

For use of IAAD only

MANUAL OF WORKS AUDIT DEPARTMENT

SECOND EDITION



सत्यमेव जयते

**OFFICE OF THE ACCOUNTANT GENERAL (C.W & R.A)
ORISSA**

Preface

This is the third revised edition of the Manual of Works Audit. After formation of the office of the A.G.Orissa with effect from 1st April 1936, the first edition was compiled in 1951 and 1st revised edition brought out in the year 1981. Further revision was necessitated in the light of restructuring of cadres in IA&AD with effect from 1st March 1984 and M.S.O.(Audit)-2nd Edition 2002 and thus the 2nd Edition was brought out in January 2004. Thus 3rd Edition has now been brought out after necessary updation / modification up to January 2010.

2. The Manual deals with the procedure to be followed in Central Audit Sections and Public Works inspection parties in conducting inspection of Public Works Divisions. The instructions contained in this Manual are supplementary to those contained in M.S.O.(Audit)-2nd Edition 2002 and other manuals issued by the Comptroller and Auditor General of India.

3. This edition has been updated with incorporation of Audit of projects financed by World Bank/I.D.A with the revised methodology of certificate of expenditure, in addition to the procedure to be followed in dealing with e-tendering. The amended procedure for approval to tenders by the Government of Orissa between 17th May 2006 and 1st November 2008 has also been suitably included in the manual.

4. The Assistant Audit Officer, Central Audit Supporting Section of the office of the Senior Deputy Accountant General (Works Audit & Projects), Puri will be responsible for keeping the Manual up to-date and for ensuring that all orders of the Government of Orissa and instructions of the C & AG of India requiring incorporation in this Manual are embodied in it with promptitude by issue of correction slips. Suggestions for improvement of the Manual may be brought to the notice of the Accountant General through the Senior Deputy Accountant General (Works Audit & Projects), Puri.

S.R.DHAL

Dated the2011

ACCOUNTANT GENERAL. (C.W & R.A)
ORISSA

MANUAL OF THE WORKS AUDIT DEPARTMENT

TABLE OF CONTENTS

CHAPTER	PARAGRAPH	PAGE
1. General arrangement and procedural matters.	1.01 – 1.22	1 - 18
2. Project Estimates.	2.01 – 2.03	19 - 21
3. Scrutiny of Sanctions and Orders.	3.01 – 3.09	22 - 26
4. Contracts.	4.01 – 4.08	27 - 47
5. Audit of Receipts.	5.01 – 5.31	48 - 66
6. Audit of Accounts and Records.	6.01 – 6.48	67 - 101
7. Public Works Inspection.	7.01 – 7.34	102 - 129
8. Resident Concurrent Post Audit.	8.01 – 8.31	130 - 160
9. National Highways.	9.01 – 9.06	161 - 171
10. Central Assistance.	10.01 – 10.11	172 - 179
11. Audit of Projects financed by World Bank/I.D.A. (Section I) and Defalcation and losses of Public Money and property (Section II)	11.01 – 11.04 11.05 – 11.07	180 - 185 185 - 191
12. Man power Audit.	12.01 – 12.07	192 - 198
13. Systems Audit.	13.01 – 13.04	199 - 203
14. Contingency Fund.	14.01 – 14.04	204 - 206
15. Result of Audit.	15.01 – 15.33	207 - 238
16. Miscellaneous.	16.01 – 16.18	239 - 249
17. Efficiency-cum-Performance Audit.	17.01 – 17.12	250 - 257

LIST OF APPENDIX

No.	Subject matter	Page No.	Reference to Chapter	Page No.
I.	Standard rates of work for C.A.S.S. & C.A.Ps	258 - 260	1.03	4
II	Distribution of works among CAPs	261 - 263	1.04	4
III.	Calendar of Returns	264 - 271	1.11(A)	9
IV.	List of File Headings	272 - 278	1.13	10
V.	List of correspondence with the appropriate letter indicating the period of preservation	279	1.20	11
VI.	Accounting procedure of special Tools and Plant/Machinery Equipment	282 - 283	6.31(iii)	89
VII.	Notice of Inspection	284 - 286	7.09	105
VIII.	Documents to be sent to Inspection party	287	7.10	106
IX.	Documents to be reviewed during Inspection	288 - 290	7.15	108
X.	Important points to be examined in inspection	291 - 326	7.19	109
XI.	Proforma of Part-I(a)	327	7.25	116
XII.	Title Sheet	328 - 334	7.27	119
XIII.	Check Slip	335 - 337	Note-2 below para 7.28	121
XIV	Terms of Reference for the audit of project financial statement for World Bank assisted projects.	338 - 341	11.3 (7)	184
XV.	Yardstick for creation of various categories of posts under "Regular Work-charged Establishment."	341 - 348	16.02	240
XVI.	List of protected monuments	349 - 351	16.03	240
XVII.	Rules for condemnation of Departmental vehicles and other disposal	352	16.06	242

