWR. These allotments are made in lump sums and their distribution over the works individually costing over Rs.50 lakhs and those below Rs.50 lakhs is set out in the Work, Machinery and Rolling Stock Programmes (Pink Book) which are furnished to the railways along with the budget order sanctioning the allotments. A list of approved works costing below Rs.50 lakhs for which item wise provision is not made in the Pink Book is also furnished to the concerned railway to ensure that no expenditure is incurred by the Railway Administration on any new work not provided in the sanctioned budget for the year or carried forward from the sanctioned budget of the previous year (cf Item 38 of Annexure II of Indian Railway Financial Code Vol. I.

As regards works costing above Rs.50 lakhs each for which expenditure can be incurred during the year to the extent indicated in the Pink Book, it should be seen that no appropriation is made to any work not provided in the Pink Book without the prior approval of the Railway Board except as provided in para 748 and 1103 -E or when the work in question was included in the previous year's budget but no provision made in the sanctioned budget of the year because it was expected to be completed in the previous year. In regard to works costing below Rs.50 lakhs it should be seen that suitable record is kept in the executive and Accounts Offices to watch that the total appropriation against them does not exceed the allotment.

Statements showing the transfer of funds from one work to another are received periodically in the Accounts Office and these should be checked by Audit to see that such transfers are in order and have been sanctioned by competent authorities.

264 *Utilisation of un-anticipated credits* - In cases where substantial un-anticipated credits are utilised to incur fresh items of expenditure, which could not otherwise have been incurred but for such credits, they should be dealt with in the same way as items of supplementary grants (cf paras 383 -384 of Indian Financial Code Vol. I). Such un-anticipated credit, cannot be utilised by Railway Administrations without the prior sanction of the competent authority. A list of such credits, is required to be submitted by the Railway Administrations along with their Revised Estimates.

Any substantial credits utilised by the Railway Administrations, which have not received the required sanction of the Government of India should be held under objection and commented upon.

265 *New services not contemplated in the budget* - (See paragraphs 369-370 and 376-382 of Indian Railway Financial Code, Vol. I and Para 2.2.8 of MSO (Audit).

The term 'New Service'/ 'New Instrument of Service' is not susceptible of precise definition and is governed by the case law decided by the Public Accounts Committee from time to time. Taking into consideration the action taken by the Government on the recommendations contained in their 11th Report (4th Lok Sabha) the Public Accounts Committee (1975-76) have laid down in their 183rd report (5th Lok Sabha) the items of expenditure which should be treated as involving "New Service"/New Instrument of Service" requiring the prior approval of the Parliament. Such of these items as are generally relevant to the Railways are indicated below:

Nature of Transaction	Monetary limits beyond which prior approval of Parliament is required
(a) Expenditure on new work	No monetary limit
(b) Expenditure arising	Rs. 25 lakhs each case to be considered on

(i) out of a policy decision, not brought to Parliament's notice earlier, including a new activity or a new form of investment, and (ii) from an important extension of an existing activity	merits
(c) Grants-in-aid to Private Institutions	Recurring Rs.5 lakhs, non-recurring Rs.10 lakhs subject to certain specified conditions
(d) Surveys	Rs. 1 lakh each.

If a proposed work does not find place in the budget estimates for the year, it should be examined to see whether it is a case of "New Service not contemplated in the budget" requiring the specific approval of the Parliament before expenditure is incurred. Queries may be put to Administration, but a definite objection should not be raised on this score without previous consultation with DAI.

266 *Scrutiny of rates* – The responsibility in respect of rates for work done or supplies received rests entirely with the executive. The Senior Audit Officer/ Audit Officer should, however, make a test audit of actual rates paid with reference to authorised schedules e.g. para 729 E, contract agreements etc. A general review of rates may be conducted at any time at the discretion of the Principal Directors of Audit, bearing in mind the principles enunciated in Para 2.2.46 of M.S.O. (Audit). This review shall be directed towards securing that (1) upto date schedule of rates for all principal supplies and items of work are kept in the department concerned, (2) the rates provided in detailed estimates of work and contract agreements are reasonable and do not exceed without good reason the rates prescribed in the schedule of rates. Rate in estimates and in bills may occasionally be compared with those of works in the same or contiguous districts and with those paid by other Government departments for similar work in the locality. Any marked divergence of actual rates either from schedule of rates or from rates paid for similar work by other Government department in the locality, may be investigated keeping in view provisions of Para 2.2.46(2) of MSO (Audit).

267 *Audit of Contracts* – (See Chapter XII of the Indian Railway Code for the Engineering Department and paras 3.7.1 to 3.7.9 of MSO (Audit). Works executed through agencies of contractors generally fall under any one or more of the following categories –

- (i) Zonal works – such as ordinary repairs, maintenance and other petty works in a particular zone.
- (ii) Special works – such as construction of bridges, quarters, formation of embankments etc.
- (iii) Supply of building material, other stores etc.

The contracts are to be reviewed in audit at the tender acceptance stage and also on completion of their execution. While conducting audit of contracts, the general policy of the Government that tenders should be invited and dealt with in a public manner, contracts should be executed on behalf of the President by an authority competent to do so under the rules and the fundamental principles laid down by the Government of India, for the guidance of the authorities competent to enter into contracts or agreements should be borne in mind.

The audit of contracts should cover an examination of (i) the system of entering into contracts, (ii) form of the contracts and (iii) the specific conditions and rates etc, on which the work is to be done or the supplies are to be made. It should be seen that—

- (1) proper arrangements exist for giving due publicity for tenders invited and the response is quite good. Where the response for tenders is poor, the reasons therefor should be examined

and remedial measures may be suggested to the Railway Administration to improve the position;

- (2) before acceptance of the tendered rates, their reasonableness and competitiveness have been established;
- (3) there is no undue delay in finalisation of tenders and communication of its acceptance to the tenderer;
- (4) the reasons for not accepting the lowest tender have been recorded;
- (5) except in exceptional cases, an increase in rates or ex-gratia payment is not allowed after acceptance of tender. Increases in rates and ex-gratia payments, if too frequently approved, render the principle of calling for tenders more or less nugatory and such cases should be scrutinised in audit jealousy;
- (6) the increased rates, where agreed to, is definitely committed in writing. Otherwise, courts of law hold that the rates in the original agreements should be taken as abandoned and if any other agreement has not been executed the determination of the equitable rate for payment becomes a matter of difficulty, time bargaining and sometimes lead to costly litigations;
- (7) no important changes are made in the form of standard contract documents nor new types of contract documents used, deviations noticed, if any, being advised to DAI;
- (8) the agreements are not deliberately or inadvertently split up so as to evade the necessity of obtaining the sanction of higher authority to the award of the contract;
- (9) the contracts are in conformity with the estimates and also how the estimates have been framed keeping in view the various specifications, drawings etc;
- (10) the terms of the contract are precise and definite leaving no room for ambiguity or misconstruction therein;
- (11) the rates allowed for small works, for which no agreements but only work orders are issued, are not in excess of the schedule of rates for the particular division. On Railways where copies of work orders are not received in the Accounts Office, the check should be applied during local inspections;
- (12) in lump sum contracts, to be subjected to such checks as are practicable, a provision is made explicitly for reductions in the event of any item of work being omitted or replaced by less costly designs. The form employed is of a type that has been sanctioned by higher authority and accepted on legal advice;
- (13) the conditions for supply of railway material required to be used by the contractor are explicitly stated in the contract;
- (14) the penalties provided for in the contract are not waived where the railway has suffered definitely ascertainable loss/ inconvenience due to failure of the contractor to complete the work or supply the material within the stipulated time, without recording adequate grounds for waiver;
- (15) the particulars regarding quantity and rates are prescribed and the prices stipulated are firm and the rates are as per schedule of rates. Whereas the rates are higher than schedule of rates, market trend of percentage increase should be ascertained wherever possible. The cases of acceptance of rates below schedule of rates should be investigated. Particulars of the contracts providing price variation clause or provisional rates should be examined;
- (16) there is no omission of any important clause e.g. inspection of stores, date and place of delivery, despatch instructions, name of consignee, etc.;

- (17) it is signed by an authority who is competent to enter into contracts and simultaneously signed by the contractor or his authorised agent;
- (18) the security deposit in the appropriate form and of correct amount has been lodged within the period stipulated in the contract and that in the event of default, penalties leviable under the conditions of contract have been enforced; and
- (19) in case of default in the execution of contract by the contractors, contract has been placed on some other contractor to complete the work at the risk and cost of the defaulting contractor within the stipulated period of 6 months from the date of defaultor after fulfilling all the legal formalities viz., issue of notices etc.

A record should be kept of the contracts reviewed, number of cases in which tenders other than the lowest have been accepted and the number of cases in which audit has questioned the exercise of discretion by the officers accepting the tenders.

268 *Issue of passes to contractors* – At the time of scrutiny of agreements providing for the issue of passes to the contractors any cases in which there has been an excessive number of passes compared with the value of the work done should be brought to the notice of the Administration.

269 *Audit of vouchers of payment* – In auditing of payment vouchers it should generally be seen that:-

- (1) the voucher is in a prescribed form, no particulars or signatures required by the form applicable to the class of charge have been omitted;
- (2) each voucher is the original;
- (3) it is for a current and specific claim and the period to which the payment relates and the allocation of the charge are clearly shown upon the voucher;
- (4) it is signed by the officer or officers responsible for the accuracy and the propriety of the expenditure in all necessary places. Signature by stamp or in pencil should not be accepted;
- (5) it is properly filled up and headed;
- (6) it bears an order of the responsible officer to pay a specified sum and a note whether the payment is to be or has been made by cash or by cheque;
- (7) the nature of the charge is such as may rightly be made against Government and for the work or service to which it is debited;
- (8) the rates paid are not much higher than those usually paid in the locality for a similar services;
- (9) the outlay is fully detailed and quantities are always given of work done and of material supplied;
- (10) the details work up to the totals and all arithmetical calculations are correct;
- (11) the total of each bill as well as of the amount paid is expressed in words as well as in figures;
- (12) no erasure or alteration of figures was made in the voucher. When corrections are necessary, they should be made in red ink, leaving the original legible after being crossed out and initialled by a responsible official;
- (13) corrections in the total or in the amount paid are attested by both the payee and the drawer of the bill;
- (14) the place of payment and name of the officer or subordinate before whom payment was made are given;

- (15) the voucher bears a formal receipt of the person in whose favour the bill is drawn and is duly stamped if the gross amount exceeds Rs.500; and the sum acknowledged is written in words as well as in figures;
- (16) the signature of the payee is witnessed when made by a seal or by a mark and also in cases even when he signs his name, when he is not well known and is paid in cash. The signature of the payee as well as of the witness should be dated;
- (17) each voucher is cancelled in some efficient way and receipt stamps are defaced so as to render them unusable;

Note Defacement of bills and supporting documents. – The supporting documents of bill should be defaced by showing the particulars of the bills on which the charges due have actually been passed to prevent them from being passed a second time for payment.

- (18) the signatures of all the partners in a contract as recorded in the contract deed are upon the receipt, except in the case of well known firms; and
- (19) the receipt is for the full amount when a bill is satisfied partly by stores supplied.

270 *Audit of contractors' bills* – [See also paras 3.7.9 to 3.7.12 of MSO (Audit)] – Normally all 'on account' bills relating to the final 'bills selected for audit should be checked along with final bills. In respect of final bills selected for audit the relevant contracts should also be reviewed simultaneously. In addition during local inspections the interim payments and the final bills in respect of selected contracts should be reviewed to see that the payments have been made in accordance with the contracts and extra contractual payments or concessions are justified and authorised. During this review of the contracts audit should also look into the arbitration and court cases involving the contracts. In respect of big contract works costing over Rs.50 lakhs which are in progress one or two 'on account' bills relating to each such work may also be checked during the year mainly to ensure that these works come under regular central audit which will supplement the check during inspection of major works as prescribed in para 60 of the Secret Memorandum of Instructions regarding the Extent of Audit (Railway Audit).

Bills should be examined to see that they are in accordance with the terms of the agreements and in proper form. Where a contractor was to use material supplied from railway stock it should be seen, when the rates for such material are higher than market rates, that the contractor has taken all the material from the Railway which he was required to take under agreement and has not purchased it from the market; also where such rates are lower than market rates that the contractor has not taken more material than that to which he was entitled. This last point should be specially noted.

Where the rate for the finished goods to be supplied by the contractor was based on supply of raw material by the Railway at predetermined rates but the contractor, instead of taking it from the railway, purchased the raw material at lower rates from the market, it should be seen that suitable reduction is obtained in contract rate.

Quantities in bills should be compared with those provided for in the estimate and abnormal excesses, if of financial significance, should form the subject of comment. (See also paragraph 257 regarding material modifications).

Items showing minus figures in the quantity or the money columns of contractor's bills may be the result of previous over-payments either legitimate or otherwise, e.g. earth-work originally described as hard and paid for at a higher rate may subsequently be classified as soft and paid for at a lower rate, the necessary deduction being made in the final bill. In such cases the reasons for the original over-payments may be carefully scrutinised.

Bills may contain alternations in the quantities of works to be paid for or addenda to the original work orders. In such cases, it would be advisable to obtain the measurement books, etc. from the local officers so as to complete the audit check properly instead of postponing the same to the next inspection.

271 The following further points should be borne in mind in checking the contractors' bills:—

- (1) if the bills are for tools or other articles of equipment for which an inventory is prescribed, it has been certified by the responsible officer that the necessary addition has been made in the inventory;
- (2) in respect of bills of purchases arranged by the Controller of Stores for direct supply to the Indenting Officer, the rates charged therein are those accepted by the Controller of Stores and that the stores have been acknowledged by the receiving subordinate officer;
- (3) if the contractor has been issued any material outside the contract or used material in excess of the requirements of a work necessary supervision and freight charges have been charged and recovered together with the cost of material (cf. Para 1269 E);
- (4) the quantity of released material dismantled from a work generally agrees with the quantity of dismantlement paid for;
- (5) quantity for "lead " and "lift" of earthwork does not exceed the quantity for excavation paid for;
- (6) the allowance for 'voids', 'shrinkage' etc., has been made either in the rates or in the measurement when necessary;
- (7) in the case of running or 'on account' bills which are not the first of the series, it should be verified that all "up-to-date" and other figures which are dependent upon the entries in the previous 'on account' bills, are correct by making a reference to the last 'on account' bill;
- (8) the date of work order or agreement is not later than the date of measurement;
- (9) the usual 10 per cent deduction on account of security deposit is made from 'on account' bills and that proper entries have been made in the contractors' ledger;
- (10) the quantity charged for in all the previous 'on account' bills, plus the quantity executed since the last contract certificate, agrees with the total up-to-date quantity charged in the final bill;
- (11) total quantity charged for in the final bills agrees with the details in the measurement books. It will not be necessary to check all the final bills with the measurement books, this being an item of work to be done at local inspections. This check may be exercised where considered necessary;
- (12) earth work originally paid for as 'soft' is not classified as 'hard' or 'mixed' with moorum etc. and paid for at a higher rate. Where such instances come to notice the reasons for change in classification should be carefully scrutinised;
- (13) the amount paid in all previous 'on account' bills has been deducted from the total amount of the final bills;
- (14) necessary entries are made in the contractor's ledger and the same closed and that the refund of security is correctly made; and
- (15) when payment due to a contractor is made to financing banks, it should be seen that there is a receipt given by the bank holding a power of attorney or transfer deed from the contractor.

272 *Contractors' Ledger* – The correctness of the postings of the gross amounts of deductions from the audited bills into the contractor's ledger should be checked. The contractor's account

should be reviewed to see that all amounts due from him have been recovered. It should also be seen that there is a systematic reconciliation between the contractors' ledger and the column due to or due by contractors in the works register. If advances have been made to contractors, it should be seen that there is proper sanction for them and sufficient security against loss to the railway.

273 It should be seen that contractor's ledger is posted as bills are paid, that the accounts have been closed and balanced monthly under the initials of the gazetted officer and that in the case of accounts still open, a long time has not elapsed since the date of the last entry in the ledger account (cf 1483-E).

The delay in the receipt of subsequent bills may be due to stoppage of work for want of funds or late receipt of special class material or to a dispute or objections raised by the contractor as to rates etc. The reasons for inordinate delay in the receipt of subsequent bills in the accounts office should be looked into and, if important, followed up.

274 *Measurement Books* (see paras 1322-1326-E) – The measurement book is a very important original record and is liable to be required as evidence in a court of law. Entries should be made in it at the site of the work and not copied into it from loose sheets. An intelligent scrutiny of the measurement books will sometimes indicate violations of this rule. Deductions may sometimes be drawn from a comparison of the dates in measurement books with the travelling allowance bills or those who are supposed to have made or checked the measurement.

The method of taking measurements may, where possible, be examined to see whether it is capable of giving accurate results. A contract may stipulate payment for ballast or earth at so much per 100 cubic feet, while the actual measurement may be by trucks. In such cases the carrying capacity of the truck as given in the Goods Tariff should be compared with that taken by the engineer and the conditions of loading e.g. "flush with the top", etc., considered. The prescribed amount of check measurement by higher executive officers should be verified.

Frequent corrections in the quantities in measurement book, although duly initialled, should be scrutinised to see if they appear to be bonafide.

Ballast train registers and journals may be scrutinised carefully to see that they are properly allocated and that there is the requisite debit whenever a ballast train works for a contractor. The charges debited to contractors on this account should, as far as possible, approximate to the actual cost of working the ballast trains. If, however, according to the contract, the contractor is to get free transport of material it should be seen that a proper book adjustment is made so that the work is debited with the freight of the material carried at ballast train rates. Ballast train rates may be scrutinised to see that revenue is not unduly credited at the expense of capital.

It should be seen that all recoveries due, under the contract or by usage or custom from a contractor are made, not only those on account of material acknowledged by him but also, for instance, in regard to departmental labour engaged on works for which the contractor was liable, the cost of scaffolding, the hire of steam rollers, the cost of clearance of site, etc.

In the case of renewals of permanent way it may be seen whether the number of old rails and sleepers taken out is approximately equal to the number of new ones put in and whether a proper account is maintained of the released material and action taken for their disposal in the prescribed manner or otherwise to the best advantage of the Railway.

275 *Labour Pay-Sheets* (cf 1303-1312-E and 1404 –1405-A) – Where the labour employed under a subordinate is scattered, the daily attendance of the labour is recorded in the Muster Sheets and the wages payable are drawn separately on Labour Pay Sheets. The L.P. Sheets need to be checked only during local inspection of the executive offices. In regard to the muster portion it should be seen that

- (i) the attendance has been properly checked by an Executive Officer at least once a month;

- (ii) any alteration for correction in attendance or rate of pay or number of days has been properly attested by a responsible officer; and
- (iii) in the case of muster rolls for temporary staff, the engagement is covered by proper sanction recorded in the register of sanctions of limited currency.

In checking the L.P. Sheets, the labour strength should be compared with the sanctioned strength or the sanctioned provision in the authorisation rolls to see that there is no excess employment. For this purpose, the Chief Engineer should be requested to give a statement of distribution of labour staff by each district or area and the total strength of each district or area compared with that in the L.P. Sheet. Sometimes, a comparison of the number of workmen employed per K.M. with the number employed on other sections of the line or on other Railways may disclose apparently unjustifiable disparities, in which case the Senior Audit Officer/Audit Officer might, after discussion with a responsible Executive Officer draw the attention of the Administration to the matter with possible economy in view.

In cases where labour is directly charged to works the progress and the state of work as shown by the works register, progress reports, etc., should be scrutinised to see whether the strength of the labour force is prima facie justified.

It should be seen that departmental labour is not employed on works required to be done by contract labour and when departmental labour is lent to a contractor, a proper record is maintained and the contractor debited with the necessary charges.

276 The following points should also be seen in checking labour pay sheets:

- (a) The arithmetical accuracy of the amount charged for each man should be checked.
- (b) The total of each page should be checked and traced in the summary of labour pay sheets.
- (c) The amount of each labour pay sheet should be traced into the abstract of bills passed (A 1107 and Allocation Registers).
- (d) It should be seen that the amount of the labour pay sheet has been correctly allocated.
- (e) The payments have been witnessed by a responsible person.

277 *Law Charges* – The primary check that should be exercised over the expenditure in connection with law charges, is to see that the financial power of the officer sanctioning such charges, in a particular case, has not been exceeded. The record maintained by the Accounts Office to show the total charges incurred for each case, should be consulted in this connection. Audit should see that the fees and other charges claimed by Government pleaders, advocates etc., are in accordance with the scales fixed if any, by the Administration. A review of the expenditure of law charges will bring out important cases of dispute in which the Railway is involved. The progress of these important cases should be watched to see whether there is suitable material for inclusion in the Railway Audit Report.

278 *Audit of Journal Vouchers* (cf para 1308 A) – The following special points should be borne in mind in the audit of journal vouchers relating to the expenditure on works:

- (1) Particular attention should be paid to credits to expenditure heads.
- (2) The interest of the working agency should be carefully kept in mind and it should be seen that charges debitable to one are not debited to the other.
- (3) All adjustments of large amounts between Capital and Revenue as well as write back of expenditure to Revenue when carried out, should be scrutinised with reference to the original vouchers themselves and the reasons for the first wrong allocation ascertained.

Cases which may reveal a financial irregularity should be brought to the notice of the Principal Directors of Audit.

A careful watch should be kept against fictitious adjustments specially at the end of the year, such as the following:

- (1) Outlay on stores charged off to unsanctioned work and regularised in the accounts of the following year.
- (2) Amounts debitible against revenue being adjusted against Capital and vice versa, the entries being reversed in the accounts of the following year.
- (3) Adjustments on account of work done or stores issued from Capital to Revenue, or vice versa, held in abeyance.
- (4) Expenditure incurred on one work being sometimes charged to another work to avoid excess over estimate or objectionable expenditure for want of estimates.

In particular, the rush of expenditure in the concluding month of the year, should receive special attention.

279 *Departmental Manufacture* – The manufacturing accounts of one month should be checked during inspections in order to see that all indirect charges such as special contribution to provident fund of staff, interest on capital and depreciation, where leviable according to the relevant rules and orders issued by the Railway Board or other competent authority are properly charged. Such indirect charges should, however, always be taken into account proforma for purposes of comparison of the cost of manufactured articles with the cost of similar articles in the open market. If the operations are expected to last only for a limited period, it should be seen that the capital is being charged off on sinking fund or other suitable basis.

Manufacturing schemes may from time to time be reviewed in order to see how the cost of the article compares with the anticipated cost of manufacture, with market prices and with issue prices, and also to test generally whether owing to altered circumstances, the projected financial benefits of the undertaking have not materially changed for the worse.

In considering, however, whether advice should be tendered as to the closing down of the operations, consideration must be given to consequential losses which might ensue from the disposal of the plant and other relevant factors.

In this connection it is important to remember that (1) the departmental manufacture of articles should be limited to items which are either not readily available in the open market or could be more economically and efficiently executed by Railways; (2) that there should be dependable costing system based on commercial principles to ascertain the proforma cost of production in order to ensure that there is financial justification for continuing such manufacture and (3) that before it is decided to discontinue the manufacture of any article on the score of economy every effort is made to lower the cost of production.

280 *Works Registers and Revenue Allocation Registers* – The postings of audited bills should be traced into the works and allocation registers. When subsidiary registers and records are maintained, e.g., actual expenditure on worked lines, the postings of the documents in the subsidiary registers or records should also be checked.

The reconciliation of Works Registers with the General Books should be reviewed in order to see that early action is taken to trace and clear all discrepancies. It is desirable that a detailed scrutiny should be made of the registers of one division or abstract each month so as to complete the entire field in a year. The actual process of reconciliation may be tested occasionally by Audit.

All works registers should be reviewed as prescribed. The expenditure should be compared with the sanctioned estimate and excesses traced into the objectionable items register. Where expenditure has been incurred without estimate, it should be seen that these are also included in the objectionable items register. In these cases it should also be seen that the works concerned have been undertaken under urgency certificates as provided in the rules. Where large number of works has been taken up for execution before estimates are prepared and sanctioned, it should be seen whether sufficient action has been taken by the Accounts Office to put a stop to the irregular practice. Audit should at this stage be particularly on the lookout for material modifications between the estimates and the actual work carried out (See paragraph 257). It should also be seen that expenditure incurred without sanctioned estimates and on abstract estimates is held under objection.

Expenditure incurred in the absence of regular sanction to a work not provided for in the detailed budget of the year should be scrutinised to see whether it involves a new service not contemplated in the budget (See paragraph 265).

In the review of works registers it should be seen that adequate control is exercised by the Railway Administration over the closure of the accounts and preparation of completion reports of works and that there are no cases of abnormal delays in closing accounts of works after physical completion of a work. All cases in which there has been undue delay in the submission of completion reports should be examined and the delays in adjustment of released material and other points contributing to the delay in closing the accounts of works, which would seem to be avoidable, should be taken up with Administration.

281 The following are some of the other checks prescribed in the review of Works Registers:-

- (1) Check the registers with reference to estimates and appropriations. Large variations between the expenditure and appropriation in the year will have to be brought out as explanations for variations in the Appropriation Accounts.
- (2) See whether expenditure is proportionately progressive as against allotment and that no expenditure is incurred in regard to items not included in the estimate.
- (3) See that the date of completion of work is recorded and also the date on which the completion reports are sent to the Accounts Officer, thus showing the delay, if any, in the submission of completion reports.
- (4) See that no additional works not provided in the estimate are included under "contingencies".
- (5) See that the register is properly closed monthly and initialled by a gazetted officer.
- (6) See that the percentage of improvement element in the expenditure incurred during the year on replacement of assets at the cost of DRF has been correctly worked out and shown in the works register for the purpose of exhibition in Block Account.

- (7) Whether the columns ‘advance payment for supply of material’ and “value of materials received in advance of payment to contractor” are properly maintained in the works registers and regularly reconciled with those in the subsidiary registers for the respective suspense heads.

282 *Land Register* – The register of charges for land acquired by civil officers should be scrutinised to see that it is posted directly from the gazette notifications as they issue and that against these, are posted the particulars of awards as and when they are received (See paras 901 – 960-E).

The prescribed review of land registers should generally comprise an examination of all cases of new acquisitions of land as well as relinquishments during the year as also the outstanding cases of the earlier years. When land has been relinquished, it should be seen that credit for the land is received without undue delay. Where possible, a comparison should be made of the cost of acquisition in a particular locality with the corresponding values received in any previous years in the same locality when land was relinquished. In the case of relinquishment of large areas, the particulars relating to the original acquisition of land (if of recent date) should be ascertained to see whether there has been any avoidable loss to the Railway.

It should also be seen that licence fee for land leased/ licensed to outsiders has been fixed at prescribed percentage of the market value of land as assessed by the local revenue authorities, there is no arrear in the recoveries of the licence fees from the parties concerned and that the market value of the land forming the basis of licence fee is reviewed by the Railway every five/ ten years as per extent orders of the Railway Board from time to time.

283 *Objectionable Items Register* – (See Paras 844-866 A I and 447 F.I). The positing in the objectionable item register should be checked at the time of reviewing the works registers. It should be seen that:

- (i) the register contains the objections raised both by Accounts and Audit;
- (ii) the objections are properly classified under the heads:
 - (a) want of sanctioned estimates;
 - (b) excess over sanctioned estimates;
 - (c) want of sanctioned appropriation;
 - (d) excess over sanctioned appropriation; and
 - (e) miscellaneous.
- (iii) the register is closed periodically in the prescribed manner; and
- (iv) correct statistics are prepared at the end of the year for the purpose of exhibition in Annexure A (Statement of expenditure held under objection) to the Appropriation Accounts.

If the percentage of expenditure under objection to the total expenditure is abnormally large or if there is undue delay on the part of the Railway Administration in removing the objections, the matter may be reported to the DAI.

284 *Completion Reports/ Completion Estimates/ Completion Statements* (see para 1701-1714-E). The scrutiny of completion reports should generally be on the same lines as for the original estimates. The relevant estimates and contracts should also be reviewed simultaneously. Completion reports for works which show appreciable variations in expenditure compared with estimates should be specially noted with a view to see whether, judged as a whole, there is any slackening of effort in regard to the efficiency and accuracy in the preparation of estimates. If the results are really important, a special report may be made to the DAI.

In addition, the total expenditure on the works as shown in the completion report should be compared with that booked in the works register and the details verified to see whether there have been any material modifications requiring the sanction of the higher authorities (see para 1109 E). It should be seen that:-

- (1) the allocation of expenditure as between Capital, DF, DRF, OLWR etc. in respect of mixed works has been correctly made;
- (2) where the works are partly debitable to the Railway and partly to other Railways/ Govt. Departments/ private parties proper shares are adjusted before the accounts of the works are closed;
- (3) in the case of works which are financially justified at the time they were sanctioned, whether the justification still holds good despite an increase in the total expenditure in completing the work;
- (4) all material charged to the work or works but not used up have been returned to stores or transferred elsewhere and the accounts of the work credited with their value and the credit for released material provided for in the estimate has been adjusted against the work concerned;
- (5) the completion report has been prepared in the prescribed form and sanctioned by competent authority;
- (6) objections to expenditure, such as excesses over estimates are not left unregularised for unduly long periods, with the intention of regularising them through completion estimates;
- (7) there is no undue delay in preparation and disposal of completion reports after completion of works;
- (8) important differences between the sanctioned amounts and actual expenditure have been suitably explained;
- (9) the completion reports have been noted in the Register of Works and verified by the Accounts Office concerned; and
- (10) when the work is for the use of an outside body such as the construction of assisted sidings, interest and maintenance charges are recovered not from the date of sanction to the completion report but from the date the work was physically completed and brought into use.

285 *Assisted Siding* (See paras 1824-1842 E) – Siding accounts should be reviewed to see that proper maintenance and interest charges are being recovered. If any new sidings have been constructed the connected agreements should be scrutinised. It may be seen whether an annual examination of the earnings of each siding is made by the Administration to test whether they are working profitably. The results of annual examination of the earnings of the sidings made by the Administration should be reviewed to see whether appropriate action has been taken for closure or dismantlement of the unprofitable sidings. If any siding is not working profitably, it may be considered whether suggestion should not be made to the Administration that its dismantlement is desirable from the financial point of view in terms of para 1833-E.

The Goods tariff will contain particulars of all assisted sidings over which, traffic is hauled by the Railway. A comparison of the list of assisted sidings with the Goods tariff may bring out omissions, which should be followed up. Apart from the interest and maintenance charges on the cost of sidings, the siding owners have to pay according to their agreements the cost of special staff engaged on the siding or interest and maintenance charges for other Railways assets used by the siding owners along with the siding. It should be seen that arrangements exist for the correct recovery of charges on this account as well. The sidings on the different railways are not at all worked under the assisted siding terms laid down in paras 1822 to 1838-E. When special terms exist

for the working of the sidings, it should be seen whether it is not possible to get these sidings as well under the assisted siding terms so as to secure uniformity.

It should also be seen that the entries contained in the siding register maintained in the Accounts Office are being duly verified annually with statements of sidings obtained from the District or Divisional Engineers as mentioned in para 1840-E.

286 *Joint Stations Accounts* - The accounts of joint stations involving non-Government Railways should be audited to see that the apportionment of expenditure is made in accordance with the agreement. If in course of audit it is noticed that the agreement operates unfavourably against the interests of the Government, the fact should be brought to the notice of the executive authorities so that the agreement may suitably be modified at the next opportunity. Abnormal delays in the execution of agreements with non-Government Railways should also be brought to notice.

Where a lump sum amounts, to be in force for number of years, is proposed to be fixed, it should be seen that the data on which the lump sum is proposed is generally correct and reasonable and does not relate to a period when the working costs were unusually low or exceptionally high. It should also be seen that where facilities provided at a joint station such as medical facilities, are not exclusively for the joint station only but for a length of the working railway as well, the proportion relating to the joint station and not the entire expenditure is taken into the joint station accounts.

287 *Bills for rent of telegraph wires* – It should be seen in audit that the bill has been accepted by the Department concerned regarding Kilometrage etc., of wires and that the rates and calculation are correct.

288 *Pay order and other vouchers not falling under any definite category of the Audit Programme* – Vouchers which fall under any of the definite categories shown in the programme should not be classified as ‘miscellaneous’ and brought under this category. In scrutinising the miscellaneous vouchers, the rules or authority for the payment should be looked into in each case. Propriety of the expenditure may also have to be examined if the nature of the expenditure suggests it. The instructions for detailed scrutiny contained in para 269 should be observed.

289 *Payments of Out-Agencies and Bus Companies* – In the case of pay orders issued in favour of Out Agency contractors of bus companies the check will include inter alia verification with the final results of apportionment of earnings arrived at in the Traffic Accounts Branch.

290 *Imprest Stores Accounts* – These come under the following categories:

- (a) Engineering.
- (b) Other than Engineering.
- (c) Plant Reserve.

Audit should be conducted with reference to the rules in Chapters XVIII and XIX-S

291 *Accounts relating to the supply of wooden sleepers* - It may be seen that procedure laid down by the Railway Board for the procurement of sleepers are strictly followed and that from among tenders invited for purchases from private parties the lowest tenders accepted. The system of inspection of such sleepers by Railway Officers may be examined to see whether it is satisfactory and adequate arrangements exists to ensure that the same sleepers which are inspected are despatched to the Railway Depots and paid for after receipt. In case, the rates have been negotiated with State Governments, Audit may see how they compare with the tendered rates.

292 *Tests to judge productivity of capital expenditure* – The instructions contained in Chapter II of Indian Railway Finance Code Volume –I should be borne in mind in the course of conducting reviews. The figures relating to sanction, actuals, further outlay etc. should be verified.

A special report should be made to the DAI, when the examination of productivity tests conducted by Railway Administrations, reveals any important or peculiar features or when there is any doubt or difference of opinion in regard to the interpretation of Railway Board's orders or in regard to information that should be supplied.

293 *“Efficiency” and “Over-All Performance Audit”* – The instructions contained in Paras 2.2.42 to 2.2.45 of MSO (Audit) and other issued from time to time on the subject apply mutatis mutandis to the Railway Audit Offices and should be borne in mind while conducting “Efficiency” and “Over-All Performance Audit” with reference to any scheme undertaken by the Railway Administration.

294 *Audit of charges debitable to 345A & 345B Indian Railways – Miscellaneous Railway expenditure* Survey and other charges, if any, incurred will be scrutinised to see that proper sanction and budget provision exist to cover the same.

295 *Expenditure late in the Financial Year* – Individual instances where expenditure has been sanctioned late in the financial year and where the expenditure does not seem to have been a matter of urgent necessity, but where due deliberation does not appear to have been exercised in order to keep down the cost (eg. Failure to seek the cheapest source of supply) may be investigated.

296 *Expenditure on undertaking outside the normal scope of railway working* – The results of working of special schemes on which railways have a financial interest, such as running of Road Transport services, departmental catering schemes, family welfare schemes etc. should be zealously watched and considered for comment in the Audit Report, if necessary. The scope of audit of such expenditure is generally indicated in the audited copy of the orders communicating the sanction to such schemes.

297 *Audit of World Bank Aided Projects*

- (i) The agreement for loan/ development credit, entered into by the International Bank for Reconstruction and Development and International Development Association with the Government of India for financing development projects to be implemented by departments of the Central Government, Governments of States, Public Sector Undertakings and Autonomous Bodies, etc. include specific covenants for Accounts and Audit. These convenience *inter alia* provide that the Government or the Project entity shall (a) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project, (b) have the records and accounts of the project for each fiscal year audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Bank, (c) furnish to the Bank within 9 months of the close of the financial year a certified copy of the report of audit referred to in paragraph (b) by said auditors, of such scope and in such detail as the Bank shall have reasonably requested and (d) for all expenditures in respect of withdrawals made on the basis of Statements of Expenditure (without documentation), furnish the report of audit referred to in paragraph (b) as containing a separate opinion by the independent auditors as to whether the Statements of Expenditure, together with the procedures and internal controls involved in their Preparation, can be relied upon in support of such withdrawals.
- (ii) The World Bank has accepted, after going through the accounting and auditing arrangements in India, that the system ensured a satisfactory degree of financial discipline and accordingly, accepted the CAG of India to be an independent auditor for the purposes of certification of accounts and issue of audit certificates in respect of projects being executed in India with

World Bank financial assistance. The standard audit convenient in the loan agreements, in respect of projects executed by Government Departments and Corporations, the audit of which vests with the CAG, is met by the Accountants General (Audit) by furnishing to the project authorities, for onward transmission to the Bank, an integrated audit certificate within 9 months of the close of the financial year in the prescribed form (Annexure) based on irregularities noticed in Central audit as well as local audit in relation to the accounts of these projects.

- (iii) The annual accounts to be certified are the annual expenditure statements in respect of projects executed by Government Departments and the Accounts that are certified by us as sole auditors in respect of projects executed by other bodies and authorities. If any further details are required by the World Bank, these are to be furnished by the project authorities. The integrated Audit Certificate is considered adequate for the purposes of the World Bank and it would not be necessary for the Bank to await the all inclusive Audit Report of the CAG submitted to the respective legislatures. As the Audit Certificate is not to be published and is in the nature of a document exchanged between the clients and the Bank, the Certificate should indicate, in brief, the amounts held under objection in relation to wanting vouchers, D.C. bills, sanctions etc. and misclassification, defalcation, over payments etc. that come to notice.
- (iv) The project authorities are required to furnish the Accounts/ Statements of Expenditure for audit within 4 months of the close of the financial year. It has to be ensured that there is no delay in verification and reconciliation of the expenditure, where necessary, by the offices of Accountants General (A&E) and reconciled accounts/ statements are passed on to the Audit Offices mentioning each category of objection and amount thereof as per former's records for the purpose of issuing Audit Certificate after adding the irregularities of the categories mentioned above which are noticed in audit. To facilitate the timely issue of Audit Certificates, the irregularities noticed in Central audit as well as local audit in relation to these projects should be distinctly recorded and separate files for certification and issue of audit certificates in respect of each project be maintained. In cases where for some valid reasons it is not possible to certify together the Accounts and the Statements of Expenditure within 9 months of the close of the year, the Statements of Expenditure should be certified separately, adopting suitably the relevant portion of the prescribed form of the audit certificate, in time.
- (v) The audit certificates in respect of projects executed by Government companies are issued by Chartered Accountants who are statutory auditors of the companies and not by the CAG who conducts only a supplementary audit in such cases under the Companies Act. (See Annexure for form of Audit Certificate).

ANNEXURE
(See para 297)

(To be in the proper letter head and to be signed by an officer not below the rank of Director/ Deputy Director)

OFFICE OF THE -----

No.-----

Dated-----

AUDIT CERTIFICATE

The Expenditure Statements/ Financial Statements relating to the Project.....(loan/ Credit No.....) for the year..... attached hereto have been audited in accordance with the regulations and standards of audit of the Comptroller & Auditor General of India and accordingly included such tests of accounting records, internal checks and controls, and other auditing procedures necessary to confirm.

- (a) that the resources were used for the purposes of the Project; and
- (b) that the expenditure statements/ financial statements are correct.

During the course of the audit referred to above, Statements of Expenditure (Each Application No.....and amount to be indicated) and the connected documents were examined and these can be relied upon to support reimbursement under the aforesaid loan / credit agreement.

On the basis of the information and explanations that have been obtained as required and according to the best of our information as a result of the test audit, it is certified that the Expenditure Statements/ Financial Statements read with the observations set out below represent a true and fair view of the implementation (and operations) of the Project for the year.....

Signed-----

(NAME & DESIGNATION)

CHAPTER XVII

STORES AUDIT

298. *General* - The audit of stores accounts should be conducted in accordance with the programme laid down in the Secret Memorandum, keeping in view the general principles enunciated in paras 2.5.1-2.5.4 of MSO (Audit), the rules contained in the Indian Railway Code for Stores Department and the instructions issued by the DAI from time to time.

It is important that the organisation and procedure of the local stores Department should be studied carefully and the audit procedure modified to suit local conditions and the method of internal check.

299. *Purchase of Stores and Scrutiny of Stores Contracts* - The purchase of stores for railways is governed by the rules contained in chapters III—XI of the Indian Railway Code for the Stores Department, Vol. I.

Briefly, the policy underlying these rules is to make the purchases of stores for public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency and with this end in view the order in which preference is to be given in making purchases has been laid down as under:-

- (i) Articles which are produced in the form of raw materials or manufactured in India from indigenous raw materials.
- (ii) Articles fully or partially manufactured indigenously from imported material.
- (iii) Articles of foreign manufacture held in stock in India.
- (iv) Articles manufactured abroad which need to be specially imported.

The other important rules laid down for observance are that (1) except in certain stated circumstances all articles required to be purchased shall be purchased on the condition that delivery shall be made in India for payment in rupees in India and (2) the normal procedure for placing orders for purchases shall be through open tenders invited in India and abroad also when considered desirable. The cases in which it would be permissible or desirable to call for tenders from abroad also or to resort to the “Limited tender” or to “Single tender” system and the procedure to be followed in each of these cases are indicated in detail in the rules referred to above.

It is an important function of Audit to bring to notice cases in which there has been failure without sufficient reason to follow the prescribed rules and procedures. It should be seen in particular that—

- (a) tenders for import of materials are floated after obtaining necessary indigenous clearance from DGTD/Department of Electronics and release of foreign exchange,
- (b) the Railway’s proposals to the Railway Board for release of foreign exchange required for financing the import have duly taken into account the relative importance and priority of the

- work for which the materials are proposed to be imported so as to ensure that more important and priority works do not suffer for want of foreign exchange,
- (c) that materials after import do not remain unused for long rendering blockage of valuable foreign exchange which could otherwise be utilised for other deserving purposes/works,
 - (d) price preference allowed, if any, for encouraging development of indigenous industries is in accordance with the guide lines issued by the Bureau of Public Enterprises based on Government purchase policy and that such price preference is not allowed to continue as a matter of course even after indigenous manufacture of the items in question has been fully established,
 - (e) in high value contracts for supply of stores where the raw material content like steel, nonferrous etc. is substantial a pre-determined price variation clause with an upper ceiling for the total variation during the currency of the contract is prescribed in the tender enquiry itself so as to obtain competitive offers and avoid future claims from the contractors on account of increase in raw material prices,
 - (f) a suitable de-escalation clause is also provided in the contracts along with escalation clause, if any, so that in the event of the contractors procuring inputs at lower prices than those provided in the contracts, the resulting benefits may accrue to the Railways,
 - (g) where contract prices are settled taking into account the assistance from the Railways by way of issue of any input at fixed prices, suitable safeguards are provided in the contracts so that in the event of contractors procuring the inputs from outside sources at lower prices the resulting benefits may accrue to the Railways.
 - (h) in case of purchases on single tender basis either because the articles in question are proprietary and/or manufactured by a single firm, (i) Proprietary certificates are issued, not as a matter of course, but only after adequate exploratory action to locate alternative sources has proved abortive, and (ii) for items which are monopoly of single and /or a limited number of firms, steps are taken to develop alternative sources of supply so as to generate competition in price.

The rules also provide that purchases may be made without calling for tenders where it may clearly not be in the public interest to do so. In such cases, however, the reasons leading to the decision not to call for tenders are to be recorded and Audit should see whether these reasons appear to be sufficient. Some circumspection should, however, be exercised before raising any objections on this point.

300. *It should be seen that usually all supplies of stationery and printing stores are obtained only through the Controller of Printing and Stationery vide the note under para 1104-S and direct purchases when made are in accordance with paras 1109-S.*

301. Purchase of rolling stock and their components, track materials e.g. rails, fishplates, metal sleepers etc. is arranged by the Railway Board. In addition, running contracts for supply of materials hitherto procured by the Railways through DGS&D are also finalised by the Railway Board, consequent on the Ministry of Supply having delegated (1974) the powers of purchase to them. While audit of tenders and contracts finalised by the Railway Board is to be conducted in DAI office

(cf. Para 4), the Principal Directors of Audit should also review the execution of such contracts to see whether—

- (a) payments for supplies by the nominated FA&CAOs are in accordance with the terms and conditions of the contracts,
- (b) the materials offered by the firms and passed by the inspection authority i.e. RITES or other organisation for the Railway Board's contracts, have been found to be substandard and/or not conforming to specification by the consignee Railways and the adequacy or otherwise of the action taken in such cases for obtaining replacements with materials of requisite standard,
- (c) the defects/deficiencies in the equipments /materials noticed during the warranty period are promptly reported to the suppliers and the Railway Board for enforcing warranty claims,
- (d) loss, inconvenience etc. suffered, if any, by the consignee Railways due to delayed supplies is reported to the Railway Board to enable invoking liquidated damages clause of the contract,
- (e) the short/delayed supplies against the running contracts and the consequent direct emergency purchases by the Railways are due to short indenting on account of incorrect assessment of requirements or to defaults on the part of the contractors, and
- (f) the emergency purchases resorted to at higher rates from the same firms who defaulted in supply against the running contracts have been reported to Railway Board for appropriate action against the defaulting suppliers.