LIST OF FORMS

Form No.	Subject matter	Page No.	Reference to Chapter	Page No.
1.	Register of Statistics of Vetting Section	353	1.18	11
2.	Register of Statistics of C.A.S.S. including C.A.Ps	354	1.18	11
3.	Register of statistics of R.A.Os	355	1.18	11
4.	Programme Register	357	6.08	69
5.	Material Statement in respect of work	358	6.25.1(x)(D)	80
6.	Consolidated statement of Audit figure of expenditure on Plan Schemes	359	10.05	175
7.	Register of Contingency Fund	360	14.04	205
8.	General Abstract of Amounts held under objection	361	15.07(i)	208
9.	Year-wise details of outstanding	362	15.07(2)	208
10.	Monthly report of objections waived	363	15.08(b)	210
11.	List of objections outstanding for more than 6 months	364	15.10(ii)	210
12.	Abstract of additions and clearance of objections	365	15.10(ii)	210
13.	Register of review of Schemes	366	15.17	215

For use of I A & A D only



MANUAL OF WORKS AUDIT

THIRD EDITION
(Revised upto January 2010)



OFFICE OF
THE ACCOUNTANT GENERAL (C.W & R.A), ORISSA

CHAPTER – 1

GENERAL ARRANGEMENTS AND PROCEDURAL MATTERS

SECTION – I GENERAL ARRANGEMENTS

1.01 Organisation

The Works Audit Department consists of Central Audit Support Section (CASS) and Central Audit Party (CAP) at Headquarters, P.W. Inspection parties and Resident Audit Offices wherever formed in respect of Public Works Projects. The Central Audit will be carried out by the CASS as Parties (CAP) of the Audit Office. The Works Audit Department is under the supervisory care of Senior Deputy Accountant General (Works Audit & Projects), Puri.

The Works Audit Department is responsible for audit of receipts and expenditure including Stores and Stock and Workshop Accounts relating to the following Departments of the State and Central Government dealing with Public Works.

(1) **State Government:-**

- i) Department of Works (Roads & Buildings, National Highways)
- ii) Department of Water Resources (Major, Medium and Minor Irrigation)
- iii) Department of Energy
- iv) Department of Housing & Urban Development. (PH Divisions only)
- v) Department of Rural Development (Rural Works, Rural Electrical, Rural PH).
- vi) Department of Commerce & Transport.

The number of auditee units existing as on 1st January 2010 against each Department and their aims and objectives are enumerated below.

Sl. No	Name of Department	Controlling Offices	Circle Offices	Divisions/ other Offices
1.	Water Resources			
(A)	Major & Medium Irrigation	13	17	168
(B)	Minor Irrigation	1	4	21
2.	Works			
(A)	Roads & Building Wing	2	10	50
(B)	National Highways	1	3	15
3.	Energy			4
4.	Rural Development.			
(A)	Rural Works	1	8	53
(B)	Rural Water Supply & Sanitation	1	6	34
5.	Housing & Urban Development			
	P. H. Portion	1	4	13
6.	Commerce & Transport	-	-	4
	Total:	19	57	362

The objectives of each Department are as follows:-

(A). **Water Resources Department.**

The primary objective of the Department is to develop sustainable Irrigation network in the state by way of appropriate planning, execution and operation of

Irrigation Projects. It has also the responsibility of river basin management, water planning and flood control.

For execution and operation of the Irrigation projects the State Government as well as the Government of India provide required funds through annual budget under state plan, central plan and centrally sponsored plan schemes.

Some of the major projects are financed by the World Bank and External Agencies.

(B). Works Department:

The Department is entrusted with the infrastructure development in the state i.e. construction/ maintenance of State Highways, Major District Road and Other District Roads including construction and maintenance of High level and sub-mersible Bridges located thereon.

The Department has also the responsibility of construction of non-residential as well as residential buildings. This Department is funded through annual budget provision for construction and maintenance of State Roads and Buildings under different schemes like state plan, central plan and central sponsored plan schemes under Central Road Funds (CRF), Rural Infrastructure Development Fund (RIDF) and Finance Commission Assistance etc.

The Department also looks after the construction and maintenance of National Highways in the state with the funds provided by Government of India

(C). Rural Development Department.

The primary objective of the Department is planning and execution of Rural Roads and Bridges. It has also the responsibility of construction and maintenance of Rural non-residential as well as residential Government buildings.

The Rural Development Department has also the responsibility of Rural Water Supply and Sanitation by way of augmenting and maintaining the Water Supply System operating in the Rural Sector and to promote sustainability of sources.

For construction of the Rural Roads, Bridges and Buildings are funded through annual budget provisions under state plan and centrally sponsored plan schemes like Rural Infrastructure Development Fund (RIDF) and Finance Commission Assistance being operated by the Government.

The Department also executes the centrally Assisted Pradhan Mantri Gram Sadak Yojan (PMGSY) to provide all weather road connectivity to unconnected habitations.

(D). Housing & Urban Development Department.

The Department has a primary responsibility of providing water to the urban areas and sewerage disposal in urban areas Drinking water facilities are provided in all the Urban Local Bodies through Piped Water Supply Schemes.

It has also the responsibility of providing urban amenities, such as, Housing and sanitation for hygienic living condition of urban poor.

Funds required for construction and maintenance of the Water Supply Schemes and Sewerage disposal are provided through annual budget under different schemes of the Government.

(E). Commerce & Transport Department.