302. Generally for each article or class of article the Administration prescribes the quantities which should be kept in stock (cf. para 124--129S). These quantities are based on the frequency and extent of the demand and the nature of article, its recoument period etc. These should be reviewed periodically to see that they are consistent with other considerations, e.g., due margin of safety, there is no prima facie unnecessary accumulation of stores and consequent locking up of capital.

303. It should also be seen that the purchases of articles frequently required are not made in unnecessarily small and frequent batches but that periodically the total quantity likely to be required is determined and obtained after taking into consideration the stock in hand and the expected consumption.

304. Any undue tendency on the part of the executive authorities to specify particular make of articles or particular firms for their purchases resulting in restricting the field of competition should be taken up cautiously with the Administration, the matter being reported to the DAI at the same time.

305. Stores purchased for construction of rolling stock and special works, the cost of which is directly charged to the works are called custody stores, when left in the custody of the Stores Department and Material at site if lying at the works site. It should be seen that such special stores meant for specific works are not obtained unduly far in advance of the time when they are likely/actually to be required and the transfer of materials left over, if any, on completion of the specific works to some other works and necessary cost adjustments are not unduly delayed.

Speculative purchases for long periods or merely against rise in price are to be depreciated. Any clear and important instances coming to notice especially when resulting in loss should be brought to the notice of the DAI.

306. The check of stores bills should embrace a scrutiny of all bills including those for purchases through other departments e.g. the Controller of Printing and Stationery and Stamps etc. It should be seen that the payment for purchases through other departments is a proper charge against the work or other head of account concerned and that the expenditure has been sanctioned by competent authority. The postings in the Stores Priced Ledgers/Transaction Register should be checked.

The selection of vouchers may be done either from the register of bills or in any other suitable manner.

307. The bills for the purchase of stores should be checked to see (1) that the particulars agree with the purchase orders and the accepted tenders as regards the rates, the date of supply and the quantity to be supplied; (2) that the receipt of stores has been duly acknowledged; (3) that the arithmetical calculations are correct; and (4) that due precautions have been taken to guard against the passing of a second claim for the same stores.

A local scrutiny of the purchase orders in the office of the Controller of Stores, simultaneously with the review of stores contracts, as prescribed, should be done to see inter alia that there is no intentional splitting up of purchases, that recourse is had to such purchases rarely and to meet emergent requirements only, and that the financial limits as laid down by the competent authority are not exceeded.

In the case of stores purchased in India, the Funds Register (vide 506-S), or any other document used for watching the progress of purchases against grants, should be reviewed as prescribed. While auditing the stores bills the relevant receipt notes should be linked. After audit of the bills, their posting into the Purchase Accounts register and the priced ledger/transaction register should be checked.

The coal bills selected for Audit should, in addition, be traced into the Wagon Disposal Statement and checked to see that—

- i) the rates paid for each category of coal have been approved by the Railway Board;
- ii) the rates for excise duty, sales tax and other charges are covered by Government orders on the subject;
- iii) recoveries for inferior quality and misgraded coal have been effected from the collieries concerned; and
- iv) in respect of coal received via rail cum sea route, weight of the coal as invoiced by the colliery, should be compared with the weight of coal received in stock and large variations investigated.

308. *Accounting of Stores transactions*—The computerised system of stores accounting as introduced on the Railways is briefly described below for a proper understanding of the Audit procedure prescribed for various transactions.

The basic file maintained in the computerised system of stores accounts is the Stores Master file (also referred to as the 'opening balance/closing balance tape'), which was initially created by punching the ground balance, as disclosed by physical stock verification, in cards and converting the cards to tape. The master file indicates the Depot Code, P.L. Number, Category, Ward, Unit, Quantity, Value Balances, and Book Average Rate, last dates of issue and stock verification etc. This file is updated by monthly transactions.

The receipt and issue notes including the stock verification reports, constitute the primary input into the computerised system. The source document is given a continuity number by the ward, which identifies the document in conjunction with the Depot/Ward Code and the date of voucher. The local depots (i.e. depots in respect of which the accounts are maintained in the Headquarters office) transfer the source documents to the Accounts Office daily, while the outstation depots send the returns for the transactions upto and including Friday on the next Monday. The documents are accompanied by challans indicating the ward number and the first and the last voucher numbers included therein. At the end of the month, the depot also sends to the Accounts Office a summary statement of vouchers prepared during the month for each ward indicating the opening and closing numbers for each type of vouchers.

The vouchers, on receipt in the Stores Accounts Office, are entered in a 'Continuity Register', which is designed to ensure that all the vouchers are received in Accounts Office for accounting. After the vouchers have been evaluated, where necessary, these are sorted and arranged in lots of about 50 each and 'hash' totals for number of transactions, quantities and values are struck against each lot.

Cards punched from the vouchers are run through the computer periodically for scrutiny and printing the lot totals as computed manually and worked out on computer in a statement called "List of stores transaction vouchers". Cards, which do not pass the edit test are printed with appropriate error message and the lots for which 'hash' totals do not agree, are printed with the message "controls do not tally". The editing and other omissions are supplied on the list itself, for correction of incorrect cards by Wards/Accounts Office. At the end of the month all the cards are again run on computer and converted to tape called "Stores basic tape". The Stores basic tape is then sorted and the sorted tape run through the computer for checking the continuity of vouchers. A statement called "Continuity check of receipts/issue vouchers for the month", is printed at this stage and sent to the Accounts Office for supply of omissions.

Transactions which do not have a match on the master, posting of which would result in irregular balances or the unit of account not agreeing with that on the master and for which pre-determined rate is not available, are rejected by the computer and put on a separate tape called 'Residual tape'. Such transactions, after correction, are merged with the transactions of the following month and the complete up-dated transaction tape is run with the previous month's closing balance master-tape for posting the transactions, creating the new closing balance tape, printing the price ledger or transaction register and preparing the summary tape. The priced ledger/transaction register

normally contains only “moved items”. However, once a quarter, it contains all the items ‘moved’ and ‘unmoved’.

The various accounts and managerial statements which are printed from the summary tape as part of computer processing are shown in the Annexure.

309. *Check of completeness of accountal*—With a view to ensuring the completeness and correctness of account of all transactions originating in a Stores Depot the transactions (both receipts and issues) of the selected date in respect of each depot should be completely checked as follows:

- a) Check whether the total number of vouchers sent by the Wards as per forwarding Memo is equal to the total number edited and listed (as per edit list) plus the number of vouchers rejected. Also check that the total number of transactions edited for posting is equal to total number actually posted plus number rejected by the computer due to creation of credit balance etc.
- b) The lot registers should be examined to verify that the manual lot totals (quantity and value etc.) are reconciled invariably with the ‘hash’ totals developed by the computer.
- c) Verify that the vouchers which are sent back to the wards for correction, are duly corrected and returned for posting within a reasonable time. Failure to take action on rejected vouchers or abnormal delays in returning them should be taken up.
- d) The ‘List of stores transaction vouchers’ finally printed for the month should be checked to see that there are no cases printed with the message “controls do not tally”.
- e) The opening number in the ‘continuity statement of vouchers’ printed on the computer should be agreed with the closing number as per the preceding month’s statement, all the depots being covered in a year. The statement should be agreed with the ‘continuity register’ manually maintained by Accounts Office. It should be examined whether adequate action has been taken to bring the missing vouchers to account.
- f) The Residual Statement printed on the computer should be reviewed (in respect of all the Depots to be covered in a year) and the adequacy of action taken watched.
- g) The computer printed “List of items with more than 20% variation in rates” should be examined with a view to locating cases of incorrect posting or programming errors.

310. *Check of arithmetical accuracy*—The arithmetical accuracy of the vouchers (receipts, issues, etc.) which is also subject to calculation by computer, should be checked in 50% of the cases selected for audit. The calculation of book average rate may also be checked to the same extent. For this purpose no separate selections need be made and the arithmetical check may be done on alternate vouchers.

311. *Returned Stores*—Stores may be returned owing to excess issues in the first instance or as materials taken from the line during repairs or renewals.

In checking the vouchers of returned stores, the following points require special attention -

- (1) the reasonableness of the rate at which credit is afforded to works should be checked. Where any formula has been prescribed for the valuation of second hand materials it should be seen that the adjustments are correct according to the formula;
- (2) the correctness of the allocation of credit should be checked;
- (3) it should be seen that the returned stores are properly taken into account in the priced ledger/transaction register;
- (4) cases in which quantity of stores returned by the Returning Department differed greatly from that by the Stores Department or when mentioned returned as new/second hand are accepted by the Stores Department as second hand or scrap, should be investigated to see how the difference was reconciled and what were the reasons for the differences.

312. *Receipts from workshops*—The priced issue notes should be checked with regard to the requisition, rates, acknowledgement by the depot, postings into the ledgers, etc., and it should be seen that the total of the issue notes is posted into the stores journal.

Where the manufactured articles are issued at a fixed rate, it should be seen that the difference between the actual cost of manufacture and the amount debited through the issue notes, is adjusted periodically.

313. *Imported Stores*—It should be seen that indents for stores for works are not ordinarily placed with the Purchasing agency (store department of the Railways and/or Railway Board) unless the work has been included in the works, machinery and rolling stock programme as approved by the Railway Board and that indents for stores for general purpose are not sent in advance unless there are sufficient funds available from the sanctioned allotment of the year.

Payments for imported stores are generally made in the currency of the country of origin of the goods through letter of credit opened by the FA & CAOs of the Port consignee Railways with a nationalised bank or other banks, if any, nominated by the suppliers on their presenting sight draft along with copies of bill of lading, inspection certificates etc. as specified in the contract. After payments to the suppliers the authorised bank prefers reimbursement claims which are accepted by the concerned FA&CAOs on the basis of bill of lading, inspection certificates etc. received directly from the suppliers. It should be seen that (i) the letter of credit is not made operative until the Performance Guarantee Bond as stipulated in the contract is furnished by the supplier, (ii) the bill of lading is not prepared prior to inspection of the material by the inspection authority and no payments are allowed against bill of lading antedated to inspection and (iii) the reimbursement claim of the bank as accepted by the FA&CAOs is a proper charge against the Railways and has been correctly adjusted in accounts. Some of the items in the Invoice Distribution Statements should be checked in detail with reference to the indents, the advice of despatches, the receipts by the depots and the postings into the priced ledgers/transaction registers.

The port and customs charges should be checked as prescribed to see whether the charges have been correctly calculated. It should also be seen that—

- (1) they have been countersigned by the Controller of Stores;
- (2) their allocation is correct;

- (3) the details of the bills (for customs charges) agree with those in the bills of lading and tonnage statements.

314. *Inter-depot transfers*—The vouchers of inter-depot transfers should be checked to see that:

- i) the receipts are correctly priced at the same rate at which the corresponding issue vouchers are evaluated;
- ii) the issues and receipts are paired and sufficient action is taken to watch the acknowledgement of outstanding items;
- iii) if receipts and issues are not paired during the month, it is reflected in the “Stores-in-transit (Depot transfer)”.

Other receipt notes—The other returns cover stores received on loan from other Railways (Para 1223-S) fabricated/reconditioned or repaired stores received from contractors (1327-S).

It should be seen that the instructions regarding pricing and return of such stores to the lending Railways are correctly observed. In the case of fabrication receipt notes it should be seen that the material are valued at the rates at which they were originally issued plus the fabrication charges as per the contract.

315. *Delivery notes*—These vouchers consist of (a) Issues to revenue and Capital, (b) Issues to workshops, (c) Inter depot transfers, (d) Sale issue notes and (e) Certain miscellaneous issue vouchers such as fabrication issue notes, loan issue notes etc. The vouchers pertaining to the date selected should be checked as regards correctness of the rates and allocation and traced into the priced ledger/transaction register. In scrutinising issues on sales it should be particularly seen that (i) the purchase money is paid in advance, if the sale is made to outsiders, (ii) percentage charges prescribed in the code have been correctly levied and (iii) only surplus or condemned articles are sold to railway employees and there is no tendency to issue frequently ordinary articles which can be purchased easily by the employees from the market.

316. The postings of the audited vouchers (receipts and issues) for each depot, besides being traced in the priced ledger or transaction register and the Debit/Credit summaries, should also be traced into the following statements generated on the computer:-

- (a) Purchases Statement and Sales Statement in the case of purchases and Sales respectively.
- (b) Returned Stores Statement in the case of returned stores.
- (c) Depot Transfer Receipts and Depot Transfer Issues in the case of depot transfers.
- (d) Debits/Credits to Misc. Advance Capital Statement in the case of receipt notes for fabricated stores and issue notes for issue of Materials on loan.
- (e) Deposit Misc. Statement in the case of Stores received on loan and return of such stores.
- (f) Receipt-Issue to Petty Shops Statement and Workshop Receipt Statement in the case of receipts and issue to petty shops under D.C.O.S. and Workshop receipts respectively.
- (g) Book Transfer Statement in the case of book transfer vouchers.
- (h) Accounts Stock verification Statements in the case of Accounts Stock Verification Vouchers.
- (i) Departmental Stock Verification Statements in the case of Departmental Stock Verification Vouchers.

- (j) Depot Stock Sheet-Losses etc. Statement in the case of Depot Stock Sheets.
- (k) Stock Adjustment Accounts Statement in the cases listed at (h), (i) and (j) above.

317. *Priced ledgers/Transaction register*—While reviewing the priced ledgers, the correctness of the carry forward of the opening balance on the cut-off date (viz. the date on which the balances on the priced ledger on manual system were taken over on computer) should be test checked to the extent as may be prescribed by the Principal Director of Audit. The review of priced ledgers should be supplemented by a check of the computer printed ‘opening balances’ statement, the extent of check being as prescribed in the programme of audit. The priced ledgers may be reviewed with reference to the periodical listings by the computer, which contain all the items moved or unmoved. The review should be supplemented by the review of the following managerial statements prepared on computer periodically and directed to see that the action taken as to why irregular or excessive balances arise in the first instance etc., is adequate,

- i) Review of non-moved accounts showing the items not moved over two years, over one year etc.
- ii) Review of priced ledger accounts showing the accounts having irregular balances e.g. quantity without value or vice versa, minus quantity or value or both, quantity out of proportion to value.
- iii) Scrap statement.
- iv) Report on value/volume analysis to pinpoint accounts having excessive balances with reference to the issue of Stores as related to the total volume of issues in the depot.
- v) Statement showing no issues for a certain period as fixed by Stores depot.
- vi) Statement showing stock holdings over one year’s requirement etc. The periodicity of review of these statements may follow the periodicity of their preparation on computer.

It should be further seen that:

- (1) the rates at which the stores are borne on the books are in accordance with the rules on the subject. If there is appreciable difference between the ledger rate and the price list rate, the difference should be brought to notice;
- (2) book losses, depreciation, etc., of substantial amounts have been regularly written off;
- (3) the average annual consumption and the normal balances are suitably related to each other;
- (4) the nomenclature is correct that grouping of articles of different sorts and sizes is properly done and that articles differing in value are not grouped together under one head so as to facilitate without detection, the replacement of articles of higher value in a group by those of smaller value; and
- (5) reconciliation is effected every month or at such intervals as the rules on the subject may prescribe, of the balance at debit of stores according to the priced ledgers with balance in the General Books of the railway and of the numerical balances with those of the depot ledger.

It may be ensured that procedure of reconciliation of priced ledger with General Books provides for a monthly reconciliation of (i) Class Summaries with Departmental Summaries; (ii) Debits/Credits and balances in the class ledger (depot-wise or consolidated as the case may be) with

those appearing in the General Books; and (iii) the balances in the priced ledger with those in the General Books. The adequacy of action taken by the Accounts Office for discrepancies in the different sets of figures may be reviewed.

(Where owing to integration of depot and accounts function, the maintenance of numerical ledger by the depot has been discontinued, the reconciliation of priced ledger and numerical ledger balances will not arise).

The duty of seeing that stores are standardised as far as possible, rests primarily with the Executive; but Audit can help by bringing to notice any abnormal increase in the number of ledger headings, which may appear to be due to an unnecessary multiplication of types or by reporting any instances where neglect of the principle of standardisation can be shown to have resulted in definite loss to the railway.

The audit of stores ledgers and the annual review of balance should be conducted in such a manner as to bring to notice cases of irregular and unnecessary purchase of stores. The maximum stock that may be held, at any time should not exceed 50 per cent of the issue of each item during the year (cf para 2230-S). Besides, it should be seen that (i) there is some procedure for systematic store-keeping control, as for instance by prescribing maximum and minimum; (ii) the quantity ordered on each occasion is based on accurate data and correctly calculated; (iii) information is obtained from departmental officers so that there is proper co-ordination between the Stores and consuming Departments; and (iv), if there are any cases of non-accountal of receipts and excessive issues without physical movement of stores in the closing months of the year.

318. *Stores journal*—Journal Slips relating to stores transactions, prepared according to paragraph 2932-S, should be scrutinised in the manner laid down in paragraph 387. It should be seen that journal is properly posted and that the reconciliation of the subsidiary books with the journal and the later with the General Books of the railway is made monthly and certified to as being completed.

319. *Stores Accounts Current*—The monthly Account Current of stores transactions, where such an account is prepared by the Stores Accounts branch, should be examined in full detail. The opening balance should be compared with the closing balance of the previous month, the debits and credits examined and traced from the Debit and Credit summaries printed from the monthly summary tape as part of the monthly processing. The closing balance should be proved by ascertaining the items of which it is composed, with reference to the debits and credits summaries printed depot-wise. It should be seen that the balances in the Stores Account Current are reconciled with corresponding balances in the General Books on one hand and with balances in the class ledgers on the other. The total receipts and issues during a month should be similarly reconciled.

On certain railways register of class ledger is maintained manually by Accounts Office for receipts and issues separately. The receipts and issues are abstracted into seven categories of stores each month. In Audit, the depot-wise class ledgers should be totalled up and the totals agreed with the totals of the seven categories into which the stores transactions are abstracted every month by the Accounts Office. It should be further seen that the stores balances are properly agreed with General

Book balances and the agreement is duly attested. The procedure of reconciliation with General Books may be adopted with such modifications as may be necessary by local conditions.

320. *Suspense Registers — Stores in Transit* — The register should be reviewed to see that outstanding items are cleared promptly.

Purchase register—Separate registers are maintained for purchases ‘Imported’ and Purchases ‘Indigenous’. It should be seen that the registers are efficiently maintained and all items are current and are for bills payable for articles received. Debit balances representing advance payments prior to the receipt of stores should be scrutinised to see that the concession is allowed only under orders of competent authority. The correctness of the entries in the Purchase register should be verified with reference to the computer printed statement of purchases. Balances under this head should be analysed age-wise and it should be seen that proper and prompt action is being taken to ensure their speedy clearance. Accrual of long outstandings should be brought to the notice of FA&CAO.

Sales register and abstracts—It should be seen that sales have been made under sanction of the competent authority, that the proper percentage charges have been added to the book value and that there are no credit items. The correctness of the entries in the Sales register should be verified with reference to the computer printed Sales Statement. Balances under this head should be reviewed as in the case of Purchase Registers.

Deposit Miscellaneous and Miscellaneous Advance registers – (See the instructions contained in paragraph 381). Besides, the analysis of the outstanding balances should be looked into to see that cases of chronic outstandings are not on the increase and all out efforts are made to clear old items. Cases of outstandings of heavier amounts, over one year old should be examined in detail to see if any unusual feature exists in such cases.

In all these cases it should also be seen that a systematic reconciliation is made with the General Books.

321. *Stock Adjustment Account*—In reviewing this register it should be seen that the adjustments are mainly on account of excesses or deficiencies discovered in actual stock or due to discrepancies in values and prompt action is taken to clear all the items as early as possible. Large items should be carefully scrutinised. The items outstanding in March accounts should be scrutinised to see whether there are any large items the clearance of which is held over on account of insufficiency of funds or for any other inadequate reason.

322. *Stores Adjustment Sheets*—In this connection a reference is invited to the miscellaneous adjustments mentioned in paragraph 2543-S. The original posting should be verified and the justification of the adjustment scrutinised.

323. *Revaluation of stores*—When the last purchase price for the current market rate is lower than the average book rate by 10% or more, or when though the variation is less than 10%, special circumstances justify revision of average book rate, the balance of stores in stock is revalued at the lower rate and the difference between the two balances adjusted against stock adjustment account.

The rates for workshop manufactured stock items are fixed half yearly by the Mechanical Department.

It should be seen that the price list rates are periodically revised in accordance with the instructions contained in para 210-S. In case of second hand stores it may be seen that the price list rate is fixed on valuation made after examining the condition of the articles and after providing for depreciation etc.

324. *Yearly statement of stores transactions*—It should be seen that this statement is prepared in the prescribed form, that the money value of the stores in hand is classified under each important head, that values are shown separately for ordinary stores, stores for special works and for surplus stores. It should also be seen—

- (1) whether the balances in hand of ordinary stores are much in excess of those prescribed by the Railway Board;
- (2) whether items under “special stores” have been outstanding for any considerable period which would tend to show that the stores were obtained long before the necessity for their use was likely to arise;
- (3) whether as far as possible stores obtained for special works are issued to the works concerned and charged off; and
- (4) whether prompt action is taken to dispose of surplus stores at a reasonable price. While scrutinising the accounts of surplus stores, the reasons for such stores becoming surplus should be ascertained to see whether any of these were originally obtained unnecessarily.

325. *Yearly statements of stores purchase*—This statement, which shows the details of stores purchased during the year from various sources, should be scrutinised generally to see how far the policy of the Government on purchase of stores, has been adhered to.

326. *Accounts, custody and disposal of scrap materials*—The check as prescribed should cover the section mentioned in Para 1207-S and include a scrutiny of the arrangements for the custody of scrap materials, the procedure adopted for auctioning, the procedure followed during auction of the scrap, the rates fixed & those obtained during auctions and the procedure for verification of scrap especially valuable scrap.

327. *Stock verification*—It should be seen that (i) verification is done as per prescribed periodicity and where this has not been done, sufficient justification exists for relaxing the periodicity and that such relaxation has been made by competent authority; (ii) whether there is a regular verification by actual count or measurement or weightment of all stores from time to time; (iii) the instructions contained in paras 3306, 3237-38-S for verification by weightment, measurement, cost etc. of bulky and heavy materials like steel plates, channels, beams, coal etc. are properly followed and that such verifications are not confined merely to occasions when the stock of any particular item is low; and (iv) if there is any wide variation between book and ground balances of ferrous scrap which is accounted for on the basis of estimated weight on account of practical difficulties in sorting and weighing them on receipt in the depots.

It may be seen whether the accuracy of the weighbridges and other weighing machines is periodically tested by the executive and whether a record is maintained of such tests.

The action taken on differences discovered in stock-taking should be carefully watched to see that full investigation is made in all important cases, that no improper use is made of the stock adjustment account and in the case of shortage, that adequate disciplinary action is taken against the person responsible for it and the loss is regularised under the orders of competent authority. Since consolidated statements of Department and Accounts stock verifications are available with computerisation, a profitable review of these statements should be made.

328. *Auction Sale Account*—The arrangements for the auction sale of materials on the Railway should be examined and the agreements with the auctioneers reviewed. The prices realised at one sale may be compared with the prices realised for similar articles at other sales. As materials not required by one railway may be useful for another railway it may be seen whether before selling the stores to the public, there is any system of sending lists of surplus stores to other railways.

329. *Locomotive Energy Account*—This comprises of the accounts of coal, diesel and electric power for steam, diesel and electric locomotives respectively.

The responsibility for the initial accounting of receipts and issues of coal/diesel rests with the Chief Mechanical Engineer in the case of coal/diesel required in workshops and with the Chief Operating Manager in the case of coal/diesel required for the running of engines. It should be seen that the quantities received agree with the railway receipts and the bills and that there is an effective check of the weight when taking over from the Traffic Department, Issues from the central depot and receipts in the various running sheds should be tallied and any discrepancies taken up with the Traffic Department. The monthly account current submitted to the Accounts Office should be checked in detail with the vouchers of the receipts and issues and also with corresponding postings in the ledgers.

330. *Linking of Loco Coal despatches with receipts*—Under the computerised system each railway links all loco coal wagons despatched to home loco sheds of a Railway with loco coal wagons actually received, invariably throwing up some ‘missing despatches’ and ‘unconnected receipts’. The missing despatches and unconnected receipts as noticed on each Railway are then linked in a centralized ‘run’ on an all-Railway basis to take care of all inter-railway diversions of loco coal wagons. In respect of missing wagons, which still remain untraced, claims are lodged with the Commercial Department and necessary particulars are furnished to enable that Department to trace such wagons.

The following suspense registers maintained by the Accounts Office for the unconnected/missing wagons should be checked in the same way as for other suspense registers mentioned in para 320.

- i) Purchase Register (Fuel);
- ii) Stores-in-Transit Register (Fuel);
- iii) Stock Adjustment Account (Fuel).

In addition, it should be seen that debits and credits to these heads agree with the entries in the reports prepared by the computer. Claims for missing wagons have been lodged with the carrier railways in time and no loss has been sustained by the Railway Administration due to slackness of the staff concerned and the final list of missing and unconnected wagons has been duly accepted by the Commercial Department, if they fail to prove delivery of coal. Where it is finally decided to write off the amount of missing wagons or to set off the amount of missing wagons against the amount of unconnected wagons, such proposals should be zealously scrutinised in Audit.

The electric power is generally obtained from State Electricity Board/Private Companies in addition to generation in the Railways own power houses.

The bills for power supply by the State Electricity Board etc. should be checked with reference to the accompanying meter reading statement duly accepted by the Railway and rates as provided in the agreement for power supply. The power so purchased should be correlated with the distribution statement allocating the energy to various traction and other services to see whether there is any wide variation and if so the reasons therefor.

331. Account Current and Outturn Statement of the Printing Press—In addition to the check prescribed in the programme, some other accounts should be reviewed generally. The entries in the Account Current should be checked with reference to the statement of Debit and Credit summaries printed on the computer. The system of billing for 'Forms' supplied as well as the outstanding bills should be reviewed. It should be seen that where work has been done for other Government departments or for foreign railways, the charges for supervision and maintenance and depreciation of machinery and the fixed percentage for indirect charges are billed according to rules and orders in force.

The Outturn Statements may be checked during local inspections of the Printing Press, if it is not possible to check them along with the Account Current.

Annexure (Cf. Para 308)

List of accounts and managerial statements

Accounts Statements

1. Accounts Stock Verification Pt. I.
2. Accounts Stock Verification Pt. II.
3. Accounts Stock Verification Pt. III.
4. Departmental Stock Verification Pt. I
5. Departmental Stock Verification Pt. II.
6. Departmental Stock Verification Pt. III.
7. Book Transfer.
8. Returned Stores.
9. Stock Adjustment Account
10. Depot Transfer Receipts.
11. Depot Transfer Issues.
12. Purchases.
13. Debits/Credits to Misc. Advance (Cap.)
14. Depot Stock Sheets—Losses.
15. Deposit Misc. Account
16. Debit and Credit Summaries.
17. Sales.
18. Receipts/Issues to Petty Shops.
19. Workshop Receipts.
20. Priced Ledger or Transaction Register and Supplementary Priced Ledger or Supplementary Transaction Register
21. 'Class' Ledger which in the computerised system is for each 'group', all the 'group' being incorporated into 27 classes in which the Stores are now divided.
22. Allocation-wise and Division-wise Totals.
23. Residual statement of unposted transactions from the final Residual Tape.
24. Listing of Opening Balances printed once a quarter.
25. List of items with rate beyond 20% variations, such items being also printed with the message 'A' in the Priced Ledgers.

Managerial Statements

1. Review of Priced Ledger Accounts, showing the accounts having irregular balances in quantity or value.
2. Report of non-moved accounts, showing the items not moved over two years, over one year etc.

3. Scrap statement.
4. Report on value/volume analysis to pin-point accounts having excessive balances with reference to the issues of stores as related to the total volume of issues in the depot.

CHAPTER XVIII

WORKSHOP AUDIT

[See paras 3.16.1 – 3.16.4 of M.S.O. (Audit)]

332. *Estimates*--The audit of estimates sanctioned during a particular month should be completed by the end of the following month. The selection of estimates for audit should be made by the Branch officer of the section from the register of estimates maintained in the Accounts Office and particulars of the selected estimates should be entered in a separate register in the Audit Office. The instructions relating to audit of estimates contained in paragraph 250, et seq apply mutatis mutandis to audit of workshop estimates. Chapters XIV and XV of the Indian Railway Code for the Mechanical Department should also be seen.

The authorised Rolling Stock of each kind and for each railway, is fixed by the Railway Board and any addition to or reduction in number require their sanction. If any stock is condemned or otherwise reduced without being replaced immediately, its original cost should be written back from Capital to Depreciation Reserve fund in the same year.

It is unnecessary to insist on the prior approval of the Railway Board in cases of rolling stock estimates included in the budget estimates, although the Pink Book (i.e., the sanctioned budget estimates) has not yet been received. Such estimates may be passed provisionally on the basis of the information given in the budget estimates and finally on receipt of the Pink Book.

333. *Saloons*--In auditing the estimates for saloons it may be ascertained whether (1) in the case of saloons for other Government departments the conditions regarding payment of interest, depreciation and maintenance charges have been accepted by the departments concerned; and (2) in the case of saloons for private parties the necessary funds have been deposited before hand.

The instructions for the audit of estimates for saloons apply mutatis mutandis to the audit of estimates for vehicles constructed for the Posts and Telegraphs Department vide Paragraphs 1447--1455-W.

Estimates for inspection carriage and saloon carriages for railway officials may be scrutinised to see if their construction appears justifiable. For example, it should be unnecessary to build separate saloons for officers who are not expected to travel frequently. Under extant orders of the Railway Board, no proposals for new saloons and reserved carriages will be considered until the Board are convinced that the number in use has been reduced to the absolute minimum required for systematic and frequent inspections to ensure safety and the efficient conduct of railway work.

Estimates should show in detail, as far as possible, different kinds and quantities of stores required for the work in the different shops and the cost of labour in each shop. This is especially necessary to prevent more stores than are necessary for a particular work being indented for and being used without authority, on other work. It should be seen that estimates of probable credits to revenue for material to be released from the breaking up of the replaced stock vide paragraph 1440(4)-W and in respect of rolling stock removed from the authorised list without replacement, are properly prepared and sanctioned by competent authority before the condemned rolling stock is actually broken up vide paragraph 1440(7)-W.

334. *Completion Reports*--The instructions laid down in paragraph 282 and paragraphs 1468 – 1474-W apply to completion reports of works done in the workshops. It should be remembered particularly that any alteration in the type or numbers of rolling stocks constitutes a material modification and requires the sanction of the Railway Board even though there may be no excess over the amount of the sanctioned estimates vide paragraph 1109-E. While auditing the completion reports of saloons for other Government departments and Postal vehicles, it should be seen that the capital cost is correctly entered in the register maintained for the purpose of calculating the half-yearly or yearly interest recoverable from the Government departments concerned.

335. *Workshop Accounts*--The outlay on works undertaken in the workshops falls into the following classes: - (1) Direct charges for labour, (2) direct charges for stores, and (3) Shop General and Pro-forma 'on cost'.

336. *Labour Charges* – The important initial documents in connection with labour charges are (1) absentee statements; (2) Gate attendance cards; (3) time sheets; (4) muster rolls and labour paysheets; and (5) overtime sheets. In connection with the check of these documents it will also be useful to visit the shops concerned and see that the method of booking labour against various works is correct and that initial records are correctly maintained. During such visit it should be seen that there is a proper system of recording labourers entering the shops, that a list of absentees in various shops is prepared daily from such record, that a list of absentees is prepared by the foreman or other responsible official from an actual inspection of the labour employed and that these two lists of absentees are tallied with each other. The accuracy of the time sheets may be verified by actual count during such visits. It is fundamental that such a procedure is laid down for the check of muster rolls and the payment of wages, that the responsibility of each individual can be definitely allocated after the event, that there are adequate counter-checks, that the functions of preparing and checking the bills are allocated independently from the functions of dealing in cash and making payments, and that the staff concerned are changed from time to time.

It should be seen that the total time shown in the time sheets/job cards are agreed with the muster rolls by the time office and that the monthly aggregate of hours and days in the time sheets of each shop is reconciled with the total of the Muster Rolls/ gate attendance cards for that shop. Small differences may be ignored as being due to the calculation of wages by the month in the muster rolls and by hours and days in the time sheets. But if these differences are appreciable it should be seen that steps are taken to ascertain the real reasons for the difference. The rates of pay shown in the muster rolls should be compared with those shown in the time sheets. They may also be compared with the rates shown in the previous month's muster rolls and the differences should be checked with reference to the engagement sheets, dismissal sheets, promotion lists, reduction lists, etc. The accuracy of number of days, gross amount, deductions (provident fund, etc.) and the net amount should also be checked. The rate of pay shown in the muster sheets should also be checked with the scale of wages laid down by competent authority (See Chapters II and V-W).

On most of the Railways the labour pay-sheets of the workshop staff are prepared on the computer by the same system as for pay roll preparation for other staff. The instructions regarding

audit of computerised pay bills in paras 201 to 207 will, therefore, apply to the check of computer printed labour pay-sheets also.

If any labour is employed temporarily outside the shops, it should be seen that a prescribed form of duty certificate under the signature of competent authority is furnished to the time office showing the days and hours of absence from the shop and the work order, on which it was engaged and that the work order concerned is debited with the wages due.

It should be seen that there is proper record of the attendance of coolee labour, for whom no time sheets are usually prepared.

Overtime bills should be examined to see that the allowances are covered by rules. The system of overtime in vogue may be examined to see that it is consistent with efficiency and economy.

The propriety of arrangements for paying the wages of the workshop labourers should be examined, part of this examination being made when the labour is actually being paid. If payment is made during working hours in contravention of paragraph 317-W, the DAI may be informed of the circumstances except in cases where the practice of payment of wages within working hours have been allowed to be continued under the orders of the Railway Board.

Workmen's local trains are generally run on the different railways and it should be generally seen that the trains run punctually to time as the late arrival of such trains frequently will mean substantial loss of working time in the Railway workshops.

337. Bonus and piece work bills – The whole field may be divided into suitable units keeping in view the extent of check prescribed and one unit selected each month. The units may be so drawn as to contain a reasonable number of direct workers, indirect workers and supervisors. In addition to the monthly check, a general review of the records maintained in the incentive branch of the accounts office should be undertaken yearly to examine the system of fixation of allowed time, change in productivity due to incentive scheme, incidents of overtime in conjunction with each increase in bonus payment etc. The initial documents (such as gate attendance cards, job cards, squad summary cards and idle time cards) should be audited to the extent possible.

In checking piece-work time sheets the following points should be seen (vide Chapter IV-W):-

- (1) the details of actual time spent, wages and profit earned, and the rate fixed for the job are furnished in piece-workers statements to enable a check to be exercised over the correctness of profits distributed;
- (2) where the piece-work system results in a loss, the procedure outlined in paras 418 and 420-W is observed. Where the loss is not recovered owing to its falling in a subsequent wage period, the desirability of avoiding it by revising the system of profits suitably, may have to be suggested to the Administration.

It should be seen that the piece work rates are reviewed at intervals by a competent authority to see whether they are reasonable and the conclusions drawn in such reviews may be test checked. A similar procedure should be followed where a bonus system is in force.

The introduction of bonus system should normally result in increased outturn and reduce the cost per unit of outturn. Where this is not so, it may be necessary to seek for a justification of the system by a reference to the administrative authorities.

338. *Audit of computerised incentive bills*--(a) Direct workers--The incentive bonus bills for direct workers are printed on the computer shop-wise showing ticket No., shop and section code, time taken, time saved or lost, amount saved or lost and the amount payable. The details of employee category, Shop No., and total 'allowed time' are available in a separate statement called "Ticket-wise tabulation for the month". Wherever the 'ticket-wise tabulation' or 'Details of Job Cards statement' is comprehensive and contains the details of amount payable, setup time, proceeding time and 'allowed time' for each unit, audit scrutiny may be restricted merely to the agreement of entries in the statement with the information on the jobs cards, arithmetical check on accuracy of calculations being restricted to 50% of the transactions selected for audit.

The entries in the job card relating to the 'Allowed Time' (viz. set-up time allowed, operation time etc.) should be checked with reference to the scroll sheet maintained in the Production Department, provided such scroll sheet itself is not computer printed. If the scroll sheet is printed on the computer, the particulars may be checked with other relevant records e.g. rate fixer's records etc.

(b) The Incentive Bonus Bill of indirect workers--These bills printed shop-wise and section-wise show for each ticket No., the number of hours worked, the average percentage earned, the number of hours earned, the rate and the total amount earned. A subsidiary statement printed on the computer is the 'Incentive Statement' showing Section wise Standard Hours and Average Percentage for Essential Indirect Workers, which gives the time taken, the time saved and the standard hours of the section and based upon this, the average percentage earned and 80% of the average percentage as applicable to the Charge-men of the Incentive Section. The entries relating to the time taken and the time saved are susceptible of verification with reference to the details in Ticket-wise Tabulation for the corresponding shop and section, and should be so checked in audit. As regards the standard hours, which are reckoned with reference to the total number of workers in the section, it is necessary to obtain an intermediate printout showing the number of workers in the Incentive Section. The arithmetical calculations in respect of standard hours and average percentage earned by direct workers etc. may be limited to 50% of the cases selected for audit. The deductions made in the bonus payable to indirect workers on the basis of idle time booked against direct workers under their control, may be checked with reference to idle time cards. During this check the computer generated idle time statement should also be checked with reference to idle time cards.

The audit of incentive bills both for direct and indirect workers should be supplemented by a periodical review of the action taken on error statement produced on the computer as below:-

(a) The reconciliation statement printed in respect of direct workers should be checked once a quarter to see that errors have been correctly rectified particularly in respect of losses.

- (b) The action taken on the statement of cards printed in the processing of essential indirect workers incentive bills, which shows cases of essential indirect workers not prima facie employed in the incentive sections, should be reviewed every month.
- (c) Similarly the statement "GA Hours Reconciliation--Details for un-reconciled ticket numbers" should be reviewed and the correctness of action taken thereon should be test checked in audit.

The statement of Abnormal Profits and Losses, which shows all cases of profits exceeding 50% and all cases of losses should be reviewed for the year to see that remedial action is taken to revise the "allowed time".

339. *Labour Sub-ledger* -- Labour Sub-ledger (W-522) is summary of the total amount against each work order shown in various timesheets of each shop. The object of checking the labour sub-ledger is to ensure accuracy of the evaluation of time spent on work orders, levy of over-heads and ultimately posting into the Workshop General Register.

The Labour tabulations printed on the computer to serve the purpose of labour sub-ledger, is a summary statement giving for each work order, series of work order and shop, the costing hours, incentive amount, costing amount and factory and Administrative over-heads. This does not indicate the worker-wise details leading to the total labour charges on a particular work for which an intermediate printout should be obtained from the Railway Administrations who have been advised by the Railway Board to comply with the requirement of Audit. This intermediate print-out will facilitate of the relevant entries with reference to time-sheets and checking that the time spent has been correctly evaluated at the ruling average rate and in addition that the over-heads had been correctly evaluated. However, as the time/tally sheets do not give proceeding time, the labour sub-ledger may be checked with reference to job-cards also in the case of incentive sections.

The statement "details of labour charges" generated on computer, which gives details of work order in respect of each labour charges, prima-facie misclassification should be scrutinised in audit every month with a view to examining the reasons for misclassifications and the action taken to rectify it.

340. *Stores--Materials* required in the workshops are generally obtained either from or through the Stores Department of railway concerned and similarly articles manufactured in the shops are passed on to the Stores Department for custody and issue. The important records are -

- (1) Requisition or issue tickets;
- (2) Issue notes;
- (3) Daily summaries;
- (4) Monthly summaries;
- (5) Stores sub-ledgers; and
- (6) Outturn statements.

In checking requisitions it should be seen that they are signed by a responsible officer and that requisitions complied with, are duly acknowledged by the receiving officer.

The issue notes should be compared with the requisitions to see that supplies are not made in excess of the quantity required nor charged for in excess of supplies. In checking the issue notes it should be seen that they do not contain unusual items of charges and are not wrongly allocated, that the pricing of materials is correct and that the materials drawn are correctly debitable to the work order concerned.

It should be seen that the copy of the issue note received direct from the shop is paired with the priced copy received in support of the daily summary of issues from the Stores Accounts Office vide paragraph 605-W, and that the allocation to work orders is correct. When the stores copy of the issue note is not received with the departmental summaries, the pairing of the Foreman's copy with the entry in the departmental summary should be done. Similarly it should be seen that the monthly summaries of issues of stores received from the Store Accounts Office agree with the total of the daily summaries of issues before they are returned duly accepted.

341. *Advice Notes of Returned Stores*--The procedure prescribed for returning stores to Stores Depots and accounting for the same should be generally examined. In checking the advice notes of Returned Stores the following points required special attention –

- (1) The stores returned should be promptly acknowledged by the Stores Department.
- (2) Quantity acknowledged must tally with the quantity returned.
- (3) The correctness of the allocation of the credit should be checked.
- (4) The rate at which credit is afforded should be reasonable.
- (5) Cases in which the valuation of Returned Stores by the returning department differs greatly from that given by the Stores Department should be investigated and the reasons for the difference examined to see how it was reconciled.

342. *Stores sub-ledger*--The value of stores allocated to various work orders is abstracted shop-wise in the stores sub-ledger (W-608). The check of stores sub-ledger is intended to ensure the correctness of the store debits/credits and their allocation to the work orders. Under the computerised system 'stores tabulations' showing voucher-wise amount of stores issued, stores over-held for each work order, take the place of stores sub-ledger. The vouchers selected for audit should be traced into the machine prepared 'stores tabulation'. The arithmetical check of the valuation of the stores voucher may be restricted to 50%.

343. *Miscellaneous sub-ledger*--Besides the labour and stores charges, certain miscellaneous charges e.g. Municipal taxes, water charges, cost of electric current, carriage of materials etc., are debited to relevant work orders and abstracted in Miscellaneous stores sub-ledger (cf. para 626-W) maintained for each shop separately. The vouchers relating to payments for such items as selected for audit should, in addition to being traced into cash book and journal, be traced into the Miscellaneous sub-ledger, as the later has to be referred to while checking the Workshop Account Current.

344. *Work orders* – A work order is an order planned on the shops to put certain work in hand. These orders numbered in the manner indicated in paragraphs 804-806-W, and all stores and labour utilised in execution of a particular work are allocated to the work order concerned. There are also a number of standing and stock work orders mostly relating to jobs like repairs to engines, vehicles, wagons, etc. and manufacture of spare parts for stock. Works on capital account, for other departments, or on private account, are given special numbers.

345. In checking work orders the following points should be borne in mind and it should be seen that the procedure connected therewith is generally in accordance with that laid down in Chapter VIII-W:-

- (1) no work should be undertaken without a work order relating to it having been sanctioned by competent authority, vide paragraph 825-W;
- (2) all work orders should be recorded in a register showing the work undertaken, the date of issue of work order, the date of commencement and of completion of the work vide paragraph 826-W;
- (3) in the case of works undertaken for private parties including railway employees, and for other departments of Government, an estimate should be prepared by the railway and accepted by the party concerned, before the work is put in hand vide paragraph 832 and 1417-W;
- (4) an estimate must be prepared where necessary under paragraph 1401-W;
- (5) in case of stock work orders the instructions contained in paragraph 854 – 857 -W and 1530-1531-S should be generally followed; and
- (6) in regard to standing work orders chargeable to revenue the charges debited should be examined in detail to see whether they form a legitimate charge against that work order (see paras 824-850-W).

In scrutinising work orders relating to private jobs, the following points should be borne in mind:-

- (a) the instructions contained in paragraphs 1417-A – W and 1425-W are observed; and
- (b) the estimated cost of the works is deposited with a promise to pay on demand any excess expenditure vide paragraph 1418-W, or recoveries are effected through paybills. It should be seen that there is compliance (without undue delay) with these instructions.

If the permanent staff have standing work orders authorising them to draw consumable stores such as coal, coke and firewood, from the shops, it should be seen that requisitions for those materials are promptly brought to account and deductions are made monthly through pay sheets.

346. *On Cost*--These charges represent expenditure, which cannot be allocated to any particular work order. Such charges are classified as follows –

- (1) Proforma on-cost,
- (2) General on-cost,
- (3) Shop on-cost,

A description of these categories and how the charges are to be arrived at and distributed in each case is contained in Chapters VII-W. It should be seen whether the distribution of on-cost is accurately made according to the Code Principles.

The debits booked under the various 'on-cost' work orders should be scrutinised to see that they are not used as a dumping ground for charges, which can be allocated directly to other work orders.

The chart given in Paragraph 1425-W illustrates the various 'on-cost' charges and the profit percentage to be added to the prime cost of jobs of different kinds. In the case of individual work orders taken up for audit, it should be seen that the correct charges have been levied.

347. *Cost Accounts and Job costing sheets*--In some railway workshops and particularly in the production units; cost accounting systems have been introduced to enable the administration to know the cost of each operation in the workshops and of each article manufactured or repaired therein. The accounts procedure followed in each workshop should be scrutinised in detail to see that correct principles are followed and especially that the calculation of on-cost is correctly made. It may some times happen that for the manufacture of some articles such as a locomotive, certain component parts have to be obtained in a finished or semi-finished state from outside sources or from other workshops. The cost at which such articles should be taken into account and the indirect charges to be levied in such cases should be scrutinised carefully.

If it is found that the cost of manufacture of a certain article in the workshop is much higher than its cost in the open market, the question of bringing the facts officially to the notice of the administration should be carefully considered. The matter may be discussed by the Senior Audit Officer/ Audit Officer with a responsible workshop or stores official and it should be ascertained whether any question of policy is involved. It may, for example, be advantageous to have articles manufactured in the workshops in slack seasons, even though the cost as shown by the cost accounts exceeds the rate at which the article can be obtained elsewhere.

While a system of cost accounting is almost an essential requisite of a modern workshop, it may sometimes be elaborated to such an extent as to result in considerably increased expenditure on accounting. The total cost incurred in such accounting procedure may, therefore, be compared occasionally with the total costs of operations in the workshops, and with similar ratios in other workshops to see that it does not become unduly disproportionate.

It should be seen that a reconciliation of cost sheets with financial accounts is carried out efficiently (vide paragraph 943-W).

On completion of each batch order where cost sheets have been computerised, a statement "cost analysis for the batch order completed" is printed on the computer.

The print out should be reviewed in audit in respect of month to the extent prescribed in the programme of Audit and this review should be supplemented by a further review of the Materials Analysis Statement and Shop-wise/Series-wise totals for WMS Cards. "The comparative statement of utilisation of man hours for the month prepared manually" should also be scrutinised.

A model questionnaire relating to cost accounts, labour and material records, register of fixed assets, Planing and Progress department and Production and quality control is given in Appendix 3 to this manual.

348. *Manufacture Accounts*--In checking these accounts it should be seen that the rules in Chapters X and XI-W are generally observed -

- (1) that there is a correct and reliable record of the quantity of materials received;
- (2) that there is a proper record of the quantity of outturn serviceable and unserviceable separately, and of wastage, and that a responsible officer scrutinises periodically the ratio of serviceable to total outturn and of waste to entire material used; if there is evidence of undue loss or waste this may be brought to his notice and discussed with him; and
- (3) that waste products are utilised or properly disposed of, proper accounts being maintained for this purpose.

It should be seen that there is a proper system of transmitting all manufactured articles to the Stores department on which devolve the duties of custody and distribution of these articles. Even if the articles are issued direct to works the transactions should pass through the stores accounts.

It may occasionally be useful to compare the percentage of wastage in the shops with similar percentages on other railways or on the same railway for different periods. A study of the relation between quantities or weights of raw materials and finished products may also be useful. In all these cases, the question should be discussed by the Senior Audit Officer/ Senior Audit Officer/ Audit Officer concerned with the responsible workshop official before objection is raised.

349. *Electrical Manufacturing Account*--The instructions in this Chapter also apply to the audit of the Electrical Manufacture Account. It may further be seen

- (1) how the cost of generation per unit compares with the cost in previous years and with the cost at other generating stations of similar capacity elsewhere, due allowance being made for different conditions; any results of interests should be discussed by the Senior Audit Officer/ Audit Officer with a responsible railway official before further action is taken; and
- (2) that all expenditure legitimately chargeable to the generation account has been so charged and that the rates charged to consuming departments, railway employees and outsiders cover the cost of production after taking all expenses into account, unless there is financial advantage in making supply at a rate which is less than the average cost per unit as brought out by the accounts.

350. On some railways, consequent on the introduction of Abstract H, the costs of generation of electricity, etc. are collected under Revenue H-310 and distributed monthly over the various detailed service heads of accounts i.e. the head H-310 is used as suspense account. At the time of the review of the Revenue allocation registers the accounts relating to the cost of generation and the distribution of the expenditure should be checked in such cases.

351. *Timber purchases*--In checking bills for timber purchases it should be seen that the arrangements in force for the purchase, custody and issue of timber are efficient and that the measurements are taken and bills passed by a gazetted officer, other than the one in direct charge of Saw Mill. In checking Timber accounts it should be seen –

- (1) that the daily transactions of receipts and issues are posted in the various log receipt and issue registers as they occur and that these are verified with the supporting documents in each case vide paragraphs 1137 and 1138-W.
- (2) that the receipt of logs is brought on the timber account promptly vide Paragraphs 1140-1146-W;
- (3) that saw mill outturn statement is prepared generally on the lines laid down in Paragraph 1139-W;
- (4) that credits realised on account of firewood and off cuttings are accounted for promptly;
- (5) that prompt adjustment is made on account of issues to Capital, Depreciation Reserve Fund, Development Fund, Revenue or other accounts; and
- (6) that proper accounts are kept of saw dust shavings and other by-products, that these are properly disposed of by auction or otherwise and that the money realised on account of sales is duly credited to the manufacturing account.

The percentage of wastage in a particular period may be compared with the percentage during other periods and where possible in other shops similarly situated.

352. *Foundry Accounts*--The audit of foundry accounts will be on the same lines as that of Timber accounts, subject to variations to suit the system of accounts actually followed. It should be seen that

-
- 1) There is a separate work order allotted for each metal, vide Paragraph 861-W;
 - 2) Monthly outturn statements are prepared on the lines laid down in Paragraphs 1013, 1014 and 1024-W,
 - 3) Separate accounts are maintained for moulding and casting operations,
 - 4) The shops maintain a register for recording daily issue of metal to the furnace and that the foundry accounts are reconciled with this register, vide Paragraph 1011, 1040-1043-W;
 - 5) The following charges besides the cost of metal, viz. fuel and power, labour engaged in carriage of fuel and metal, labour engaged in attending furnace and cupola and pouring molten metal into moulds together with the usual over-head charges, plus the cost of repairing cupola, blast connections and other tools and plant, are debited to the foundry account and that these are distributed over the various work order proportionately, vide Paragraphs 1003 and 1004-W;
 - 6) The balance of scrap metal representing the difference between total receipts and issues of the month is accounted for distinctly as in the case of other raw materials in order to show the actual operating costs, vide Paragraph 1012-W;
 - 7) The foundry scrap used during the month is shown as a receipt;
 - 8) The rates at which scrap metal obtained from manufacturing operations is used on other operations or transferred to stores are reasonable;

- 9) The quantity of finished material not issued to work and quantity of partly finished material in The hand are shown in the outturn, in the abstract of outturn, in the metal register, or as part of balance in hand so as to bring out correctly the rate of castings and enable an effective control to be exercised over manufacture and wastage, vide paragraph 1012 and 1013-W; and
- 10) unused metal and rejected castings are weighed and priced at the rates for metal and scrap respectively and included in the closing balance as raw metal in hand, that records are maintained of the extent of rejections in the castings, whatever the reasons therefore may be, and that the percentage of such rejections is not abnormal.

The above checks should be applied mutatis mutandis where the 'point' system of accounting is in force vide paragraphs 1016-1022-W.

The stock balance of metal and other raw materials in hand should be scrutinised to see whether they are much in excess of the quantity required for manufacture as compared with the average monthly consumption, and, if so, reduction may be suggested.

353. *Paint Account*--When paint is manufactured in the workshops, the audit of these accounts will also follow mutatis mutandis that of the Timber and Foundry Accounts. The paint shop foreman will generally maintain registers showing:-

- 1) receipts and issues of each ingredient,
- 2) quantity of raw materials used in mixing each kind of paints and the outturn therefrom, both as per formulae and actuals, and
- 3) daily manufacture and issue of outturn (paint). The particulars and the adequacy of the accounts submitted by the shop foreman to the workshop Accounts Officer should be reviewed and the method of pricing the issues checked.

354. *Laboratory Accounts*--Laboratories are attached to the major workshops where tests of several articles are carried out. It should be seen that the rates charged for tests by the laboratory are sufficient to cover the expenditure incurred in running the laboratory and that the rates are revised periodically if the laboratory accounts show accumulation of profits. Where work of outside parties is also carried out in the laboratories, it should be seen that recoveries are properly made and credited to laboratory accounts.

355. *Compiled Accounts*--In order to collect all charges on account of labour and stores on work orders a Workshop General Register (ledger) is prepared from the allocated abstracts and summaries of labour and stores. The outturn statement is posted therefrom which shows the cost of all work including those charged off each month, completed jobs awaiting acceptance or adjustments and works in progress vide paragraphs 1201-1225-W.

The postings into the final books, upto the preparation of the outturn statement and the Account Current, of the amount spent during the month on each work order taken up for audit should be checked. The outstandings in outturn statement should be scrutinised to see that there has been no delay in making out bills or in getting the acceptance of the parties concerned, and that the outstandings are such as should form a proper charge against workshop suspense. It should also be

seen that the operations are all current and undertaken under competent sanction, that credit items in the details of balance are noted for immediate adjustment, and that the details of balance under each work order consist only of labour and materials expended upon unfinished works.

Where the workshop general register is printed monthly on the computer (as against one consolidated document showing the progressive posting from month to month) and does not show the month of origin and the trend of booking expenditure, the accuracy of the compilation may be checked at the time of checking outturn statement and the review of workshop general register carried out along with the review of "Work-shop Manufacture Suspense Balances".

356. *Outturn Statement*--It should be seen that the adjustment of outlay is effected monthly or on completion in accordance with the rules on the subject. The unadjusted items of expenditure should be scrutinised to see that there are no minus balances, that there is no outlay on jobs prior to issue of work orders, that there are no completed jobs outstanding for more than three months, and that outlay on works for which no estimates have been sanctioned is held under objection.

The expenditure on completed works chargeable to Capital, Depreciation Reserve Fund, Development Fund and/or Revenue is posted into the capital works and revenue allocation registers. It should be seen that the closing balance in workshop suspense is agreed with the General Books every month. The debits on account of labour pay sheets appear in the General Books in the following month. As the value of labour employed in the shops must be charged to the works concerned in the month in which the labour was engaged though not paid for until the following month, the total labour will, in the first instance, be taken to the debit side of the account current and credited to the sub-head "Labour" in the workshop suspense account, vide paragraph 221-A. The analysis of the balance under this suspense head according to the details in the Labour Book (vide paragraph 1222-W) should be checked and the balance reconciled with the General Books.

Under the computerised system, preparation of check sheets, as provided in para 403-W for ensuring the correctness of posting of labour and stores in the work-shop general register and correct transfer of amount to the outturn statement, has been dispensed with. The accuracy of the postings should, therefore, be checked with reference to the relevant sub-ledgers. The postings in the outturn statement and the workshop general register should also be mutually agreed. The review of the outstanding under the workshop general register should be supplemented by a review of the computer generated statement called "Monthly review of workshop general registers" and the statement "Review of credit and irregular WMS balances".

357. *Workshop Account current*-- Paragraphs 1215 and 1216-W detail the method of preparation of Workshop Account current. During the course of audit:

- 1) the opening balance should be checked with the closing balance of the previous month,
- 2) the posting under each head both on debit and credit side should be checked with the supporting schedules,
- 3) the arithmetical accuracy should be checked,
- 4) it should be seen that the advices received from the accounts office have been incorporated in the accounts, and

- 5) the closing balance should be analysed to see that the items are current and there is no old outstanding.

In addition, the labour schedules (W-525) should also be subjected to check with reference to the labour sub-ledger and tabulation statement for indirect workers (cumulative expenses wise tabulation for which necessary intermediate printout obtained from the Railway Administration).

358. *Register of Works and Revenue Allocation Registers*--The instruction for the audit of registers of works and revenue allocation registers contained in Paragraphs 280 and 281 apply also to these registers. It should be seen that the interest on the capital expenditure incurred by the railway during the period of construction of works for the use of other departments is correctly calculated and charged against the department concerned in accordance with the rules laid down in paragraph 1854-E.

359. *Transfer Statements of Memo*--It should be seen that full particulars including the reasons and authority for the adjustment, and the heads of accounts affected, are furnished, and that such adjustments are warranted and not made merely to hide irregularities, e.g. to avoid excesses over estimates or appropriations or to utilise savings.

360. *Record of plant and equipment*--It should be seen that a complete and up-to-date record of the cost of buildings, plant and equipment and machine tools is maintained and that numerical accounts of tools and plant and furniture are kept and the articles verified by actual count at suitable intervals.

361. *History Sheet of Rolling Stock*--The extent to which the repair charges to rolling stock are subdivided is determined by railway administration in consultation with their Accounts Officers in such a way as to obtain the most effective control of the expenditure with the minimum cost in accounting labour. The Audit Officer will see that a proper system of subdivision of these charges exists.

It should be seen that whenever a unit of rolling stock is condemned, replaced or broken up, this action is taken only after the unit has been examined and recorded as unserviceable by competent authority. The fact is noted in its history sheets and that statistics of all rolling stocks indicating whether the stock has passed its normal life, has been condemned but not replaced, or has been replaced but still running are properly maintained. The registers of rolling stock should be checked to verify that they are up-to-date, that they incorporate all recent transactions and include the results of the last census of stocks that has been taken.

362. *Stores bills and Contractors bills*--The instructions contained in paragraphs 270, 271 and 307 should also be applied in auditing these bills.

363. *Miscellaneous Advances and Deposits Miscellaneous Registers*--The instructions contained in paragraph 381 should be observed.

364. *Statistics of periodical overhaul and cost of unit repair*--The general review prescribed in this item is only check of the figures which has to be carried out as an item of audit to ensure that the unit costs, etc., are correctly derived from the accounts of the workshops before they are used for the purpose of the budget and control by the internal check authorities. In the course of this general review there is no objection to any palpable variations being brought to the notice of the Branch

Officer by the Assistant Audit Officer/ Section Officer concerned. In offering any criticism based on the statistics the provisions of Para 1.1.20 of M.S.O. (Audit) must, however, be borne in mind.

365. *Pro Forma Capital and Revenue Accounts of Saloons reserved for other departments*--The accounts are prepared according to the rules laid down in Para 1456-1466 of Indian Railway Code for the Mechanical Department. The figures of capital and revenue expenditure should be checked. The capital accounts should show the up-to-date capital cost of each saloon and the Revenue accounts, the expenditure incurred from year to year by the railway, whether in the workshops or on the line, for maintenance and repairs. Cases of the recoveries made from the department concerned, which fall short of the actual expenditure incurred by the railway, should be reported.

It should be seen that all saloons reserved for other departments have been included in the pro-forma accounts.

CHAPTER XIX

AUDIT OF GENERAL BOOKS AND ACCOUNTS

366. *General Books*--For the purpose of collecting and bringing to account the transactions of an accounts circle and for compiling the monthly and annual accounts, the Accounts Officer is required to maintain certain essential records, which for brevity are called 'General Books' comprising of -

1. The Daily Abstract of Cash Transaction or the General Cash Book, Form No. A.1103 or A.1104.
2. The Monthly Classified Abstract of Cash Transactions or the General Cash Abstract Book, Form No. A. 1106.
3. The Journal, Form No. A. 1107.
4. The Ledger, Form No. A. 1110.

367. *General Cash Book* (Daily Abstract of Cash transactions)--In scrutinising the General Cash Book, the transaction should be checked as follows -

Receipt side – Opening balance should be compared with the previous day's closing balances.

Deductions on account of funds and other recognised recoveries should be compared with those shown in the abstract of bills passed (See para 1107 – A).

Receipts from Treasuries should be compared with the requisitions for cheques and stations remittances with the daily cash check sheets (paras 1111 and 1143-A).

Posting regarding unpaid wages should be checked with the lists of unpaid wages (A-1954).

Miscellaneous receipts should be traced into the relevant registers.

Expenditure side--Payments on accounts of bills should be compared with the abstract of bills passed (Form Nos. A.1107 and A.1108) and payments into treasuries with treasury remittance receipts (A.1144), while the closing balance should be tallied with the cashier's Cash Book (A.1917).

Any prima facie irregular payments may be investigated and it may be investigated that regular and daily check has been exercised by an officer of the Accounts Department. The monthly classified abstract of cash transactions (A--306) should also be checked.

368. *Cashier's Cash Book* - (See also paragraphs 1917—1918-AI). This should be checked at the time of checking the General Cash Book. It should be verified that all receipts have been paid in full and promptly into the Reserve Bank or Government Treasury and that cash balances have been kept down to a minimum.

It should particularly be seen that the statements from Banks and Treasuries referred to in para. 432--AI have been duly received and verified by the Accounts Department.

While auditing the cash check sheets it should be seen that cheques received in payment of railway freight and fares, have been sent for collection immediately on receipt, the fact that the rules laid down by the Railway Board on the subject are strictly followed, should be verified. In the event

of such cheques being dishonored by the bank on presentation, the fact has to be intimated to the party concerned. It should be seen that the Railways do not accept any liability for loss or damage, if any, due to delay in intimating that the cheque has been dishonored. (cf. paras 1908 and 1909 AI).

369. *Verification of cash balance* --While audit should see that the Accounts Department have verified the cash balances on the last day of the year in accordance with the code rules on the subject (1920--A), it is not necessary that audit should associate itself with such verifications and be party to a joint cash balance report, or undertake a physical verification of cash with the cashier. The cash in hand with the pay clerks, the unpaid bills outstanding and the amount of unpaid wages may be ascertained to see that no unauthorised use is being made of such moneys. (See Paragraphs 1954-1955, 1988-1990-A).

In general, it should be seen that there is a systematic internal check over the accounts of money passing through the hands of the Cashier and other officials concerned and that there is a continuous review of the arrangements for the expeditious disbursements of money, for the custody thereof and for the correct and prompt disposal of undisbursed balances and of sums otherwise payable into the Treasury and that there is an adequate reconciliation, preferably without previous notice, of the cash balance with the amounts outstanding against the custodian of the balances.

In verifying cash balances, it is important to remember that verification serves no purpose unless it takes into account simultaneously, on the one hand all the different categories of cash in the custody of the official or group of officials concerned and on the other, all examined accounts for such cash.

370. *Working of the Cash and Pay department*--The 'cash and pay' work of a railway is performed departmentally. The cash and pay department should be inspected as programmed by the Principal Directors of Audit. The procedure followed should be examined to see whether it conforms to the rules in Chapter XIX of the Indian Railway Code for the Accounts Department. It should inter alia be seen that-

- i) the system of receipts and disbursement of cash and the check on the work of the subordinates are sound and leave no loophole for frauds or temporary misappropriations (cf. para 1903--A);
- ii) moneys received by the railway are paid promptly into Government treasuries and that funds required for payments are obtained from Government treasuries by cheques drawn by the Accounts Officer or by officers authorised by him/ her (cf. para 1904--A) subject to the exception prescribed in the Codes;
- iii) the cash book and supporting documents are checked daily by an Accounts Officer (cf. para 1919--A); and
- iv) the system of providing funds to pay clerks and receiving unpaid amounts is satisfactory (cf. paras 1949--A and 1957--A).

371. *Settlement of inter-departmental and inter-Governmental transactions*--With the departmentalisation of accounts in the Ministries/Departments of the Government of India (1976) the revised procedure as modified from time to time envisages settlement of –

- i) the transactions (including supplies and services) between Railways, Defence and P&T amongst themselves as well as the transactions (like dividend payable in lieu of tax on railway passenger fare, interest on loans and advances to Railway Staff, income tax recoveries from Railway servants, interest on SRPF balances etc.) between Central Civil and Railway by sending advice to the Reserve Bank of India, Central Accounts Section, Nagpur, and
- ii) the transactions between Railways/Defence/P&T on the one hand and any Central Civil Department/State Govt./Union Territory Govt. through cheques/bank drafts.

For settlement of transactions mentioned in item (i) above, the registers of advices issued and received by the Financial Adviser and Chief Accounts Officer, should be reviewed to see that there has been no undue delay on the part of the Railway in effecting adjustments, such of the items as cannot be checked in detail by the Principal Directors of Audit, Central/ Civil Department, should be audited in detail.

The settlement of transactions mentioned in item (ii) above, is watched through the register of inward claims (for transactions arising in the books of the Non-Railway Departments/ the State Accountants General and adjustable in the books of the Railways) and the register of outward claims (for transactions arising in the books of the Railway and adjustable with Central Civil Departments/State Government etc.). While reviewing these registers it should be seen that supporting vouchers are properly checked before accepting the claims against the Railways and prompt action taken for realisation of the Railways dues from other Government Departments/States etc. (cf. paras 460--466-A).

372. *Check of monthly accounts* -- The postings of journal vouchers (slips) into the journal should be verified as prescribed. It should also be seen that all the journal slips so traced have been scrutinised in audit. (See paragraphs 307--309--A).

The ledger should be checked to see that the closing totals of the Journals have been correctly posted in ledger and that the closing entries showing progressive balances of all receipts charges of accounting circle at the end of each accounting period have been correctly made. (See Paragraphs 310--A).

In checking the monthly account currents, the entries in the column "current month" and the schedules of 'Receipt' and 'Expenditure' should be checked with the ledgers. The opening balance should be compared with the closing balance of the previous month's account, and the closing balance with the General Cash Book. The debits and credits to the head 'Reserve Bank Deposits' (Railways) and the various Deposit and Remittance heads connected with the same as shown in the Account Current should be compared with the details in the schedule of transactions under 'Reserve Bank Deposits'. It should also be seen that the prescribed schedules have been correctly prepared and that their totals agree with the respective entries in the Account Current. (See Paragraphs 323--346--A).

373. *Transfers inter-Railways*--The statement of Inter-Railway Transfer transactions accompanying the March account current should be checked with the annual lists of transfers sent by the several railways to see that there are no discrepancies. (See Paragraphs 314 – 319 – A). It should be seen

that the unadjusted balances, if any, at the close of the year under this head are allowed to remain outstanding and not cleared by debit to a suspense head.

374. *Capital and Revenue Accounts*--The capital and Revenue Accounts comprise a number of statement or Accounts, which should be checked as indicated below:

Receipts and Expenditure on Capital Account (Statement No. IV A.706)--The column showing the amount to the end of the previous year should be checked with the previous year's statement and the other column giving transactions during the year with the statement No. V mentioned below:

Details of Capital Expenditure (Statement No. V A.707)--It should be checked with the 'total to-date' column of the detailed expenditure scheduled attached to the Capital Account Current for March. It should be seen that the expenditure is shown in net, i.e., after deducting receipts on capital account and that all credit entries due to special adjustments, etc., are explained in footnotes.

Estimates of further Expenditure on Capital Account (Statement No. VI A.708)--The figures in the 2nd column only need be checked to see if they are equal to the figures shown in the statement of the previous year plus the expenditure for the current year as shown by statement V.

Capital Account (Statement NO. VIII A.710)--The expenditure on final heads should be checked with statement VI and the Capital Ledgers. The figures under suspense account and cash should be checked with those in the accounts for March.

Revenue Account (Statement No. IX A.711)--The earnings and expenditure under the various heads should be checked with the revenue Account Current for March and its schedules.

The detailed expenditure under the various abstracts should be checked with the revenue allocation registers. The details of earnings under the various abstracts should be checked with the respective registers maintained in the Traffic Accounts Branch. The statement of outstanding earnings (A. 716) should be checked with the Station Balance Sheets as regards station outstandings and with the Accounts Office Balance Sheet and register of Bills Recoverable as regards other outstandings.

The calculation of the Operating Ratio in the statement should also be checked.

Dividend Account (Statement No. XVII A.-719) --This will be checked with the previous year's final copy of the accounts and statement No. XVI of the current year.

Depreciation Reserve Fund Account (Statement No. XVIII A.720) --The opening balance of the fund shown in the statement should be checked with the closing balance indicated in the accepted copy of the previous year's accounts and the statement showing transfers effected without financial adjustment during the year. The amount of replacement and renewals expenditure and credits for released materials will be checked with the schedules of working expenses accompanying the Accounts Current for the month of March. The amount of appropriation to Depreciation Reserve Fund and Closing Balance will be verified with the consolidated Revenue Ledger. The figure of interest charges should be the same amount as shown in the transfer certificates sent to the Railway Board.

Railway Pension Fund (Statement No. XVII-A)--The process of check of this statement is similar to the one adopted for statement No. XVIII mentioned above. While checking the correctness of the amount of appropriation of Pension Fund, the appropriation to the fund in respect of Railway Audit staff should be checked with reference to the amount shown in the schedule of expenditure under other Misc. Expenditure accompanying the Account Current for March. The method of calculation of interest on the balance in the fund is also the same as for Depreciation Reserve Fund.

Expenditure charged to Development Fund/Open Line Works--Revenue (Statements No. XX A-722 and XXI A-723-A) (i) The details of outlay to end of the year should be checked with reference to the audited statements of the previous year (ii) audited copy of the statement of transfers without financial adjustments and (iii) the statements indicating the details of expenditure during the year. It should be seen that the figures of outlay for the year under each minor heads agree with the net figures appearing against the concerned items in the relevant schedules to the Revenue Account Current for March and that the differences, if any, due to rectification through Capital and Revenue Accounts in terms of paras 707, 711-FI are suitably explained through foot notes in the statements.

375. *Rebate Statement and statements of surplus profits relating to worked lines*--Rebate statements should be carefully checked with reference to the provisions in the contract with the Branch Line Companies and the figures of earnings from interchanged traffic, etc., on which the payments are based also verified.

376. *Recovery of guarantees from State Governments and District Boards*--It should be seen in audit that the amount recoverable is correctly worked out in terms of the agreements and that the recoveries are not omitted or delayed.

377. *Trading accounts and Profit and Loss accounts of the Catering Department*--These accounts are intended to enable the Railway Board and the controlling authorities to satisfy themselves that no avoidable loss is being incurred by the railway in running departmental catering. This object should be kept in view in audit.

378. *Branch line contracts*--On some railway there are certain branch lines constructed by private companies the working of which is entrusted under contracts to the main line. The provisions of these contracts may be carefully scrutinised every few years in the light of the financial results. New contracts or alterations in the terms of existing contracts, renewals of contracts or failure to exercise the option of determining contracts may give some scope for useful investigation.

379. *Accounts of worked lines (see also para 172)*--The apportionment of the earnings between the main and the branch lines should be checked according to the instructions given in para 172.

As regards the working expenses, in some cases certain charges, e.g., expenditure incurred on the maintenance of permanent way, are debited direct to the branch or worked lines, while other expenses are debited to the main line in the first instance and distributed between the main and the branch or worked lines periodically either in proportion to their respective earnings or as fixed percentage of the earnings of the branch lines. The detailed calculations in connection with these periodical adjustments should be checked carefully, in order to see that branch lines (which are owned in some cases by Government) are not debited with more than their due proportion. The

detailed procedure for checking these calculations in accordance with the provisions of the various contracts should be embodied in the local manuals.

Where worked lines are owned by Corporations or other bogies and are not worked by Indian Railways, an Senior Audit Officer/ Audit Officer should occasionally visit their head offices to check the accuracy of certain expenses incurred by them which are besited to the working expenses of the Railway under the contracts.

In the case of lines worked by Indian Govt. Railways audit need not undertake independent inspection of records, of the Companies owing the lines. The inspection and certificates of the working expenses etc. by the accounting officers of the management may be accepted.

The financial conditions of the contracts with Branch Line companies provide inter alia assistance in the shape of a firm guarantee of a percentage return on capital or rebate of the net receipts of the parent line accruing from inter changed traffic with the Branch sufficient to make up, with the net earning of the branch an amount equivalent to an agreed percentage on the capital, any surplus over and above that percentage being shared between the Main & worked lines, similarly, under the term of the contracts with certain worked lines. Government is entitled to share of surplus profits. The rebate statement and the division of surplus should be carefully checked with reference to the provisions of the contracts.

The working expenses of a branch line calculated on the basis of the figures for the main line should be compared occasionally with the amount recovered from the managing agents for a chosen period according to the existing contract so that if at any time it is proposed to review such a contract and the main line has been incurring losses on its working, the desirability of modifying the term of the contract may be kept in view. In such cases the additional traffic which be branch lines bring to the main line should also be taken into consideration when arriving at any conclusions.

*380. Finance Accounts--(See Paragraphs 729--745--A)--*The outlay during the current year under the various heads should be checked with Capital and Revenue Accounts and the March accounts. In the cases of new constructions the total outlay to date of each line should be checked.

*381. Audit of Suspense Balances (Schedule E to Finance Accounts)--*The accuracy of the balances shown in this schedule (cf. para 736-A) should be checked in detail. In addition, the several registers showing the details of debits and credits to the suspense heads should be checked in accordance with the rules laid down in the Indian Railway Code for the Accounts Department. It should be seen that proper action is being taken to expedite the clearance of outstanding items and that no item which prima facie could be debited or credited to final head is allowed to stand over in the books--a tendency to do which sometimes manifests itself during the closing months of the year in order to avoid excesses over allotments. A careful and intelligent scrutiny of these registers by an experienced auditor will sometimes bring to light important defects in procedure or control which should be very carefully investigated and pursued in the light of all available information before being formally reported to Accounts.

382. In the case of motor car and other advances it should be seen that the advances sanctioned are in order, that recoveries are regularly made in accordance with the rules and that interest is correctly calculated.

383. *Review of Balance (Debt Head Report)*--After completing the audit of Schedule E the review prepared by the Chief Financial Adviser and Accounts Officer showing the increase or decrease in the balances as compared with the previous year, the reasons for the variations and comments regarding the propriety of the balances should be checked and a certificate as prescribed in paragraph 8 recorded. Changes carried out by the Accounts Officer in the Review of Balances (Debt Head Report), either with or without consultation with the Railway Board (Accounts), after the submission of the Report should be communicated to the DAI with the audit observations, if any.

384. *Contingency Fund--Exhibition of transaction in the Finance Accounts*--The statement of contingency fund account should be verified with reference to the audited copy of the statement for the previous year, the sanction received from the Railway Board showing the amounts allotted from the Contingency Fund of India during the year, Accounts Current for March and the registers maintained in the Accounts Office. It should also be seen that suitable footNote in regard to the advance taken from the Contingency Fund of India and recouped to the Fund during the same year is given in the Fund Account.

385. *Statement of voted and charged expenditure*--This statement prepared according to para 753-AI, has to be duly checked and countersigned by Audit. The allocation of expenditure as voted or charged is shown on the vouchers and is checked in the course of the Audit of the vouchers. The tracing of the postings from these vouchers into the registers of expenditure which is done monthly provides a regular check of the correctness of the classification between voted and charged in those registers. The totals should be verified monthly at the time of the reconciliation with the General Books.

At the end of the year when the statement is received for countersignature the total expenditure shown under each account head should be compared with that shown in the accounts for March.

A copy of the statement duly countersigned by the Principal Principal Director of Audit should be sent to the DAI. A copy of the annual expenditure showing the reconciliation of figures as appearing in the Account Current with those in the Appropriation Accounts of the year concerned should also be submitted on the date prescribed in the programme for submission of audited copies of the Appropriation Accounts.

386. *Unpaid wages statements and Pay orders for payment of unpaid wages*--The relevant rules are contained in paras 1959-1960-A and 316-319-A. It should be seen that:-

- (1) the unpaid wages lists are correctly prepared and that the particulars shown in the list agree with those shown in the bills;
- (2) all the unpaid items in the bills are brought on to the lists and Noted in the Register of unpaid wages;

- (3) there has been no undue delay on the part of the pay clerks to lodge the amounts with the cashier or the Bank;
- (4) the amounts thus lodged are correctly brought to account in the Daily Abstract of cash transactions and credited to Deposits unpaid wages in the General Books and
- (5) subsequent payments are made to the correct parties and that such repayments are promptly Noted in the Register of unpaid wages and duly attested by a gazetted officer or senior accountant to avoid the risk of a double payment.

387. *Check of Journal vouchers including scrutiny of adjustments*--Each journal voucher should be completely checked seeing inter alia:-

- (1) that it is arithmetically correct; if the number of sub-vouchers is too many, it is enough if the main vouchers and a percentage of sub-vouchers are checked;
- (2) that the details shown therein are correct by reference to the supporting vouchers as far as available or practicable;
- (3) that the classification prima facie is correct according to the facts stated in the vouchers and the extent rules and order;
- (4) that in the case of rectification of errors, the rectification is necessary and in order; the particulars of the previous adjustment given in the vouchers should be verified as far as possible and especially in doubtful cases, from the previous vouchers or other documents like Work or Allocation register;
- (5) that the adjustments do not disclose a defect in the system of accounting or any objectionable or unusual feature or indicate any financial irregularity;
- (6) that adjustments are not made solely with a view to avoid the surrender or lapse of funds;
- (7) that adjustments are not deliberately deferred;
- (8) that the supporting vouchers are so cancelled or otherwise disposed of as to obviate the possibility of a double adjustment.

The propriety of the adjustments and the correctness and reasonableness of the charges should also be scrutinised. The propriety of the adjustment should be checked by reference to the sanctioned estimates and other relevant documents, it being particularly seen that the claim payable by the railway is a legitimate one and is covered by the sanction of competent authority. Any tendency to make fictitious adjustments in order to evade audit objections or to conform to estimates, etc., should be specially Noted.

The supporting vouchers should be checked to the following extent:-

When the vouchers fall within a category the check of which has already been prescribed in the Secret Memorandum, it is not necessary to check such a voucher at the time of scrutiny of the journal voucher, but it should be seen that the system of selection ensures the audit of such vouchers under the proper unit, according to the required percentage. In other cases, the supporting vouchers,

viz., adjustment memorandum, should be generally scrutinised to verify the correctness and propriety of the adjustment of charges:-

- (1) The above mentioned checks should be conducted with reference to the documents etc., available at headquarters. In case any of the checks cannot be exercised at headquarters, those should be exercised during local inspections in regard to the vouchers of the month selected for detailed local check during inspections.
- (2) The above instructions should be observed by all sections entrusted with the check of journal vouchers. When individual audit sections check journal vouchers, it must also be ensured that no journal vouchers booked in the accounts of the month escape check.
- (3) The postings of the journal vouchers in the Works and Allocation registers should be checked according to the prescribed programme.

388. *Audit Certificates*--Each Principal Director of Audit has to submit annually the following audit certificates in the form prescribed in Para 8:-

- (1) Certificate of audit in respect of the Review of Balances;
- (2) Certificate of audit in respect of the Appropriation Accounts;
- (3) Certificate of audit in respect of Balance Sheet;
- (4) Certificate of comparison to be recorded on the March Accounts before their submission to the Railway Board (Accounts);
- (5) Actual audit certificate in respect of the accounts for the year ending with the March accounts;
- (6) Certificate of audit in respect of the (a) Finance Accounts and (b) the Capital and Revenue Accounts.

As soon as the test audit of the March accounts is completed the audit certificate mentioned in item (5) above which is separate from that to be recorded on the review of balances, should be sent to the DAI to enable him to record his audit certificate as prescribed in Para 8, since the annual accounts of the Railways are compiled by the Railway Board (Accounts) from the March accounts of the Zonal Railways for incorporation in the finance accounts of the Government of India.

Each certificate of audit should be complete in itself and submitted separately. If the certificate makes certain reservation, contained in comments, the reference to the letter with which comments have been submitted should be indicated clearly. It is not sufficient to record in the body of the certificate that certain observations have been separately recorded.

CHAPTER XX

APPROPRIATION AUDIT

389. *Audit against grants and appropriations* -- Audit against grants and appropriations will be conducted according to the general principles and rules laid down in para 2.2.5 – 2.2.10 of MSO (Audit). The procedure relating to the preparation of budget and revised estimates, demands for grants and appropriations, allotment of funds and their re-appropriations is given in the Codes issued by the Railway Board. The powers of the various executive authorities are also set out therein. Subsidiary instructions are issued from time to time by the Railway Board.

390. The duties laid down upon Senior Audit Officer/ Audit Officers in regard to Appropriation audit may be summarised as follows:-

- (1) To see that no appropriation orders has the effect of increasing the amount of a grant 3.14.2 (f) M.S.O (Audit).
- (2) To see, when an appropriation order is issued, that the amount appropriated is available under the unit from which it has been allotted (Para 3.14.2 (c) of MSO (Audit)).
- (3) To see that orders of appropriation or re- appropriation are issued by Competent Authority (Para 3.14.2 (a) of MSO (Audit)).
- (4) To see that all orders of appropriation or re- appropriation are issued before the close of the financial year (Para 26 ibid 2.2.8 of MSO (Audit) and Para 379 & 380 F-I).
- (5) To see that no re- appropriation is made between the units or sub-units in a grant the power for which has been reserved by a higher authority.
- (6) To see that no re- appropriation is made between the voted and charged funds (vide para, 377 F-I).
- (7) To see that no re- appropriation is made to meet expenditure on a new service without first obtaining a supplementary grants or a token vote from the Parliament (vide paras 382 and 390-F-I).
- (8) To issue warnings to disbursing and controlling officers when the progress of expenditure, down to the primary unit or appropriation, indicates likely excess {Para 2.2.10 of MSO (Audit)}.
- (9) To observe, in cases where the orders required specific appropriation, that the expenditure is watched against the specific appropriation.
- (10) To observe where an order specified a lump appropriation for a group of items of expenditure that such expenditure is watched against the lump appropriation.

391. In regard to each of the matters mentioned in the preceding Paragraph the following is the position as regards the Railway Audit Department. The first duty will devolve on the DAI who has to exercise this function through the Principal Directors of Audit. The certification of the consolidated Appropriation Accounts of the Railways by the DAI is based on the audit certificates of

the Principal Directors of Audit of the Zonal Railways. The remaining duties devolve primarily on Accounts Officers. In regard to items (2) and (8) to (10) Principal Directors of Audit should test check that proper records are kept in Account Offices to permit of these obligations being carried out and that the obligations themselves are fulfilled.

392. *Responsibility for preparation and check of Appropriation Accounts of Railways*--The Appropriation Accounts of Railways are prepared by the Ministry of Railways (Railway Board). The procedure for the preparation of the Appropriation Accounts of individual railways and their consolidation by the Railway Board is detailed in Chapter III of F-I. Subsidiary instructions are also issued by the Railway Board from time to time.

393. *Check of Appropriation Accounts in Railway Audit Offices*--The Principal Director of Audit of a railway will check completely the accuracy of the Appropriation Accounts submitted to him by the Chief Accounts Officer (Para 403-F.I). He will examine the explanations of variations and arrange to secure such amplification or modification as he may find necessary. He will see whether all excesses in the various sub-heads of accounts have been covered by re- appropriations sanctioned by Competent Authority.

394. The work of Principal Director of Audit in regard to the Appropriation Accounts will fall under two categories (a) the check and criticism of the figures and explanations in the Appropriation Accounts submitted by the accounting officer and (b) the drafting of comments thereon. For the detailed instructions see also Appendix 4.

395. Check of the Appropriation Accounts of Railways in India--The DAI is responsible for the scrutiny of the review on Appropriation Accounts prepared by the Railway Board and the consolidated Appropriation Accounts submitted to him by that authority.

POINTS TO BE LOOKED INTO IN CHECKING THE APPROPRIATION ACCOUNTS AND CONNECTED STATEMENTS

396. *Restrictions imposed by the Parliament*—Principal Director of Audit should report to the DAI cases of non-compliance with the following restrictions, which the Public Accounts Committee is required to bring to the notice of the Parliament.

- (1) that the money voted by the Parliament has been spent within the scope of the demand granted by the Parliament (cf. para 390 (7));
- (2) that no reappropriation is made from one grant to another (cf. para 390 (1));
- (3) that no reappropriation is made within a grant which is not in accordance with such rules as may be prescribed by the Railway Board.

397. *Register of appropriations and reappropriations*--For the purposes of their checking the Appropriation Accounts and explanations of individual railways, Principal Directors of Audit will find it advisable to keep, if they cannot arrange with Chief Accounts Officers to keep it, a manuscript

book in which to record Notes of all orders of appropriation and reappropriation affecting the totals of sub-heads of grants, so that at the end of the year they will be in a position to verify the final appropriations. If it can be arranged for such orders to contain brief reasons and these be summarised concurrently in the Note book, much valuable material will be readily available for checking the explanations in the Appropriation Accounts.

398. *Powers of General Managers with regard to appropriations and reappropriations*--Any transgression of the restrictions (viz. reappropriations from one grant to another, charged heads to voted and vice versa, etc. as mentioned in paras 376—377 F-I) placed upon the General Manager and the Railway Board regarding appropriation and reappropriation of funds will constitute an irregular reappropriation.

399. *Scrutiny of the system of control*—Principal Directors of Audit should see whether proper arrangements exist for controlling officers to receive in suitable form reasonably accurate figures from time to time of expenditure already incurred and of all liabilities and commitments. They may examine how far the Accounts Officers have helped in this process, and see whether they report to the controlling officers likely excesses or savings as suggested by the progress of actual expenditure. The results of the examination should be submitted to the DAI every year detailing also the following:-

- (i) if the periodical reviews prescribed by the Railway Board (para 383-F.I) were conducted by the Railway Administrations;
- (ii) if the reviews resulted in an improvement in estimating and control during the year; and
- (iii) if there was any failure to make reappropriations as and when necessary.

400. The reappropriations should be examined as to propriety, sufficiency, necessity and frequency. Failure to regularise excesses by reappropriations should be scrutinised and it should be seen if orders of reappropriation were passed as soon as necessity for additional expenditure was foreseen or if they were left over to be sanctioned towards the close of the year. Frequent reappropriations point to defective budgeting while faulty, unnecessary or insufficient reappropriations point to an inadequate watch over expenditure by the controlling authority. It should be seen if the inadequate watch is due to any defect in procedure in the Accounts or the Administrative Offices or to any other causes.

401. *Review of certain suspense heads*--A review may be made of the operations during the year under the heads:-

- (a) stores suspense (including stock adjustment); and
- (b) manufacture suspense.

402. While scrutinsing the explanations under the suspense head "Stores" and "Manufactures" under Capital, it should be borne in mind that the balances represent the net result of large credit and debit transactions and it should be seen that where the variations of the gross amounts from the budget anticipation are large, the variations have been duly taken into account, in framing the explanations.

403. *Form of Appropriation Accounts*- The Appropriation Accounts compiled by the Railway Board, should be by the sub-heads under which the Demands for Grants were presented to the Parliament and sanctioned by it (vide para 403 F I). The Appropriation accounts of the Railway Administrations are prepared in greater detail, vide para 456 F I.

404. *Check of figures* - The figures in the Appropriation Accounts of railways should be carefully checked. It should be seen that the explanations for variations between final grant and actual expenditure are correct and complete. Their accuracy should, as far as possible, be verified with initial accounts records. The expenditure figures should be reconciled with those recorded in the initial accounts, and the 'voted' and 'charged' amounts separately with those shown in the statement of 'voted' and 'charged' expenditure submitted by the Accounts Officer to the Railway Board.

The expenditure figures in the Appropriation Accounts compiled by the Railway Board should be reconciled with those given in the Combined Finance and Revenue Accounts of the Indian Union (Railway portion) and the statement of 'voted' and 'charged' expenditure furnished to the CAG.

405. *Statement of misclassification*- (Annexure J to the Appropriation Accounts). Separate lists of misclassifications need not be sent by local Audit Offices in respect of each of the following:-

- (1) the Capital and Revenue Accounts,
- (2) the Finance Accounts,
- (3) March accounts and the material for Combined Finance and Revenue Accounts of the Union and State Governments,
- (4) the Review of Balances (Debt Head Report),
- (5) the Appropriation Accounts.