The aim and objective of the Department is to look after construction & maintenance of fishing harbours and jetties including operation & maintenance of ferry boats and transportation of passengers from respective places within Chilika Lake

(2) **Union Government :-**

- i) Central Public Works Department under the Ministry of Works and Housing.
- ii) Department of Water Resources under the Ministry of Water Resources (Department of W.R)

When the 3 nos of Civil Division under the Central Public Works Department are primarily responsible for construction and maintenance of office buildings as well as residential buildings, the only Electrical Division is responsible for installation and maintenance of internal electrification of the institutional as well as residential buildings of various Central Government organizations and its staff.

The following Divisions and offices of Central Government under the Ministry of Water Resources situated within the state of orissa are under the audit control of the Senior Deputy Accountant General (Works Audit and Projects) Orissa, Puri.

- i) Chief Engineer, C.W.C, Bhubaneswar (ii) Superintending Engineer, Hydrological Observation Circle, Bhubaneswar (iii) Eastern Rivers Division, Bhubaneswar and (iv) Mahanadi Division, C.W.C, Burla.

The Chief Engineer being the regional head of Central Water Commission has a major role in coordinating, advising and facilitating the State Government, in implementation of Union Governments policy and programme pertaining to major and medium irrigation sector and surface water resources management.

The Mahanadi Division, C.W.C, Burla and Eastern Rivers Division Bhubaneswar are the regional field organisation under the organization headed by the Chief Engineer assisted by Superintending Engineer, Hydrological Observation Circle.

The Organisation is responsible for

- (a) collecting, compiling and publishing the Hydrological data in the form of water year, sediment data and bed material data book.
- (b) Forecasting river flow during flood season at selected stations in the flood prone zones of the major east flowing rivers within the state.
- (c) Monitoring of water quality at several selected water quality testing stations, monitoring of all physical and chemical parameter are also carried out.
- (d) Environmental management of the region is also carried out by the organization and report submitted to Environmental Monitoring Directorate, C.W.C New Delhi.
- (e) This region has also been entrusted with the work of performance evaluation study of completed major and medium irrigation projects.

The only Central Ground Board Division No. X in the State stationed at Bhubaneswar deals with exploratory works of Ground water in identified places to ascertain the ground water level, quantity and quality of water throughout the State of Orissa, for installation of Tube Wells. On completion of exploration work by them, the successful borewells together with the detailed report of each borewell submitted to the State Government for commissioning and use. The Regional Director office performs the monitoring work and co-ordination between the State Government and Central Ground Water Board, Faridabad.

Note: The audit of the following types of receipts have, however, been entrusted to the Revenue Audit Department.

- i) Tolls on road,
- ii) Receipts from housing of the Works Department.

(A.G. Orissa letter No. Sr.DAG (RA)-304(6) dt.13.04.1976)

1.02 General Procedure

The audit of works expenditure is conducted in the Works Audit Department in accordance with the General Principles and rules laid down in the Comptroller & Auditor General's Manual of Standing Orders MSO (Audit) and orders issued by the Comptroller & Auditor General from time to time. In respect of accounting procedure, the State P.W.D. follows the provisions of C.P.W.A. Code with certain modifications as indicated in the Annexure- A and Account Code Vol-III. As for the procedure for the execution of works and financial powers, the provisions of Orissa Public Works Department Code are followed. In regard to the P.W. Divisions of the Union Government under the audit control of this office, the provisions of C.P.W.A. Code, C.P.W.D. Code and Account Code Vol-III are applicable.

1.03 Staff Strength

The staff strength of the Works Audit Department is determined in accordance with the standards prescribed by the Comptroller & Auditor General of India vide details given in Appendix-I.

1.04 Distribution of Works

The work of the Department is distributed amongst the Sections and Central Audit Parties under the orders of the Senior Deputy Accountant General (Works Audit & Projects). Internal distribution of work in the Sections and Central Audit Parties is to be made under the order of the Branch Officer in charge. The distribution of work is given in Appendix-II. The main functions of the CASS, Central Audit Parties (CAP), Inspection parties and Resident Audit Offices are indicated below:-

A. Central Audit Supporting Section (CASS)

- (1) Central Audit Supporting Section is essentially a controlling section to see that Central Audit Parties function effectively and is required to examine important cases referred to it. The Section is to ensure uniformity of procedure in the matter of interpretation of rules etc., cases/papers dealing with general issues, questions of the kind mentioned below should be dealt with by CASS for final disposal.

- (1) General questions connected with Audit.
 - (2) Delegation of Power.
 - (3) Clearance of objections raised in audit and adherence to due dates etc.
 - (4) Doubtful/irregular sanctions, payments and contract provisions which require reference to E.C.P.A.
- (2) The main functions of this Section are as follows :-
- (i) To deal with all questions relating to the organisation of Central Audit Parties, all correspondence and distribution of work among them from time to time.
 - (ii) To co-ordinate and pursue the work of Central Audit Parties (MICA Sec. 3.1)
 - (iii) Scrutiny, editing of the audit notes/memos received from Central Audit Parties every month, sending them to the Departments concerned with copy to Accountant General (A&E) and dealing with all connected correspondence thereafter upto finality.
 - (iv) Consolidation of statistics of volume of work done of Central Audit Parties for fixation of strength of Work Audit Group.
 - (v) Carrying out supporting functions like drawing up audit programmes of Central Audit Parties, auditing sanctions in accordance with instructions in Manual of Standing Orders (Audit) and follow up work like maintaining objection books, selecting potential materials for audit reports and co-operation work generally (MICA).
 - (vi) Communicating objections arising out of audit of sanctions to the concerned Department with a copy to Accountant General (A&E) and watching their settlement. (MICA)
 - (vii) Making available the result of scrutiny of all the sanctions and the relevant sanction files alongwith the important points readily to Central Audit Parties when such parties take up audit. (MICA)
 - (viii) Maintaining the Books, Codes, Rules and Manuals including Works Audit Department Manual and up-dating thereof.

Note: Asst. Audit Officers are also required to point out any correction to W.A.D. Manual which appears to be necessary.

- (ix) Circulating and distributing among Central Audit Parties and P.W. Inspection Parties General orders, circulars and corrections to Codes and Manuals.
- (x) Issue of periodical statements and returns to outside authorities viz. Government of India, State Government and Comptroller & Auditor General of India.
- (xi) Dealing with cases involving Losses and Defalcations relating to P.W. Department.
- (xii) Maintaining the register to watch the progress of audit and review of monthly accounts of P.W. Division.

- (xiii) Central Audit Supporting Section shall consolidate the Progress Report of Central Audit Parties and Resident Audit Offices including Central Audit Supporting Section and send them to O.E. Section for final consolidation.
- (xiv) Dealing with orders of cases of general nature issued by Government or involving interpretation of rules and cases seeking clarification by all Groups of the office and outside the office.
- (xv) Dealing with audit arrangements of projects/schemes including resident audit arrangements of the Projects.
- (xvi) Supplying necessary materials for audit portion to A&E office for incorporation in the Annual Review on working of P.W. Divisions.
(CAG's letter No.1343-TAI-199-83 dt.20.10.1984)
- (xvii) Dealing with verification of figures relating to State and Centrally sponsored schemes, and World Bank aided schemes and issuing Audit Certificates.
- (xviii) Issue of instructions in respect of certification of plan expenditure.
- (xix) Issuing and consolidating replies to the reports of Director of Inspection.
- (xx) Dealing with matters connected with sanctions from "Contingency Fund" and to watch recoupment thereof.
- (xxi) Scrutiny of budget estimates of Public Works Major Head.
- (xxii) Reports regarding failure of audit and making arrangements for conducting special audit of P.W. Divisions on the request of State Government.
- (xxiii) Review of percentage charges levied on works outlay.
- (xxiv) Quarterly review of system of opening new detailed heads of account.
- (xxv) Audit of Appropriation and Finance Account.
- (xxvi) Maintenance of Register of important points for Local Audit.
- (xxvii) Quarterly report on the working of the Public Works Department.
- (xxviii) Maintenance of duty list register.
- (xxix) Review of various register maintained in Central Audit Parties.
- (xxx) Submission of all periodical reports and returns as per Calendar of Returns.
- (xxxi) Stores and stock account for Chapter-V of the Audit Report.
- (xxxii) Audit of contracts, sanction to estimates, project estimates etc.
- (xxxiii) Maintenance of Objection Books.
- (xxxiv) Maintenance of Project Register and their closing.
- (xxxv) Maintenance of Port-folio files for Schemes – Central, Centrally Sponsored and State Plans.
- (xxxvi) Preparation of tour programmes for P.W. Inspection parties, sending of intimation of inspection to the Divisional Officers, sending of records

required for inspection and to watch the receipt and disposal of inspection reports within the prescribed period.

- (xxxvii) Examination and issue of all inspection reports scrutiny of replies there to and pursuit of objections.
- (xxxviii) Dealing with matters connected with discussion in Triangular Committee Meetings and Public Accounts Committee Meetings relating to Public Works Department.

(MICA & OCOC (Br)-151 dt.09.08.1984)

Note: All the matters relating to Inspection of P.W. Divisions, Inspection Reports, Triangular Committee Meetings and Public Accounts Committee Meetings submission of periodical returns in connection thereto and processing and finalization of Draft Paras for Central/State Audit Reports are dealt with in Vetting Section and D.P. Cell.

B) Central Audit Parties

Central Audit work will be carried out every month by Central Audit Parties of the Audit Office in the Accounts Office. Two Central Audit Parties will be supervised by one Assistant Audit Officer. The main duties of the Central Audit Parties are :-

- (1) Audit of monthly accounts of Divisional Offices.
- (2) Maintenance of voucher selection Register and Central Review Register in prescribed form.
- (3) Maintenance of Duty List.
- (4) Preparation of Audit Memos/Notes and sending them to CASS along with two carbon copies.
- (5) Audit of Completion Reports.
- (6) Audit of land award statement and payments made there against.
- (7) Furnishing details of statistics according to the approved formula for assessing staff requirement by CASS. The register of statistics should be maintained by the Central Audit Parties and submitted to CASS for check and preparation of staff case.
- (8) Maintenance of Attendance Register (for each party) and sending absentee statement to O.E. Section through CASS by 20th of each month.
- (9) Quarterly review of the system of transmission of schedules, challans, debit vouchers to P.F. Section, Loan section etc.
- (10) Quarterly review of system of receipts and issue of suspense slips.
- (11) Quarterly review of T.E. Books.
- (12) Quarterly review of periodical adjustment register.