A consolidated list in duplicate in units of Rupees should be sent detailing all the misclassifications. This list should, however, give separately misclassification affecting, (1) the review of balances (Debt head Report) and (2) the Appropriation Accounts. The list should be sent every year by the date prescribed. Any further additions or corrections should be intimated as and when known before the finalisation of the Appropriation Accounts.

406. *Statement of unsanctioned expenditure* (Annexure A)-Expenditure against estimates, etc., passed provisionally either by the Accounts or Audit Department involving questions of allocation, should be included in Annexure A (ii) of the statement and excluded from Annexure A (showing period wise distribution of unsanctioned expenditure not regularised up to 1st July as compared to the corresponding position of previous year) and A (i) (showing items of expenditure held under objection during the year).

407. *Statement showing remissions and abandonment of claims to revenue* (Annexure C) - All cases relating to the financial year concerned in connection with the charging of lower rates than those prescribed for tourist cars and saloons and waiving of the charges for empty haulage and hire should be included in the statement.

408. *Statement of changes in forms and classification of accounts*-Any important changes in forms and classification should be mentioned either in the explanatory notes below the sub-heads of the grants or in the important comments appended to the Appropriation Accounts concerned. It has been accepted that the existing procedure in the Railway Department, under which important changes are mentioned in a separate section and less important changes listed in an annexure to the review on the Appropriation Accounts prepared by the Railway Board and their substantial effect on the grant, is explained in the body of the review under the respective Grants fulfills the above requirements. Audited copies of the lists of such changes furnished by the Administration to the Railway Board should be sent to the DAI. Care should be taken to ensure that the important effects of such changes are explained under the relevant Grants in the Appropriation Accounts of the Railway Administration.

409. *Statement of defects in budgeting*-Items of defects in estimating and expenditure classified in the budget differently from the accounts, whether noticed by Accounts or Audit, should be arranged to be included in the statements submitted by the Administration to the Railway Board. Individual comments on these items may, be sent by Principal Directors of Audit only when they are important and the Administration is not prepared to include them in the statement specified above. Items amounting to less than Rs.10 lakhs in the case of works grants and Rs.5 lakhs in the case of other grants which do not present any special feature need not be considered important.

410. *Changes in the Rolling Stocks and Works Programmes*-Huge variations (of not less than Rs.20 lakhs) may generally be examined and comments furnished if it is considered that they could have been avoided had expeditious decisions been taken or timely intimation sent to the Railway Board before the budget estimates were placed before the Parliament.

411. *Adjustments between Capital and Depreciation Reserve Funds*-Cases are noticed frequently where the variations under Capital and Depreciation Reserve Fund are large although the variation in the total grant is small. In the case of detailed head where the variations between Capital and Depreciation Reserve Fund is Rs.10 lakhs or over, it may be examined if there has been tendency towards slackness in budgeting as between these two heads merely because the net effect on the grant is nil, or if there have been omissions to provide for adjustments between Capital and Depreciation Reserve Fund that could be foreseen e.g., adjustments relating to abandoned assets.

412. *Supplementary Grants*- As these are obtained by the Railway Board on the basis of the Railways' revised estimates generally, the latter should be examined for defective estimating and comments offered wherever the Supplementary grants have proved excessive or unnecessary and funds have been withdrawn by the Railway Board by means of reappropriation at the time of allotment of the final grant.

413. *Defective reappropriations* (Annexure I) - Cases of defective reappropriations should be distinguished from those of irregular re-appropriations. The former represent unnecessary or insufficient reappropriations or those made wrongly, while the latter comprise reappropriations made in contravention of the orders on the subject, which are beyond the powers of sanctioning authorities and are listed in an annexure to the Appropriation Accounts. The defective re-appropriations should be examined in the light of the explanations offered by the Administration

and reported to the DAI with an indication as to how far they affected adversely the control of expenditure.

414. Statement of losses- All items of losses (excepting those relating to stores accounts) and of writes off of overpayments are exhibited in Annexure H to the Appropriation Accounts. Items involving Rs.50, 000 each or more should be listed individually while those below Rs.50, 000 each are clubbed together under the grants affected.

Foot -notes of losses due to flood, damages, accidents, etc., may be verified generally with reference to the information given in the Annual Reports.

*415. Comments on the Appropriation Accounts-*When the Appropriation Accounts of a railway have been scrutinised by the Principal Director of Audit he should prepare draft comments on the accounts bringing out important defects in the method of budgeting and control over expenditure. Those already included by the Administration in the Appropriation Accounts or the Railway Board's Review thereon need not be detailed but reference may be made to them in support of the audit view. These comments should be submitted to the Chief Accounts Officer and the remarks of the Administration obtained thereto.

416. In selecting material for comments the instructions laid down in the section VII of MSO (Audit) (especially Chapter I of Section II) should be generally observed, in addition to those given in this manual and any subsidiary orders issued by the DAI.

417. Comments should be sent to the DAI in such a way that those relating to each grant be easily separated for further disposal. It is not necessary that there should be a forwarding letter to the comments in every case. It will suffice if the comments are typed under the head "Comments on Grant_____ No._____" with an endorsement at the end "Copy (in duplicate)" forwarded to the DAI along with the remarks, if any of the Administration. These comments have been accepted by the Administration or giving other suitable remarks.

*418. Due dates-*Four copies of the Appropriation Accounts of Railways in India and the connected Audit Report should be submitted to the CAG for his signature by the last week of January of the succeeding year or on such other date as may be prescribed by him from time to time.

In order to work up to the dates mentioned above the programme laid down from year to year as intimated by DAI to the Principal Directors of Audit should be observed strictly. The Principal Directors of Audit should submit a copy of the audited Appropriation Accounts together with the audit certificate to the DAI on the date prescribed. Cases of delay with the causes thereof and the steps taken by the Audit and Administration may be indicated in the monthly reports to the DAI so that the matter may be taken up, if necessary, with the Railway Board.

419. Comments in the Appropriation Accounts - Finality should be reached in the Appropriation and audit comments thereon as early as possible and corrections, if any, should be intimated to the DAI by the due date as prescribed for finalisation of the Appropriation Accounts each year.

420. Delay in the check of Appropriation Accounts- Great importance is attached by the CAG to the observance of the due dates for the submission of the Appropriation Accounts of Railways and the Railway Audit Report. In order to achieve this end, special care should be taken to ensure that the

check of the accounts proceeds strictly in accordance with the programme and that no room is given for complaint that any delay in the submission of the audited copies of the accounts is attributable to audit. Wherever in the course of the check of the Appropriation Accounts further information is required from the Administration or an important modification in the accounts is considered desirable, prompt action should be taken.

Differences of opinion in regard to the explanations for variations should as far as possible be settled by a personal discussion of the points at issue with the Accounts, or, if necessary and practicable, with the executive authorities.

Besides personal discussions the submission of the Accounts in final form may be expedited, if inter alia:

- (i) meticulous correspondence and comments on small and unimportant variations or defects are avoided, and
- (ii) necessary modifications are carried out in the explanations without delay where a defect in budgeting or other irregularity is noticed as a result of further correspondence with the DAI or the Railway Board. The Railway Board have issued instructions to General Managers that the changes made in the Appropriation Accounts as a result of the comments made by the Railway Board, should be simultaneously furnished to the Principal Director of Audit and that any revisions made and advised to the office of Principal Director of Audit in consequence of the DAI observations on the accounts, should at the same time be reported to the Board.

421. *Appropriation Accounts of Civil Grants*- DAI and the Officers subordinate to him are also responsible for carrying out the necessary scrutiny of the Appropriation Accounts of the civil grants prepared under 452-460-FI and offering comments thereon for incorporation of the same by the Principal Director of Audit, Central Revenues, in his Audit Report. Audited copies of the Appropriation Accounts of civil grants should be submitted to the DAI as soon as they are received and checked, but not later than the prescribed date which is intimated to all Principal Directors of Audit every year.

Comments on these accounts along with the remarks, if any, by the Administration should also be sent to DAI as stated above.

422. *Audit Certificates*- The Appropriation Accounts and the Balance Sheets, etc., of individual Zonal Railways should be accompanied by certificates of audit, in the form prescribed in para 8.

Before certifying the appropriation accounts, local Senior Audit Officer/ Audit Officers should obtain certificates in similar form from other Senior Audit Officer/ Audit Officers concerned.

The audit certificate on the Civil Appropriation Accounts should also be furnished in the same form.

CHAPTER XXI

INSPECTIONS

[c.f. Para 6.1.7 and 6.1.18 of MSO (Audit)]

423. *Introductory* - The primary objects of local inspections are to apply a test audit to such accounts and vouchers, etc. as are not audited in the central office or as cannot be completely audited except in local audit, and to see that the initial documents, from which the bills and accounts rendered by the local officers are compiled, or on which they are based, are properly maintained.

424. *Frequency and duration of inspections*-- The Principal Directors of Audit have been empowered to fix the frequency and duration of local inspections considering the needs of each case. There should be as much emphasis if not more, on intensive audit of offices visited, as on coverage of offices to be inspected. Relatively unimportant offices (i.e. offices where pay and allowances are the main items of expenditure), which have no authority for taking major decisions having financial implication, may be locally inspected at comparatively longer intervals but offices incurring considerable expenditure as well as major decision taking offices should be audited at shorter intervals and more intensively during local inspections.

The total number of stations to be inspected in a year and the frequency of inspection of catering units should, however, conform to that prescribed in the Memorandum of Instructions regarding extent of Audit (Railway Audit) and orders issued by DAI from time to time.

425. *Programme of inspections*-- A programme of inspections, to be conducted during the ensuing period, should be drawn up and approved by the Principal Director of Audit before commencement of financial year; regard should be had to the programme of inspections the Accounts staff propose to carry out so that undue strain may not be imposed on the local offices by both Accounts and Audit inspections taking place within a very short interval.

The Head of the office proposed to be inspected should be given notice well in advance, through the concerned Accounts Officer, of the probable dates of inspection, except in the case of those offices, where some element of surprise is necessary, so that he/ she may collect the necessary documents and arrange to be present at his/ her headquarters to discuss with the inspecting officer, the results of the inspection. The period the accounts of which, would be test-checked locally should not, however, be disclosed under any circumstances.

426. *Progress Register of inspections*- A register should be maintained showing-

- 1) Serial number,
- 2) The name and designation of the Head of the Office;
- 3) The date of last inspection by the Accounts staff and Audit staff respectively;
- 4) The name of the Senior Audit Officer/Audit Officer and Audit staff who conducted the last inspection;
- 5) The dates of the present inspection from _____ to _____ .

- 6) The name of the Senior Audit Officer/Audit Officer and staff conducting the Audit inspection;
- 7) The month(s) of accounts checked and the period generally covered;
- 8) The date of submission to Branch Officer of draft Inspection Report by the head of the inspecting party;
- 9) The date of submission to Deputy Director/Director/Principal Director of Audit;
- 10) Date of approval;
- 11) Date on which sent for type;
- 12) Date of return from type;
- 13) No. and date of issue of Inspection Report;
- 14) Particulars of reminders issued;
- 15) Date of receipt of first reply;
- 16) Date of issue of further Audit remarks;
- 17) Particulars of further correspondence;
- 18) Date of closure of Inspection Report

This register should also record on a separate page a progress report of the inspections showing the number of offices due for inspection, the number inspected up to the end of previous month, the inspections carried out during the month and the balance remaining to be carried out. Reasons should be given for arrears in inspections. This register should be reviewed every month by the Principal Director of Audit and shown to the DAI during his tours.

427. *Procedure with regard to inspections conducted by Accounts* -- As regards inspections conducted by Accounts, it should be seen in audit that adequate instructions have been laid down for the conduct of such inspections, that they duly provide for an element of surprise and that the results are followed up in important cases to a definite conclusion. The inspection reports should be perused to ascertain whether there are matters suitable, after further examination, for incorporation in the Railway Audit Report, whether adequate follow up action has been taken and whether the results are brought to the notice of the proper authority. It should further be seen whether the inspection staff has been carrying out a properly prescribed programme.

428. *Composition of inspection Party* -- The inspections are generally of two types (i) supervisory, (ii) Non-supervisory. The inspection parties of supervisory inspections are usually manned by one Senior Audit Officer/ Audit Officer, one or two Assistant Audit Officers/ Section Officers and two or three Senior Auditors/Auditors and Non-Supervisory inspectors are usually manned by one Assistant Audit Officer/ Section officer and one or two Senior Auditors/Auditors. In order to improve the quality of local audit, the Principal Directors of Audit are authorised to draft two Assistant Audit Officers/ Section Officers for local inspections of important offices. The number of Senior Auditors/ Auditors accompanying the inspection parties in such case should be suitably reduced.

429. *Duties and responsibilities of the Branch Officer*- Supervision of important inspections e.g. those of offices incurring considerable expenditure on works and purchases and taking major decision, major stations, marshalling yards, transshipment sheds (cf. Paras 59 and 64 of Secret Memorandum) etc. should always be entrusted to Branch officer. As far as possible, the officer in charge of an inspection party should be present in the office of inspection during a major part of the time required for such inspections, the duration of which should be prescribed by the Principal Directors of Audit. The Branch officer in charge of inspection should himself/ herself carry out some of the important items of work.

The inspection work should be distributed amongst the Branch Officers in such a way that important inspections, such as those of Heads of departments, major works and yards, etc., are conducted, as far as possible, by Senior I.A & A.S Officers and Senior Audit Officers/Audit Officers and those of others by Junior I.A & A.S Officers or Senior Audit Officers/ Audit Officers.

An Officer-in-charge of inspections must acquaint himself/ herself with the system of financing and accounting any institution or department, the accounts of which he/ she is inspecting, what makes up its receipts, allotments etc. and how its money is expended. He/ she must then make up his/ her mind what system of accounts is necessary for these receipts/allotments etc. and expenditure, what registers are necessary for internal check purposes and how far the existing system conforms to this standard. This is the primary responsibility of the supervising officer to be discharged at whatever stage he/ she comes in on the inspection. An inspecting officer should make it his/ her duty to verify with reference to all the accounts documents that all money due is received and all money received is brought to account.

The inspecting Officer may find it advantageous before proceeding on tour to consult informally the Accounts & Senior Audit Officer/ Audit Officers who have been dealing with the same class of accounts at headquarters. He/ she should also examine files on important matters available at the headquarters of the office to be inspected.

The inspecting officer should, whenever possible, prepare a list of works and documents to be inspected before the audit party leaves headquarters; the detailed selection of vouchers might, if necessary, be left to be made by the senior most member (who would usually be Assistant Audit Officer/ Section Officer) of the party and confirmed by him/ her on arrival at the scene of work. Where the Inspecting Officer himself/ herself accompanies the party, this selection of vouchers should be made by him/ her personally on the spot. Principal Directors of Audit should occasionally supervise the inspections personally, whenever conveniently possible.

Previous reports of inspection by the Accounts staff should be reviewed to see whether sufficient action has been taken on them by the Executive.

In making the inspection, such detailed examination should be made as will satisfy the Inspecting Officer that all the records to be test audited on the spot, are scrutinised satisfactorily.

In order to enable fixation of responsibility at a subsequent date for any failure of checks during inspection, proforma indicating in detail the allocation of work among the various members of the inspection party should be invariably placed on record in the relevant Inspection Report File.

430. *Scope and extent of check*- Whenever possible the required paid vouchers, etc. should be obtained from the Accounts Offices and taken to the office to be inspected for scrutiny. The following Paragraphs bring out the more important points, which should receive special attention during inspections.

431. A record should be kept of all vouchers, Service Sheets, Leave Accounts etc., audited during a particular inspection, with the initials of the persons who audited them.

The following are some of the points to be looked into during the inspection of different offices-

(i) *Establishment*-The strength of the office should be checked with the Establishment Rolls & sanctions and if any excess is noticed, which is not covered by the sanction, the point should be taken up.

The salary register serving as the office copy of the salary bills (where the pay bills are not computerised) submitted to the Accounts Office, should be scrutinised to see that alterations, disallowances etc. in the audited bills are duly carried out and that it is a reliable record. As regards computerised bills, the audited bills are to be compared with pay slip tape/change tape.

(ii) *Service Registers*-The service registers should be neatly maintained and carefully preserved. There should be no alterations without attestation by a superior officer. The pay noted in the service register should be compared with the rate of salary as sanctioned, on the date of inspection.

(iii) *Leave*-Calculations of leave since last inspection should be test-checked. The leave granted during the year should be compared with the entries in the service register to see that there is no omission in the posting in the register. Leave granted in excess of what was due should be taken up. The Accounts of staff due to retire shortly should especially be seen, (cf. para 228).

(iv) *Statements of increments drawn*-Where, in the course of audit of establishment bills at the headquarters, the increments drawn could not be checked with reference to the statement prescribed in para Para 606 (I) Indian Railway Establishment Code, Vol.1, the increments drawn during the period selected for special check during local inspections, should be verified with reference to the relevant service records (This is supplementary to para 211 of Railway Audit Manual).

(v) *Check of additions to pay*-The audit of bills at headquarters may not make it possible to conduct the necessary check in respect of overtime, running allowance, etc. by reference to the original initial records, as these records are not received at headquarters. In such cases the claims on this account should be checked during local inspection.

(vi) *Pay bills of Group D staff*-As the necessary memorandum of differences may not accompany the pay bills of Group D staff, the local inspection should include a test check in the manner laid down for the Accounts Office vide para 1403-A I.

(vii) *Rents of residential Buildings*-There should be an up to-date list of rentable buildings in the office showing all relevant particulars viz., number, type of building, up to-date capital cost, department to which allotted, standard rent etc. During the Inspection of Civil Engineering offices, progress reports regarding the state of various works sent by the offices to the head of the

Department should be scrutinised to see that Civil Engineering, Sanitary and Electrical Works have been completed in close collaboration and that the buildings have not remained unallotted/unoccupied for longer period due to lack of co-ordination/non-completion of the works mentioned above. It should also be seen that the buildings completed are handed over for allotment promptly and correction slip to the list of buildings issued. During inspection of other offices it should be seen that the new buildings placed at the disposal of the Department have been promptly allotted and occupied.

The Departmental register should be scrutinised to ascertain if all the quarters allotted to the department have been properly distributed. A comparison of the rent shown in the register with the actual recovery in audited salary bill should be made. It should be seen that rent is recorded in respect of all rentable buildings by check of a suitable percentage of entries in rent rolls with particulars in the list of buildings. A general review should be conducted to see that allotment of the types of quarters has been properly made so that the financial interests of the Railway are not adversely affected. When Railway buildings are in the occupation of other than Railway staff, it should be seen that the rent is properly calculated and that the recovery includes rent for all amenities, taxes, etc. vide para 221.

(viii) *Allocation*-The correctness of the allocation of charges should receive special attention during local inspections. In the case of pay and allowances of establishment, the correctness of the allocation should be checked by examining the attendance register where necessary, vide para 217.

(ix) *Dead Stock*-It should be seen if an inventory of all articles of dead stock, namely plant and machinery, furniture and fixtures in a form showing the name, a brief description of the article, the date of its receipt and the price of the article is maintained. The closing balance of the last period should be compared with the opening balance of the current list. Receipts should be checked with reference to the firm's bills or the stores debit schedules and issue with advices of despatch or credit schedules. It should be seen that arrangements exist to permit of every article received or issued being immediately accounted for as such, and that the stock is subject to verification periodically by the head of the office or a responsible person acting on his/ her behalf.

(x) *Stationery*-The accounting of receipts of stationery and their issues may be generally seen. A comparison of the issue with the scales laid down, if any, may also be made.

(xi) *Unpaid wages lists*- A test check of these lists should be made. The applications for payments should be indicated in the lists as having been verified before submission to the Accounts Office.

(xii) *Pay orders*-These should be scrutinised to see if the payment is in order under the extant rules.

(xiii) *Stores*-The accounts of the prescribed period should be checked completely.

(xiv) *Adjustment vouchers*- These should be carefully scrutinised. It should be seen that the adjustments are in order and that sufficient reasons are given for each adjustment.

(xv) *Clothing and liveries account*-It should be seen that proper accounts are maintained for the receipts and issues and that the issues are according to the authorised scale.

(xvi) *Cash remittance notes and Cash receipt books*-These should be reviewed to ensure that cash receipts have been duly acknowledged and remitted to the Pay Master and Cashier. The arrangements should be reviewed to see that there is no loop-hole enabling cash receipts not being brought to account.

(xvii) *Labour Pay Sheets*- During inspections the roll call of labour gangs, other than those working on line (e.g. workshops) Stores Depots, or other offices where labour is usually concentrated, may be watched without previous notice to see that the muster sheets are correctly posted and do not contain fictitious names. In the case of gangs working on line, it will be sufficient for audit to see that there is evidence to show that the record of attendance is checked by responsible officers. It should also be seen whether the disbursement to labour of their dues is witnessed by a gazetted officer or by a Senior Subordinate (cf. paras 1355 (i) - E, 1404-A I and 1965-1970-A I).

432. *Engineering Divisions/District Offices* - In the inspection of an engineering division the procedure and principles of Para 6.1.19 - 6.1.29 of M.S.O (Audit), so far as they can be made applicable should be followed. The extent to which the Inspecting Officer should devote his/ her personal attention to special items of work is indicated in Para 6.1.3-6.1.4 of M.S.O (Audit).

In addition, there should be scrutiny of ballast train journals, ballast registers and bills, as also permanent way and building material accounts.

It should be verified that reconciliation of issue notes received from parties acknowledging receipt of stores, with the corresponding copies of the issue notes received direct from the Accounts Office with the daily summaries of issues, is effected by the departmental offices as laid down in paras 1317-S and 1844-S. In addition to verifying that the prescribed procedure is being observed by the departmental officers, the inspecting party should itself effect a reconciliation which may, however, be confined to issue notes received with the daily summaries at the discretion of the inspecting officer.

433. *Ballast*-The system of obtaining ballast either by tender or work orders should be examined. It should be seen that proper arrangements exist for the correct measurement of ballast and that the quality is according to standard.

In the case of stack measurements it should be seen by whom the measurements are recorded, whether the date of measurements shown in the measurement book tallies with the entries in the relevant T.A. journals and that the stock measurements approximate to the quantities run out as per wagon measurement. If there is a considerable difference between the stock and running out measurements the reason for the difference should be thoroughly investigated.

It should be seen if arrangement exists under which proper check can be exercised against a contractor being paid twice over for the same quantities of ballast. It is, therefore, important that the inspection staff should examine very carefully all payments for ballast with reference to the source of its supply and the time that has elapsed between the date of measurement and the carriage of the ballast from the source of supply.

434. *Schedule of rates*- It may be examined if an up-to-date schedule of rates sanctioned by a competent authority exists and that no old or obviously extravagant rates are in force. A comparison

of the rates given in the work orders or contracts and the divisional schedule of rates should be made. Any discrepancies between schedule rates and the actual rates paid through work orders or contracts should be taken up. It is necessary to see how the rates calculated for work done departmentally compare with the current market rates, any considerable divergence being taken up.

Special rates sanctioned after execution of an agreement with a contractor for items of work, not covered by the prescribed schedule of rates, should be studied with reference to the analysis made and it should be seen that proper care had been taken to cover the items necessary for a work and at the same time any items which were not operative. It should also be seen that special rates are not sanctioned for items of work included in the schedule of rates.

The data for the rates of important items should be studied and it should be seen whether payments to and recoveries from the contractors are made in accordance with the data. The grant of passes, railway tools and machinery, supply of water, accommodation, use- of trucks, etc. should, if not covered study of the terms of the contract for each work will suggest the points which require to be fully looked into.

Tools and Plants register and the log book should be examined to see that whenever a machine, plant or truck etc. is used for the purposes of the contractor, a note is made thereof for recovery from the bill of the contractor and that proper system exists for notifying and effecting recoveries wherever due. It should also be seen that the rates prescribed for hire of such equipments are updated frequently to ensure that they reflect the correct amount recoverable for hire etc.

435. *Work orders*-It should be seen that the rates operated upon are in order, that the work has been completed in time, that the conditions laid down have been fulfilled and that the work orders have, on final payments, been duly crossed. The reasons for issue of supplementary work orders, if any, should be thoroughly examined with a view to see that the additional work was not avoidable and was being executed at the old rates. If higher rates had been agreed to be paid to the contractor for additional work, it should be seen that these rates had been vetted by Accounts.

436. *Measurement books*-The measurement books are to be checked as per instructions given in Para 274.

437. *Register of works*-It may be verified that the postings are up to-date and that quantities of major items of work are shown for comparison with estimates. Under the divisional system of working, where one set of works registers is maintained by the Accounts Office, it should be seen that reconciliation with General Book is regularly made and action taken to locate and set right discrepancies and that when works are completed the fact is noted in the register with number and date of completion report (Cf. Para 1480-E).

438. *Payments to gang-men*- An examination may be made to see how the time books are marked and whether this is done daily on the basis of correct and proper information. It should be seen whether there is any test check either by the P.W. Inspector or the Executive Engineer on the marking of the time books. Compare the entries in the original Time Records with the entries in the audited pay bills and see if the payments are witnessed by responsible persons and that either thumb impressions are obtained or the word "Paid" written against the names in token of payment having

been made and that a Gazetted Officer had occasionally witnessed the payment etc. Reports of the finger print inspectors, if available should be reviewed to see that these have received due attention and that there are no fraudulent payment. Special attention should be paid to the check of time books relating to temporary labour.

439. *Assisted Sidings*-The agreements in this connection and the recovery of dues should be scrutinised where the siding charges are recoverable on the basis of actual expenditure incurred by the Railway Administration. It has also to be seen that the charges incurred during the year have been properly collected and included in the bill, without any omission.

440. *Audit of passes*-Audit of passes should be carried out at headquarters and at local inspections to the extent shown below-

(a) *Passes issued by non-railway Offices*-Passes issued by Police, Telegraph and other non-Railway Offices should occasionally be test checked locally as prescribed. The check should aim at seeing inter alia that (1) the passes, cheque or card, were issued in accordance with the rules (2) duty card passes were issued only when necessary, (3) suitable arrangements exist for the custody of pass books, and (4) the returns of passes if any required to be submitted to the Accounts Office, are correctly prepared. As a matter of convenience passes issued over all Railways by a particular non- Railway office should be checked by the appointed Audit Officer of the Railway in whose jurisdiction the office lies.

Note In the case of Commissioners of Railway Safety who issue passes but who are under the audit control of the Director General of Audit; Central Revenues, it has been specially arranged that Railway Audit Officers will conduct local audit of pass work only. A copy of the inspection report should be forwarded to the Director General of. Audit, Central Revenues and the final disposal of points involving recovery, if any, from the staff should also be intimated.

(b) *Check at headquarters*- The checks will embrace inter alia scrutiny to see that:-

i) the passes and privilege ticket orders are accounted for in the monthly pass returns where such returns are sent to the Accounts Office.

ii) passes not date expired at the time of collection, were used for the journey specified therein.

iii) tickets in excess of the number authorised in the privilege ticket orders had not been issued.

iv) tickets had been issued from and to the station shown therein. Generally speaking, Audit will follow the arrangements in the executive offices in the matter of check at headquarters.

(c) *Check at local inspections*-This check should be exercised to see that:

i) actual stock of passes and privilege ticket orders on hand agrees with the number shown in the stock register,

- ii) cheque and card passes and privilege ticket orders issued to staff, to contractors or others have been issued according to the Free Pass rules of the Railway and/or the Indian Railways Conference Association;
- iii) passes and privilege ticket orders issued to staff have been duly recorded in their personal accounts;
- iv) duty passes and privilege ticket orders have been signed by authorised persons and none have been signed in advance,
- v) the used/expired passes have been returned by the employees in time and pasted to block foils as required by rules, and
- vi) passes and privilege ticket orders have been issued as sanctioned by the authorised Officers.

441. *Headquarters Traffic and Transportation Offices*-The following are some of the points to be looked into:-

- i) *Claims*-The claims paid during the period selected for inspection should be scrutinised by going through the case files to see how the claims originated, the justification for the payments and whether adequate action had been taken to prevent recurrence. In the case of claims involving inter-railway liability, it should be seen that the debits accepted by the Railway are as per prescribed rules and that safe delivery of the consignments to the Railway had been proved by authenticated records.
- ii) *Refund*- The refund cases should be scrutinised with a view to see whether they are in accordance with tariff rules and proper sanction exists.
- iii) *Rates*- A general review may be conducted to see that any special rates introduced are in the interests of the Railway.
- iv) *Handling Contract*- It should be seen whether competitive tenders were called for.
- v) *Lease of Land*- The relevant case files should be examined to see if rents for plots occupied by outsiders at stations etc., are properly recovered and rates revised periodically.
- vi) *Tenders and contracts for supply of provisions for Railway Catering*- It may be examined whether tenders and quotations were called for and the lowest ones accepted and that reasons were recorded in writing for not accepting the lowest tender.
- vii) *Advertisement bills and bills for supply of provisions*- The bills of the period selected should be checked.
- viii) *Hire and Haulage*- Should be test checked with relevant case files.

442. *DCM/DOM Offices*- There should be a scrutiny of the following:-

- (1) attendance registers and muster rolls;
- (2) engine tickets;
- (3) guards' journals;

- (4) tools and plant accounts, furniture, of stations, etc.,
- (5) system of licensing for refreshment stalls, etc.,
- (6) system of letting out handling contracts;
- (7) steps taken for recovery of accounts and freight debits;
- (8) action taken against staff responsible for haulage of mis-sent goods especially against habitual offenders;
- (9) clothing and liveries accounts, and ;
- (10) working of weigh bridges to see that they are giving satisfactory service after their installation at the stations and whether they are being adequately used. It should be seen whether existing weigh bridges need relocation to meet any change in the pattern of traffic.

443. *Running Sheds* - In the audit inspection of running shed accounts the following should be seen

- (1) muster rolls;
- (2) imprest stores accounts;

Note: In the case of numerical accounts of imprest stores, the relation between balances and issues should be specially looked into.

- (3) accounts of spare parts.
- (4) locomotive energy accounts.

Note: It should be seen that (1) proper accounts are maintained of receipts from the central depot and issues to engines, etc. and the balances are verified monthly by the foreman. (2) definite scales are laid down for issue of coal, crude oil, waste cotton and other consumable stores for use on the engines and these scales are not ordinarily exceeded. (The coal and oil consumed per engine Km. may be examined to see that the average cost as compared with similar costs in previous years or on other railways is not excessive.) (3) procedure exists by which an excessive consumption of coal and oil is brought to notice and corrective action taken.

444. *Workshops* - In the audit inspection of workshops the following should be seen-

- (1) Muster rolls-The general system of marking the attendance of employees should be examined. An actual attendance record of the labour of selected shops may be made. Ticket boards should also be inspected.
- (2) Gate passes.
- (3) Time sheets, Operation check cards or gang cards. The accuracy of the time sheets should be checked by actual count.
- (4) Absentee registers and overtime registers.
- (5) Reconciliation of the time sheets with muster rolls should be test checked and large differences taken up.

- (6) The system of preparing muster rolls for coolies, etc., for whom no time sheets are prepared.
- (7) The certificates of labour temporarily employed out of the shops.
- (8) Service records and leave accounts of workmen.
- (9) The system of payment of wages to labourer including the witnessing of payments during the period of inspections.
- (10) The system of allocating labour to particular work orders, including the system of overtime.
- (11) The system of distribution of 'on cost'.
- (12) The system of accounting (and allocation) of stores from the time of their receipt to the time they are used up on work, including the arrangements for custody and verification specially of valuable metals.

Note: It should be seen that proper numerical account of all materials received in the shops is kept from the time of their receipt in the shops till they are finally used up on the work orders and that the balances are verified periodically. This is particularly necessary in the case of important work orders which run on for a considerable length of time. It should be seen that when a work order is completed the surplus stores are returned to stores. It should also be seen by test check of gate passes that arrangement exists to ensure that no materials pass out of the shops, except under proper authority.

- (13) The system of sending out materials from shops.
- (14) Stores charged off to works-These should not remain un-used for a long time.

Note: It may be seen that Stores charged off to work orders do not remain un-used for a long time, otherwise the reasons for charging off the stores long before they are used should be investigated. It may happen that stores meant for specific works have been acquired long before they are likely to be needed, or have been charged off to works to effect a fictitious reduction in the stores balances.

- (15) The system of shop delivery notes for articles manufactured for other shops and inter- shop transfer notes of stores.

Note: Inter-shop and shop delivery notes for articles made for the use of other shops and for stores depots should be examined to see whether they are in order with reference to requisitions and work orders and whether they have been correctly and promptly accounted for.

- (16) Accounts, numerical or otherwise, of material spared from work orders or recovered from stock condemned and broken up from cut up machinery.

Note: It should be seen that proper accounts are maintained of materials retrieved from condemned locomotives and vehicles and of old parts and fittings obtained from those repaired or altered.

- (17) Work order registers.
- (18) Measurement books.

- (19) Cupola books or other initial record of manufacture.
- (20) Accounts of dead-stock, machinery, tools and plant and furniture.
- (21) If any new machine or plant is procured, it should be seen that it has been installed without delay and is being utilised for the purpose for which it was procured.
- (22) Idle time booked on various work orders should be reviewed to see that this is the minimum required and compares favourably with the idle time booked during earlier months. If there are pointed variations, reasons therefor should be investigated.
- (23) Account of consumable stores.
- (24) Clothing and liveries accounts.
- (25) Comparison of the unit costs of manufacture of similar articles at different times. If varying considerably, examine whether the factors contributory to the variations were suitably investigated and the defects rectified? (cf para 266).
- (26) Recovery and account of ferrous and non-ferrous turnings and borings from shop floor.
- (27) Working of the incentive scheme should be reviewed in general with over time payments and outturn.
- (28) System of disposal of waste products and scrap should be examined.

445. *Power stations and sub-stations*- In the audit inspection of power stations and substations the following should be seen-

- (1) Muster rolls and attendance registers.
- (2) Accounts of stores imprest, consumable, returned etc. and clothing and liveries accounts
- (3) Coal/ Fuel account.
- (4) Tools and Plant register and measurement books, if any.
- (5) Work order registers.
- (6) Accounts of electric bulbs and other consumable lighting items etc.
- (7) Accounts of power generated, distributed and billed for.

446. *Stores Depots*-In the audit inspection of Stores depot the following should be seen:-

- (1) *Muster rolls*-The general system of marking the attendance of the employees should be examined. An actual attendance record of labour may be made.
- (2) The arrangements for the custody and storage of stores. The system of verification of received stores with specifications and the quantity actually received, and treatment of rejected supplies.
- (3) The procedure for verification on the part of the issuing officers of the quantity and quality of stores issued from stock and of recording them in documents, which subsequently form the basis of accounts adjustment.

- (4) The system of stock verification. It should be seen that this verification is not confined to items of which stocks are low.
- (5) The action taken on differences noticed as a result of stock verification.
- (6) The system of posting receipts and issues in the numerical cards.
- (7) *Heavy stocks*-It should be seen (i) that adequate action is taken to prevent unnecessary accumulation of stock, (ii) that the average annual consumption and the normal balances are suitably related to each other and (iii) that items in which there have been no transactions for several years are duly reported to the proper authority for suitable action,
- (8) The system of accounting of obsolete, unserviceable and scrap material written off the books but still in hand, the method of its disposal and especially of scrap material.
- (9) Gate passes and method of watching that the stores whether custody or general purposes stores going out of the depot are those which should properly issue.
- (10) The system of forwarding lists of surplus stores to other railways.
- (11) The arrangements for receipts, inspection and valuation of returned stores.
- (12) The accuracy of machines and weighbridges and the procedure of checking these occasionally.
- (13) The system of accounting of miscellaneous cash receipts.
- (14) Clothing and liveries accounts.
- (15) Programmed indents for the latest year submitted by the Depot for a few classes of stores should be generally reviewed to see whether the indents have been correctly prepared from the initial records.
- (16) The procedure for requisitioning, receiving and distributing stores receipts from overseas should be examined to see that it is satisfactory.
- (17) Accountal of rejected stores.

447. *Inspection of the work of receiving and despatching sections of the stores depots(R &D Ward)*- The arrangements and procedure for verifying the quantity and quality of stores received for stock, and of materials delivered at the site of works should be examined by occassional inspection on the spot to see that the system is complete and reliable and that the accounts of suppliers are not settled finally pending such verification. The scrutiny will be exercised in regard to (1) the arrangements for receipt (including weighment, tallying of receipts with bills, etc., inspection of material, and accounting in Day books or other records and sending of materials to respective works) and issue of stores (including the procedure relating to gate passes and seeing whether the materials sent out are correct according to the issue vouchers, and whether the arrangements for delivery to department, etc., are satisfactory); and (2) the proper accounting of receipts and issues and the delays, if any, in respect of accounting of stores received or issued. Where the receipt and issue work is centralised in a specific ward (Cf. Paragraphs 1204-1205-S) the transactions of these sections only would come under check, i.e., the main section of a Depot receiving all stores before the wards take them into

stock, and the despatch section of the Depot which arranges for the despatch of all stores from the Depot should be checked. It may be seen, for instance, that an actual count or weighing or measurement as well as check of quality by reference to the samples or specifications is made in every case and that the vendor's quantities or qualities shown in the railway receipts are not accepted without such check. The procedure of verification on the part of the issuing officer of the quantity and quality of stores issued from stock and of recording them in documents which subsequently form the basis of adjustment against the works and departments concerned and the procedure of verification on the part of the receiving and accepting departmental authorities on the other side, should be examined during local inspections.

448. *Auction Sale Account* - System followed for sale should be examined to see that the interest of the Administration is fully safeguarded. It should be seen that proper accounts are kept of all obsolesces, unserviceable, and scrap materials which are written off the books, but are still in hand, also that auctionable materials are kept separate from those that are not to be auctioned. The method of disposal of such stores, especially of scrap materials, should also be carefully watched to see that a proper price is obtained for them. It should also be seen that suitable arrangements exist to ensure in the case of materials sold, whether by auction or otherwise, that only such materials are issued from stock or workshops or site of works as have actually been sold and that the description and quality as well as quantity of the materials are correct

As materials not required by one railway may be useful to another railway it may be seen whether before selling such stores to the public there is any system of sending to other railways list of surplus stores.

449. *Station Accounts*-During inspection of stations the following points should be looked into:-

- (1) Verification of cash, both coaching and goods and arrangements for custody of cash.
- (2) That the station master has recorded in the trains-cash books the certificate of periodical inspections of the tubes.
- (3) That the tickets have been serially arranged in the tube and the numbers missing and also tickets received mutilated or bearing wrong or double impression have been duly reported to the ticket printing office.
- (4) That the particulars on the tube regarding the fare and destination of tickets agree with those on the tickets.
- (5) That the blank card-register shows the particulars of all the tickets issued and the last number in it is the one preceding that in the tube and also that the lowest number of each class of ticket in hand is entered at the end of the page in the proper columns in the register.
- (6) That the number of all tickets partly drawn out in tubes corresponds with the number shown (the closing number) in the trains cash book of the preceding train or period.
- (7) That the trains cash book is duly closed after each train or period and the total cash of the day is sent to the Bank/Treasury or the cash office. The entries in this book should also be compared with those in the summary of trains cash book.

- (8) That the system for indenting, verification, and custody of tickets, luggage, goods, way bills, excess fare books, etc., is adequate.
- (9) The delivery books for parcels and goods should be examined to see that all cases where demurrage or wharfage was due have been correctly entered in the demurrage/wharfage returns.
- (10) Consignments and Parcels in hand should be examined with the delivery books to see that goods in hand have not been shown as delivered, that deliveries have been made on collection of receipts or indemnity bonds and they are signed for in the delivery books. It should also be seen that the dates of unloading of consignments accord with the entries recorded in unloading books, the tally book, wagons register and vehicle reports.
- (11) The testing of accounts of parcels and goods traffic should be examined to see that discrepancies have been carefully investigated. Test balance sheets, both coaching and goods, should be prepared.
- (12) Accounts of excess fare tickets, soldiers tickets, luggage, horse, carriage and dog tickets, telegraph receipts and cash remittance notes.
- (13) Tally books, vehicle register, gate passes, index books and invoice registers of railway materials received and despatched and consignment notes. At large stations, where the goods shed maintains its own record of the receipt and despatch of wagons independently of the main station records a test reconciliation of all the appropriate wagon registers may be done to ensure that wagons have been correctly accounted for.
- (14) Wagon Exchange book (1701 C.M.) and Wagon Transfer Register (1705 C.M.) should be scrutinised to see that wagons are not detained at the station unnecessarily.
- (15) Accountal of wagon registration fees and refunds.
- (16) Check of machine prepared Abstracts (1301-1309 CM).
- (17) Records of QTS (1474-CM), container service (1475-76 CM), and freight forwarded scheme (1478-CM).
- (18) Scrutiny of claims settled by Station Masters (upto Rs. 100) with initial records.
- (19) That in case of outward despatches, forwarding notes have been duly executed.
- (20) That steps are taken for disposal of error sheets, and points taken up by the Travelling Inspector of Station Accounts in his reports in due time.
- (21) That the Cash Books have been properly kept and that daily totals have been struck and the amount included in that sent to the Bank, Treasury or the Cash Office. The correctness of cash remittance notes should be verified. It should be seen that the Bank, Treasury, Cash Office acknowledgements for correct amounts are received in time, and are duly pasted to the counterfoils of the cash remittance notes concerned.
- (22) The system of re-weighing received parcels and consignments and the accuracy of the machines and weighbridges. Besides seeing that the prescribed procedure in these matters is

adequate and properly observed by the Traffic and Accounts staff, the actual weighment of a small number of parcels and goods consignments may be test- checked.

- (23) The Collected tickets should be scrutinised and it should be seen that they are stamped with the date of collection and cancelled immediately after collection before they are sent to the Accounts office except for Printed Card Tickects (PCTs), for which only the highest number of PCTs of all series for specified dates and for any date of surprise check conducted by TIA and CMI need be sent to Accounts and the remaining PCTs sent to nominated stations for destruction/pulping as per the procedure revised under Railway Board's letter No.92-AC II/45/7 dated 8.1.93 amended from time to time and that the station returns are up-to date. It should also be examined that the number of missing tickets is not large and that charges in respect of irregular tickets are collected. It is not the duty of audit to undertake the work of collecting tickets at the gate and no attempt to do this should be made, audit being concerned merely with seeing that proper arrangements exist for the collection of tickets.
- (24) The accounts of interchanged rolling stock at Joint Stations.
- (25) Handling bills.
- (26) Siding register with reference to wagon movements to and from the sidings.
- (27) Accounts of tools and plant, stationery and forms, clothing etc.
- (28) Auction sale statements.

450. *Marshalling yards/Transshipment Sheds including the connected Running Sheds and Head Train Examiner's office-*

- (a) If the station selected for inspection serves a marshalling yard or transshipment point or repacking point; some important points to be seen in addition to, normal check during station inspection are mentioned below:
 - i) Whether parcel vans or wagons are detained because of inefficiency of labour or inadequate of supply of labour by the handling contractors. The basic records relating to placement and removal of wagons for such handling should also be checked to verify the progress reports attached to the bills of such contractors.
 - ii) If there is unnecessary haulage of empties to or from the transshipment point, it may be seen whether the goods stock are fully utilised and usage of stock is not impaired by irrational placement and loading of wagons; whether unloading of wagons of one gauge is delayed because of non-availability of matching stock of the other gauge and if so, the reasons therefor.
 - iii) If trains are formed (at transshipment points and marshalling yards) in time, it may be seen whether, after formation of the train, there are delays (waiting for power, engine crews or guard or path) and if so, the reasons therefor may be examined from the records of the station, running sheds, Section Controllers/Chief Controllers.

- iv) The reason for detention or stabling of goods trains short of interchange points and late start of goods trains may be studied.
 - v) Railway Administrations often impose restrictions on booking consignment due to congestion in stations, yards or sections etc. If such restrictions were imposed for booking to the station (s) selected for inspection, the reasons may be investigated to see whether the restriction was due to inefficiency of operation or of the agency handling the consignment, delay on the part of the Consignees to unload and take delivery of consignments within a reasonable time, etc. What concrete action is taken by the Railways (so as to reduce or eliminate congestion) after expiry of the period up-to which they are responsible as a bailee (with effect from December 1972 it has been reduced from 30 days to 7 days from the time of arrival of the consignments) may be studied. The adequacy of the action to remove the restrictions quickly and the remedial measures taken to avoid imposition of similar restrictions in future should be reviewed.
- (b) In addition to the check enumerated above the following points connected with the operation of marshalling yards, transshipment sheds, etc. should be seen during audit inspection.

Marshalling Yards

- i) Whether the initial records (e.g. vehicle guidance, Number Takers book, Floating balance register, Wagon Exchange register etc.) are properly maintained.
- ii) Are the incoming trains detained for long outside the limit of the yard, if so, to what extent (during a selected period) and the reasons thereof .The reasons may possibly be delay in clearance of reception line (this can be known by looking into the registers of reception line occupation or from the Yard Master's Diary) or delay in the yard. Have remedial measures been adopted to quicken reception of incoming trains and how far they have yielded results?
- iii) Are breaking and sorting of wagons and formation of new trains completed within the time schedule prescribed? Are there many cases of idling of shunting engines in the yard and at water column?
- iv) What is the extent of avoidable delay in dealing with cross traffic, placement and removal from sidings intended for repacking, transshipment, loading/unloading and repairs to Wagons?
- v) Extent of late start of goods trains and reasons therefor, these may be analysed to see whether they are attributable to (a) operating branch, (b) Power branch (delay in making available engine with crews) and (c) Train Examiner's branch (delays in examination of wagons).
- vi) Extent of mis-marshalling and damage to wagons due to rough shunting (High incidence of sick wagons in out-going trains would indicate that most probably wagons were not properly examined in reception lines or there was rough shunting in the yard).

- vii) Are wagons without labels being allowed to move? What is the extent of detention of wagons due to missing labels? Is prompt action taken to obtain necessary particulars for preparation of new labels?
- viii) If the variation in the load of each incoming and outgoing train is not near or equal to the haulage capacity of the locomotives attached thereto, it indicates under utilisation of locomotive capacity and the possible reasons therefor may be examined.
- ix) Do delays in formation of trains cause avoidable light movement of diesel/electric locomotives to other yards for picking up loads?
- x) Are the incoming and outgoing wagons routed to destination via the shortest route? If not, the reasons for movement by longer route may be analysed to see if it was due to congestion or restriction on the shortest route, incorrect sorting/marshalling in the preceding yards or in the yard being inspected, or special instructions from the control office.
- xi) What were the reasons, supported by analysis, for the increase (as compared to the target) in the overall detention to wagons as well as detention to through goods trains?
- xii) The extent of utilisation of yard capacity with reference to the number of wagons anticipated and actually handled (including wagons of through trains) or dealt with (excluding wagons of through trains). Apart from fall in traffic, if any, what are the reasons for non-utilisation of the optimum capacity of the yard?

Transshipment Shed

Since part of the transshipment shed serves as a small marshalling yard, the points suggested for examination during inspection of marshalling yard should also apply to transshipment shed. In addition the following aspects may also be looked into.

- i) Is the transshipment shed handling loads not intended to be transhipped in that shed? If so, what are the reasons therefor? (The possible reasons may be imposition of restrictions on the normal route or empties, non-availability of cranes for consignments requiring handling by cranes, labour trouble etc., at the nominated transshipment shed. All such cases may be examined critically since such diversions result in unnecessary haulage of stock over longer distances at additional cost).

Are the transshipment sheds equipped with necessary handling facilities such as cranes, etc. for quick release of wagons and whether such equipments are in effective use and utilised efficiently?
- ii) Is optimum utilisation of the stock achieved while transshipping goods from stock of one gauge to that of another? This can be judged by a review of the transshipment performance register.
- iii) What was the extent of damages to the contents and deficiencies in the wagons noted at the transshipment shed? Was prompt action taken to report them and adopt remedial measures?

- iv) What is the capacity of the transshipment shed and apart from reduction in traffic (if there has been such reduction), what are the reasons for the optimum capacity not being utilised (if it was so)?
- v) If detention at transshipment sheds is considerably higher than the target, what are the reasons therefor?
- vi) If there is imbalance in availability of stock from releases (after transshipment of unloading) at the same station, how are the deficiencies made good and how are the excess empties hauled?
- vii) For the stream of traffic prevailing, was the nominated transshipment shed well chosen? Could not transshipment at some other shed reduce the distances to be hauled?
- viii) In cases of goods for transshipment being hauled by contractors, have proper records been maintained for detentions caused by delayed transshipment and recoveries advised to the accounts office for deduction from handling bills.
- ix) it should be seen that weights of goods handled by the consignor or consignee are not included in the weight handled by the contractors.

Loco Foreman's Office

- i) Whether engines with crews are made available at the planned timings for despatch of goods trains? If not, what are the reasons for delay in making available locomotives with crews?
- ii) Are many steam locomotives lit up too early and kept in steam for long either inside the loco shed or at outside line, waiting for train formation. If so, why?
- iii) Fire is not dropped from a steam locomotive unless it has no booking during the next 8/10/12/14 hours or till it is due for periodical washout or repair to damages etc. If the fire is not dropped, on reaching a shed a loco is kept on banking fire in the shed (s) till it is needed and booked, for further duty. If fire is dropped, it results in some wastage of coal because of dropping of unburnt coal and further consumption of coal for lighting up and bringing a locomotive under steam. Are there many cases where fire is dropped from the engines even though there is a booking for it? If so why?
- iv) Is the shed not able to meet the requirement of power because the locomotives homed there are not maintained properly? An examination of history sheet and repair book of engines maintained in the loco shed will be helpful for this purpose.
- v) Coal stack register should be examined to see whether coal stacks of the prescribed height have been formed and the balance of coal in stock is verified periodically.
- vi) Wherever mechanical coal handling plant is not in use, it should be seen whether the engines are fueled promptly by the coal loading contractor and no detention is caused to the incoming and outgoing engines.

- vii) On receipt of coal, whether the wagons are released promptly after unloading and that there are not very large differences between coal unloaded from wagons and coal taken by the loco foremen.
- viii) Similar check in respect of diesel locos should also be made.

Train Examiner's Office

- i) Do the staff of Train Examiner complete wagon inspection in time?
- ii) Are there instances where wagons although not completely fit, are allowed to run with some speed restrictions?
- iii) Was prompt action taken to repair damaged sick wagons? What is the extent of detention of sick wagons (for repair or for despatch to workshop) and how much of it was avoidable?
- iv) Numerical accounts of balance receipt and issue should be checked with relevant stores vouchers like stores issue note with which the stores are received, consumption in various coaches/wagons etc. It should be seen that stock is verified by the stock holder and Accounts stocks verifier at regular intervals.

451. *Catering units* -During inspection of catering units, the transactions for the selected month should be intensively reviewed to see that the store consumed is commensurate with the sales and that wastages have been kept to the minimum. The formulae prescribed for various items should be reviewed to see that they are commensurate with the actual needs and that the wastage is kept to the minimum and that these are reviewed from time to time. The following other items should be looked into-

- i) Review of catering contracts for supply of commodities.
- ii) Review of fixation of sale price.
- iii) Review of vending contracts and recovery of licence fees etc. from vendors and bearers.
- iv) Recovery of outstanding dues from Catering Manager.

452. *Inspection of sub-office*-The sub-offices, which maintain accounts records, e.g. one or more of the following-

- i) Accounts of stores.
- ii) Attendance registers and Muster rolls.
- iii) Service records and Leave accounts.
- iv) Tools and Plants, clothing and furniture accounts.
- v) Pass accounts.

should be locally inspected. All the sub-offices comprised in a Division/ District Office should be covered in the spell of two inspections of the main office. Deviation found necessary to suit local conditions should be got approved by the Principal Director of Audit.

The manuals of the local audit offices should indicate clearly the nature and number of sub-offices, which require to be inspected by a Senior Audit Officer/ Audit Officer. A record should be kept of all sub-offices and their selection for inspection in a suitable form in the Register of inspections. The records should ordinarily be obtained in the main office inspected and the inspection of sub-offices conducted along with that of the main office. Where the records cannot be so obtained, it may be necessary to visit the sub-offices selected and check the initial record locally. If the scrutiny of initial documents, etc. of the sub-offices at such inspection reveals serious irregularities or defects calling for a detailed and intensive examination, their further inspection may be conducted on the spot, if considered necessary.

As regards stations, such major stations as issue passes will be inspected in the same manner as sub-offices when the corresponding District/ Divisional Traffic Office is inspected. The Head of each office will determine the number of other stations, which should be inspected in a year.

453. *Results of Inspections*- The procedure to be observed in the issue and disposal of inspection reports has been laid down in Chapter XXII.

PART V -- RESULTS OF AUDIT

CHAPTER XXII--RAISING AND PURSUANCE OF OBJECTIONS

454. *Results of audit-* The effectiveness of audit lies in reporting the results of test audit to the appropriate authority so that appropriate action may be taken to rectify the irregularity and prevent recurrence of the same or similar irregularity. The treatment of results of audit would call for a balanced judgment and a high degree of sense of proportion. In raising and pursuing objections the instructions contained in the succeeding paragraphs shall generally be followed, keeping in view the general principles and rules laid down in Paras 7.1.1-7.1.22 and 7.1.31 of M.S.O. (Audit).

455. The staff should not be too meticulous in trifling matters, which are of no importance to the finance of the Government. Whilst being careful to point out the mistakes detected in the course of the check, audit should principally be directed towards the discovery of defects in the system of internal check and accounting or negligence on the part of the accounts office to observe the prescribed system of check and of the errors of omissions and or principles. In particular, any serious errors/irregularities noticed in the course of audit should be reported at once to the Principal Director of Audit.

It is not sufficient merely to point out the irregularity but the responsibility lies on Audit in seeing that adequate measures are taken by the Railway Administration promptly not only to set it right but also to prevent its recurrence.

In day-to-day working there should be no friction with the Accounts staff, but the desire to preserve harmonious relations should be shown in conducting the statutory audit and not in any limitation of its extent. Points of objection should first be discussed by the staff with the Accounts Office and the audit views should be maintained with firmness and also with courtesy and if a difference of opinion still remains the points should be pursued officially.

456. The results of central audit and local inspections will be communicated to the Chief Accounts Officer in the form of (1) a specific report, (2) an audit note or (3) an inspection report. Only the more important and serious irregularities of the nature mentioned below should be incorporated in a specific report-

- a) questions of procedure and principle,
- b) questions affecting the efficiency of internal check,
- c) individual irregularities of an important and serious nature, and
- d) expenditure or other financial transactions not covered by the sanction of competent authority or by sufficient appropriation. Other irregularities should be dealt with through the medium of an audit note or inspection report.

457. An audit note or inspection report will consist of two parts, viz., Part I dealing with the more important matters and Part II dealing with minor and routine points.

458. *Scrutiny of draft objections*-On the completion of audit or inspection the Assistant Audit Officer/ Section Officer will submit to the Branch Officer for his/ her scrutiny the relevant documents together with draft specific reports, inspection reports and audit notes (see para 461). These drafts should be written up continuously as the inspection or audit proceeds so as to be ready for issue as soon as it is completed.

Under no circumstances should an audit note or inspection report specify the period, the accounts of which were test checked; a general statement that a test audit was conducted being sufficient. A note should, however, be kept, of period selected and subjected to detailed audit, in the Selection Register, for subsequent departmental reference and use.

459. The scrutiny of the draft objection by the Branch Officer should be made carefully. In particular it should be seen that an effort has been made to secure all relevant information and that the objection is not hypothetical or a mere inquiry for further information, which could be obtained by the Assistant Audit Officer/ Section Officer himself/ herself. If it appears that the case can be more adequately dealt with after examination of other documents, which may be available in the Accounts Office or other departmental offices it should be taken up separately and request made for the supply of the relevant documents. As a result of examination of the requisite additional documents if the case is considered fit to be pursued, it should be dealt with in a specific report. In other words, the guiding principle will be that Audit should exhaustively examine all doubtful cases from a scrutiny of every available record before formally raising the objection with the Accounts authorities.

460. *Avoidance of petty objections*-The Central Government has delegated certain powers to the heads of Railway Audit Offices permitting them to refrain from raising formal objections in individual cases when there is no serious defect in procedure and the irregularity is not likely to be recurring or habitual, [cf. para 7.1.14 of M.S.O. (Audit)]. Although Audit will not formally communicate such objections to the Accounts Officers, a suitable record should be kept of them.

461. *Drafting of objections*-The comments of audit should be brief, intelligible and to the point. Audit objections should be conveyed to the Railway Administration in courteous and impersonal terms. They should contain full reference to the relevant documents and explicitly state the rule or order, which is considered to have been violated. The subject matter of the objections should be arranged in logical sequence, all objections of similar type or relating to the same subject should be grouped together and generalised comments made where desirable. Special attention should be paid to the instructions contained in Paras 7.1.1-7.1.5 of M.S.O. (Audit).

462. The special scrutiny of draft objections by a Branch Officer is necessary to ensure that items do not appear in a specific report or inspection report or audit note Part I which might be relegated to an audit note or inspection report Part II. The inclusion of minor matters in Part I of the report or note may justifiably cause annoyance to administrative officers and involve a good deal of extra work in various departments. Special care should be paid to this point. There is no objection to one paragraph of a specific report or of Part I inspection report summarising the picture, conveyed by an audit note or inspection report Part II.

463. The usefulness of an objection or of a suggestion lies in its speedy disposal and the more fresh it is, the more valuable are its results. It should be seen that audit objections or investigations deal as far as possible with recent transactions. In exceptional cases, it may not be possible to avoid taking up old case, e.g., where the case has been subjudice in previous years or where although the case is old, the adjustment and write off from which the irregularity came to notice has been made recently.

464. If points arising out of inspections indicate the possibility of the existence of similar irregularities over the whole railway, they should invariably be followed up and it should be seen that adequate action is taken promptly by the Railway Administration for issue of general instructions in such cases. Principal Directors of Audit should ensure correlation between the inspection and other headquarters sections in the raising and disposal of audit objections.

465. *Personal discussions with Accounts and Executive Officers*-Branch Officers should discuss doubtful points, particularly those arising out of special investigations and those likely to be included in the Railway Audit Report, with the Accounts or executive officers concerned, if this is likely to lead to a more satisfactory treatment of the case. They should at the time of inspection discuss with the officer-in-charge of the office inspected all cases which are to be incorporated in Part I of the report.

466. *Issue of audit notes etc.*-When the irregularities noticed in course of test audit are of minor nature or require some clarifications etc., they may conveniently be included in rough/draft audit notes and handed over to the Accounts Office for remarks and return within a reasonable time which may be fixed by the Principal Director of Audit in consultation with the FA and CAO. Delay at each stage in the return of the rough audit notes by the Accounts staff, in their translation into final audit notes in the office of Principal Director of Audit and in the issue of fair copies of such final audit notes should be avoided. As far as possible petty objections, will in the first instance be discussed by the Accounts and Audit staff concerned in monthly meetings and the results of discussion recorded and initialled by both.

A regular audit note needs issue only in respect of objections, which require some reference to other departments or regularisation of irregular expenditure through sanction of competent authority and are likely to take some time.

Specific reports and audit note should be issued without delay and the latter normally before the audit of the next month's accounts is over. Inspection reports should be issued as soon as possible after the return of the Inspection Party to headquarters.

467. No objection which is likely to find a place eventually in the Audit Report or which involves (except in unimportant cases) a question of the correctness or the adequacy or any procedure or the interpretation of any financial rule or order should ordinarily issue without the approval of the Principal Director of Audit.

468. Branch Officers should satisfy themselves that only important items are included in Part I of the Inspection Reports or Audit Notes. As a rule, the Principal Directors of Audit should themselves see all Part I Inspection Reports/Audit Notes before issue.

469. *Disposal of objections raised by audit*-The disposal of specific reports and Part I Inspection Reports/Audit Notes should be pursued by the Audit Office. The disposal of Part II Inspection Reports/Audit Notes will be left to the Chief Accounts Officer, but Audit should from time to time inspect the records of the Accounts Office to ensure that reasonably adequate action is taken on them. Where audit objections have been accepted by the Administration and action is initiated by them, Audit should remove the items from the list of outstanding objections. It should, however, be periodically reviewed that the action proposed to be taken by the Administration in the shape of recoveries etc. is actually implemented. If this review reveals special features such as inadequacy of action; gross negligence or carelessness on the part of the Railway Administration including Accounts, Audit will have the right to comment even though the objections might have earlier been removed from the outstanding list. Preferably such cases may be got entered in the objectionable items register of the Accounts Office with or without money value and such items reviewed later by the Senior Audit Officer/ Audit Officer/ Assistant Audit Officer/ Section Officer.

470. The Principal Directors of Audit should maintain registers for watching the disposal of specific reports and Part I inspection reports/audit notes showing the dates of issue, receipt of replies from Accounts and issue of rejoinders till these are finally disposed of. A suitable record of the Part II reports and audit notes issued and reviewed should also be maintained.

471. The Inspection Report/ Audit Note Part II should generally be reviewed half yearly, restricting the review to really important items only. In watching the disposal of Inspection Report/ Audit Note Part II the actual verification of the action taken and/or adjustments made by the Accounts Office to set right the irregularities pointed out by audit may be restricted to really important items to be decided by the Branch Officer.

The Principal Director of Audit should see that machinery exists in the Accounts Office for the proper disposal of audit objection.

472. If the Principal Director of Audit finds the list of outstanding objections of any division or branch very voluminous or that the Accounts Officer has not taken adequate action in regard to them, he/ she should bring the matter specially to the notice of the Financial Adviser and Chief Accounts Officer for their specific disposal.

A statement showing the audit objections issued up to 31st March but outstanding on 31st August of the year should be sent annually to the DAI in the form prescribed in Annexure in the 1st week of September.

473. The Principal Director of Audit has no power of surcharge or disallowance. He can merely bring to the notice of the Chief Accounts Officer cases in which irregular or inadmissible expenditure has been or is likely to be incurred or where revenues or other dues have not been collected, and it is for the Chief Accounts Officer to decide what action is to be taken. The latter should arrange to get from other executive or Administrative Offices of the railway any information or explanation which may be necessary for the disposal of audit objections communicated to him and to take the necessary steps to set the irregularity right (cf. Para 917, 919 and 926-FI). If Audit is finally dissatisfied with the action taken, it is open to Audit to bring the matter to the notice of the higher authorities or of the Public Accounts Committee through the Audit Report.

474. Till such time as the sanctions objected to have been formally admitted in Audit by the Principal Director of Audit or by the DAI it should be seen that expenditure incurred against them is kept formally under objection.

475. *Overpayments*- If an erroneous payment is discovered and the payment is of a recurring nature, Audit should see by a reference to bills for similar claims for a period not exceeding twelve months previously whether similar erroneous payments have been made before. In regard to period prior to these twelve months it is for the Chief Accounts Officer to obtain the orders of competent authorities but Audit should see that a decision by a competent authority is obtained on this point.

476. If a large overpayment or a case of a serious negligence on the part of Accounts or any other important matter is discovered a report of the case should be made to the DAI at an early date.

477. All cases in which the recovery of money in the first instance improperly disbursed is foregone by competent executive authority, will be listed by the Chief Accounts Officer in a register kept for the purpose. Principal Director of Audit should review these registers periodically in order to see whether in any instance the orders of the executive authority waiving the recovery are open to criticism either from the point of view of competency or of propriety or for any other reason. In such cases objections should be raised and pursued.

In the case of short payments or over deductions detected in the course of audit, action should be taken on the lines laid down in para 7.1.17 of M.S.O. (Audit).

478. If Audit objects to a payment made by the Chief Accounts Officer who, however, does not accept the view of Audit, it should be seen that pending settlement of the validity of the objection, the Chief Accounts Officer takes action to ensure that the alleged overpayment will be recoverable in the event of the objection being upheld. (See para 857-AI and 921 -FI).

479. *Procedure in the case of difference of opinion between Audit and Executive* (cf. para 920-F I) - If the DAI considers that any rule or order issued by the Government of India or the Financial Commissioner, Railways infringes a universally accepted standard of official conduct or financial administration he should put his views before the authority concerned and suggest a reconsideration of the rule or order. In the case of further disagreement the DAI will take suitable action if he considers necessary.

480. In cases of difference of opinion between the Principal Director of Audit and the Railway Administration, two courses are open to him; one is to refer the case to the DAI. He should do so in all really important cases or where he is doubtful of the correctness of his own views and also in question affecting the adequacy of the disciplinary action taken by the Railway Administration. If the Principal Director of Audit decides to refer the matter to the DAI he should inform the Chief Accounts Officer of his intention to do so and the latter will then await the result of the reference before deciding further action.

481. The other course is to ask the Administration to refer the matter to the Railway Board. In such cases the Principal Director of Audit should state his views fully in a note of objection and the Railway Administration should be asked to send a verbatim copy of the note to the Railway Board. He should at the same time communicate to the DAI full particulars of the case and fact that the

matter has been referred by the Railway Administration to the higher authorities being mentioned in the communication.

482. If it is necessary to act at once in the matter, pending a decision of the DAI or the Railway Board, the views of the Principal Director of Audit will be accepted and acted upon provisionally. Cases in which the Railway Administration refuse to accept the view of the Principal Director of Audit in regard to allocation but act on their own view before receiving Railway Board's orders should be brought to the notice of the DAI.

483. *Rectification of mistakes*-If the audit of compiled accounts discloses any serious inaccuracies, the following procedure (cf. para 865-AI and 922-FI) should be adopted-

- (a) if the accounts of the year have not been finally closed, the Chief Accounts Officer should be requested to rectify the mistake through the accounts of the month in hand;
- (b) if the accounts have been closed:-
 - (i) the Chief Accounts Officer should be asked to rectify the mistakes and misclassifications before the Capital and Revenue Accounts and Finance Accounts are prepared and intimated to the Railway Board either through a revised account or through corrections to the accounts already submitted.
 - (ii) When the mistake comes to light after the submission of the Capital and Revenue Accounts etc. and may affect the Dividend payable to the general revenues, the matter should be reported to the DAI who will arrange with the Financial Commissioner, Railways, to have the mistake rectified, either by an adjustment or through a note in the accounts, in such a way that the dividend payable to general revenues for the year for which the accounts are open and for subsequent years will be made at the rate at which it would have been made but for the mistake.

484. *Register of important results of audit*- The majority of irregularities discovered in Audit will rarely form the subject of draft paragraphs for incorporation in the formal Railway Audit Report. It is, however, essential to have handy and continuous record of the results of audit. For this purpose a register should be maintained in each Audit Office, where important results of audit should be entered after approval by the head of the Office. The simplest plan would be for an epitome of each case for entry in the register being prepared and got approved by individual sections and sent to a Central Section (say Coordinating Section) where the consolidated register would be kept. The Principal Director of Audit should review these registers at least quarterly and arrange to send extracts of selected important items to the other Principal Directors of Audit for investigation on similar lines, copies of these extracts being simultaneously furnished to the office of the DAI.

The register should be submitted to the DAI during his tour so that he may, if so desired, pick out further items for circulation to the other Principal Directors of Audit.

(Annexure to Para 472)

Office of the Principal Director of Audit.....
 Statement showing details of outstanding Audit Objections issued upto 31st March
 but not cleared by 31st August

Years to which
 Pertains

Money value known									Money value not known								
			Part I			Part I						Part I			Part I		
Special			Audit			Inspection			Special			Audit			Inspection		
Letters			Notes			Reports			Letters			Notes			Reports		
No.	Items	Amt.	No.	Items	Amt.	No.	Items	Amt.	No.	Items	Amt.	No.	Items	Amt.	No.	Items	Amt.

CHAPTER XXIII

RAILWAY AUDIT REPORT

485. *Preparation of Audit Report-* The DAI is the authority entrusted with the preparation of the Audit Report on the Appropriation Accounts Railways. Principal Directors of Audit are not required to compile formal Audit Reports but they will submit necessary material from which DAI will select and process such material as he thinks fit including the results of his own check of accounts prepared by the Railway Board and review of Railway Board's contracts etc. The CAG will submit the Audit Report together with Appropriation Accounts of Railways in India and connected documents prepared by the Railway Board to the President who causes the same to be laid before the Parliament [Cf. Para 1.1.14 of MSO (Audit)].

The subjects which may be included in the Appropriation Accounts and the Report thereon are detailed in Chapters I and II and Appendix V of MSO A&E Vol. II.

486. In order to avoid duplication in the presentation of material to the Public Accounts Committee, an arrangement exists, according to which the topics are distributed between the Railway Board's Review (in part I of the Appropriation Accounts of Railways) and the Railway Audit Report. The Railway Board's Review will mention:

- i) Financial results.
- ii) Changes in forms and classification of accounts.
- iii) General financial results of the year.
- iv) An analysis of the broad results of Appropriation Audit (the budgeting of both receipts and expenditure being reviewed in a general way and under each grant).
- v) Excesses requiring regularisation.
- vi) Observations on miscellaneous financial topics, e.g. Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Statements, Balance Sheets, Investments, Stores Balances, Grain Shops, Operating Ratio (percentage of working expenses to earnings) of various Railways. Gross earnings, working expenditure etc. of various Railways and Principal Statistics of Indian Railways.

487. The Railway Audit Report will mainly include (i) comments on the Appropriation Accounts and the connected documents including the Railway Board's Review thereon and (ii) important financial irregularities and cases of losses, write-off, nugatory expenditure and (iii) other topics of interests [c.f. Para 7.2.2 of MSO (Audit)].

488. The draft of the Railway Board's Review is seen by the DAI and the opportunity is taken at that time to suggest incorporation therein of any important items that might be considered necessary by him.

489. The procedure for the check of Appropriation Accounts and the drafting of comments thereon has been dealt with in Chapter XX. The instructions given below should generally be observed in respect of the material to be included in the chapter dealing with "Financial Irregularities, etc." in the Railway Audit Report.

490. All matters connected with the Audit Report will receive the personal attention of DAI. Principal Directors of Audit should pay similar attention to all material sent by them.

491. *Selection of material*-The selection of material for Railway Audit Report should be generally under two categories (a) Schemes/ projects for comprehensive review/ appraisal and (b) individual cases of irregularities, losses etc., keeping in view the general principle that the Audit Report contains some useful practical lessons of general importance and/ or deal with questions of real financial impact, the mention of which is likely to have beneficial results.

(a) *Review/ Appraisal*- The Audit Report being the quintessence of audit work, the contents thereof have necessarily to be such as would adequately display the role of audit as rendering service to the Parliament and aid to the management. With these objectives in view there should be greater emphasis on comprehensive reviews of major schemes and projects undertaken by the Railways, so as to appraise the Parliament how far the schemes/ projects sanctioned by it have been efficiently and economically executed to yield the results expected of them and also the Railway Administration of the short-comings in planning and execution of the schemes and the resultant deficiencies in their objectives. It should be the endeavour of each Principal Director of Audit to contribute one or two local reviews each year to the Audit Report. For this purpose Principal Directors of Audit should select a few significant schemes/ projects or aspects of railway operations and send their proposals along with a brief note indicating the background of the schemes/ project, guidelines formulated for conducting the review, points sought to be highlighted etc. to the Headquarters office by 15th January every year. The Headquarters office will examine the brief note with reference to other relevant material available at Headquarters and in Railway Board's files and supplement with additional direction/ guidelines to the field offices.

Before selecting schemes/ projects for performance review, Principal Directors of Audit should, apart from studying budget papers, schemes/ projects files, performance budget, administrative reports relating thereto, also take into account material from other sources like debates/ questions in Parliament, discussions/ comments in newspapers, periodicals and journals. While selecting subjects for comprehensive reviews it would be desirable to discuss with the G.Ms/ FA&CAOs of the Zonal Railways/ Railway Production Units and their suggestions should be given full consideration.

Criteria for selection of various programmes for review should be the expenditure incurred, progress of projects/ schemes, benefits anticipated and realised etc., and not merely the possibility of highlighting a few irregularities. The object should be to assess how effectively the moneys and resources utilised to find out the shortcomings in planning and execution, organisational weakness etc., if any, and to quantify the deficiency in expected benefits so that a positive contribution could be made by Audit review.

After the schemes/ projects have been selected for review the collection of material required should be planned and undertaken by the Principal Directors of Audit. If necessary the relevant files of the Headquarters of the Zonal Railways and the Railway Board should be gone into and plan papers, documents, information etc., progress reports received by the Railway Administration for a proper follow up of the schemes and their results thereof should also be examined in detail. The reviews should be based on in-depth study, penetrating analysis of the facts and figures with adequate coverage of the schemes/ projects so as to enable dependable conclusions being drawn.

(b) *Individual cases*-Individual cases of wasteful and extravagant expenditure, loss, fraud or mismanagement of funds by either omission or commission, leakage of revenue, etc., should none the less be considered for highlighting inadequacies in the departmental rules and procedure or lapses in observing the prescribed procedure. Objections of repetitive nature need not be included in Audit Report year after year, unless these present some special features or serious irregularities or inadequacy of the corrective measures taken by the Railway Administration on the irregularities commented upon in earlier Reports. Same criteria should apply to cases dealing with irregularities which occurred some years ago and consequently may not evolve interest to the Public Accounts Committee. The tendency to include cases relating to points of principles should generally be resisted, if the financial considerations involved are unimportant. There may, however, be certain cases which may not be of sufficient importance to merit a mention individually but when considered along with other irregularities of the same or similar nature will enable some general conclusions to be drawn.

While it may not be desirable to prescribe a rigid monetary limit for selection of cases, only cases involving substantial amount, say Rs. 10 lakhs in cases of expenditure and Rs. 5 lakhs in revenue cases should normally be considered for inclusion in the Audit Report. However, cases, involving irregularities of similar nature on the same or on different Railways can be clubbed together for the purpose of applying this monetary limit. Nevertheless, this monetary limit may not preclude consideration of the cases presenting special features like serious procedural irregularities, lapses etc. or the mention of which in the Audit Report is likely to have beneficial results.

492. *Sources of material*- The sources from which cases are selected for mention in the Railway Audit Report will mainly comprise official correspondence, including sanctions of competent authorities, the results of continuous test audit, efficiency cum-performance audit and local inspection, as recorded in the audit notes, inspection reports and special letters as well as the register of objectionable items and important financial irregularities, losses, write-offs, etc.,

maintained by the Accounts Office. It is essential, therefore, that these documents should be dealt with carefully and thoroughly so as to furnish correct and complete information of the cases.

The register of losses and serious irregularities maintained in the Accounts Office in terms of paragraph 861 Indian Railway Accounts Code Vol. I should be regularly and systematically reviewed and draft paragraphs prepared on all important irregularities noted therein.

493. The annual reports published by each Railway Administration, works programme of the Railway, report of investigating/ inquiry Committees, important correspondence with the Railway Board e.g. Railway Reforms Committee's Report, Safety Commissioner's Report etc. (as periodically circulated to the various Departments), minutes of the meetings of Heads of Departments etc., may contain important factors affecting the working of the Railway which might not have come to notice in the test check of the accounts for the period of report. These should be examined to see whether there is any important material which may develop into individual draft paras and reviews for the Audit Report.

494. *Preparation of reviews and individual draft paragraphs-* When a particular scheme/ project/ topic is taken up for overall appraisal, the review should take the following form:

- (1) Background leading to the undertaking of the scheme/ project, financial details, sanctioned expenditure, variations in the estimates etc.
- (2) Summarised version of actual realisation of the objective or the extent of such realisation.
- (3) Specific points that have arisen as a result of scrutiny of records of the executive organisation at various levels, these should be grouped subjectwise.
- (4) While dealing with the specific points, it is not enough to mention facts. Reasons for situations obtaining should be analysed. If no reasons are on records, the facts should be clearly spelt out.
- (5) Mere presentation of statistical information without correlating it with audit comments should be avoided as it would unnecessarily make the review loaded with details not required or irrelevant.
- (6) Every paragraph in each section should be developed in such a way that the narration leads generally to a particular point or aspect intended to be brought out in the paragraph.

All important cases noticed during inspections or regular audit, which in the opinion of the Senior Audit Officer/Audit Officer merit inclusion in the Audit Report will be personally scrutinised by him. Such cases should be immediately brought to the notice of the Principal Director

of Audit who should give suitable guidance right from the initial stage to ensure that investigations are complete and all aspects are gone into and brought out in their proper perspective. As the draft paragraphs are generally the outcome of earlier audit notes, inspection reports, special letters and correspondence with the Railway Administrations, while reviewing them the Principal Director of Audit should ensure that the important objections are pursued expeditiously so that they may be included in the Audit Report with the least delay.

Whenever, it is felt that the Railway Board's files need to be reviewed for processing a draft paragraph, the Principal Directors of Audit may depute their staff for this purpose to Headquarters office which will render necessary assistance in the matter. The DAI may be freely consulted wherever necessary, as regards the suitability of particular subject or irregularities for comment in the Audit Report. The Principal Director of Audit should address DAI before criticising disciplinary action taken by the G.M. or before challenging any decision of the Railway Board. If any facts and figures pertaining to other Railways and/ or non-railway departments are considered necessary for presenting a case in its entirety and proper perspective or for strengthening the proposed comment, the Principal Directors of Audit should directly correspond with the Heads of the concerned Audit Offices for expeditious collection of the requisite data. Such cases need not be routed through DAI.

To enable proper and expeditious finalisation of cases for the Audit Report, it is necessary to have the facts thoroughly investigated and accepted at a fairly high level of the Railway Administration before a draft paragraph is issued. The Principal Directors of Audit should issue Reviews and Draft Paragraphs alongwith copies of supporting documents demi officially to the G.M./ F.A. & C.A.O and the Head of the concerned Department of the Railway, soliciting the Railway Administration's remarks including verification of facts and figures mentioned therein within a period of usually 8 weeks. Copies of the Draft Paragraphs thus issued should be simultaneously sent to DAI to enable him to review them and to the Executive Director (Accounts), Railway Board for follow up with the Zonal Railways.

495. Draft Paragraphs should not be prepared on insufficient data with a view to eliciting replies from the Administration, except in rare cases where this course is rendered necessary due to the information not being otherwise available and the subject matter losing its topical importance if further delay occurs in processing the case.

On receipt of the Railway Administration's reply the Principal Directors of Audit should examine and decide for themselves, either to pursue the case finally with a further probe, if necessary, of the Railway Administration's arguments or drop the issue if they are satisfied with the reply. When the Principal Director of Audit feels satisfied that the facts have been established beyond any dispute or controversies and the case merits inclusion in the Audit Report, he/ she should send his/ her recommendations to the DAI alongwith copies of the Railway Administration's reply and further audit comments thereon.

The drafting of paragraphs should receive the personal attention of the Principal Directors of Audit. The draft paragraphs should be self contained and bring out concisely the relevant events in a chronological order with adequate facts and figures marshalled in a logical sequence to highlight the irregularities, lapses etc., involved and financial consequences thereof. The procedural lapses or omissions or other lacunae that have contributed to particular situation need to be brought out so that the paragraph makes a meaningful reading and helps all concerned to draw lessons for the future. The presentation should be such that the conclusion automatically flows from the narration which should be brief. The language used should be simple and direct and the instructions regarding observance of anonymity kept in view.

It is unnecessary to indicate whether a particular irregularity was discovered or pursued by Accounts or Audit. The part, if any, played by the Accounts or Audit staff should however, be brought out while describing the irregularity.

Attention should not be focussed on internal differences of opinion between the Departments of the Railway or between a Railway Administration and the Railway Board.

DAI will prepare Provisional Paragraphs thereafter, Draft Paragraphs if considered fit for inclusion in the Audit Report, with such modifications as he may think necessary. The Provisional Paragraphs will be issued to the Railway Board with a copy thereof to the concerned Principal Director of Audit for verification of facts and figures. The Principal Directors of Audit will send their verification reports to DAI.

DAI will prepare draft paragraphs on matters arising from the scrutiny of Railway Board's contracts, sanctions etc. and issue them to the Railway Board. He may also prepare consolidated reviews on selected subjects concerning two or more railways in consultation with the Principal Directors of Audit. In such case, the required material should be sent to the office of the DAI duly vetted by the Railway Administration. With a view to ensuring that irregularities of a similar nature on more than one railway are grouped together and included in the same years' report, each Principal Director of Audit should, under advice to

Headquarters office, circulate copies of such draft paragraphs as he may consider necessary, to other Principal Directors of Audit for investigating the position on their Railways. DAI will prepare consolidated paragraphs in such cases taking into account the material furnished by the Principal Director of Audit, duly vetted by the Railway Administration.

496. *Register of draft paragraphs*-A register of draft paragraphs should be maintained in the Central Section of the Office. Each draft para after its approval by the Principal Director of Audit will be entered therein and the Assistant Audit Officer/ Section Officer of the section will watch the disposal through the register. The register should be put up to the Branch Officer and the Principal Director of Audit for inspection periodically as may be laid down by the Principal Director of Audit.

A list of draft paras awaiting acceptance of the Administration for over 8 weeks should be extracted and put up separately to the Principal Director of Audit, so as to enable him / her to see what special action is required in those cases.

497. The DAI will issue the provisional paragraphs to the Railway Board so that it may have an opportunity to discuss them and suggest modifications, if necessary, before inclusion in the Audit Report. Taking into account the remarks offered by Railway Board during discussion of paragraphs by way of defence and/ or factual verification, the paragraphs will be finalised by DAI and submitted for CAG's approval for inclusion in the Audit Report.

498. A draft paragraph once issued by the Principal Director of Audit should normally not be treated as closed or the objection withdrawn, until a final reply is received from the Administration and considered by the Principal Director of Audit in the usual course. Even in respect of cases not finding a place in the Audit Report, a formal reply from the Administration will be necessary as the Principal Director of Audit may like to pursue any pending points such as write-off of losses, fixation of responsibility for lapses and adoption of remedial measures etc., either at his own initiative or on the directions of DAI. The draft para may not be treated as closed, until a formal intimation to this effect is issued by the Principal Director of Audit to the Railway Administration.

499. *Date of issue of draft paragraphs-* As the material for the draft paragraphs is obtained generally from the results of internal check, test audit or inspections, there should be an even flow of such paras throughout the year. They should be forwarded to the Railway Administration etc., as and when they are ready. Ordinarily, draft paragraphs issued upto the 31st July, will be processed for inclusion in the Report in hand.

500. For proper appreciation of the facts of the case, sufficient additional details and copies of relevant correspondence that may have taken place between the Principal Director of Audit and the Railway Administration should invariably be sent to the DAI with the proposed draft paras and where none has taken place, the fact should be so indicated. Further development with copies of correspondence with the Administration, may also be reported for information of the DAI.

501. *Action in cases where the Railway Administration has not passed order-* Cases in which orders have not finally been passed by the Administration and on which regular draft paras cannot be prepared, should be reported to DAI for such further action he may deem necessary:

- (a) if they are of such extreme importance that they should be brought to the notice of the Railway Board or the Public Accounts Committee at the earliest opportunity, and
- (b) if there is unreasonable delay on the part of the Administration in passing the necessary orders.

The material forwarded to DAI under any of these categories should be specifically referred to as such.

502. *Further developments of material submitted for inclusion in the Report-* Principal Directors of Audit should intimate further developments duly accepted by the Administration, wherever necessary of all material (appropriation comments and draft paras) submitted for inclusion in the Railway Audit Report in hand to the office of the DAI in advance of the dates of the meetings of the Public Accounts Committee.

503. *Corrections to the Railway Audit Report-* After the receipt of the published Appropriation Accounts and Audit Reports, every Principal Director of Audit should scrutinise it for the purpose of observing whether cases which have arisen on other Railways indicate the necessity of investigation on his/ her railway, and such investigations should be taken and reported on if necessary in due course without any further instructions from DAI. He/ she should also arrange for an expeditious review and check of all the facts and figures given in the Audit Report, of transactions audited by him/ her and bring to the notice of DAI without delay any important corrections that he/ she considers necessary. He/ she should also bring to notice of the authorities concerned with the controlling of grants cases where he/ she has reason to believe that sufficient action has not been taken to apply the lessons of the appropriation accounts to their future administration of public funds. Any corrections found necessary in the report should be intimated to DAI as soon as possible, but not later than one month in advance of the date fixed for meetings of Public Accounts Committee.

504. *Memoranda for the Public Accounts Committee-* The Government of India have decided that memoranda should not be submitted by the Ministries to the Public Accounts Committee without taking into consideration any comments which the Audit Department may have to make concerning them and that such memoranda, if they mention figures which can be verified in audit, should state whether such figures have or have not been accepted in audit.

Memorandum on Railway Accounts received by DAI, should be checked expeditiously. Those that cannot be checked fully at the Headquarters office will be forwarded to the Principal Director of Audit concerned for check in consultation with the Chief Accounts Officers concerned where necessary, and return to the office of DAI without any delay.

505. *Application of these instructions to "Civil "grants -*These instructions also apply to any draft paragraphs which it may be considered desirable to prepare for the "Civil" grants e.g., interest-free advances, loans and advances bearing interest, with which the Railway may be concerned.

506. *The Finance Accounts of the Central Government and Audit Report thereon -* In addition to the Audit Report on the Appropriation Accounts, the CAG also submits an Audit Report on the Finance Accounts vide Chapter 2 of MSO (A&E) Vol. II. The material for this report is prepared partly by the Railway Board (Accounts) and partly by the DAI. In forwarding this material to the Director General of Audit, Central Revenues, the DAI will record a certificate in the form reproduced in para 8 of this manual.

CHAPTER XXIV

EFFICIENCY-CUM-PERFORMANCE AUDIT

507. *Introductory* Regularity audit and Propriety audit which are generally applied to individual transactions are alone not adequate for assessment of the performance of a project, programme, scheme or organisation in terms of its goals and objectives. Such an assessment can be made only on the basis of a comprehensive review of the working of the projects, programmes, organisations etc. in terms of their goals and objectives, to see how far the expected results have been achieved from the use of available resources of money, men and material. This audit is known as Efficiency-cum-Performance Audit of Economy, Efficiency and Effectiveness (Three Es) or Value for Money Audit (cf para 3.8.1 of MSO Audit and para 16 of Auditing Standards).

In the application of this standard, economy means acquisition/operation at the lowest possible cost, while efficiency is measured by the input-output ratio and adherence to the time schedule without wastage of resources. Effectiveness concerns the extent to which a programme achieves its goal or other intended benefits (c f para 16.1 of Auditing Standards).

A review of the working of a project/ programme/ organisation with a view to assessing and evaluating the achievements should cover financial, physical and socioeconomic aspects. It should be seen whether (i) the executing agency maintains an effective control over its income, expenditure, assets, resources and obligations, (ii) the available resources are optimised for minimisation of cost and maximisation of output and (iii) the agency's reports include specific, true and useful data. It should also be seen that (iv) the time specific goals/ targets set have been achieved and (v) the intended benefits to the community/ areas have accrued (c f para 16.2 of Auditing Standards).

508. *Organisation* - In the office of each Principal Director of Railway Audit, ECPA section has been constituted with one experienced Assistant Audit Officer and one or two Senior Auditors for conducting special investigations. The Assistant Audit Officer will work under direct supervision and control of the Principal Director of Audit. The programme of ECPA should be so arranged by the Principal Director of Audit that besides the Head office, it will also cover investigations relating to regional/ divisional offices of the Railway.

509. *Scope and procedure of work* - Efficiency-cum-Performance Audit is directed to the examination of the systems, procedures, planning, implementation, operational performance and monitoring of programmes, activities etc. It brings out among other things, weaknesses and deficiencies as also lapses of various types including those relating to individual transactions for appropriate action. The audit envisages a comprehensive review of the project/ scheme/ programme/ organisation to ascertain-

- (i) the achievement of physical and financial goals/ targets;

- (ii) the attainment of social and economic objectives envisaged;
- (iii) whether appropriate systems and procedure are in place and practised to ensure economy in operation;
- (iv) whether the utilisation of the resources is in accordance with the projected outlays; and
- (v) whether there are any cases of over payment, loss, extravagance, avoidable, excess or infructuous expenditure due to improper planning, incorrect sequencing of activity and operation, delays in completion of projects, over staffing, over capitalisation, overstocking, unsound pricing policy etc. (cf para 16.3 of Auditing Standards).

In addition to the review of the schemes and services undertaken by the Railways, the instances of other topics which may be usefully investigated in Audit are indicated in the Annexure which is only illustrative and by no means exhaustive.