[MICA & OOC (BR) – 151 dt.09.09.1984 of Senior Deputy Accountant General
(Works Audit & Projects), Orissa, Puri]

C) Inspection and Local Audit

The audit conducted in the audit office should be supplemented by periodical inspections and test audit of initial accounts and such other accounts, vouchers etc. as

are not rendered to Audit Office or as can not be checked adequately except at local audit.

The primary objects of inspection are :-

- (i) To see that the initial accounts from which the accounts rendered by departmental officers are compiled or on which they are based, are properly maintained in the prescribed forms and the financial rules and orders are being carried out and
- (ii) To test the degree of care exercised by the departmental authorities responsible for keeping the accounts over the accuracy of original records.
- (iii) To review the work of the Divisional Accounts Officer/Divisional Accountant posted by the Accountant General (A&E) to the P.W. Divisions to see that the Accountant discharges his duties with efficiency.

Note: The general principles and rules relating to such inspections and test-audit are prescribed in Para 4.1.19 and 6.1.1 and 6.1.2 of M.S.O.(A)-2nd edition.

D) Resident Audit Office

The main function of Resident Audit comprises mainly concurrent post audit of all expenditure on the Project including pay, T.A. and contingency of the staff and checking up of all initial accounts records including leave accounts, service books, acquittance rolls etc. in all offices of the project. The Resident Audit Officer keeps a close watch over the internal checks of the F.A. & C.A.O. Further the Resident Audit Officer is required to ensure co-relation of the different aspects of the Project and appraisal of the scheme/schemes under his audit. The detailed rules in regard to procedure of audit and review and the functions of the Resident Audit Offices have been dealt with in Chapter-8 of this Manual.

1.05 Reports on failure of Audit

The reports of cases on failure of audit in Work Audit Branch should be submitted by CASS to the Senior Deputy Accountant General (Works Audit & Projects) and Accountant General (CW&RA) so that a report to the Comptroller & Auditor General of India may be made as per paragraph 47 of C&AG's Manual of Standing Orders (Admn.) Vol.-I. While submitting the case, CASS should ensure that the names of persons responsible for the failure and the disciplinary action taken or recommended are indicated.

1.06 Relative responsibilities :

These are broadly laid down in the C.&A.G's M.S.O. (Admn), Establishment/General Procedure Manual issued by this office. The following instructions should also be followed:-

- (a) The Audit Officer is responsible for the satisfactory working of the Sections entrusted to him. His functions are chiefly concerned with discipline, management and supervision and while it is unnecessary to lay down any detailed rules for the guidance of Gazetted Officers over and above such specific instructions as already exist, it is essential that they should be thoroughly well informed of what is going on in their sections and be in personal touch with those working under them.
- (b) Assistant Audit Officer

The Assistant Audit Officer is personally responsible for the efficiency of the internal arrangement and the expeditious performance of the work of his Section as a whole in addition to the duties connected with review of audit as prescribed in para 4.2.6 to 4.2.11 of MSO (A)-2nd edition.

(c) Duties and responsibilities of Sectional staff :-

The duties and responsibilities of the Audit Officer/Assistant Audit Officer and Senior Auditor/Auditors are given in Annexure-B.

SECTION – II PROCEDURAL MATTERS

1.07 General

The rules and orders regarding the receipt of Dak from Record Section and their distribution among sections as laid down in Manual of General Procedure will apply mutatis mutandis to the Works Audit Department as laid down in the following Paragraphs.

1.08 Inward Diary Register

All documents (except those mentioned below) received in the Sections must be entered in the Inward Diary Register whether they require action or not.

Exceptions : i) Draft Inspection Reports.

ii) Agreements.

These are to be diarised in separate Diaries. The maintenance of the Inward Diary Registers and their periodical closing will be governed by the instructions contained in the Manual of General Procedure.

1.09 Auditor's Note Book

A Note Book is required to be maintained by each Auditor under para 641 of the Manual of Standing Orders (Tech) Vol-I. A few pages thereof should be set apart for cases requiring action to be taken.

It should be put up to the Assistant Audit Officer on 3rd of each month for review. It should be handed over to his successor by the Auditor when he relinquishes charges of his seat.

1.10 Assistant Audit Officer's Note Book

A Note Book should be maintained by each Assistant Audit Officer to record the points he has to watch but which are not required to be noted in any of the prescribed registers. The Note Book should be submitted to Branch Officer in charges on the 3rd of every month.

1.11 (A) Calendar of Returns

Instructions for upkeep of the sectional calendar of returns are laid down in the Manual of General Procedure (Paras 109 to 113) and should be carefully followed.

Appendix-III to this Manual embodies a list showing the returns etc. due, to outside authorities and the items of work due for completion and submission to the authorities within the office on the dates specified against each.

1.11 (B) Consolidated calendar of Returns

A Consolidated Calendar of Returns due to Comptroller & Auditor General / State Government / Accountant General should be kept by the Confidential Assistant of the Senior Deputy Accountant General (Works Audit & Projects). He should bring to notice of the Senior Deputy Accountant General (Works Audit & Projects) and remind the concerned Section seven days ahead as to the returns due to be sent to the above authorities and watch them to finality. This does not absolve the concerned Sections from the responsibility of watching the return to be sent on due dates.

1.12 Sectional General Note Book

There should be a properly indexed General Note Book for each Section where it should be entered all sanction orders and information of general interest. Entries will be made by the Auditor concerned under instructions from the Assistant Audit Officer who will attest the entries and they will naturally be such as are in the nature of precedence or of importance likely to be required for future reference. The Note Book should be freely available to all the members of the Section for study or reference.

1.13 File Headings

The list of File Headings adopted for the working and proper filing of records of various sections of Works Audit is given in Appendix-IV to this Manual. Each File Heading has several sub-divisions according to requirement as shown in the Register of cases of Works Audit Department (Form-SY-255). Orders of the Senior Deputy Accountant General (Works Audit & Projects) should be obtained for opening further files or cases when necessity arises.

1.14 Monthly & Quarterly Progress Report

The monthly and quarterly progress reports as prescribed in paras 114 and 115 of the Manual of General Procedure should be prepared and submitted to the Senior Deputy Accountant General through the Branch Officer on the 5th of the following month. The reports in respect of all Central Audit Parties, Resident Audit Offices and Central Audit Supporting Section should be consolidated by Central Audit Supporting Section.

1.15 Filing of Audit Notes

Audit Notes pertaining to a Division after disposal should be filed in a separate case cover stitched year-wise in Central Audit Supporting Section.

1.16 Documents and papers that may issue under the signature of the Assistant Audit Officer

A list of documents which may be issued under the signature of Assistant Audit Officer of works Audit Sections or the Audit Officer-in-Charge is given in Appendix-E under para-208 of the Manual of General Procedure.

1.17 Issue of Reminders

The procedure indicated in the Manual of General Procedure should generally be followed regarding the issue of reminders. The special procedure in regard to Audit Notes and Inspection Reports is as follows :-

A reminder on the Audit Note should be issued after one month in case the same is not received back with reply within one month of the date of its issue. In the case of Inspection Reports on the accounts of P.W. Divisions and circle offices, the Executive Engineer and the Superintending Engineer and the Chief Engineer should

be reminded on the expiry of two months respectively from the date of despatch of the reports from this office. Cases of delay should be reported to the Superintending Engineer and the Chief Engineer immediately. Any long and habitual delays in non-receipt of replies to audit notes and inspection reports should be brought to the special notice of Government, if the action taken by the Superintending Engineer and the Chief Engineer is considered inadequate.

1.18 Consolidation of statistics to serve as Fair Index of the Volume of work done and for calculation of staff requirements

In order to ensure the above objects in the Audit Offices, Registers in Forms No. 1,2, and 3 showing the information on the various items of work done by each Auditor of Central Audit Parties, Central Audit Supporting Section and Resident Audit Offices will be maintained monthly, Auditor-wise. The register should be submitted to the Audit Officer on 15th of each month.

(Based on OOA-3535 dated 17.09.1960, OOA-4322 dated 07.08.1962, OOA-5010 dated 24.12.1964, OOA-6312 dated 31.07.1970, Memo No. OE(Br)-Cent-Misc-1367 dated 15.09.1970 and letter No. OE(Br)-Vent-Misc-241 (2) dated 06.05.1971)

1.19 Black-listing of Suppliers/Contractors

A register in the following proforma should be maintained in Central Audit Supporting Section for noting the names of Firms with whom business dealing of Government were suspended. The names should be arranged in alphabetical order for facilitating reference. If revocation orders are subsequently received the entry should be cancelled under attestation of the Assistant Audit Officer quoting reference to the order. The list as and when received will be circulated by Central Audit Supporting Section.

Name and address of the Firm	Authority No. & Date	Period	Remarks
1	2	3	4

1.20 Filing Order

All letters received from State Government, the Government of India and the Comptroller & Auditor General of India should be recorded only under orders of the Branch Officers. In other cases, papers may be recorded under the orders of the Assistant Audit Officer after complete action has been taken thereon. All letters should invariably indicate the File Headings described in Para 1.13. The "File" order should specify the class 'A' 'B' 'C'. The Clerk concerned will record in the diary register the class of file order and the case or file in which the letter has to be placed. The Clerk will then hand over the letters to the dealing assistants, who will arrange all recorded letters in their respective files according to the File Headings and get them properly bound by the Daftry before the files become bulky. A list of all correspondence with the appropriate letter indicating the period of preservation is given in Appendix-V.

1.21 Transmission of Headquarters Vouchers to Field Parties.

A Register in the following form should be maintained in Central Audit Supporting Section to watch the transmission of vouchers etc. from Headquarters to the Field Parties and their return.

Sl. No	Name of Division /Office	Period of Inspection	Due date of sending records to Field Parties	Date of receipt of records alongwith forwarding letters from Accounts Section	Letter No. & date forwarding records to Field Parties	Date of return of documents from Field Parties	Date of sending records to concerned Accounts Section.	Remarks
1	2	3	4	5	6	7	8	9

The register should be submitted to the Senior Deputy Accountant General (Works Audit & Projects) through the Branch Officer on the 10th of every month.

The Assistant Audit Officer of the Inspection Parties should arrange to return the forwarding letters in original alongwith the Inspection Reports and replies to Special Points sent from Central Audit Supporting Section, if any, to the Control Office on the second day following the last day of inspection.