The orders of the Principal Director of Audit should invariably be taken before any investigation is started so that he/ she may be satisfied as to its fruitfulness and the time and energy of the staff may not be wasted. As soon as it is known that a big project or any scheme for improvement/ modernisation of Railway operation or other services etc., has been launched by the Railway, the Principal Director of Audit should take up consideration of the question whether adequate accounting arrangements have been made and whether it would be necessary to set up a special section for conducting ECPA or if the existing section needs to be strengthened for the purpose. The intention is that such special arrangement should serve as a repository of all information relating to this project etc., important letters or sanctions relating to such project as well as sanctions involving unusual type of expenditure should be marked by the Head of the office for dealing in ECPA section

The programme of investigations to be conducted by ECPA section may be approved by the Principal Director of Audit quarterly. As soon as the Principal Director of Audit has approved of a subject for investigation, it will be noted in a Register, to be maintained by the Assistant Audit Officer of ECPA Section, which should show the progress of each investigation from time to time till completion. This Register should be submitted to the DAI when he visits the offices concerned on tour.

510. Selection of scheme/ project for review- It is neither practicable nor desirable to conduct Value for Money Audit on uniform pre-determined lines as projects, programmes etc. differ in their concepts, techniques of performance, nature of the objectives etc. Information available for analysis will also differ. Audit topics are generally selected on two grounds: firstly, to focus on audit expected to add maximum value in terms of improved accountability, economy, efficiency and effectiveness; secondly, to ensure appropriate coverage of programme, operations within the limitations of audit resources available. The selection of the projects/ schemes/ programmes for value for money audit should, therefore, be done with utmost care after making a preliminary study

taking into account the various factors apart from the financial outlays involved. Normally major schemes involving substantial amount with activities spread throughout the Railway should be selected. However, the complexity and the contents of the scheme and the apparent difficulties in implementation should also be a factor. The schemes which are implemented over one or two Railways should carry priority over the schemes which are implemented over the Indian Railways with a thin annual budget. Moreover, the schemes which are of interest to the public as well the members of the Public Accounts Committee merit selection [c f para 16.4 of Auditing Standards, para 2.5 of ASOSAI and para 3.8.4 of MSO, (Audit)].

Once a topic has been selected for audit, the audit team may conduct a preliminary study to further understand the activity under audit and identify fundamental issues. The preliminary study aims to provide sufficient justification to proceed to a performance audit or else to conclude any further work and report findings. At the end of preliminary study there will normally be a report to the Principal Director of Audit which summaries the findings of the study and recommends further action. If a performance audit is to proceed, the preliminary study report should identify the major issues to be pursued, define the audit objectives, scope and focus, estimate potential impacts and develop a timetable and resource budget to conclude a timely and defensible audit report. If a performance audit is not recommended, the team should prepare a short report to the Principal Director of Audit detailing the preliminary study conclusions (c f para 3.15 to 3.17 of ASOSAI).

511. Development of Audit Plan - A specific plan of audit should be chalked out in advance indicating the guidelines for investigation, marking out the offices/ field units to be visited and overall strategy for collecting relevant data, and the time frame for completing the review. Necessary formats and questionnaires should also be prepared for collection of important data relating to the various aspects of the scheme not only from the offices of units proposed to be visited but also from other units for consolidation and processing while preparing the review report.

Note: In respect of all India reviews selected by the Office of the Comptroller and Auditor General, the detailed guidelines in respect of each review will be issued by that office (cf para 3.8.9 of MSO Audit).

512. Review- The approach of audit should be systematic, methodical, logical and rational. The review should commence with an in depth study of the records in the offices of the concerned administrative departments and the Heads of Departments. While scrutinising the records, it has to be seen whether: -

- (i) objectives of the project/ scheme/ organisation have been clearly defined and are in conformity with the policies and decision of Government,
- (ii) programmes have been drawn up in accordance with these objectives and are being implemented by specific and well defined procedures,

- (iii) a good monitoring/ management information system exists for collecting reliable data and progress reports on implementation of the policies and programmes and whether the data is effectively utilised to improve organisation or remedy deficiencies with utmost speed,
- (iv) proper built-in control mechanisms in the prescribed system exist for effective control over various areas of implementation in order to check leakages, losses, avoidable and wasteful expenditure etc., and,
- (v) specified performance indicator exists (if not, the procedure followed or yardstick/ norm prescribed to assess the performance of the project/ scheme should be ascertained and its validity determined).

This approach, which in effect is a systems audit, will give necessary idea and guidance for further studies/ probes in the field units. The formats and questionnaires prepared for collection of detailed information from base level offices should be reviewed on the basis of the studies conducted and modified if necessary.

The next stage is carrying out the studies and collecting information from field units. The examination and audit scrutiny of selected samples of transaction and study should be thorough and complete without the need for a second visit to the same office. In order to have reasonable audit findings, it is necessary that sample size taken up for detailed checking in Audit is adequate and is fairly representative of the whole. Also, it will be useful to discuss details of the project/ scheme with the officers of the offices visited, for eliciting maximum information.

Some of the broad lines of examination in efficiency-cum-performance audit are given in sub paras (2) and (3) of para 2.2.42 of MSO (Audit.) Some of the other broad guidelines of field investigation are as follows:

- (i) It should be checked whether sound systems exist in respect of all disciplines of management control and monitoring mechanism and whether these are being followed both in letter and spirit at all levels including operational level. Weaknesses and lapses, if any, should be identified.
- (ii) Where the performance prima facie appears to be less than efficient, the reasons therefor should be ascertained and examined in detail, if found necessary, in consultation with concerned departmental authorities. Where performance indicators or efficiency norms are available, the performance should be compared with those to evaluate the efficiency.
- (iii) Reasons for delay in execution of projects should be analysed and bottlenecks, if any, identified.
- (iv) It should be seen whether techniques like PERT (Programme, Evaluation and Review Technique), guidelines for holding of inventories, yardsticks in respect of inputs and

outputs, review of utilisation of plant capacity and manpower, delegation of powers and the like exist and are put to use.

- (v) For assessing whether the returns anticipated are actually accruing, the benefits realised should be evaluated, comparing the actual cost benefit ratio with the projections made at the sanctioning stage.
- (vi) The extent of achievement of social objective should be assessed, e.g., where a scheme provides for subsidy to start Railway projects in backward areas, the achievement of social objectives will have an impact on development of the backward areas in different spheres such as increase in standard of living, per capita income, generation of employment potential, literacy, health, etc (c f paras 3.8.10 to 3.8.12 of MSO (Audit)).

513. *Reporting standards* - On the completion of each audit assignment, the Auditor should write a report setting out the observations and conclusions in an appropriate form; its content should be easy to understand and free from vagueness or ambiguity, include only information which is relevant and supported by sufficient and competent audit evidence and be independent objective, fair, complete and accurate, constructive and concise as the subject-matter permits (c f para 22 of Auditing Standards).

Given the amount of reporting required during an audit, the reporting process may be facilitated by the use of a continuous report writing process. This process may start at the beginning of the audit with an outline that develops into discussion papers, which are then brought together in the proposed report and further refined in the final audit report.

A number of points need to be emphasised in regard to performance audit reports:

- the value of the concise and sharply focused reports which brought out the significant issues of public administration;
- the need for a report to be based on accurate and objective information which is supported by sufficient evidence;
- the need for well developed and soundly based audit findings;
- the importance of a timely audit report to ensure that recommendations remain relevant;
- the benefit of sound and well developed audit methodology; and
- the importance of having fewer but meaningful audit findings rather than many related but lower level recommendations (c f paras 6.3 and 6.4 of ASOSAI).

At various stages during an audit, there may be a need for discussion papers to identify and discuss major issues that have emerged during the course of the audit. They serve to confirm facts with the department and to progress the development of audit findings and recommendations. While writing a discussion paper it is important to keep the final report in mind. Thus it is desirable that these papers be in the same logical structure as will be used in development of discussion paper (c f paras 6.5 and 6.7 of ASOSAI).

Discussion papers are an effective means of:

- ensuring that audit has stated the facts correctly;
- ensuring that audit has a correct understanding of the programme; and
- exploring significant early findings and recommendations with the department and obtaining its preliminary responses/ reaction (c f para 6.8 of ASOSAI).

A formal discussion may be held at the conclusion of the audit to ensure full understanding of the issues by both parties and assist the department in providing its comments for consideration in preparing the final report. The draft report provides the first opportunity for the department to see the full context of audit finding and conclusion in written form. The very purpose of this stage is to seek the formal responses of the department in discussion during the audit. Where department responses provide new information, the audit should assess this and be willing to modify the draft report, provided the usual standards of evidence are met (c f paras 6.12 and 6.14 of ASOSAI).

It is important that the report describes the objectives and scope of the audit so that readers can understand the purposes of audit and properly interpret the results. Any limitations on the scope of audit work and reasons therefor should be described in audit report. A scope limitation occurs for example, when the audit is unable to audit key organisational units or systems or to perform necessary audit procedure due to factors beyond the audit's control. The scope of audit can also be limited by the inability to identify suitable criteria. The audit would consider whether it is appropriate to comment in the report on the implication of the lack of suitable criteria for the activity being audited (c f paras 6.16 and 6.17 of ASOSAI).

The lay out of a review may be:

- (i) Introduction giving description of the scheme/ projects.
- (ii) Scope of Audit.
- (iii) Organisational Setup.
- (iv) Highlights.
- (v) Financial resources and expenditure.
- (vi) Physical and financial targets.
- (vii) Use of financial assistance/ resources.
- (viii) Utilisation of materials/ equipments.
- (ix) Utilisation of man power.
- (x) Components of the scheme-goals, achievements, shortfalls.

- (xi) Inventory.
- (xii) Operational costs-variable, fixed.
- (xiii) Assets and their use.
- (xiv) Social objectives-achievements, shortfalls.
- (xv) Monitoring and Evaluation.

While achievements of the project authorities should be given their due place in the review reports, the shortcomings like non-realisation of social and economic objectives, non-observance of time schedules and cost estimates, over-capitalisation, large overhead expenditure, over-staffing, idle personnel, work backlogs, delay in construction of projects resulting in increase in expenditure, absence of trained man-power, plants operating below rated capacities, idle plant and equipment, excessive inventories, absence of sound pricing policy, un-authorised occupation of Government lands, leakage of revenue, overpayments, losses due to pilferages or non-observance of proper procedure, improper, avoidable or in fructuous expenditure, etc. are to be highlighted in the review [c f paras 3.8.14 and 3.8.15 of MSO (Audit)].

ANNEXURE

(VIDE PARA 509)

SUGGESTIONS FOR ECPA INVESTIGATIONS

General

1. Audit of expenditure with reference to financial propriety.
2. Scrutiny of orders delegating financial authority.
3. Scrutiny of rules and orders affecting expenditure and receipt.
4. Scrutiny of expenditure which prima facie seems to be extravagant.
5. Investigation of serious financial irregularities.
6. Scrutiny of long-term sanctions, rate contracts, etc.
7. General scrutiny of ex-gratia payments.
8. Suggestions designed to develop revenue.
9. The reports of various committees, appointed by the Ministry of Railways to investigate the working of Railways to be scrutinised to see how far the recommendations are given effect to.
10. New schemes put in by the Ministry of Railways (Railway Board) pertaining to that railway. In respect of matters concerning all Indian Railways, DAI's office should do the investigation.

Establishment

1. Scrutiny of Travelling Allowance Bills of Heads of Departments and other High Officials who are their own controlling officers to see whether they show any special features, which are not noticed in the regular audit.
2. Scrutiny of countersignature on T.A. bills to see that the controlling officer is not showing undue laxity.
3. Review of T.A.bills with a view to suggesting a change of headquarters in order to effect economy in T.A. and to facilitate work
4. Scrutiny of T.A. bills, which disclose heavy and frequent charges for taxi and other actual expenses with a view to suggesting the fixation of a monthly conveyance allowance.
5. Scrutiny of temporary sanctions with a view to seeing the necessity for the post created, particularly in respect of the higher paid subordinate supervisory and gazetted posts.

6. Scrutiny of time-honoured and long standing practices and payments which are out of tune with present day conditions
7. Scrutiny of the rules and rates governing Government quarters with a view to seeing that fair return on capital invested is realised and that expenditure on repairs and maintenance is not excessive.
8. Possibility of reducing expenditure, particularly in establishments.

Works Expenditure

- 1 Comparison of rates prevailing in neighbouring localities and in other departments, for work done and supplies made
- 2 Scrutiny of lump sum contracts in different departments for similar work.
- 3 Review of tenders for works, scrutinising particularly the reasons for not accepting the lowest tenders. Also scrutiny of long-term contracts, involving heavy commitments.
- 4 Comparison of cost of staff with progress of work both physical and financial.
- 5 Scrutiny of "hurry" or rush purchase at high cost which might have been postponed and of expenditure incurred before schemes are finalised.
- 6 Tendency to create unnecessary posts for small Open Line Work, which might be supervised by permanent Open Line Establishment.
- 7 Delay in completion of works leading to retention of temporary establishment and consequential additional expenditure.
- 8 Financial stock taking of big projects and undertakings.
- 9 Justification for expenditure on works and whether it could be done more economically.
- 10 Comparison of expenditure on construction and maintenance with similar items on other Railways.
- 11 Examination of the extent to which departmental work is utilised in the works of the Railway and whether due consideration is given to the comparative cost and feasibility of departmental and contracts works in all possible cases.
- 12 Special examination of the review conducted in respect of works costing over Rs.50 lakhs.
- 13 Review of road transport services run by Railways.

- 14 Scrutiny of the adequacy of rates fixed by the Railways for consumption of electricity and water supplied to officers and staff.

Workshops

- 1 Examination of on cost charges in relation to the Supervisory staff, miscellaneous charges etc
- 2 Examination of idle time and overtime, with a view to elimination of wasteful methods, out-of-date practices etc.
- 3 Possibility of greater account control over attendance, operation and other records and over consumption of material.
- 4 Examination of security arrangements, gate-pass system, etc.
- 5 Scrutiny of bonus and piece-work systems, particularly in regard to the booking of time of the workers and quantum and quality of outturn.
- 6 Comparison of cost of various products with the cost of production in previous years and with the cost of production in other workshops of the Railway as well as private workshops in the locality so that the cost of production may be reduced if possible. If it is not possible, the question of obtaining articles at a cheaper rate from other Railway workshops or privately may be examined.
- 7 Examine whether any items purchased cannot be manufactured in the Railway workshops at cheaper rates. Even if Railway workshops could manufacture these articles at the same rate,, they could be manufactured in the Railway workshops as it would reduce the overhead charges of the Railway shops as a whole and thus reduce the cost of other items manufactured.
- 8 Propriety of equitable distribution of over-heads to the several jobs.
- 9 Examination of cost accounts labour records, register of fixed assets and planning and progress departments in the light of the model questionnaire in Appendix 3 of the Railway Audit Manual.
- 10 Review of the method of accounting, custody and disposal of scrap material in workshops and stores.
- 11 Wastage in the Foundry and Saw Mill shops-comparative study of the position on all railways.

Stores

- 1 Purchase and handling stores
- 2 Stocking arrangements and inventory control
- 3 Movement and disposal of stores
- 4 Uneconomical manufacture in shops.
- 5 Stock-taking arrangements
- 6 Examination of surplus stocks and stocking in excess of or in advance of requirements.

Revenue and Receipts.

- 1 Scrutiny of contributions recovered for services rendered with the object of suggesting an increase in the amount of contribution, where the cost of the services has gone up since the contributions were fixed.
- 2 Proper and full utilisation of railway lands and buildings, leasing out or relinquishment of surplus lands.
- 3 Rating and routing of traffic
- 4 Terminal arrangements, Review of conditions in respect of wagon supply, free time etc., in the light of present day conditions and with a view to receiving fair return for services rendered.
- 5 Scrutiny of arrangements with Tourist Agents.
- 6 Scrutiny of agreements without Agencies with a view to seeing that the arrangements do not confer undue advantage on the out agencies.
- 7 Ticket-less Travel- Scrutiny of measure to cope with this evil.
- 8 Quicker turn round of wagons as a whole to ensure that the wagons are put to the maximum use or advantage.
- 9 Reviewing the working of selected Marshalling yards/ transshipment-points.
- 10 Review of special services and operational scheme as launched by the Railway.

Statistics

Published Railway statistics (both local and all India) may offer a fruitful field for the application of ECPA, as indicated below:

- 1 The coal bill on every railway is usually very heavy, and the methods adopted for distributing coal controlling its consumption and utilising stocks to the best advantage are important. The efficacy of such methods can be judged by comparing the consumption of coal per gross tonne k.m. per train k.m. and per engine k.m. on different Railways and on the same Railway or Districts and Divisions for different periods and by comparing the proportion of freight charges to the cost of coal.
- 2 The efficiency of the workshops and the success of any scheme involving extensive remodelling or provision of improved machinery might be judged with the help of statistics giving expenditure per standard repair, the average period of detention to stock, the average k.m. run between consecutive repairs etc.
- 3 The propriety of concession in rates to any particular kind of traffic and of seasonal or standing concessions can be investigated with the help of statistics in respect of the various items forming the cost of operation.
- 4 Statistics relating to compensation claims paid will be useful not only in forming an idea of the efficiency of the arrangements for handling traffic or of the efficiency of the Claims Branch but also in examining the justification for the staff employed in connection with the Watch and Ward arrangements or for any addition thereto.
- 5 Review of the statistics relating to utilisation of rolling stock, under repair/ awaiting repair in workshops, empty haulage etc. will give an idea of the efficiency of operational performance.

Chapter XXV

INTERNAL AUDIT

514. General principles of Internal Audit:

The Internal Audit wing of the Office of the Principal Director of Audit (Railways) is of great importance as it provides an independent source of information and the factual position of the work in the office. It helps him to gauge the efficiency and effective working system and cause to direct any remedial measures that may be required for improving the quality and quantum of work in various sections. Thus the main purpose of internal audit is to see how far the auditing sections of the office are following the procedural rules and regulations, the prescribed percentage for Original Audit as well as Current Review, maintaining the various registers that have been prescribed, submitting the returns on due dates and generally functioning as efficient units of the office. The internal audit calls for an intelligent scrutiny of the works done in the various auditing sections and should therefore generally be entrusted to senior staff who are expected not only to detect defects and irregularities but also to suggest improvement in procedure (Refer Chapter 17 - Manual of Standing Orders (Audit) (First Edition) (1991) and Annexure thereto). The Internal Audit Section should also check the quality of audit work done and comment specifically on this aspect in their reports with a view to taking suitable steps to improve the quality of work where needed.

The Internal Audit Section is not intended to do and should not be saddled with other work and should be under the direct charge of the Head of Office/or one of his Deputies. Its functions are analogous to those of the Principal Director (Inspection). It can usefully supplement the work of the Principal Director (Inspection) and also serve as a liaison between him and the Audit Office in pursuing the objections raised by him till their final settlement and by issuing instructions to see that the irregularities pointed out by him do not recur.

515. Programme of Internal Audit:

The programme of internal audit should be so arranged by the Principal Director of Audit that all the sections of the Headquarters and Branch Audit Offices are covered in a cycle of two years.

516. Reports of Internal Audit:

The reports of internal audit along with the remarks of the Unit subjected to internal audit should be submitted to the Principal Director of Audit so that he may order necessary remedial action to prevent the recurrence of the defects and irregularities pointed out in the report.

517 Duties of Internal Audit Section:

- a) The Internal Audit Section will conduct a test check of the work of other sections of the office keeping in view the principles mentioned supra. Further, it is the duty of Internal Audit to see that the defects noticed are remedied by the Sections concerned and there is no

recurrence of such defects. Common defects noticed in a group of sections should be circulated periodically so that such defects may be guarded against in future.

- b) Besides the test check of the work done by other sections (vide (a) above) Internal Audit Section should independently check:
 - (i) one or two important items of audit work of each section to see whether the prescribed processes of audit have been correctly applied;
 - (ii) the entitlements of the salary etc. of the staff and officers;
 - (iii) the outstanding list of audit objections to see if there are any important issues which can be developed into draft paras.
- c) In addition to the points mentioned in the Annexure to Chapter 17 of Manual of Standing Orders (Audit), a list of items to be seen during the internal audit of unit audit offices is given in the Annexure to this chapter.

Annexure

(See para 517)

(A) List of items to be seen during internal audit of Unit audit offices

- i) Whether the prescribed programme of audit is being followed by the sections and whether the processes of audit employed in the section ensure a complete scrutiny of the records under audit.
- ii) The position of arrears and the periodical arrear reports submitted by the section concerned faithfully represent the actual position of arrears in that section.
- iii) Delays in the disposal of correspondence and whether these have been brought to the notice of the Branch Officer/Group Officer/Principal Director of Audit wherever necessary through the Arrear Reports prescribed.
- iv) The Calendar of Returns - whether returns shown as having been sent on the dates mentioned therein were actually sent on those dates.
- v) Whether queries made by the Principal Director of Audit or Deputy Director or Branch Officer are being attended to expeditiously.
- vi) Scrutiny of some Part II Audit Notes or Inspection Reports to see that objections meriting inclusion in Part I Audit Note or Inspection Reports are not included in Part II Audit Notes/Inspection Reports. Test check of the issue of Audit notes/Inspection Reports with a view to seeing whether there was any laxity at any stage in the issue of these reports.
- vii) Whether the files and other records of the section are maintained in a neat and systematic manner.
- viii) Whether the prescribed programme of audit is itself adequate or whether any modification or/addition is necessary to enable the Principal Director of Audit to record his annual certificate on the accounts of the Railway.
- ix) Whether the Selection-cum-Audit Completion Registers and Registers of Original Audit, Current Review, Post Review etc. are maintained properly and details of the vouchers/documents audited/reviewed are recorded in the concerned Registers.
- x) Whether in programming Station Inspections (Traffic Audit Inspection Section), the classification/categorisation of a station with reference to its earnings, periodicity of inspection, composition of the inspection party and the extent of supervision by the Branch Officer concerned are as per the extant orders on the subject.
- xi) Whether the Sectional Library has been maintained up-to-date by pasting correction slips and orders etc. received from time to time.
- xii) Whether proper arrangements are made to weed out old records which are due for destruction at regular intervals and to store the records of permanent nature.

(B) List of items to be seen in the internal audit of Administration:

1. Check of Service Registers and leave account of employees who are due to retire within next two years.
2. Registers of Medical Bills/Travelling Allowance Bills/Children's Educational Allowance, Reimbursement of tuition fees and other claims of employees to see that they are not unduly delayed.
3. Whether a proper system exists for drawl of money towards urgent contingent expenditure, its prompt payment to the suppliers concerned and whether it is being ensured that such monies drawn for a specific purpose are utilised for the intended purpose and are not retained unduly for considerable period.
4. Register of Abstract of Contingent Bills (AC Bills) to see whether detailed countersigned contingent bills (DC Bills) have been submitted within the stipulated period (30 days) from the date of receipt of money against AC Bills (cf. Rule 307 and 310 Treasury Rules, Vol.1).
5. Whether proper machinery exists for accountal of consumable and non-consumable items purchased out of the funds meant for Office Expenses and periodical stock taking of such of those non-consumable items.
6. Whether adequate arrangements exist for proper upkeep of all the office appliances - such as Personal Computers, Photocopying machines, Typewriters, Calculators, Water Coolers, Room Coolers etc.
7. Whether a systematic stock taking of all the dead stock items is prevalent and necessary follow-up action in regard to condemned items is taken.
8. Settlement of dues of retired/resigned/dismissed employees.
9. Register of advances granted to employees to see that recoveries are made correctly and in time; interest for interest bearing advances are assessed and recovered correctly and in time.
10. Scrutiny of monthly review report on the activities of Administration.
11. Deployment of manpower to achieve optimum utilisation and system of estimating the requirement of manpower.
12. System of attending to redressal of complaints/grievances of outsiders as well as staff.
13. System of ensuring timely disposal of disciplinary, confirmation cases, EB cases.
14. Stamp account.
15. Imprest Cash Account
16. Check of issue of passes/PTOs and return of the unused/used passes.

CHAPTER XXVI

Audit of Computerised system

518. *Introduction*

(i) Chapter XI of Section 2 of Manual of Standing Orders (Audit) deal at some length on the mechanics of audit of computerised systems. The instructions contained in this chapter supplement and complement those instructions.

(ii) Auditing standards prescribe the basic principle and practices to be followed in the conduct of an audit. These standards apply irrespective of the system of recording and processing of transactions. However, computer systems do record and process transactions in a manner which is significantly different from manual systems, giving rise to such possibilities as a lack of visible evidence and systematic errors. As a result, when auditing in a computer environment, the auditor will need to take into account additional considerations relating to the techniques available to him, the timing of his work, the form in which the accounting records are maintained, the internal controls which exist, the availability of the data and the length of time it is retained in readily useable form.

(iii) Computers have a wide range of capabilities and changes continue to be made as a result of new technology. With the introduction of smaller computers, there is a greater likelihood of weak internal controls. This will normally lead to greater emphasis being placed on substantive testing of transactions and balances, rather than on compliance testing. Furthermore, where smaller volumes of transactions are processed, substantive testing may be the more efficient method of obtaining audit evidence.

519. *Background*

(i) Audits are performed in a computer environment wherever computer-based accounting systems, large or small, are operated by an organisation for the purpose of processing information supporting the amounts included in the financial statements.

(ii) The nature of the computer based accounting systems is such that the auditor is afforded opportunities to use either the organisation's or another computer to assist him in the performance of his audit work. Techniques performed with the computers in this way are known as computer assisted audit techniques ("CAATS"), of which the following are the major categories:

(a) Use of "audit software"- computer programs used for audit purposes to examine the contents of the auditee's computer files;

(b) 'Use of test data'- data used by the auditor for computer processing to test the operation of the auditee computer programs.

(iii) Where there is a computer-based accounting system, many of the auditor's procedure will still be carried out manually. For instance, the ascertainment of the accounting system and the assessment of its adequacy, will normally be performed manually, and in appropriate circumstances the auditor may also decide to select manual audit techniques.

520. *Knowledge and skills*

When auditing in a computer environment, the auditor should obtain a basic understanding of the fundamentals of data processing and a level of technical computer knowledge and skills which, depending on the circumstances, may need to be extensive. This is because the auditor's knowledge and skills need to be appropriate to the environment in which he is auditing. Paragraph 8 of the Auditing Standards of Indian Audit and Accounts Department (IA&AD) states that 'the audit personnel assigned to conduct an audit should collectively possess adequate professional proficiency and competence for the task'.

521. *Planning, direction and supervision*

Paragraph 11 of 'Operational Audit Standards' (OAS) of the IA&AD states that 'the audit organisation and the auditor should plan the audit work to ensure high quality audit in a timely and economic, efficient and effective way'. Paragraph 12 lays down that the 'audit should be properly guided, directed and supervised'. The principles relating to planning, directing and supervising are the same in a computer environment as in other circumstances, but there are additional considerations that need to be taken into account.

(A) *Planning*

(i) In order to plan and carry out an audit in a computer environment, the auditor will need an appropriate level of technical knowledge and skill. As part of his additional planning considerations, he should decide at an early stage what effect the system itself, and the way it is operated, will have on the timing of and manner in which he will need to perform and record his work. The auditor should also consider the use of CAATs, as this may have a significant effect on the nature, extent and timing of his audit tests. As indicated in paragraph below, in certain circumstances, the auditor will need to use CAATs in order to obtain the evidence he requires, whereas in other circumstances he may use CAATs to improve the efficiency or effectiveness of his audit. For example, the availability of audit software may mean that substantive tests can be performed more economically or quickly than substantive tests performed manually, which may persuade him to place less reliance on internal controls and to reduce his compliance tests accordingly.

(ii) In choosing the appropriate combination of CAATs and manual procedures, the auditor will need, *inter alia*, to take the following into account:

- (a) Computer programs often perform functions of which no visible evidence is available. In these circumstances it will frequently not be practicable for the auditor to perform tests manually.
- (b) In many audit situations the auditor will have the choice of performing a test either manually or with the assistance of a CAAT. In making this choice, he will be influenced by the respective efficiency of the alternatives, taking into account:
 - (i) the extent of compliance or substantive testing achieved by both alternatives;
 - (ii) the pattern of cost associated with the CAAT;
 - (iii) the ability to incorporate within the use of the CAAT a number of different audit tests.
- (c) In some cases, the auditor will need to report within a comparatively short time scale. In such cases it may be more efficient to use CAATs because they are quicker to apply, even though manual methods are practicable and may cost less.

(d) There is a need before using a CAAT to ensure that the required computer files and programs are available.

(e) Where an auditee's accounting records include computer data, the auditor will need access to that data. In such a case, if the auditor wishes to use a CAAT, it is often necessary for the auditee to make computer facilities available to the auditor to discharge his responsibilities.

(B) Direction

(i) Whether or not audit is being carried out in a computer environment, audit procedure should always be controlled to ensure that the work has been performed in a competent manner. Where CAATs are used, however, particular attention should be paid to:

- a) the need to co-ordinate the work of staff with specialist computer skills with the work of others engaged on the audit;
- b) the approval and review of the technical work done by someone with the necessary computer expertise.

(ii) It is acceptable for an auditor to use a CAAT on copies of computer records or programs, provided he has taken steps to gain reasonable assurance that the copies are identical to the originals.

(C) Supervision

(i) The standard of the audit working papers relating to computer-based accounting systems, and the retention procedures in respect of them, should be the same as those adopted in relation to other aspects of the audit. Where technical papers differ materially from other working papers, for instance where they consist of computer output or magnetic media, it may be convenient to keep these separate from other working papers.

(ii) Where a CAAT is used, it is appropriate that the working papers indicate the work performed by the CAAT, the results of the CAAT, the auditors' conclusions, the manner in which any technical problems were resolved and may include any recommendations about modifications for future audits.

522. Accounting Systems

Paragraph 14 of 'Operational Audit Standards' states that the auditor should examine and analyse the financial statements to establish whether acceptable accounting standards for financial report and disclosures are complied with'. The principles relating to this are the same in a computer environment, but it should be borne in mind that many computer-based accounting systems are specified in far greater detail than non-computer-based accounting systems. In assessing the adequacy of the accounting system as a basis for the preparation of financial statements, the auditor is likely to receive a more detailed record of the auditee's system than would otherwise be the case.

523. Audit Evidence

(i) Paragraph 20 of 'Operational Audit Standards' states that 'due professional care should be exercised in specifying, gathering and evaluating evidence during audit'. The principles relating to the obtaining of audit evidence do not change when the audit is carried out in a computer environment.

(ii) However, the availability of computer facilities results in opportunities for auditors to use computers. CAATs may be used at various stages of an audit to obtain audit evidence. For instance, where the auditor chooses to place reliance on internal controls, he may use a CAAT to assist in the performance of compliance tests. He may also use CAATs to perform substantive tests including analytical review procedures.

524. *Internal Controls.*

(i) Paragraph 13 of 'Operational Audit Standards' states that 'sufficient understanding of the internal control system should be obtained to express an opinion on the reliability, fidelity and integrity of the systems and procedures of the entity and to plan the audit and to determine the nature, timing and extent of audit tests to be performed'. The principles relating to internal controls are the same in a computer environment as in any other environment, but there are additional considerations which are discussed below.

(ii) Internal controls over computer-based accounting systems may conveniently be considered under the following two main headings:

- (a) **Application controls:** These relate to the transactions and standing data pertaining to each computer-based accounting system and are therefore specific to each such application. The objectives of application controls, which may be manual or programmed, are to ensure the completeness and accuracy of the accounting records and the validity of the entries made therein resulting from both manual and programmed processing. These are in the nature of either preventative controls e.g. validation checks, or detective controls e.g. reconciliation of outputs with inputs.
- (b) **General controls:** These are controls, other than application controls, which relate to the environment within which computer-based accounting systems are developed, maintained and operated, and which are therefore applicable to all applications. The objectives of the general controls are to ensure the proper development and implementation of applications, and the integrity of program and data files, and of computer operations. Like application controls, general controls may be either manual or programmed. Application controls and general controls are inter-related. Strong general controls contribute to the assurance which may be obtained by an auditor in relation to application controls. On the other hand, unsatisfactory general controls may undermine strong application controls and exacerbate unsatisfactory application controls.

(iii) As with controls in other circumstances, the evaluation of application controls and general controls will be assisted by the use of documentation designed to help identify the controls on which the auditor may wish to place reliance. Such documentation can take a variety of forms but might consist of questions asking whether there are controls in a system which meet specified overall control objectives, or which prevent or detect the occurrence of specified errors or omissions. For application controls, an integrated set of control questions may be used covering controls over both the manual part and the programmed part of the application, and the impact of relevant general controls. A sample questionnaire is attached at Annex 1.

(iv) Where preliminary evaluation of the application controls and general controls discloses the absence of, or uncompensated weaknesses in, controls, and therefore the auditor cannot rely on the controls, he should move directly to substantive tests which may be assisted with the use of CAATs.

(v) However, where preliminary evaluation reveals application controls or general controls which meets the auditor's objectives, he should design and carry out compliance tests if he wishes to rely on those controls. In determining whether he wishes to place reliance on application controls or general controls, the auditor will be influenced by the cost effectiveness and ease of testing and by the following matters:

- (a) Where application controls are entirely manual the auditor may decide to perform compliance tests in respect of the application controls only, rather than to place any reliance on general controls. However, before he can place reliance on application controls which involve computer programs, the auditor needs to obtain reasonable assurance that the programs have operated properly, by evaluating and testing the effect of relevant general controls or by other tests on specific parts of the programs.
- (b) Sometimes, a programmed accounting procedure may not be subject to effective application controls. In such circumstances, in order to put himself in a position to limit the extent of his substantive testing, the auditor may choose to perform his compliance tests by testing the relevant general controls either manually or by using CAATs, to gain assurance of the continued and proper operation of the programmed accounting procedure. Where, as a result of his compliance tests, the auditor decides he cannot place reliance on the controls, he should move directly to substantive tests.
- (c) As indicated in paragraph 518 (ii), in a computer environment there is possibility of systematic errors. This may take place because of program faults or hardware malfunction in computer operations. However, many such potential recurrent effects should be prevented or detected by general controls over the development and implementation of applications, the integrity of the program and data files, and of computer operations. As a result, the controls which the auditor may evaluate and test may include general controls.
- (d) On the other hand, the extent to which the auditor can rely on general controls may be limited because many of these controls might not be evidenced, or because they could have been performed inconsistently. In such circumstances, which are particularly common where small computers are involved, if he wishes to limit his substantive tests, the auditor may obtain assurance from compliance tests on manual application controls or by tests on specific parts of the programs.

(vi) In performing compliance tests on application or general controls, the auditor should obtain evidence which is relevant to the control being tested. Procedures which the auditor may consider include observing the control in operation, examining documentary evidence of its operation, or performing it again himself. In the case of programmed application controls, the auditor may test specific parts of the programs, or re-perform them, by using CAATs. He may also obtain evidence by testing relevant general controls.

525. Review of financial statements

Paragraph 14 of 'Operational Audit Standards' states that 'analysis of financial statements should be performed to such a degree that a rational basis is obtained to express an opinion on the statements' Audit software such as **IDEA 5** can be of assistance to the auditor in carrying out some part of the analysis and generating exception reports.

526. Third party service organisations

Where an auditee uses a third party service organisation such as a computer service bureau or a software house for the purpose of maintaining part or all of their accounting records and

procedures, the auditor still has the responsibility to follow the 'Operational Audit Standards'. However, the auditor may encounter practical obstacles, as the auditee may be placing reliance on the proper operation of internal controls exercised by the third party. Consequently, where the auditor finds it impracticable to obtain all the information and explanations that he requires from the auditee itself, he should perform other procedures. These may include taking the steps he considers necessary to enable him to rely on the work performed by other auditors or carrying out procedures at the premises of the third party.

IT CONTROLS REVIEW

LEVEL 1 QUESTIONNAIRE

Client:			
Prepared by:	Date:	Reviewed by:	Date:

Purpose

Completion of a Level 1 IT controls review should be considered in planning an audit. Where a more detailed review of the IT control environment is required for client service purposes, using the Level 2 or 3 questionnaires should be considered.

A Level 1 review assists in: general controls, contributing to our assessment of the client's risk assessment process, overall control environment and information and communication framework;

- identifying general and specific internal controls that can subsequently be tested to produce audit evidence for one or more audit objectives;
- identifying material weaknesses, if any; and
- identifying other control weaknesses for reporting to management as appropriate and identifying client service opportunities.

The output from a Level 1 review is Notes for Reports to Management (MR) and a summary of considerations for the development of the *Control Overview Document (COD)*.

Preparation and Staffing

The *Audit Strategy Document* should contain information regarding the IT environment and general usage of IT in the entity and the general strategy to be adopted towards technology at the client's site. The strategy should also consider which level of ITCR to use. This document should be reviewed by the person completing the questionnaire prior to commencing the questionnaire work, as it contains information relevant to planning our review.

The answers to the questions on this worksheet would usually be determined by observation and enquiry, based primarily on discussions with the client's IT staff. As a general guide, a Level 1 review might be completed in half a day.

Questions

The worksheet is divided into 9 sections, consisting of generic questions applicable to all computing environments. Each section is headed by a management control objective that will usually be appropriate. Supporting questions provide information to assist the auditor in assessing management's response to the stated objective. For most of the supporting questions, there is a 'Consider', providing the reviewer with issues to think about when answering the question. The 'Consider' points are not mandatory; their aim is to provide guidance only.

The questions are **designed as an aid** to evaluating the IT control environment. It is essential that the engagement team, including specialists as appropriate, consider the applicability of each question in each engagement, noting that our primary responsibility is the impact of IT on the financial statements subject to audit and on the existence or otherwise of material weaknesses. It may be appropriate to simply summarise relevant information for a particular section. This decision is made by the specialist in conjunction with the audit team.

The auditor will usually describe the relevant control features in narrative in the 'Comments / WP Ref.' column, cross-referenced to supporting working papers as necessary. The 'Y/N' column is used to highlight overall conclusions and the 'MR' column to flag items for discussion with the client.

The person conducting the review concludes on each section. The headings set out below would be addressed as appropriate. It is not necessary to complete the questions for each section where these are not appropriate or relevant to the client or this is agreed during planning. The sections to be completed in detail will be agreed as part of the planning process.

OVERVIEW

Detailed Information / Summary

General IT Environment

Strengths

Weaknesses

AUDIT IMPLICATIONS

COD Effect

Material Weaknesses (to be advised to Management)

Issues for Specific Applications / Audit Objectives

Overall Conclusion

If issues are raised from this document, a decision should be made whether to include points, specifically for 'No' answers, in the Notes for Reports to Management, for discussion by the engagement partner with the client. This should be indicated in the column marked 'MR'.

The overall conclusion on the IT control environment in relation to our audit opinion on the financial statements is documented in the **Control Overview Document**. This will address both general controls and any issues related to the client's control environment and risk assessment process.

ORGANISATION AND MANAGEMENT	<i>Objective Satisfied</i> Y/N		
1. ORGANISATION & MANAGEMENT To ensure that the organisation's use of IT is cost-beneficial, reflects the business plan, is delivered within a control-conscious structure and is responsive to change.			Do not forget to ask ' Open Questions ' ie <ul style="list-style-type: none"> • tell me about..... • can you explain how..... • can you provide an overview of this area.....
	Y/N	MR Y/N	Comments/ WP Ref.
IT Strategy 1.1 Is there an appropriate and documented plan for IT for the next 1-3 years, including systems to be developed or enhanced over the next 1 - 3 years? <u>Consider</u> <ul style="list-style-type: none"> • Part of business strategy • Consistency with business strategy • Appropriate/current • Level / quality of personnel involved • Board briefing / approval • Associated tactical plans • Emerging technology • Breadth - eg. includes EUC 			
<u>IT Planning and Management</u> 1.2 Is there an appropriate level of user management direction and involvement in IT? <u>Consider</u> <ul style="list-style-type: none"> • Board awareness • Cost/benefit review and variations • Budget/forecasts and comparisons • IT Steering Committee • Informal communication of IT strategy • User management representation • Individual project committees • Reporting against strategy • Terms of reference 			

**Organisation and Management
Level 1 questionnaire**

ORGANISATION AND MANAGEMENT	Y/N	MR / Y/ N	Comments / WP Ref.
<p>Computer Security Policy</p> <p>1.1 Are there appropriate formal computer security polies / procedures?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Approval at board level • Objectives • Scope and coverage • Definition of responsibilities • Responsibility for monitoring or update • Distribution to staff • Privacy / copyright issues • Information confidentiality / security 			
<p>End User Computing</p> <p>1.4 Does management provide appropriate direction on end user computing?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • End user computing policy / procedures • Software licensing or copyright • Use of standard software • Anti – virus procdures • Security • Distribution to staff • Use of report writers and 4 GLs 			
<p>Internal Audit</p> <p>1.5 Is internal audit appropriately involved in IT developments and operations?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Terms of reference • Organisation chart • Independence • Expertise in IT • Training or experience • Coverage and focus of IT areas • Review • Action on Findings 			

**Organisation and Management
Level 1 questionnaire**

ORGANISATION AND MANAGEMENT	Y/N	MR / Y/N	Comments / WP Ref.
<p>Control Consciousness</p> <p>1.6 Is the attitude of management and the structure of the organization conducive to control consciousness?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • IT risk assessment • Consideration of control issues in new system • Treatment of security breaches • Responsibility for security 			
<p>Document Retention</p> <p>1.7 Are there appropriate policies and procedures in relation to retention of electronic records?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Extent of electronic records • Awareness of management • Future requirements • Written policies 			
<p>Personnel</p> <p>1.5 Are the personnel policies and the skills and experience of personnel involved in IT appropriate?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Hiring policy • Experience / skills • Training • Performance Assessments • Termination procedures • User training • Dependency on key people 			

**Organisation and Management
Level 1 questionnaire**

ORGANISATION AND MANAGEMENT	Y/N	MR / Y/N	Comments / WP Ref.
<p>Outsourcing</p> <p>1.9 Where the organization sues third parties to process data, does it have appropriate procedures in place to address associated risks?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Contractual arrangements • Performance (service agreements) • Security • Confidentiality • Review of pricing / service • Level of dependence / known to the Board • Audits • Overriding in-house controls 			
<p>IT Investment</p> <p>1.10 Are procedures in place to ensure the investment in hardware and software is appropriately valued?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Policy for capitalizing / expensing • Costing process (formal) • Review against expected changes / expenditure • Potential changes • Impact of new technology 			
<p>Insurance</p> <p>1.11 Does the organization have adequate insurance cover relating to its IT risks?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Hardware • Loss of profits / increased cost of working • Cost of recovery • Fraud / confidentiality • Insurance requirements on business (ie policy stipulations) 			

ORGANISATION AND MANAGEMENT	Y/N	MR / Y/ N	Comments / WP Ref.
<p>Legal and Regulatory</p> <p>1.12 Are appropriate processes in place to ensure compliance with legal, regulatory and other standards ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Taxation / corporations requirements • Privacy requirements • Copyright • Industry • Other regulations • Evidence of compliance 			

**Organisation and Management
Level 1 questionnaire**

SEGREGATION OF DUTIES	Objective Satisfied Y/ N		
<p>2. To ensure there is reasonable segregation of duties for staff, both within the IT department and between the IT and user functions, to prevent and / or detect errors or irregularities.</p>			<p>Do not forget to ask ‘Open Questions’ ie</p> <ul style="list-style-type: none"> • tell me about..... • can you explain how..... • can you provide an overview of this area.....
<p><u>Organisation Structure</u></p> <p>2.1 Is the organization structure appropriate and formally recognised ? (Obtain a copy)</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Appropriateness of IT reporting • Size / style of operations versus needs 	Y/N	MR / Y/ N	Comments / WP Ref.
<p>Segregation of Duties – IT</p> <p>2.2 Is segregation of duties within the IT department appropriate for the size of the organization and the nature of its risks ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Segregation of functions eg <ul style="list-style-type: none"> - Number of IT staff - Systems programmers - Application programmers - Database administrators - IT operations - Data input - Network operations - Security • Reliance on key personnel • Reliance on contract staff • Segregation from user management 			

**Segregation of duties
Level 1 questionnaire**

SEGREGATION OF DUTIES	Y/N	MR Y/ N	Comments / WP Ref.
<p><u>Segregation of IT / Users</u></p> <p>2.3 Are IT responsibilities appropriately limited ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Segregation from user management • Access to powerful IDs • Responsibility for initiating or authorising transactions • Custody of valuable or moveable assets • Amendments to master files / other data • Correction of input errors • Audit trails / review 			

**Third Party Computer Services
Level 1 questionnaire**

LOGICAL ACCESS CONTROLS	Objective Satisfied Y/ N		
<p>3. LOGICAL ACCESS CONTROLS To ensure that unauthorised access cannot be gained to sensitive data or programs.</p> <p>To ensure that the environment in which the systems are run protects their confidentiality, integrity and reliability.</p>			<p>Do not forget to ask ‘Open Questions’ ie</p> <ul style="list-style-type: none"> • tell me about..... • can you explain how..... • can you provide an overview of this area.....
	Y/N	MR / Y/ N	Comments / WP Ref.
<p><u>Identification of Sensitive Data / Applications</u></p> <p>3.1 Does management have appropriate procedures in place to identify sensitive data and applications ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Security policy • Review of critical data during development • Risk assessment process 			
<p><u>User Access Restrictions – design</u></p> <p>3.2 Have appropriate security measures been implemented to restrict users’ access to data and programs ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • User – id and passwords • Menu facilities • Management approval of menu options • Unique IDs • Mandatory menus 			

**Logical access controls
Level 1 questionnaire**

LOGICAL ACCESS CONTROLS	Y/N	MR / Y / N	Comments / WP Ref.
<p><u>User Access Restictions - effectiveness</u></p> <p>3.3 Are these measures appropriately designed and operated to be effective ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Regular change of passwords (Note how often) • Password lengths • Protection of passwords • Termination procedures • Reporting of security breaches 			
<p><u>IT Access</u></p> <p>3.4 Are development staff prevented from accessing data and software in the production environment ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Segregation of production and test environments • Procedures for emergency changes eg <ul style="list-style-type: none"> - documentation - review 			
<p><u>Remote Access</u></p> <p>3.5 does management have appropriate procedures in place to control remote access ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Remote access by service providers • Dial in by users • Dial in by IT personnel • Dialback / passwords etc. 			

**Logical access controls
Level 1 questionnaire**

LOGICAL ACCESS CONTROLS	Y/N	MR / Y/N	Comments / WP Ref.
<p><u>Control Over Powerful IDs / Utilities</u></p> <p>3.6 Is the allocation, authorisation and use of powerful user – ids or passwords appropriately controlled and monitored ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Number of personnel with access • Extent of user access • Compensationg protection (eg. access controls) • Reporting of activity 			

**Logical access controls
Level 1 questionnaire**

PHYSICAL ACCESS CONTROLS	Objective Satisfied Y/ N		
<p>4. PHYSICAL ACCESS CONTROLS To ensure that the risk of accidental or malicious damage to, or theft of, computer equipment or media is minimised.</p>			<p>Do not forget to ask ‘Open Questions’ ie</p> <ul style="list-style-type: none"> • tell me about..... • can you explain how..... • can you provide an overview of this area.....
<p><u>Physical Security</u></p> <p>4.1 Is there adequate physical security over computer equipment, data, media and documentation ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Buildings (including the protection of terminals) • Computer room • Communications equipment • Fire proof storage for magnetic media • Fire prevention or detection • Offsite storage • Environment protection • Power continuity 	Y/N	MR / Y/ N	<p align="center">Comments / WP Ref.</p>

**Physical access controls
Level 1 questionnaire**

<p>SYSTEMS DEVELOPMENT, MAINTENANCE AND CHANGE CONTROL</p> <p>5. To ensure systems are available when needed, function as required, are reliable, controllable and cost – effective, have strong data integrity controls and satisfy users’ needs.</p> <p><i>The client may use packages, in – house developed or externally developed software or a combination.</i></p>	<p>Objective Satisfied Y/ N</p>		<p>Do not forget to ask ‘Open Questions’ ie</p> <ul style="list-style-type: none"> • tell me about..... • can you explain how..... • can you provide an overview of this area.....
<p><u>In – house developments / modifications</u></p> <p>5.1 For in-house developed systems and major modifications, is there an appropriate methodology ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Note the methodology eg <ul style="list-style-type: none"> - SSADM (Structured Systems Analysis & Design Methodology) • Confidentiality, integrity, availability, control and auditability built into the development methodology. • Internal procedures developed by the systems development team • Prototyping software (eg 4th Generation Language) • Programming standards 	<p>Y/N</p>	<p>MR / Y/ N</p>	<p>Comments / WP Ref.</p>

Systems development Level 1 questionnaire

SYSTEMS DEVELOPMENT, MAINTENANCE AND CHANGE CONTROL	Y/N	MR / Y/ N	Comments / WP Ref.
<p><u>Package software support</u></p> <p>5.2 Are packages appropriately supported and maintained ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Maintenance agreement with the supplier • Changes and upgrades checked and tested before installation • Source code provided <ul style="list-style-type: none"> - Measures to prevent unauthorised access to the software • If the software is owned by the supplier – escrow agreement • Implications of in – house modifications • Stability / Penetration of package software / supplier 			
<p><u>Third party development / maintenance</u></p> <p>5.3 Is there adequate assurance as to the quality and cost / benefit of developments provided by external parties ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Cost management • Reputation • Quality of contacts / personnel • Standards • Size of market • History 			
<p><u>Project Review by Management</u></p> <p>5.4 Do management effectively review the progress of new developments (cost and timing) and costs of computing resources ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Reporting to senior management • Forecasts / budgets • Costing method • Monitoring process • All costs captured 			

SYSTEMS DEVELOPMENT, MAINTENANCE AND CHANGE CONTROL	Y/N	MR / Y/ N	Comments / WP Ref.
<p><u>User Involvement in Development</u></p> <p>5.5 Are users appropriately involved in the systems development process ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Specification of requirements • Contribution to priority setting • User sign offs • User acceptance testing • Training • Formal approval before implementation • Development of user manuals etc • IT views 			
<p><u>Restriction on Transfer to Production</u></p> <p>5.6 Are there appropriate restrictions over implementing new programe versions into production ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Access controls • Developers not able to move programs into production • Audit trails of promotions to production 			
<p><u>Documentation</u></p> <p>5.7 Is suitably comprehensive systems and program documentation produced ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Systems overview • Compliance with standards • System documentation • Operating instructions • User documentation 			

SYSTEMS DEVELOPMENT, MAINTENANCE AND CHANGE CONTROL	Y/N	MR / Y/ N	Comments / WP Ref.
<p><u>Change Control Procedures</u></p> <p>5.8 Are program change control procedures appropriate ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Program change documentation • Management authorization • Test procedures • User involvement in authorising and testing • Emergency changes • Record of changes (overall and detailed) 			

**Segregation of duties
Level 1 questionnaire**

BUSINESS CONTINUITY	Objective Satisfied Y/ N		
<p>6. BUSINESS CONTINUITY To minimize the likelihood of a major failure and ensure that the business will be able to resume effective operations (within a reasonable period of time) in the event that the existing processing facilities are no longer available.</p>			<p>Do not forget to ask ‘Open Questions’ ie</p> <ul style="list-style-type: none"> • tell me about..... • can you explain how..... • can you provide an overview of this area.....
<p>Risk Assessment – Business Disruption</p> <p>6.1 Have the business’s critical systems been identified ? <u>Consider</u></p> <ul style="list-style-type: none"> • How long could the business operate effectively without their critical computer systems ? eg. hours, <7 days, etc 	Y/N	MR / Y/ N	Comments / WP Ref.
<p><u>Business Continuity</u></p> <p>6.2 Has an appropriate business continuity plan been documented ? <u>Consider</u></p> <ul style="list-style-type: none"> • Regular review and update of the plan (Note when it was last updated) • User procedures • Board approval • Scope, eg central systems and end-user computing; in-house and third party services; IT and user input. 			

**Business continuity
Level 1 questionnaire**

BUSINESS CONTINUITY	Y/N	MR / Y/ N	Comments / WP Ref.
<p>Back Up Frequency</p> <p>6.3 Are back up copies of data files and programs taken sufficiently regularly ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Timing of backup • Frequency • Relationship to critical processing /changes • Major processing cycle times • Data volumes between offsite backups • Recoverability of input documents 			
<p>Back up Composition</p> <p>6.4 Are the following appropriately backed up ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Data files • Programs • Systems software • Systems documentation • Operating procedures • User procedures • Disaster Recovery Plan 			
<p>Back Up Security / Location</p> <p>6.5 Are back up copies held in a secure location both locally and remote from the computer site ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Records of media movement • Authority to move media • Appropriateness of onsite and offsite storage locations • Exercising of backup to ensure recoverable 			

**Business continuity
Level 1 questionnaire**

BUSINESS CONTINUITY	Y/N	MR / Y/ N	Comments / WP Ref.
<p><u>Testing of Recovery</u></p> <p>6.6 Are the back – up and recovery procedures appropriately tested ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Time taken to recover • Processing on recovery • Tested after major changes to system and system software • Frequency of testing • Date and result of last test • Effectiveness of test • Changes in systems software which may impact recovery 			
<p><u>Disruption Prevention / Minimisation</u></p> <p>6.7 Are the business systems and operations effectively designed to minimize disruption?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Protection against ‘hacking’ • Alternate routing of networks • Component replacement • Supplier support of hardware • Preventive maintenance 			

**Business continuity
Level 1 questionnaire**

IT OPERATIONS	Objective Satisfied Y/ N		<i>Summary of findings</i>
<p>7. To ensure that the ‘platforms’ on which systems are run are correctly sized, available and reliable and the right systems are run at the right time.</p>			<p>Do not forget to ask ‘Open Questions’ ie</p> <ul style="list-style-type: none"> • tell me about..... • can you explain how..... • can you provide an overview of this area.....
	Y/N	MR / Y/ N	Comments / WP Ref.
<p>Operations Procedures</p> <p>7.1 Are operating procedures appropriately documented ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Processing requirements / schedule • Recovery or restart procedures • Emergency changes • Incident reporting • Housekeeping • Program inter-dependencies 			
<p><u>Supervision of Operations</u></p> <p>7.2 Are operations functions adequately supervised ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Supervisory procedures • Experience • Training • Operating procedures documentation • Review of processing logs • Operations activities performed by users 			

**IT operations
Level 1 questionnaire**

IT OPERATIONS	Objective Satisfied Y/ N		<i>Summary of findings</i>
<p><u>Communications Management</u></p> <p>7.3 Are there appropriate procedures in place to provide for reliability and continuity of network transmissions ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Network capacity and performance monitoring • Network security • Alternative routing • Physical security of network components • Documentation of physical / logical network 			
<p><u>Documentation of Procedures</u></p> <p>7.4 Are job processing procedures appropriately documented ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Job scheduling • Authorisation procedures • On-line processing requirements • Batch processing requirements • Back up and restart or recovery procedures • Job overrides or emergency changes • Housekeeping • Output distribution 			
<p><u>Monitoring of Operations</u></p> <p>7.5 Are operations effectively monitored ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Analysis of errors / problems • Capacity review • Performance monitoring • Review of bottlenecks • Network capacity review 			

<p align="center">USER MANAGEMENT</p>	<p align="center">Objective Satisfied Y/ N</p>		
<p>8. User Management</p> <p>To ensure that IT systems satisfy the business needs.</p> <p><i>eg Finance Director / Fianacial Controller / Chief Accountant</i></p>			<p>Do not forget to ask ‘Open Questions’ ie</p> <ul style="list-style-type: none"> • tell me about..... • can you explain how..... • can you provide an overview of this area.....
<p><u>User Satisfaction – Systems</u></p> <p>8.1 Are users satisfied with the critical information systems ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Correctness / completeness • Management information • Timeliness of reporting • On-line help facilities • User friendly facilities • Response times • Cost • Timeliness of delivery 	<p align="center">Y/N</p>	<p align="center">MR / Y/ N</p>	<p align="center">Comments / WP Ref.</p>
<p><u>User Satisfaction – Service</u></p> <p>8.2 Are users satisfied with the service from the IT function ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Help desk • Program change • Ad hoc requests • Turn around speed on user requests • Timeliness of delivery • Backlog of requests 			

**User Management
Level 1 questionnaire**

USER MANAGEMENT	Objective Satisfied Y/ N		
<p><u>System Stability</u></p> <p>8.3 Are the systems stable ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • User / IT problems • Extent of modifications • New systems planned • Record of / Reason for errors • Record of / Reason for changes • Age of systems / extent of modification 			

**User Management
Level 1 questionnaire**

SYSTEM SOFTWARE ACQUISITION AND MAINTENANCE	Objective Satisfied Y/ N		<i>Summary of findings</i>
<p>9. To ensure that the integrity of the operating system is maintained and that the system software is adequately secured.</p>			
<p><u>Authorisation / Testing of Upgrades</u></p> <p>9.1 Are all system software upgrades properly tested and authorised before they are implemented ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Impact assessment • Extent of test • Upgrade co-ordination 	Y/N	MR / Y/ N	Comments / WP Ref.
<p><u>Documentation</u></p> <p>9.2 Is appropriate system documentation prepared in terms of the design and content of system software ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Maintenance procedures • Currency • Completeness • Offsite copy 			
<p><u>Suitability</u></p> <p>9.3 Are appropriate versions of system software used ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Currency of current versions • Vendor support or supplier maintenance contact • Staff training / experience • Use of system exits / modifications 			

SYSTEM SOFTWARE ACQUISITION AND MAINTENANCE	Y/N	MR / Y/ N	Summary of findings
<p><u>Records</u></p> <p>9.4 Is an appropriate record maintained of existence and operation ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • All system software installed • All internally generated modifications or extensions • All system software problems encountered 			
<p><u>Security</u></p> <p>9.5 Are all programs and data files (compilers, assemblers, link editors, macro libraries, source libraries etc.) used to construct and maintain system software adequately protected ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Identification of protected datasets • Use of access control software • Update authorisation procedures 			
<p><u>Control over Utilities</u></p> <p>9.6 is appropriate control exercised over the use of system utility programs ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Access by users • Reporting of access <ul style="list-style-type: none"> - datasets accessed - changes made • Security over datasets directly 			

**User Management
Level 1 questionnaire**

<p>END USER COMPUTING</p>	<p>Objective Satisfied Y/ N</p>		
<p>10. To ensure that the best use is made of EUC without introducing unnecessary cost, duplication or risk.</p> <p><i>EUC includes PCs, 4 GLs and general or special purpose report writers.</i></p>			<p>Do not forget to ask ‘Open Questions’ ie</p> <ul style="list-style-type: none"> • tell me about..... • can you explain how..... • can you provide an overview of this area.....
	<p>Y/N</p>	<p>MR Y/ N</p>	<p>Comments / WP Ref.</p>
<p>10.1 Policy and management</p> <p>Have appropriate policies and procedures been developed and distributed ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Security requirements • Authorised software • Authorised hardware • Programming requirements • Testing • Documentation • Backup 			
<p>10.1 Security and Control</p> <p>Are appropriate controls in place to protect the organisation against data corruption, loss or loss of confidentiality ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Virus detection software • Virus management (including action in event of virus infection) • Access control software (local / network) • Utilities, PC tools • Restrictions on updates via 4GLs • Physical security procedures • Backup 			

IT OPERATIONS	Objective Satisfied Y/ N		
<p>10.3 Procedural Control and Documentation</p> <p>Are appropriate installation standards in place to control the implementation of new software ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Standard configurations • Selected / approved software • Authorised software (eg. no games) • Licensed versions 			
<p>10.4 End User Development</p> <p>Are controls in place to monitor and / or authorise the development of spread sheets, reports, databases and applications ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Inventory of systems • Review of development • Specification of requirements 			
<p>10.5 Documentation</p> <p>Is the documentation for models, spread sheets, reports, etc. adequate ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Central guidelines • Quality control or peer reviews 			
<p>10.6 Testing</p> <p>Are models, programs and reports sufficiently tested before going into production or 'live' ?</p>			
<p>10.3 Inbuilt Controls</p> <p>Are appropriate controls built into user developed models, spread sheets etc ?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> • Cross totals • Integrity checking • Locked formulae • Controls over downloads 			

Client:

Notes for Reports to management

MR Ref	Issue	ITCR Ref
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		

APPENDIX – 1

(See Paragraph 96)

Rules regarding the weeding and destruction of records in Audit Offices
(See Chapter XII of the Manual of Standing Orders (Admn), Vol. I and Para 96)

All records (i.e. registers, guard files, etc.) made over to the Old Record Branch should be properly bound or otherwise secured. Each of them should have recorded on them in a conspicuous place over the dated initials of the persons authorised, the year in which it is to be destroyed. The old record branch should refuse to accept any records which are not complete in the above respect.

Note- The above information in respect of registers and records which do not have their subjects clearly specified on their face should be recorded in block letters and figures in index slips to be pasted on such registers or records.

On receipt in the old Record Branch relevant particulars relating to the records will be entered in a register, special care being taken to fill in correctly the column relating to the year of destruction. The entries in the register should be neatly written and the items comprehensively described.

The form which should be printed on strong paper will be bound into registers of sufficient thickness to last for about 3 years. These registers will be a permanent record and should be carefully preserved. The pages of each register should be serially numbered and the volumes brought into use from time to time should also be numbered in a consecutive series. When a new volume is brought into use, the old volumes should be closed by preparing on its fly leaf single index to show in what years the records named in it are due for destruction.

The Principal Directors of Audit will have discretion to use any available methods in the maintenance of this register, so long as the general spirit of these rules is not violated.

Permanent preservation of records in Railway Audit Offices should be very rare and the DAI will welcome suggestions for a reduction of any of the periods specified in the list below.

At certain times in each year, to be fixed by the head of the office, the weeding of records for destruction will be taken in hand under the supervision of any AAO/ Section Officer. The entries in the column relating to the year of destruction will indicate which records are due for destruction in any particular year. When selecting the records for destruction, it will be necessary to consult all the earlier volumes of the register, and it is to facilitate this part of the work that an 'Index' has been prescribed in the previous rule.

No records will actually be destroyed except with the sanction of the head of the office. For this purpose a list will be made out in September each year in a bound register of all the records weeded out for destruction and his approval thereto will be obtained in writing. This register should be carefully preserved as being the actual authority for the destruction of the records detailed in them.

AAOs/ Section Officers while marking cases for destruction should clearly indicate the papers that should be burnt being of a secret or confidential nature. The staff deputed to supervise

the actual destruction should personally see that such papers are properly burnt and records a certificate to that effect.

When the destruction has been completed the staff in charge will, under his dated initials, write against the items in the “Remarks” column of the register the word “Destroyed” and also give a reference to the orders of the head of the office sanctioning the destruction.

Records are due for destruction on the expiry of the periods noted against each in Annexure to Chapter XII of the MSO (Admn.), Vol. I and in the list below. Where an item has not been specified the period of preservation should be fixed by the Principal Director of Audit and mentioned in the local office manual.

List showing the periods for which Records should be preserved.

Sl. No.	Description of records	Period of preservation expressed in terms of complete accounts years
1.	(a) Attendance Registers (b) Casual leave Register	3 years 1 year
2.	Calendar of Returns	2 years
3.	Papers relating to the scrutiny of the Appropriation Accounts	5 years
4.	(i) Rules relating to Advances	Permanent in the case of Departments issuing the rules, orders and instruction; other Departments need keep only the standing rules, etc., weeding out the superseded ones as and when they become obsolete.
	(ii) Grant of car advance Grant of conveyance allowance Grant of cycle allowance Grant of festival advance Grant of GPF advance Grant of house building advance Grant of motor cycle/ scooter advance Grant of pay advance Grant of T.A advance Grant of other advances	1 year subject to: (i) suitable entries being made in pay bill register; and (ii) in case of motor car/ motor cycle/ scooter and house building advances: (a) copies of sanction being placed on personal files; and (b) mortgage deeds and other agreements executed being kept separately in safe custody for the period they are valid.
5.	Papers relating to the temporary establishment.	3 years
6.	Statement of monthly expenditure	2 years
7.	Travelling allowance bills	3 years or one year after completion of audit, whichever is later
8.	Register of Contingent expenditure	-do-
9.	Papers relating to office furniture	2 years
10.	Appeals regarding dismissal, discharge from Government service.	5 years
11.	Appeals regarding leave	3 years
12.	Papers relating to commutation of pension	15 years
13.	Papers relating to Telephone connections	2 years

Sl. No.	Description of records	Period of preservation expressed in terms of complete accounts years
14.	Papers relating to liveries of Group D staff	2 years
15.	Papers relating to purchase of books	2 years
16.	Papers relating to applications for special contribution and gratuities	5 years
17.	Papers relating to advances from General Provident and State Railway Provident Funds	3 years
18.	Papers relating to charge Reports	1 years after next charge report
19.	Register of documents selected for audit (including Original audit and reviews)	5 years
20.	Monthly Progress Reports	2 years
21.	Papers relating to recruitment	3 years
22.	Papers relating to annual Review of the work of the Accounts Office	After next review
23.	Passes, PTO and returns sent regarding the same	3 years
24.	Papers relating to holidays	1 year
25.	Papers relating to supply of postage stamps	3 years
26.	Cases in which there have been serious delays in receiving replies from Executive and Accounts Officers	1 year
27.	Register of pending cases	One year after complete disposal of each case if in loose leaf, or 2 years
28.	Register of documents not made available by Accounts	1 year
29.	Peon Books	2 years
30.	Budget Estimates/ Revised Estimates	3 years. The retention period here relates to the Budget/ Revised Estimates as completed by the Budget/ Accounts Section for the Department as a whole
31.	Demands for Grants, Appropriation orders	5 years
32.	Life and Service tables	3 years
33.	(a) Test-audit Notes	Part I. 5 years after disposal. Part II 2 years after disposal. Rough Audit Note.-2 years, after disposal
	(b) Register of Petty objections	3 years
34.	Post Review by AAO/ Section Officers and Branch Officers	3 years
35.	Registers of Important Results of Audit	10 years
36.	Papers relating to Scrutiny of tenders	2 years
37.	Papers regarding check of original fixation of pay	5 years
38.	Register of Code Books issued	5 years
39.	Register of Dead Stock	2 years
40.	Register of Clothing (Liveries)	5 years
41.	Papers relating to the check of History of services.	5 years or till after next check is over whichever is earlier.

Sl. No.	Description of records	Period of preservation expressed in terms of complete accounts years
42.	Register of Audit Notes (including rough Audit Notes)	5 years
43.	Past issues of Goods and Coaching Tariffs including rate circulars and Indian Railway Conference Association publications	1 years after receipt of new Tariff etc.
44.	General Manager's sanctions	5 years
45.	Case relating to draft paras for the Railway Audit Report	5 years
46.	Papers relating to Capital and Revenue Accounts of residential Buildings	2 year
47.	Staff office orders issued by the Accounts Office	1 year
48.	Papers relating to the check of Finance Accounts	5 years
49.	Papers relating to Capital and Revenue Accounts	5 years
50.	Papers relating to review of Balances	5 years
51.	Cash Book and Imprest Accounts	10 years
52.	(a) Pay bill register	35 years
	(b) Office copies of establishment pay bills and related schedules (in respect of period for which pay bill register is not maintained).	35 years
	(c) Schedules to the Establishment pay bills for the period for which pay bill register is maintained.	3 years or one year after the completion of audit, whichever is later.
53.	Acquittance Roll	3 years or one year after the completion of audit, whichever is later.
	Note:-Before any pay bills are destroyed, the period to temporary and officiating service, as recorded in the service books or service rolls (as the case may be) of the Government servants concerned, should be verified by the head of the office from the pay bills and the fact of such verification should be recorded under proper attestation in the service books or service rolls (as the case may be). In regard to temporary and officiating service, the head of the office should also invariably give necessary particulars with reference to Arts. 370 and 371 of the C.S.R. with a view to enable the Audit Office to decide later on by reference merely to such particulars whether the temporary or officiating service will qualify for pension or not. For example, in the case of officiating service the nature of the	

Sl. No.	Description of records	Period of preservation expressed in terms of complete accounts years
	vacancy in which the Government servant officiated and in the case of temporary post, whether the temporary post was subsequently made permanent, should be stated.	
54.	Papers relating to question in the Parliament	1 year
55.	Papers relating to the Section Officer's Grade Examination	5 years
56.	Papers relating to promotions, leave and transfer	Leave and transfer 3 years. Promotions 5 years
57.	Papers relating to Inspection reports	Part I-6 years after disposal. Part-II 2 years or after next inspection whichever is later, Inspection reports of nonpass issuing stations may be preserved for two years only. Rough 2 years or after next inspection whichever is later. Inspection reports of non-pass issuing stations may be preserved for two years only.
58.	(a) Papers relating to special investigations.	5 years
	(b) Papers relating to specific reports to the Financial Adviser and Chief Accounts Officer	5 years
59.	Frauds, embezzlements, losses and failures of audit.	5 years after final action
	Note:- In regard to reports and orders on defalcation cases the files may be preserved for 20 years or 5 years after final action has been taken on the report.	
60.	Application regarding alteration in the date of birth	3 years subject to suitable entry being made in the appropriate service record and an authenticated copy of the order being kept in Service Book/ Personal file.
61.	Papers relating to Typewriters and other machines	Till next purchase.
62.	Scale Registers of the Senior Audit Officer /Audit officers whose post audit is carried out.	8 years
63.	Sectional Registers	Permanent
64.	The Appropriation Accounts of individual Railways.	5 years
65.	Receipts and Issue Registers	20 years
66.	Papers relating to interpretation and amendment of rules	20 years if not codified or manualised. 10 years if codified or manualised.
67.	Papers relating to Audit Ruling (including those by the Comptroller and Auditor General of India)	20 years or till they are superseded or cancelled by latter orders at an earlier date

Sl. No.	Description of records	Period of preservation expressed in terms of complete accounts years
68.	Papers relating to Audit and Accounts procedure	at the discretion of the office, if fully manualised or codified.
69.	(a)Papers relating to revision of forms by the Accounts	5 years or earlier if manualised
	(b)Papers in connection with Accounts re-organisation schemes	15 years
70.	Financial Statements	3-5 years
71.	Finance Accounts	3-5 years
72.	Debt-Head Reports	3-5 years
73.	Appropriation Accounts of Railways and Railway Audit Reports	For DAI office only separate orders are to be obtained before they are weeded out. Other offices 5 years except one copy to be preserved till destruction is ordered.
74.	Finance Accounts of the Central Government (Railways Portion)	For DAI office only separate orders are to be obtained before they are weeded out
75.	Publications and correction slips thereto issued by the DAI	15 years –DAI office 5 years – Other Offices
76.	Papers relating to the permanent establishment, cadre and rates of pay	Permanent
77.	Resolutions and circulars of Government and circulars and general letters of the Comptroller and Auditor General on audit and accounts matters if not fully codified and manualised.	15 years
78.	Resolutions and circulars of Government and circulars and general letters of the Comptroller and Auditor general on audit and accounts matters if fully codified and manualised.	5 years
79.	Sanctions to Permanent Advances	10 years
80.	Annual establishment return	35 years
81.	Gradation list	3 years
82.	Office Order (one copy only)	More than 15 years
83.	Sanctions to recurring contingent expenditure	Permanent
84.	Recognition of Unions and Associations	Permanent
85.	Sanctions of the Government of India	20 years 5 years if relating to transaction of particular year
86.	List of Files	Permanent
87.	Gazette and Proceedings of officials meetings	5 years
88.	Register of Index of cases	Permanent
89.	(i) Rules and Orders regarding Pension/ Retirement	Permanent in the case of Departments issuing the rules, orders and instructions; other Departments need keep only the standing rules and orders, weeding out the

Sl. No.	Description of records	Period of preservation expressed in terms of complete accounts years
		superseded ones as and when they become obsolete.
	(ii) In respect of groups A, B, C & D (a) Pre-verification of Pension cases (b) Invalid Pension (c) Family Pension (d) Other Pensions (e) gratuity (f) Commutation of pension	30 years after issue of final pension/ gratuity payment order
90.	(i) Service Books of: (a) Officials entitled to retirement/ terminal benefits (b) Other employees (ii) Personal file	30 years after issue of final pension/ gratuity payment order 3 years after they have ceased to be in service 5 years after retirement or death whichever is earlier.
91.	Leave Accounts of: (a) Officials entitled to retirement/ terminal benefits (b) Other employees	30 years after issue of final pension/ gratuity payment order 3 years after they have ceased to be in service
92.	Extension of service	5 years after retirement or death whichever is earlier
93.	Condonations of breaks and deficiencies of service	5 years after retirement or death whichever is earlier
94.	Confidential reports of gazetted officers, section officers and staff	5 years after retirement
95.	Files regarding Annual verification of Service of Superior non-gazetted Government servants	35 years
96.	List of records destroyed	Permanent
97.	Papers regarding the formation of the Statutory Audit Officers	Permanent
98.	Precis and register of important orders	20 years 2 years if they are codified or manualised.
99.	Annual Reports issued by the Railway Administration	1 copy permanently and the rest to be destroyed after 3 years
100.	Rules regarding minority communities	Permanent
101.	Delegations of powers to subordinate officers	Permanent
102.	Permanent office or residential accommodation	Permanent
103.	Papers leading to the issue of procedure Office Orders and correction slips to Office Manuals	5 years
104.	One copy of every printed publication issued by self	Permanent

Sl. No.	Description of records	Period of preservation expressed in terms of complete accounts years
105.	Bills for reimbursement of medical charges	6 years
106.	Nominations for P.F./ Gratuity/ Family Pension etc.	30 years after issue of final pension/ gratuity payment order.

APPENDIX – 2

(See Para 97)

LIST OF RETURNS TO BE SUBMITTED BY PRINCIPAL DIRECTORS OF AUDIT TO
THE OFFICE OF CAG/ DAI

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
Fortnightly Return			
1.	Progress Report on the check of Appropriation Accounts	1 st and 16 th of each month (after August)	CAG's letter No.161-RA-III/23-1/86 dated 21.5.86
Monthly returns			
1.	Review of expenditure for five monthly statements onward control over expenditure	Middle of the month succeeding that to which it relates from September onwards	CAG's letter No.103-456/RAI/17-12/72 dated 15-1-74
2.	Statement of expenditure of group A officers separate from group B officers	20 th of each month from September onwards	CAG's letter No.2136/BRS/60-73 dated 17-8-73
3.	Statement showing the sanctioned strength and the staff position	2 nd working day of each month	CAG's letter No.1924-GE-II/144-83 dated 10.8.83 and No.2355-GE-II/144-83 dated 13.6.90 and 695/BRS/273/96 dated 25.2.97.
4.	Statement showing the sanctioned strength, leave, deputation of Sr. A.O / A.O / A.A.O on 1 st of each month.	10 th of each month -	CAG's letter No.4539-BRS/264-84 dated 22.9.84 and No.2355-GE.II/144-83 dated 13-6-90
5.	Delegation of powers to AGs etc. for creation of posts (Class III) (Nil report need not be sent)	10 th of each month	CAG's letter No.1267-BRS/60-67 dated 15-5-70
6.	Loans and Advances by Central Govt. etc- Expenditure Review statement – (i) House Building Advance (ii) Other than House Building Advance	10 th of the following month from September onwards. 5 th of the following month from September onwards.	CAG's letter 1764-BRS/371-87-II dated 22-4-88 CAG letter No. H63/BRS/240-2000 dated 9.6.2000. CAG letter No. 1670/BRS / 134/2000-I dated 7.6.2000
7.	Returns regarding Audit of Railway Board's sanction	7 th of each month	Para 133 of RAM
8.	Performance Report	10 th of the following month	CAG's letter No.789-RAI/RR2-2/93 dated 8/93
9.	Statement of terminal benefits and other complaints of retiring staff (GO and NGOs)	15 th of each month	CAG's letter No.NGE/36/1988-NGE/10/91 dated 15.2.91

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
Quarterly Returns			
1.	Material for quarterly confidential D.O. to CAG	15 th May, Aug, Nov and Feb	Para 10 of RAM and CAG's d.o. no. 384 / OM / 18 / Stt / KW dated 31.3.88
2.	Returns regarding temporary family permits (CGHS) issued (Nil report need not be sent)	1 st week of April, July, October and January	Ministry of Health letter No. F.H (I)-17/62-H.II dated 17-9-62
3.	Report on Welfare Activities	-do-	CAG's letter No.1397-NGE/112-67 dt 3-7-67
4.	Progressive use of Hindi	20 th of April, July, October and January	CAG's letter No.,354-HA-36-86 dated 7.7.88
5.	Casualty report of Non-gazetted staff of IA&AD. Settlement of dues	20 th April, July, October and January	CAG's letter No.478-NGE.I/23-7—II dt 18-2-70
6.	Casualty report of Gazetted staff of IA&AD. Settlement of dues	-DO-	CAG's letter No. 22/2-NI/100-90 dated 13.11.90
7.	Official language of the union of India- Implementation of Instructions- Constitution of Language -- Implementation Committee Quarterly meeting	January, April, July and October	CAG's letter 1207 – 70 – II / 5753 dated 21.7.75
8.	Deputation/ Delegation sent abroad- quarterly return regarding actual expenditure incurred thereon (Nil report need not be sent).	20 th of April, July, October and January	CAG's letter No.7205-GE.I/233-70 dt 15-9-1972
9.	Statement showing the Civil Suit filed by serving/ retired Govt servants of IA & AD against govt. which are pending in Law Courts	31 st March, 30 th June, 30 th September and 31 st December	CAG's letter No.405-LC/71-86 dated 18.7.86
10.	Quarterly return in respect of pending Arbitration cases for the quarter ending 30 th September, 31 st December, 31 st March and 30 th June each year	15 October, January, April and July	CAG's letter No.2209-NGE.II/102-76 dt 18-10-76
11.	Statement of persons serving abroad on foreign assignment	1st of January, April, July and October	CAG's letter No.1756-GE.II/192-78 dt.7-9-1978
12.	Rajya Basha Dharti mai pershasan ke leyai samagiri ka Sankalan (Nil report need not be sent)	20 January, April, July and October	CAG's letter No.285-Hindi Anubagh 32-78 dt 17-8-78

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
13.	Statement of Section Officers and other N.G.Os to various international organisations, foreign Govt. etc.	5 th April, July, October and January	283-NGE.III/33-79 dt 1-2-1979
14.	Scheme for voluntary retirement of Central Govt. Employes after 20 years of qualifying service	5 th of January, April, July and October	CAG's letter No.845-NGE.I/85-79-II dt 29-3-79
15.	Collection of information regarding actual expenditure on various types of allowances	30 th of April, 31 st July, 31 st October and 31 st January	CAG's letter No.3022-Rlys 37-68-II. Dt 30-11-70 read with CAG's No.1996-Rlys. 65-73 dt 16-7-1973
16.	Statement of sanction for Air Travel by non-entitled Officials in the prescribed proforma (nil report need not to be sent).	15 th of April, July, October and January	CAQG's letter No.1144-NGE/I/34-59
17.	Grant of advances to Central Govt. Servants for construction of houses-expenditure therefor	15 th June, September, December and March	CAG's letter No.3633-BRS/56-89 dated 11.12.89
18.	Statement of overtime allowance paid during the period ending February, May August and November to reach CAG by the 15 th of the month following the month to which it relates	15 of March, June, September and December	CAG's letter No.1382-NGE.I/78-78-II dt 19-5-79
19.	Circulation of paras from the register of Audit Activities	April, July, October and January	Para 492
20.	Settlement of pension and other retirement benefits	15 th April, July, October and January	CAG's letter No.3828-NI/86-82 dated 31-1-83 and No.1319-NI/25/88 dated 14.7.88
21.	Transfer of surplus section officers grade examination passed clerks to other offices – (position after the declaration of results)	April, July, October and January	CAG's letter No.2921-Nil/8-84 Vol.I dated 22.9.84 and D.O. No.373/20-NIII/86 Vol.V dated 5.2.87
22.	Quarterly Arrear Report in Complete proforma	20 th April, July, October and January	CAG's letter No.159-RAI/17-7/92 dated 15.9.93

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
Half Yearly Returns			
1.	Statement showing details of officers on deputation as on Ist April and Ist October (a) Names of all persons on deputation within and outside IA&AD (b) Statistical information regarding Personnel (including Audit Officers) on deputation within and outside the IA&AD	30 th of April and 31 st of October -DO- 15 th January & 15 th July	CAG's letter No.1426-GE.II/44-74 dated 16-5-1975 CAG's letter No.927-BRS/70-64 dated 27-9-1964 CAG's letter No. 1997-GE-2/89-86 dated 23.7.86
2.	Grants of Honorarium of N.G.Os in IA&AD	15 th of May and November	CAG's letter No.859-NGE.I/189-68 dt 13-5-69
3.	Statistics regarding successful candidates in Departmental Confirmatory Examination	May and November (After the result is declared)	EX.DRA's No.FS/15-57 dt 17-2-1953
4.	Statement regarding utilisation of surplus staff (Nil report not be sent)	30 th June and 31 st December	CAG's secret No.3199-RAM/A-8-9/57 read with CAG's No.2656-RAI/A-8-13/60 dt 22-8-62
5.	Distribution of Officers of IA&AS (Telephone Nos.)	23 rd June and 23 rd December	CAG's letter No.4825-GE.I/229-77/PT.I dt 18-11-77
6.	Preparation of Central Panels of S.Os for deputation to the Central Government/ Ministries/ Department/ Public Sector Undertakings / Autonomous Bodies etc at Delhi/ New Delhi	15 th June and 15 th December	CAG's letter No.1291-NGE.III/43-79 dated 23.5.79
7.	Training of Administrative Personnel in Hindi	15 th April and 15 th October	CAG's letter No.1046-NGE-III/5-61 Vol.II dated 13.4.61
8.	Statement of sanctions of conveyance allowance issued by Principal Director of Audit during the half year ending June and December (Nil report need not be sent)	15 th July and January	CAG's letter No.736-HA/43-87 dated 25.10.88
9.	Names of Section Officers' service staff working in CAG's office due for promotion	1 st January and July	CAG's letter No.2060/OE&Admn./ 155-71 dt.12-4-71

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
10.	Statement including the particulars of S.Os/ Auditors willing for deputation to CAG's Office. Particulars of Stenographers and Clerks are also to be included.	1 st January and 1 st July	D.O. No.3003-OE & Admn/70-75 and D.O. letter No.842-OE & Admn/226/77 dt 20-2-1978
11.	Suggestion for award scheme (nil return need not be sent). Suggestion for improvement in audit, accounting, house keeping procedure to be sent.	1 st January and 1 st July	--
12.	Simplification of procedure with a view to eliminate delay in the payment of superannuation pension and DCRG Monitoring and reporting system.	15 th January and July	CAG's letter No.414-NGE.I/107-1976 dt 24-2-77
13.	Information regarding Retrenchment of Group 'D' staff	September and March	CAG's letter No.411-NGE.II/317-5 dt 12-12-54
14.	Power to create temporary non-gazetted posts (Report need not be sent if NIL post is created in a particular half year)	September and March	CAG's letter No.2054-NGE.II/59 dt 21-7-61
15.	Departmental confirmatory examination for auditors	15 th September and 15 th March	CAG's letter No.203-Exam/4820
16.	Localisation of new offices/ shifting of offices	30 th June, 31 st December	CAG's letter No.463-NGE.II/33-73 dt.16-3-73
17.	Office accommodation requisitioned/ leased by various Ministries/ Departments in Delhi/ New Delhi	30 th June, 31 st December	CAG's letter No.925-NGE.II/34-75 dt 24-4-76
18.	Statement of sanctions to conveyance allowance issued by PDA during the period ending June and December (Nil report need not be sent)	15 th of July & January	CAG's letter No.249-NGE.I/56-T Admn/1/66 dt 10-2-1967
19.	Pension etc. to retired Govt. servants – Progress in sanction	15 th of July	CAG's letter No.1660-NGE.I/160/68 dt 17-7-68 and No.2141-NGE.I/1660/68 dt 16-9-68
20.	Deployment of staff sanctioned for certain item of work but utilised for other work (Nil report need not be sent)	April, October	DAI (R) 1480-RAI/7-64 dt 14-5-66

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
21.	Census of Central Govt. Employees-distribution according to pay ranges	15 th April, 15 th October	CAG's letter No.103-R/356/60 dt-14-10-60
22.	Acceptance of Commercial employment by retired government servants	January and July	GOI's No.F/270/12/80/FSH dated 26.3.81
23.	Restoration of vacancies for ex-servicemen in Group 'C' and 'D' post under Central Government procedure for filling reserved vacancies	15 th January and July	CAG's letter No.1507-N. II / 57-86 dated 22.5.86.
24.	Pending disciplinary action cases – information regarding	30 th April and 31 st October	CAG's letter No.70-NGE-Disc/13-94 dated 1.3.94
Annual Returns			
1.	Review of cases for grant of extension of service/re-employment beyond the age of superannuation to NGOs in IA&AD	As & when ther is such a case	CAG's letter No.75-NGE.I/150 dt 10-1-68
2.	Supply of copies of Quarterly Audit Bulletins	April	CAG's letter No.172-Code/RE 67-64 dt 3-6-68
3.	Statistics of retirements, casualties & resignations etc.	15 th May	CAG's letter No.82-58/49-50 dt 29-8-50
4.	Demand for confidential forms required	-do-	CAG's letter No.F.2-Auo (EDA) 165 dt 3-1-65
5.	Gradation List of Officers	15 th June	Para 312 of MSO
6.	Cases not covered by any rule- as doubtful cases of candidates for Section Officers Grade Examination	20 th June	Para –3-of Appendix-3- of RAM
7.	Names of Examination Hall and designation of Supervisory Officers & no. of candidates (RAE)	30 th June	CAG's letter No206-Exam/39-73 dt 7-5-73
8.	Return to CAG regarding empanelment of SOs/ Auditors for higher or equivalent posts on deputation	30 th June	CAG Confdl. No.2569/GEII/No.2569127-74 dt 22-8-74
9.	Proposals regarding promotion of Auditors to the cadre of Supervisor review of Sanctioned strength	30 th June	CAG's letter No.552-BRS/159-77-II dt.25-2-78
10.	Statistical return regarding deputation of IA&AD personnel	10 th June	CAG's letter No.455-NGE.III/17-78 dt 16-2-79

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
11.	DPC holding of - - for promotion to IA & AS	Early in July	CS No.204 to Para 127 of MSO
12.	Certificate of Annual verification of services of NGOs	31 st July	Ministry of Finance OM.No.F18(M)E/C/63 dt 18-9-64 received under CAG's D.O. No.161/Tech. Admn/III/465-63 dt 1-10-69
13.	Promotion Panel Proforma.	7 th September	Confdl.No.2286-NGE.II/88-73 dt 11-10-73
14.	Writing up of CRs of NGOs (Submission of certificatges)	15 th July	CAG's Confidential No.307/NGE III/24-2/68 dt.31-1-69 read under endorsement No.confdl/4/60 dt.13-1-69
15.	Allocation of strength of divisions/ branches officers of the Principal Director of Audit – position as on 1 st July every year	15 th July	CAG's letter No.1578-RAI/17-11/71 dt.15-3-78
16.	Forwarding of applications for empanelment in foreign assignments for developing countries, if any	15 th July	CAG's Confdl. No.249-GE.II/65-63 dt 30-1-74
17.	Annual verification of service of Group 'B' officers	25 th July	CAG's letter No.244-GE.II/202-73/ dt 17-9-73
18.	Forwarding of names of candidates of Revenue Audit Examination for SOs	15 th July	CAG's letter No.266-Exam/1102-72 dt.13-6-74
19.	Statement of temporary post required during the ensuring year- GOs and NGOs	21 st July	Para 358 & 359 of MSO
20.	Results of preliminary examination for Section Officers grade Part.I	As soon as the result is out	CAG's letter No.402-Exam/33-77 dt 5-7-77
21.	List of candidates for Section Officer grade Examination (mention to be made of S/C) (other instructions regarding grouping of candidates)	10 th August	

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
22.	Staff Association- submission of documents	By end of August	CAG's letter No.1395-NGE.II/10-67 dt.12-7-68 In case of any delay an intimation may be sent vide No.24-NGE.II/10-71-72-II dt.30-10-72
23.	Appropriation Accounts of Grants – Civil Grants	As per programme fixed by DAI annually.	
24.	Preparation of annual panel for deputation of Senior Audit Officers/ Audit Officers/ AAOs/ Section Officers	31 st August	CAG's letter No.1884-GE.II/161-67/Pt.II dt 29-6-68
25.	Final application and review of expenditure statement for the year	20 th October	CAG's letter No.238-BRS/BT-24/60 dt 17-5-60
26.	Revised estimates and budget estimates- P-Loans and Advances by the Central Government employees	15 th October	CAG's letter No.2941-BRS-422-88-1 dated 9.8.88
27.	Certificates regarding annual attestation by the Govt. servants in their service books	30 th September	CAG's letter 2575/NGE.I/68-67 dt 20-11-67
28.	C.G.H.S No. of Central Govt. Servants contributing towards CGHS scheme.	15 th October	CAG's letter No.137-NGE-III/1-64 dt 24-1-64
29.	Position of funds under Grants –in-aid etc.	31 st December	CAG's letter No.674-NGE.III/76-75 dt.16-6-75 and No.764-NGE. III/76-75 dt 15-5-75
30.	Return of commercially qualified staff (Nil return need not be sent)	1 st week of January	DCA No.3239-Admn/658 dt 6-2-58
31	Return of cancellation charges on un-used tickets (Nil report need not be sent)	15 th January	CAG's letter No.128/Audit.II/118-59 dt 12-10-67
32.	Recruitment against sports quota	15 th January	CAG's letter No.1602-NGE-II 52-71(V) dt. 22-6-1972
33.	Statement showing the disposal of vigilance complaints and cases against NGOs in IA & AD	15 th January	CAG's Secret D.O. No.10753-334-72 dt 19-12-72
34.	Currency of panel for promotion of Audit Officer (Recommendation of DPC)	15 th September	Secret D.o. No.245-GE.II/184-62 dt 20-7-62
35.	Information regarding loss of property (National) due to fire and accidents	15 th February	CAG's order

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
36.	Orders regarding continuance of temporary posts issued by Principal Director of Audit under his own powers	25 th February	CAG's letter No.922-BRS/II/72/1 dt 28-3-73
37.	Staff showing the distribution of work among GOs and strength of various categories of staff as on (1st March)	31 st March	CAG's letter No. 861/11/182/67/KW dt 26-4-64
38.	Statistics of audit objections (issued upto 31 st March but O/S on 31 st August)	First week of October	DAI's letter No.337-RAI/10-1/62 dt 2-2-63
39.	Collection of suitable statistics to serve as fair index of the volume of work done in Audit Office	10 th of August	CAG's letter No.113-BRS/43/62-III dt 13-6-73
40.	Certificate regarding Annual verification of the copies of secret Memo-Extent of Audit Report (the result of annual physical verification is not to be referred to DAI except in case where copy is lost/ damaged/ destroyed).	As and when copy is lost or damaged	Confidential/6/6 dt 10-1-62
41.	Consent Audit performed by the IA&AD and Audit of statutory & Autonomous bodies	By end of April	DAI's letter No.3137/4-9-RAI/18-374 dt 6-12-74
42.	Change in the procedure due to computerisation	As and when deviations are noticed	CAG's letter No.5291-RAI/8-12 dt 6-10-69
43.	Enhancing the limits of powers for waiving objections (cf. Para 352 AI)	May	DAI's letter No.1334-RAI/7/1/77 dt 2-9-78
44.	Statement of accounts of Terminal/ Pilgrim tax	As and when compiled	Letter No.6235-RAI/T/17-74/69
45.	Capital & Revenue Accounts of residential buildings in respect of GOs & Group C & D staff	1 st December	Para 259 of RAM
46.	Certificate in respect of Secret Fund placed at the disposal of GM including that of Vigilance Branch	June	ADAI's No.141-RAI/RR/10-1/71 dt 3-7-71
47.	Statement regarding guarantees given by Central Govt. in respect of loans raised	June	20-Rly Audit-III/23-1/94 dated 16.6.94
48.	Material for Central Govt. Finance Accounts for the year	July	ADAI® No.3072-RAII/23-18 dt 2-8-68
49.	Expenditure from contingency fund in combined Finance and Revenue Accounts	October	ADAI ® No.RAII/14-6/55 dt 3-8-56

Sl. No.	Particulars of returns	When due	Authority
(1)	(2)	(3)	(4)
50.	New Services not contemplated in the budget	End of August	CAG's letter No.751-RAIII/RR6-2/81 dated 26.7.81
51.	Selection of Schemes/ Projects for performance reviews	15 th January	ADAI® D.O. No.225-RAI/RR2-2/80 dt 13-3-80
52.	Wives and dependents of Government servants taking employment in foreign mission and foreign enterprises	31 st January	CAG's letter No.1630-NGE/71-80 dated 5.12.80
53.	Appeals withheld by Principal Director of Audit	30 th April each year	CAG's letter No.70-NGE/Disc/13-94 dated 1.3.94

APPENDIX – 3
(SEE PARAGRAPH 347)

MODEL QUESTIONNAIRE FOR USE IN CHECKING COST ACCOUNTS

1. What is the system of cost accounts in use?
2. Are material analysis sheets prepared from the stores requisition and returned notes?
3. Are the total of the wages analysis sheets agreed with pay rolls?
4. Through what channels do the records of labour, materials and work and office on cost come?
5. What is the method of spreading work and office on cost?
6. Are the rates reviewed from time to time?
7. What cost books are kept?
8. Do they link up with the financial books?
9. What statistical reports on production are supplied to the Superintendent and how often are they submitted?