(Based on CAG's Secret letter No.963-TA-I-98-71 dated 12.04.1971 and No.170-TA-II/7-73 dated 09.07.1973 and Nos. W-20-Cir-869 dated 03.06.1971 and W-20-Cir-2248(35) dated 12.09.1973)

1.22 Preservation of records.

Period of preservation of records are prescribed in Para 373 of M.S.O.(Admn) Vol.-I and para 436 to 440 and Appendix-F of the Manual of General Procedure. The instructions contained in the following publications should also be kept in view in this connection:-

Para 23.4.1 of C.P.W.A. Code, Para 617 of M.S.O. (Admn) Vol-I, Paras 379 and 381 of M.S.O.(Admn) Vol-I. Rule 289 of O.G.F.R. Vo.-I, Appendix-19 of O.G.F.R. Vol-II, Rule 284 and Appendix 13 of Compilation of G.F.R.

ANNEXURE – A

(Para 1.02)

STATEMENT SHOWING THE MODIFICATIONS ADOPTED BY THE STATE GOVERNMENT.

Sl. No	Subject in brief	Para in the Revised Edition of C.P.W.A. Code	As adopted by the State Government
1.	Copies of orders relating to Administrative approval need not be sent to Audit	Note to Para 4.4.1	The existing procedure should continue i.e. copies of the A.A. should continue to be sent to Audit.
2.	Limit of sub-head accounting raised to Rs.7,500/- instead of Rs.2,000/-	Para 10.5.1	In case of Major Estimates sub-head wise accounting may be maintained for each sub-head the cost of which is Rs.5,000/- or more.
3.	In case of Works done departmentally or through contractor where contracts are for labour only. Materials at site account in new forms may be maintained for major works (above Rs.1 lakh vide C.S. No. 18 dt.15.3.1966 to C.P.W.A. Code and Rs.75,000/- prior to that)	Para 10.3.12 (Form is to be adopted)	As the State Government had adopted the limit of Rs.50,000/- for major works, the same limit was applicable here in determining a major or minor work upto 31.3.74 and from 1.4.1974 the limit of Rs.1,00,000/- more has been adopted by them.
4.	M.A.S. Account need not be maintained for minor works etc.	Para 10.3.12 (c)	-do-
5.	Advance payment for works done but not measured.	Para 10.2.25 and the Note.	No such system is prevalent in the State P.W.D. and hence not adopted by the State Government
6.	Preparation and submission of labour reports may be dispensed except in case of M. Rs containing more than 15 persons.	Para 10.1.1 and Note-I	State Government adopted the limit upto 10 persons i.e. labour reports should be prepared for M.Rs containing more than 10 persons.
7.	Existing percentage of scrutiny of contractors bills with M.Bs. in Divisional & Sub-Divisional Offices to be reduced.	Para 10.2.16 and Para 10.2.17	(1) Sub-Division, Division payments made in sub-division 100% 50% (2) Payments made in Division 50% 100%
8.	Raising limit of vouchers not required to be sent to audit from Rs.50/- to Rs.250/-.	Para 22.4.17	All cash vouchers whether relating to works or contingencies above Rs.250/- should be sent to Audit.

Sl. No	Subject in brief	Para in the Revised Edition of C.P.W.A. Code	As adopted by the State Government
--------	------------------	--	------------------------------------

- | | | | |
|----|---|------------|---|
| 9. | Petty sums under ten rupees should not be paid by cheque. | Para 6.2.9 | All payments upto Rs.250/- may be made in cash. |
|----|---|------------|---|

Note:- Government of Orissa have adopted C.P.W.A. Code with effect from 1.8.1966 except Chapter-7 on Stores which was adopted by them with effect from 1.10.1966 subject to exceptions as above and below.

(G.O. W & T Department letter No.FA/6/65-14129(10) dt.17.8.1966 Dy-WM-24-14-Simpl-3053 and OOA-CC-7012 dt.10.12.1973, Dy-WM-18-Classifn-6814)

- | | | | |
|-----|---|---------------------------------------|---|
| 10 | Recovery of cost of establishment and T&P on a percentage basis. | Rule 4 of Appendix-4 of C.P.W.A. Code | Adjustment of percentage charges will be made at the rate prescribed by Government of Orissa from time to time. |
| 11. | Residual amount of establishment and T&P to be adjusted on prorata basis. | Rule 5 of Appendix-4 of C.P.W.A. Code | -do- |

[Government of Orissa, Works & Transport Department letter No.4391 dt.17.3.1967 (Dy-WM-12-23-62), Irrigation and Power Department letter No.16767 dated 28.7.1966 (Dy-WM-12-23-2815) and Works & Transport Department letter No.2732/Bt dated 15.2.1974 (Dy-WM-12-23-493)]

- | | | | |
|-----|---|--|-------------------------------------|
| 12. | Petty and miscellaneous items of work ordinarily classified as “new works should be debited to” “repairs” upto a limit to be prescribed by local Admn. Subject to a maximum of Rs.20,000/-. | F.N.26 (4) of Appendix-2 of C.P.W.A. Code. | The limit is raised to Rs.40,000/-. |
|-----|---|--|-------------------------------------|

[Government of Orissa, Works & Transport Department letter No.FA-38-69-15/65 dt.24.7.1969 (Dy-WM-234--3238), Irrigation and Power Department letter No.14477 dated 24.5.1971 (Dy-WM-23-4-1355)]