Labour Records

1. Ascertain the procedure followed in the recruitment of labour
2. Does the concern maintain a history record of employees?
3. Who authorises changes in rates of pay and where are changes recorded?
4. What is the system of payment?
5. Is payment made on piece work rates or day work rates?
6. What is the system of recording time worked on jobs and who checks the record before the pay bill is prepared?
7. What supervision is there over timing in and timing out?
8. What are the hours of work or shifts?
9. What check is there on (a) late comers, (b) men leaving before time(c) temporary absentees, (d) one worker recording for another?
10. How many entrances are there for workers?
11. How is idle time recorded? Is there any systematic analysis of the reasons for idle time booking?
12. How is overtime recorded?
13. How is it ensured workers under incentive scheme are not booked on overtime?

14. Are the indirect workers and supervisors who are not directly allocated to particular jobs, allowed any share of bonus earned by Direct workers From what records the share of bonus payable, if any, to indirect workers and supervisors worked out?
15. What is the number of workers in the pay roll?
16. From what records is the pay roll compiled?
17. By whom is it compiled and checked and by whom is it signed?
18. Are the wages actually paid by the clerk who have compiled or checked the pay roll?
19. What receipt is given by the worker?
20. Is the pay made up in tins, envelopes or is it loose?
21. Is a pay slip issued to the workers before payment?
22. What check is there to prevent wages being claimed fraudulently?
23. What is the system of witnessing payments?
24. How are unclaimed wages treated?

Planning and Progress Department

1. What are the duties of this department?
2. Who is in charge and to whom is he responsible?
3. From whom are copies of orders to manufacture received?
4. What staff is maintained for recording the progress of production (a) in the department and (b) in the workshops and what records are compiled?
5. What action is taken on these records?
6. Ascertain the manner in which orders for production are issued to the workshops.
7. Is a schedule of materials for each job prepared, and if so, to whom are copies sent?
8. Is a control kept on materials actually used by comparison with the schedule?
9. Is there proper co-operation between this department and the workshops?

Material Records

1. What records are maintained for drawal of material from Stores Depot?
2. What is the system of accountal and custody of material received from Stores Department or against direct purchase and its issue to Shop Foreman/ Mistry?
3. What records are maintained for controlling the drawal of material and its consumption for works?
4. Does proper arrangement exists to ensure that material not consumed on works is promptly returned and accounted for?

5. From what records the allocation of material to different works is made?
6. Is there any systematic review of rejection of material on the Shop floor and accountal of the rejected mateial?
7. What records are maintained for collection, accountal and disposal of the savings borings etc. arising in the process of manufacture?

Production and quality control

1. Is there any system to compare the outturn periodically with the available shop capacity (labour and machine)?
2. Is ther any systematic review of actual utilisation of the installed machine capacity?
3. What is the ratio of machine idle hours to total machaine hours used and available?
4. Are the reasons for machine idle hours analysed?
5. Is any review made of man hours actually utilised for an item of work with that provided for in the schedule prescribed, if any?
6. Do the labour and material contents per unit of work vary widely from one batch order to another? Are the reasons for such variations anlaysed?
7. Is ther any systematic review to see that with increase in incentive bonus and overtime there is commensurate increase in payaments productivity in terms of quantity and quality?
8. Is the 'allowed time' reviewed periodically with reference to the quantum of bonus earned by average workers and revised, if necessary, on the basis of fresh time study?
9. What is the system of inspection of the quality of outturn?

Register of Fixed Assets

1. In what form are the registers maintained?
2. Is one account devoted to each item of building, plant and machinery?
3. Do the net totals of the various accounts agree in the aggregate with the asset accounts less depreciation reserves in the general ledger?
4. Is depreciation charged on original cost or on depreciated value?
5. How are the rates of depreciation fixed?

APPENDIX – 4

(SEE PARA 394)

Instructions on the check of the Appropriation Accounts of Railway Preamble

Audit against grants and appropriation will be conducted according to the general principles and rules laid down in the M.S.O. (Audit). The procedure relating to the preparation of budget and revised estimates, demands for grants and appropriation, allotment of funds and their reappropriations is given in Financial Code, Vol.I. The powers of the various executive authorities are also set out in the Railway Codes. It may be mentioned here that the check of the Appropriation Accounts requires a high degree of common sense and a general knowledge of the structure of account and the budgeting procedure on the part of the auditor. It would therefore, be futile to attempt to include all the instructions exhaustively in a short compass. The auditor entrusted with the audit of the appropriation accounts is, therefore expected to read the rules in the codes and extant orders on the subject, to enable him to detect really important points of evasions of orders, defective budgeting etc. in course of check. It would, however, be helpful if a short compendium of important orders as prepared were furnished to each auditor for the purpose of ready reference and being kept upto date with the latest instructions issued by DAI.

2. The duties laid down upon Audit Offices in regard to appropriation audit are summarised in para 390 of Railway Audit Manual. A Railway Audit Office has occasionally to verify through the periodical scrutiny of the monthly financial reviews and other control statements prepared by the Accounts Office that proper records are maintained in the Accounts Office to permit of the following obligations being carried out and obligations themselves are fulfilled:-

- (i) to see when an appropriation order is issued that the amount appropriated is available under the unit from which it has been allotted.
- (ii) to alert to disbursing and controlling officers when the progress of expenditure indicates likely excesses
- (iii) to observe in cases, when the order require specific appropriation that the expenditure is watched against the specific appropriation.
- (iv) to observe where an order specified a lump appropriation for a group of item of expenditure that such expenditure is watched against the lump appropriation.

Appropriation audit is directed primarily to ascertain that the money expended has been applied to the purpose or purposes for which the Grant or Appropriation were intended to provide and the amount of expenditure against each Grant or Appropriation does not exceed the amount authorised, warning being issued to disbursing officers and if necessary to Controlling authorities also when excess appear likely. For applying this audit check the progressive expenditure against each grant or appropriation and each unit of appropriation is worked out month by month. Thus the intention of the rules is what appropriation audit should be conducted monthly from the commencement of the financial year with a view to discovering not only actual excesses over the

Grant or Appropriation but also any tendency to this excess and detect any new expenditure not provided in the budget.

The necessity for conducting Appropriation audit every month has become all the more imperative in view of the provisions in Articles 114 and 204 of the Constitution of India laying down that no money shall be withdrawn from the Consolidated Fund of India and the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of these articles. Audit should, therefore, keep a vigilant watch over the progress of expenditure right from the start of the year so that any tendency to excess over the grant or appropriation may be detected and checked at an early stage. It should be seen that for tightening of control over expenditure, the instructions contained in Chapter V of Financial Code, Vol. I strictly followed and necessary checks exercised monthly with a view to arresting any tendency of expenditure exceeding the grant or appropriation and detecting any new expenditure not provided for in the Budget.

The position of Statutory Audit in the matter of alerting to the spending authorities has been very aptly described in Shri R.C. Khanna's D.O. letter No.2618-Admn/684-51 dated 15-10-1951 to ex-Director of Railway Audit in which it has been stated that in regard to the spending authorities continuing to incur expenditure despite the knowledge that the allotment has been exceeded, the present position is that Audit has no powers to put an instant stop to such expenditure. Even the Civil Accountant General who authorises payments cannot do so. When, therefore, any spending authority continue to incur expenditure not covered by allotments and do not take adequate action to obtain additional funds, Statutory Audit has merely to bring the facts forcefully to the notice of the authorities concerned including the Ministry of Railways and Finance for urgent remedial action. Eventually the responsibility for any excess expenditure over appropriation rests squarely on the executive under para 2.2.10 of the M.S.O. (Audit) and if the excess is not covered by additional funds before the close of the financial year, the fact should be duly reported in the Audit Report on the Appropriation Accounts.

(I) The expenditure on Statutory Audit is exhibited in Grant No.2 which is prepared in both the Civil and Railway forms. The Civil Grant is necessitated by the fact that it records expenditure of the Comptroller and Auditor General of India on Railway Audit. Since, however, the expenditure is ultimately recovered from Railway estimates a Railway Grant relating to expenditure under the Railway Account head "Miscellaneous Railway Expenditure" which relieves the Civil Account head "2016-Audit" in the Railway Books, is also necessary.

1. The audit certificate from the Audit Officers, viz. Principal Director of Audit, Central Revenue in the case of Gazetted Establishment (excluding Group B officer) and Principal Director of Audit in respect of subordinate staff (as prescribed in para 72 of the Railway Audit Manual) may be obtained before furnishing the Audit certificate to the Director General of Audit, Central Revenue in Civil form (vide para 3.15.3 of MSO (Audit)).
2. For the purpose of preparation of Appropriation Accounts in Railway form, explanation for variations are prepared by the Administration sections of the Audit Office and submitted to the Financial Adviser and Chief Accounts Officer, copy being furnished to the Appropriation Audit Section. The appropriation accounts, for Demand No.2 in the Railway form are

exhibited in thousands of rupees while the civil form shows the figures in units. The explanation should be prepared with special reference to-

- (a) the Revised Estimates sent in October, and
- (b) the ten-monthly Control Statement sent in February.

The appropriation accounts in civil form are prepared by the Administration section and forwarded to the Appropriation Audit Section for certification and transmission to the Director General of Audit, Central Revenue with the Audit certificate.

3. The explanations for final savings in column 4 should be furnished in all cases irrespective of the magnitude of the variations or percentage limit.
4. Appropriation Audit is directed primarily to ascertain that money expended has been applied to the purpose or purposes for which the Grants or appropriations were intended and that the amount of expenditure against each grant or appropriation does not exceed the amount authorised. Appropriation Audit should be conducted from the commencement of the financial year with a view to discovering at each budgetary stage, not only excess over grants or appropriations but also any tendency to these excesses and detect any new expenditure not provided for in the budget. Thus the budgeting during the year should be reviewed at every stage as indicated below:-

(i)	Original Budget Estimates	Submitted by the Railway Administration by November of the previous year
(ii)	Placing of funds at the disposal of the Railway Administration	By third week of March of previous year through- (a) Budget Orders, and (b) Pink Book
(iii)	Distribution of grants by Railway Administration	Funds distributed over- (a) Sub heads of each grant as per book of Demands for grants and (b) over account heads in April of the year concerned to facilitate control over expenditure
(iv)	August Review	Budget position carefully reviewed in detail and submitted to the Railway Board by 15 th August
(v)	Supplementary Grants	These are obtained from parliament whenever necessary to meet additional unforeseen expenditure likely to involve excess over the authorised grants. The August Reviews and later Estimates submitted by the Railway Administrations are particularly examined by the Railway Board for this purpose.
(vi)	Revised Estimates	Further detailed review of budget position submitted to Railway Board in November
(vii)	Railway Board's Revised Estimates	Accepted Revised Estimates sent to Railway Administration by the Railway Board and distributed by the Administration over subheads of grants and accounts heads concerned.
(viii)	Final Modification	Budget position reviewed in February and submitted to Railway Board in the 1 st week of March
(ix)	Latest Estimates	A final review is carried out in March and important variations where necessary, intimated to the Railway Board by the 20 th March

		at the latest.
(x)	Final placing of funds at the disposal of the Railway Administration	Final intimations received from the Railway Board in the last week of March.
(xi)	Distribution of final Grants by Railway Administration	Funds distributed by Railway Administration through final reappropriation statement sanctioned by the General Manager on or before the 31 st March by Sub-heads of each grants.

5. The following specific points are to be seen during review of budgeting and other periodical reviews, notes of interesting features should be recorded for use while checking the appropriation accounts:-

- i. Irregular reappropriations not in accordance with restrictions imposed on the General Manager's powers or with Budget orders of further intimations from the Railway Board.
- ii. Defective Estimating leading to surrender of funds or application for additional funds.
- iii. Instance of expenditure classified in the accounts differently to the budget, necessitating transfer of provision from one grant to another or between sub-heads of a grant.
- iv. Instances of unanticipated credits. A statement of such items accompanies the Revised Estimates.
- v. Any substantial alteration in figures of the original estimates, which the Railway Administration could report to the Railway Board.
- vi. The budget orders should be checked in accordance with the provision of para 3.14.2 of MSO (Audit).
- vii. Supplementary grants should be checked with reference to the final reappropriation statements as approved by the General Manager and the demand placed for the purpose by the Railway Administration, with a view to discovering that funds made available by re-appropriation do not involve utilisation of the supplementary grant for sub-heads of the appropriation accounts for which no supplementary grant was particularly sanctioned by the Parliament.
- viii. Where the Parliament has made a specific stipulation that funds obtained for a certain purpose should not be diverted to other purposes, diversion of such funds to other purposes without a token vote should be commented upon.
- ix. The following points may in addition to the usual check be kept in view during the checks of appropriation accounts.

General

1. Under the financial provisions of the constitution it is an important duty of audit to see that authorised supply is not exceeded or the excess expenditure is duly covered by advances from the contingency funds pending authorisation by Supplementary Appropriation Act.

2. If for some item of expenditure not to be met from the Consolidated Fund, a demand is voted and consequential provision made in the Appropriation Act under a misapprehension, the obvious thing to do is not to utilise the demand and the provisions made in the Appropriation Act, and let both lapse. The Appropriation Act only authorises the withdrawal; of the sums specified from the Consolidated Funds, but the executive is not bound to withdraw all of it.
3. Once an item is voted or charged and included in the Appropriation Act even though wrongly, the provisions of para 2(I) of the Government of India (Audit and Accounts) orders, 1936 apply and an Appropriation Account therefore becomes necessary though it will not show any expenditure against grant or appropriation.
4. The actual expenditure should be verified from the various revenue allocation registers and capital works registers and also from the schedules to the account current, reconciliation statement showing reconciliation of figures of “Voted and charged expenditure” with “Grants and appropriation” as prepared in terms of the Railway Board’s No.50-AC.I/24 dated 7.5.51.
5. In Railway organised on a divisional system it should be seen that suitable machinery exists in the consolidating section to record the actual expenditure both capital and revenue.

In checking the Appropriation Accounts of a Railway which is organised on a Divisional basis, responsibility for verification of figures from the initial records rests with the Divisions and other Branch Audit Offices.

6. It should be seen that lessons of Appropriation accounts of the previous year and comments thereon have been applied by the Railway Administration.
7. Whenever the Supplementary grant proved excessive or unnecessary and funds have been withdrawn by the Railway Board by means of reappropriation it should be examined to see that there had been no defective estimating.
8. In case the accounts submitted to Audit reveal a tendency on the parts of the Accounts Office to prepare the advance accounts in a hurried manner which ignores fundamental principles by the incorporation of unrealistic or fictitious explanations unrelated to actual facts and figures, the matter should be promptly taken up with the Railway Administration as soon as such a feature becomes apparent in the course scrutiny of the accounts. In the event of the administration failing to take adequate action, the matter should be reported to DAI.
9. In framing audit comments on the Appropriation Accounts of individual grants and while preparing the Report on “Control of expenditure” the instructions contained in the ex-Director of Railway Audit’s confidential D.O. letter No.R2-50/51 dated 23-2-52 should be borne in mind. The following points may be looked into in the check of the respective appropriation accounts.

(a) Grant No.3- Increases in strength of staff, if any, brought out in the explanations should be verified from relevant sanctions by the auditing section concerned.

- (b) Grant No.4 – ‘Repairs and maintenance of permanent way and works’ should be reconciled with the sub-heads ‘track renewals’ ‘bridge works’ of grant No.16 in regard to the revenue portion of the expenditure on works.
- (c) Grant No.5 ‘Repairs and maintenance of motive power’ (a) compare with previous year and verify the unit cost of POH repairs on the basis of which variations are explained.
- (d) Grant No.6 ‘Repairs and maintenance of carriage & wagons’ (b) review variations in repair charges with reference to statistics of workshop outturn as published by the Mechanical department every month
(c) review variations in the on-cost charges with reference to on-cost budget prepared by the workshops accounts branch yearly
- (e) Grant No.8 – ‘ Operating expenses – Rolling stock and equipment’ – With the restructuring the demands for grants on the recommendations of the task force as accepted by the Estimates Committee 1978-79 (6th Lok Sabha), this grant is for expenditure of the operating expenses of Mechanical, Electrical, S&T, equipment including rolling stock. Co-relate variation relating to (i) strength of operating staff (ii) Kilometrage and over time allowances etc. with (a) operating statistics (train KM) (b) earnings budget submitted to the Railway Board by the Railway Administration over years as per para 313 – 318 – F I with a view to scrutinise the justification for operating staff variations.
- (f) Grant No.9 – “Operating expenses traffic” – This is for expenditure on the traffic operating and traffic commercial Department (excluding claims organisation)-
- (i) Co-relate expenditure under the sub-heads ‘tickets’ with corresponding variations as revealed by traffic statistics to scrutinize the justification for variations not due to price factor.
- (ii) Co-relate expenditure on stores under sub-head “Other expenses including stations sanitation” with operating statistics (train KM etc.) to scrutinize the justification for increase or decrease.
- (iii) Statement appended to Appropriation Accounts, showing payments to and receipts from each Railway concerned to be verified with reference to intimations sent to and received from the Railways at each stage of budgeting.
- (g) Grant No.10- ‘Operating expenses fuel, co-relate (a) cost of coal, diesel and electric power with operating statistics (train KM etc.) relating to the concerned modes of traction on the basis of which the budget is framed, with a view to verify the

explanations for variations in consumption due to increase or decrease in trains Kilometres, and (b) freight charges on coal/ diesel with earning budget.

- (h) Grant No.12 – Misc. Working Expenses’-
- (i) Verify figures and explanation for loss on grain shops with reference to the P&L accounts of grain shops.
 - (ii) Co-relate compensation payments with claims statistics, submitted monthly to the Railway Board to verify explanation for variations due to increase/ decrease in the No. of claim cases settled during the year.
 - (iii) The review of suspense balance Misc. Advance and demands payable – furnishes material for possible comment in connection with the sub-head “Suspense”.
 - (iv) Injudicious surrender in the final grant under suspense should be scrutinised to see that these were not made with a view to make funds available for other expenditure.
- (i) Grant No.16 – This works Grant is checked with reference to –
- (i) The Pink Book and Works, Rolling Stock and Plant and Machinery Programme, and
 - (ii) The Pink Book Register maintained by the Accounts Office together the expenditure on works under the appropriate sub-heads of the Grant.
 - (iii) (a) the explanations for variations are to be reconciled with those in Grants 4, 5 & 6 for the Revenue portion of the expenditure on works.
(b) Adjustment between Capital and Depreciation Reserve Fund:- In the vcase of detailed heads where the variations between capital and depreciation reserve fund is Rs.3 lakhs or over it may be examined if there has been a tendency towards lackness in budgeting as between these two heads, or whether there have been omissions to provide for adjustments between Capital and Depreciation Reserve Fund that could be foreseen, e.g. adjustments relating to abandoned assets.
 - (iv) The manufacturing and stores budgets are to be correlated with each other as regards:-
 - (a) Issue of stores for manufacture operations,
 - (b) Stores manufactured for stock purposes,
 - (c) Material released from manufacture and returned to stores
 - (v) The stores budget should also be correlated with-

- (a) The credits for released materials returned from Works appearing under the relevant sub-head.
 - (b) The Works budget. Any large scale curtailments in the Works Programme should be reflected in corresponding variations in the Stores Budget.
 - (c) The stores balance should be watched and reasons for exceeding 40 per cent of the annual issues (vide 2622-S) looked into.
- (j) ANNEXURE 'A'**
- (a) In regard to expenditure on advance purchase of materials relating to the year under review, which is held under objection, information should be furnished in the 'Remarks' column of the statement as to whether the work for which the materials were purchased has been included in the sanctioned programme of the year.
 - (b) Whenever the percentage of unsanctioned expenditure is substantially vitiated by the occurrence of large 'Minus' items due to want of estimates for abandonment or dismantlement of assets an explanatory note may be furnished.
 - (c) All unregularised excess over the gross amounts of an estimate are to be exhibited in this statement irrespective of any percentage limit.
- (k) ANNEXURE 'B'**
- If the amounts of undercharges discovered in Accounts or Audit show an increase over those in the previous year the reasons for the increase should be ascertained and furnished to the DAI.
- (l) ANNEXURE 'C'**
- Heavy remissions of Demurrage and Wharfage Charges in respect of big firms may be specially watched and considered for comment.
- (m) Annexure 'J'**
- (a) The items in this annexure should be made self explanatory.
 - (b) If the final allocation of the charges in respect of the items are known to the Railway Administration before the close of the accounts of the year in which the expenditure was first booked under suspense, the cases of failure to write-back from suspense to the service heads constitute other mistakes for inclusion in this Annexure.
- (n) Statement of Suspense balances under Miscellaneous Advance (Revenue) and Capital and purchases – The net balances under these heads should tally with the figures of the Account Current, Balance Sheet and Capital Statement.**

(o) *Statement of stores transactions* - Attention is invited to para 438-F.I

Major Variations – (a) Reasons for variations should be seen, (b) Statement should be checked with reference to the stock adjustment account.

10. *civil grant – explanations for variations-*

- (1) The explanations for variations between the original grant or appropriation and the final grant or appropriation under individual sub-heads may be furnished only in those cases where defective supplementary grants or appropriations and re-appropriations indicating bad budgeting and control are noticed, irrespective of limits.
- (2) The explanations for final savings and excesses in column 4 should be furnished in all cases irrespective of the magnitude of the variations or percentage limits.
- (3) In regard to the Civil Grant for “Loans and Advance” a statement of book-keeping adjustment is required to be submitted and a certificate in the form below should accompany it.

“Certified that the balances transferred from the office have been included by the other Accounts Officers in the accounts for the year ----- as per certificates received from them.”

- (4) During check it should be particularly noticed that the transfer of balance under the head “Loans and Advances” from one account circle to another is effected by minus debit instead of credit by the transferring Railway in the same way as is done in the case of debt heads.

Concordant list Co-relating the Para of RAM (4th Edition) with the paras of the revised Edition (5th Edition) of the Railway Audit Manual.

Chapter	Para of RAM (4th Edition)	Para of revised RAM	Nature of changes
I	1	1	Change of Designation
	2	2	-do-
	3	3	Change in the jurisdiction of PDA
	4	4	Change in Designation
II	5	5	Two sub-paras added
	6	6	Change of designation and change of name of relevant code and manual with its paras
	7	7	Change in Designations
	8	8	Form of certificate of terminal tax changed
	9	9	Change in Designations, monetary limit and change of name of the code with its para
	10	10	Change in Designation and periodicity
	11	11	Change in Designation and name of manual with its para
	12	12	Addition of sections and Offices
	13	13	No change
	14	14	Change of name of code with its chapter
	15	15	Change of Designation
	16	16	Change of Designation and three items X, XI, XII added after items IX
	17	17	Change of name of code with para No.
	18	18	No change
	19	19	Change of Designation
	20	20	Change of name of manual with its para
	21	21	Changes of designation and para of the manual
--		22	New para added
--		23	-do-
--		24	New Para added
22		25	Change of Designation
IV	23	26	Change of Name of Manual
	24	27	Change in Designation and name of code & manual
	25	28	Change in Designation
	26	29	Change in Designation
	27	30	Change in Designation and inclusion of the post of A.A.O.
	28	31	Change in Designation
	29	32	The words "Casual Leave" added and

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
			change in designation
	30	33	Change in Designation and name of manual with its para
V	31	34	Change in name of manual
	32	35	No change
	33	36	Modified
	34	37	No change
	35	38	Modified
	36	39	Change of Designation
	37	40	-do-
	38	41	Modified slightly
	38 (Printed under para 38)	42	No change
	40	43	-do-
	41	44	Added Saturday before Sunday
	42	45	Change of Designation
	43	46	-do-
	44	47	Change in Designation including changes in name of service
	45	48	-do-
	46	49	Change of 'SRAS' to 'SOGES'
	47	50	Change in name of Service
	48	51	Change of Designation, name of service and last 14 words deleted
	49	52	Change of para of RAM and name of service
	50	53	Change of Designation and name of service
	51	54	Change in name of SOS Exam to SOG Exam and name of Manual
	52	55	Change in Designation and name of SOS to SOG Exam service
	53	56	Change of Designation and para slightly modified
	54	57	Change of SRAS to SOGES
	55	58	Revised completely
	56	59	No change except change in the name of service
	57	60	Revised completely and Annexure referred to in this para deleted
	58	61	Change of Designation, change of name of manual with its para and the last sub para deleted
	59	62	No change
	60	63	No change
	61	64	No change
	62	65	Change in Head of Account

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
	63	66	Change in the para of the code
	64	67	Addition regarding local inspection of Audit offices by headquarters
	65	68	No change
	66	69	No change
	67	70	-do-
	68	--	Deleted
	69	71	No change
	70	72	Change of designation and change in the charges of Audit Offices
	71	73	Modified
	72	74	Change of para of Manual
	73	75	Change of Designation
	74	76	No change
	75	77	Change of para of the Manual
	76	78	Change of Designation and para slightly modified
	77	79	Change of Designation
	78	80	Change of Designation and Head of accounts
VII	79	81	Change of Designation
	80	82	Change of Designation and Addition of Saturday
	81	83	No change
	82	84	Addition of Saturday
	83	85	Change of Designation and Reduction of CL and Slight modification
	-	86	Compensatory leave under para 83 (Old) has been given new para
	--	87	SPL CL under para 83 (old) given new para
	84	88	Change of Designation, slight modification
	85	89	No change
	86	90	Change of para of the manual
	87	91	Modified
	88	92	Change of Designation and para No of the manual
	89	93	Change of SRAS Exam to SOG Exam
	90	94	No change
	91	95	Slightly modified
	92	96	Change of Designation
	93	97	Change of para of the manual and designation
	94	98	No change
	95	99	Change of Designation
	96	100	No change

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
	97	101	Change of para of Manual and Designation
	98	102	Change of Designation
	99	103	No change
	100	104	Change of Designation
	101	105	No change
	102	106	Change of Designation
	103	107	No change
	104	108	Change of Designation
	105	109	No change
	106	110	No change
	107	111	Change of Designation and last sentence deleted
	108	112	No change
	109	113	No change
	110	114	Change of para of the Manual
	111	115	Change of Designation
	112	116	Change of Designation
	113	117	Change of Designation
VIII	114	118	Change of name of Manual and Designation
	115	119	No change
	116	120	Change of Designation and para No of Manual
	117	121	Change of Designation
	118	122	No change
	119	123	Change of Designation
	120	124	Change of Designation
	121	125	No change
	122	126	Change of Designation
	123	127	No change
	124	128	Change of para of Manual and Designation
	125	129	Change of para No. of RAM referred to in this para and change of Designation
	126	130	Change of para No. of Manual
	127	131	No change
	128	132	Change of para of RAM referred to in this para
	129	133	Slightly modified and change of Designation
	130	134	Change of Designation and correction of spelling mistake
	131	135	Change of para No. of Accounts code (Railways) and Designation
IX	132	136	Change of Designation
	133	137	Correction of spelling mistakes

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
	134	138	Change of Designation
	135	139	-do-
	136	140	-do-
	137	141	-do-
	138	142	-do-
	139	143	-do-
X	140	144	-do-
	141	145	-do-
	142	146	-do- and correction of spelling mistakes
	143	147	Change of Designation
	144	148	-do-
	145	149	Change of Designation, para No. of RAM and para No. of Accounts code (Railways)
	146	150	Change of Designation and Change of para No. of Manual
XI	147	151	-do-
	148	152	Change of Designation
	149	153	No change
	150	154	Change of Designation
	151	155	-do-
	152	156	-do-
	153	157	-do-
	154	158	-do-
	155	159	Reference of Para No. of Manual deleted
	156	160	Modified
	157	161	Change of Designation
	158	162	-do-
XII	159	163	No change except correction of spelling mistakes
	160	164	No change
	161	165	No change
	162	166	Revised
	163	167	-do-
	164	168	Change of Designation
	165	169	No change except correction of spelling mistakes
	166	170	No change
	167	171	-do-
	168	--	Deleted
	169	172	Revised
	170	173	No change
	171	174	-do-
	172	175	-do-
	173	176	Change of Designation
	174	177	No change except correction of spelling

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
			mistakes
	175	178	Change of Designation
	176	179	No change
	177	180	-do-
	178	181	Change of Designation and Presentation of the para modified.
	179	182	No Change
XIII	180	183	Change of Designation
	181	184	-do-
	182	185	Modified.
	183	186	Modified.
	184	187	Revised
XIV	185	188	No change -
	186	189	No change except 'both foils' - identified
	187	190	No change
	188	191	Revised
	188A	192	No Change
	189	193	-do-
	190	194	-do-
	191	195	-do-
	192	196	Revised
	193	197	No Change
	194	198	-do-
	194A	199	No change
	194B	200	Revised.
XV	195	201	Change of name of Manual and Chapter Nos. of different codes
	196	202	No change
	197	203	-do-
	198	204	-do-
	199	205	-do-
	200	206	-do-
	201	207	-do-
	202	208	Change of para No. of Railway Code
	203	209	No Change
	204	210	Revised
	205	211	Change of name of code along with its para and chapter.
	206	212	No change
	207	213	Change of name of manual with its para No. and para No. of Railway Code and first sub para deleted.
	208	214	Change of designation
	209	215	Change of name of manual with its para No.
	210	216	No change
	211	217	-do-

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
	212	218	Change of name of Railway Code with its para No.
	213	219	No change
	214	220	Change of name of Codes and manual with its para No.
	215	221	No change
	216	222	Change of name of manual and change of para No. of Railway code
	217	223	Change of para No. of Railway code
	218	224	Change of para No. of Railway code
	219	225	-do-
	220	226	Change of para No. of RAM
	221	227	Change of name of manual and Railway Code with its para and Chapters No.
	222	228	Revised
	223	229	No change
	224	230	Change of chapter No of Railway Codes
	225	231	No change
	226	232	No change
	227	233	Change of name of Railway Code, Manual and change of para No. of Railway Code.
	228	234	No change
	229	235	Change of designation
	230	236	Change of designation and chapter No. & name of manual
	231	237	Change of para No. of RAM and change of name of manual and Railway Codes with its chapter No.
	232	238	Change of name of manual with its para and change of para No. of Railway Codes
	233	239	No change
	234	240	-do-
	235	241	-do-
	235(a)	242	-do-
	235(b)	243	-do-
	236	244	-do-
	237	245	-do-
	238	246	Change of Appendix No. and para of Railway Code.
	239	247	Change of para No. of Railway Code
	240	248	Change of name of manual with its chapter No'
	241	249	Change of name of manual and designation
	242	250	Change of para No. of RAM

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
	243	251	No change
	244	252	Modified slightly.
	245	253	Change of name of codes and manual with its chapter No. and para No.
	246	254	Modified with change of name of manual with its para
	247	255	Change of para No. of Railway codes
	248	256	No change
	249	257	Change of name of manual and, chapter and para No. of Railway code
	250	258	Modified
	251	259	Change of para No. of Railway Codes
	252	260	Change of chapter No. of Railway Code and change of name of manual with its para
	253	261	Modified
	254	262	Change of name of Railway Code with its chapter No.
	255	263	Change in the monetary limit and change of name of Railway Code with its appendix & Annexure
	256	264	Change of names of codes with its para No.
	257	265	Change of name of Codes and manual with its para No. and addition of new item with its monetary limit and change of designation
	258	266	Change of designation and name of manual with its para No.
	259	267	Change of name of manual with its para and addition of five items below item (14) in the penultimate sub-para
	260	268	No change
	261	269	-do-
	262	270	Change of name of manual with its para No. and para No. of RAM
	263	271	Change of para No. of Railway code
	264	272	No change
	265	273	Para of Railway code Added as authority.
	266	274	Change of para No. of Railway Code
	267	275	Insertion of paras of Railway codes and change of designation
	268	276	Change of para No. of Railway Code
	269	277	No change
	270	278	Insertion of para No of Railway Code and change of designation.

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
	271	279	No change
	272	280	Change of para No of RAM
	273	281	No change
	274	282	Change of para of Railway Codes
	275	283	Change of para No and insertion of Railway Code and change of designation and addition of sub-items
	276	284	Heading of the para modified with insertion of para of Railway Code, change of designation and change of para No. of RAM
	277	285	Insertion of para of Railway Codes
	278	286	No change
	279	287	-do-
	280	288	Change of para No. of RAM
	281	289	No Change
	282	290	-do-
	283	291	-do-
	284	292	Change in designation and change of name of manual along with its para by Railway Code and note under this para deleted.
	285	293	Change of name of manual with its para
	286	294	Change in head of allocation
	287	295	No change
	288	296	No change
	--	297	New Para on 'Audit of world Bank aided projects' added
XVII	289	298	Change of designation and name of manual with its para
	290	299	No change.
	291	300	Deletion of reference to one para of Railway code.
	292	301	Change of designation
	293	302	Sentence modified
	294	303	No change
	295	304	Change of designation
	296	305	-do-
	297	306	No change
	298	307	No change
	299	308	-do-
	300	309	-do-
	300(A)	310	-do-
	301	311	-do-
	302	312	-do-
	303	313	-do-
	304	314	-do-

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
	305	315	-do-
	306	316	-do-
	307	317	Change of designation and last sub para modified
	308	318	Change of para No. of RAM
	309	319	No change
	310	320	No change
	311	321	-do-
	312	322	-do-
	313	323	No change
	314	324	-do-
	315	325	-do-
	316	326	-do-
	317	327	-do-
	318	328	-do-
	319	329	-do-
	320	330	Change of para No of RAM
	321	331	No change
XVIII	322	332	Change of para No of RAM and chapter No of Railway Code
	323	333	Change of para No of Railway Code
	324	334	Change of para No of RAM and para No of Railway Codes
	325	335	No change
	326	336	Second sub para modified and change of para No of RAM and Railway Codes and designation
	327	337	Change of para No of Railway Codes
	328	338	No change
	329	339	Change of para No of Railway Code
	330	340	-do-
	331	341	No change
	332	342	Change of para No of Railway Code
	333	343	-do-
	334	344	-do-
	335	345	Change of para No of Railway Codes
	336	346	Change of chapter No and para No of Railway Codes
	337	347	Change of para No of Railway Code and change of Appendix No. of RAM
	338	348	No change
	339	349	-do-
	340	350	-do-
	341	351	Change of para No of Railway code
	342	352	-do-
	343	353	No change
	344	354	-do-

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
	345	355	Change of para No of Railway Code
	346	356	Change of para No of Railway Code
	347	357	-do-
	348	358	Change of para No of Railway Code and para No of RAM
	349	359	No change
	350	360	No change
	351	361	-do-
	352	362	Change of para No of RAM
	353	363	Change of para No of RAM
	354	364	Change of designation and name of manual with its para
	355	365	No change
XIX	356	366	-do-
	357	367	Change of para No of Railway Code
	358	368	-do-
	359	369	-do-
	360	370	Change of designation and chapter No. and para No of Railway Code
	361	371	Change of designate and para No of Railway Code
	362	372	Change of para No of Railway Code
	363	373	-do-
	364	374	-do-
	365	375	No change
	366	376	-do-
	367	377	-do-
	368	378	-do-
	369	379	Change of para No of RAM
	370	380	Change of para No of Railway Code
	371	381	-do-
	372	382	No change
	373	383	Change of designation
	374	384	No change
	375	385	Change of para No of Railway Code and Change of designation
	376	386	Change of para No of Railway Code
	377	387	Extent of check of sub – vouchers revised
	378	388	Change of designation
XX	379	389	Change of name of manual, with its para
	380	390	Change of name of manual, Railway Codes with its para
	381	391	Slightly modified with change of designation
	382	392	Change of name of Railway Code with its para

Chapter	Para of RAM (4th Edition)	Para of revised RAM	Nature of changes
	383	393	Change of designation and change of Railway Code with its para
	384	394	Change of designation and Appendix No. of RAM
	385	395	Change of Designation
	386	396	Change of designation and para No. of RAM
	387	397	Change of designation
	388	398	Change of name of Railway Code with its para
	389	399	Change of designation and Railway Code with its para
	390	400	No change
	391	401	-do-
	392	402	-do-
	393	403	Change of name Railway Code with its para
	394	404	No change
	395	405	-do-
	396	406	-do-
	397	407	-do-
	398	408	Change of Designation
	399	409	-do-
	400	410	No change
	401	411	-do-
	402	412	-do-
	403	413	Change of designation
	404	414	Change in monetary limit
	405	415	Change of designation
	406	416	Change of name of the manual with its para and change of designation
	407	417	Change of designation
	408	418	-do-
	409	419	-do-
	410	420	-do-
	411	421	Change of designation and name of Railway Code with its para
	412	422	No change
XXI	413	423	-do-
	414	424	Change of designation
	415	425	Slightly modified with change of designation
	416	426	Slightly modified with change of designation
	417	427	No change
	418	428	Revised
	419	429	Slight modification with Change of para

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes
			of SMI and change of designation
	420	430	No Change
	421	431	Change of para No of RAM and Railway Codes
	422	432	Change of name of manual with its para
	423	433	No change
	424	434	-do-
	425	435	-do-
	426	436	Change of para No of RAM
	427	437	Change of para No of Railway Code
	428	438	No change
	429	439	-do-
	430	440	No change
	431	441	No change
	432	442	Change of designation
	433	443	No change
	434	444	Change of para No of RAM
	435	445	Modified slightly
	436	446	No change
	437	447	No change except heading of the para amplified.
	438	448	No change.
	439	449	No change except last item No 29 deleted
	440	450	One item added after item (vii) in loco foreman's office inspection
	441	451	No change
	442	452	Missing three lines after item (V) added with change of designation.
	443	453	No change
XXII	444	454	Change of name of manual with its para
	445	455	Change of designation
	446	456	No change
	447	457	-do-
	448	458	Change of designation and para No of RAM
	449	459	Modified
	450	460	Change of name of manual with its para
	451	461	-do-
	452	462	No change
	453	463	-do-
	454	464	-do-
	455	465	Modified
	456	466	No change
	457	467	Change of designation
	458	468	Modified
	459	469	Change of designation

Chapter	Para of RAM (4 th Edition)	Para of revised RAM	Nature of changes	
	460	470	-do-	
	461	471	-do-	
	462	472	-do-	
	463	473	Change of name of Railway Code with its para	
	464	474	Change of designation	
	465	475	No change	
	466	476	Change of designation	
	467	477	Change of designation and name of manual with its para	
	468	478	Change of Railway Code with its para	
	469	479	Change of designation and name Railway Code with its para	
	470	480	Change of designation	
	471	481	-do-	
	472	482	-do-	
	473	483	Change of Railway Code with its para and change of Designation	
	474	484	Change of designation	
XXIII	475	485	Change of designation and name of manual with its para	
	476	486	Modified slightly.	
	477	487	Change of name of manual with its para	
	478	488	Change of designation	
	479	489	No change	
	480	490	Change of designation	
	481	491	Change of designation and monetary limit	
	482	492	Change of para of Railway Code	
	483	493	Modified slightly.	
	484	494	Modified	
	485	495	-do-	
	486	496	-do-	
	487	497	Modified	
	488	498	Change of designation	
	489	499	Modified	
	490	500	-do-	
	491	501	Change of designation	
	492	502	-do-	
	493	503	-do-	
	494	504	-do-	
	495	505	No change	
	496	506	Change of name of manual with its para and change of designation	
XXIV	497	The entire	507	Introductory
	498		508	Organisation
			509	Scope and procedure of work

Chapter	Para of RAM (4 th Edition)		Para of revised RAM	Nature of changes
		chapter revised.	510	Selection of scheme / project for review
			511	Development of Audit plan
			512	Review
			513	Reporting standards
	499			
XXV	500	The entire chapter revised	514	Principles of Internal Audit.
	501		515	Programme of Internal Audit.
			516	Reports of Internal Audit
			517	Duties of Internal Audit Section.
XXVI	Audit of Computerised Systems (A new chapter added)		518	Introduction
			519	Background
			520	Knowledge and skills
			521	Planning, Direction and supervision
			522	Accounting systems
			523	Audit Evidence
			524	Internal controls
			525	Review of financial estimates
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