- | | | | |
|-----|---|--|--|
| 13. | Vouchers in support of payment of wages to members of work charged establishment corresponding to Class-IV staff in regular establishments need not accompany the monthly accounts. | Para 22.4.17 (a) (ii) of C.P.W.A. Code | All vouchers in respect of work charged posts sanctioned by an authority higher than Divisional Officer in the State P.W. Divisions should accompany the monthly accounts. |
|-----|---|--|--|

[Comptroller & Auditor General letter No.2526-Tech-Admn-II/396-60 dt.4.12.1965 copy received with Main Office letter No.TM-BO-2495 dt.23.12.1965 (Dy-WM-I-12A-4749)]

ANNEXURE – B

[Para 1.06. (c)]

(A) Audit Officer

- (i) Co-ordination and general supervision.
- (ii) Framing of Audit Programmes, deployment of Audit Parties and watching completion of Audit, Audit performance.
- (iii) Quarterly review of broad sheets particularly in respect of Cash settlement suspense, P.W. Remittances and P.W. Cash balance.
- (iv) Review of prorata distribution of Establishment and Tools & Plant cases.
- (v) Audit of Contract/Agreement.
- (vi) Scrutiny of the material processed by Assistant Audit Officer for Audit Report and submission to Group Officer.
- (vii) Preparation of Quarterly Review Report on the working of the Department.
- (viii) Check of Administrative Accounts of Irrigation Projects.
- (ix) Review of Port-folio File for schemes Central, Centrally Sponsored and State Plan (MICA).

(B) Assistant Audit Officer

- (i) Audit of all sanctions to expenditure.
- (ii) Disposal of references seeking clarification and allied correspondence.
- (iii) Review of files containing Objection Memos etc. issued to departmental officers.
- (iv) Processing materials for Audit Report.
- (v) Quarterly review of the system of receipt of vouchers through A.C. Section and their transmission to P.W. Division for adjustment.
- (vi) Quarterly review of the posting into the closing of classified and consolidated abstracts relating to P.W. Major Heads.
- (vii) General check of objection book and approving the closing. (MICA).
- (viii) Check of consolidation of statistics.
- (ix) Each Member of his branch is fully employed and equipped with working knowledge of the section.
- (x) Proper and equitable distribution of work is done among the Auditors and effective co-ordination is maintained for smooth and expeditious working of the Section as a whole.
- (xi) Audit Rules and executive orders of the Government are correctly applied in the conduct of the work of the Section.
- (xii) All cases of heavy arrears or symptoms of confusion in the accounts of any particular Division vide Para 615 of M.S.O (Tech) Vol-I are brought to the notice of the Accountant General (Audit) or the Government.

- (xiii) There has been no delay in completion of audit of the monthly accounts or in the several processes of audit as per the programme of audit drawn up for each month.
- (xiv) All areas of delay in disposal of audit notes are promptly brought to the notice of the Branch Officer-in-charge.
- (xv) Inspection Reports are correctly and promptly disposed of and draft paras on financial irregularities together with all relevant papers on the subject are submitted for approval of the Senior Deputy Accountant General (Works Audit & Projects)/Accountant General (Audit).
- (xvi) All necessary special reports have been issued and all items of objections arising out of inspection of Divisional Offices included in the Inspection Reports have been incorporated in the Objection Book, where required.
- (xvii) All letters etc. received in the Section are promptly distributed (they should first be carefully pursued and initialed by the Assistant Audit Officer before distribution).
- (xviii) Reference and other correspondence arising in the Section are disposed of promptly.
- (xix) All progress reports and other periodical reports are submitted to the Branch Officer/Senior Deputy Accountant General (Works Audit & Projects) on the due dates.
- (xx) All cases of serious financial irregularities are noted in the Register of financial irregularities.
- (xxi) Orders and decisions received in Central Audit Supporting Section are incorporated in Works Audit Department Manual.
- (xxii) The tables and drawers of Auditors are inspected once in a month with a view of seeing that the disposal of papers etc. are not unduly delayed.

(C) Senior Auditor

- (i) Maintenance of Port-folio Files for schemes Central, Centrally Sponsored and State Plan.
- (ii) Issue and pursuance of Objection Memos with Departmental Officers.
- (iii) Issue and pursuance of Objection Memos with Works Accounting Section.
- (iv) Consolidation of statistics for calculation of staff requirements.

(D) Auditor

- (i) Maintenance of objection book and closing.
- (ii) Providing assistance in administrative work like postings, transfer, leave etc.
- (iii) Other routine work not specifically listed and any other work entrusted by Audit Officer.(MICA)

(E) Works Audit (Central Audit Party)

1. Assistant Audit Officer

- (i) Overall supervision and co-ordination of work of audit parties.
- (ii) Selection of vouchers for audit and review.

- (iii) General scrutiny of schedule of rates.
- (iv) Audit of schedule of monthly settlement with Treasuries.
- (v) Audit of schedule of Miscellaneous Works Advance.
- (vi) Audit of final bills of contractors for amounts above Rs.50,000/-.
- (vii) Review of vouchers audited by Senior Auditor/Auditors./
- (viii) Pass order on monthly accounts.
- (ix) Check of annual certificate of balances.

2. Senior Auditor

- (i) He is primarily responsible for all the work relating to the accounts allotted to him. He will audit the monthly Divisional Accounts and carry out all the processes of audit prescribed in MSO (Audit) 2nd Edition.
- (ii) Audit of schedule of Revenue/Refunds of Revenue.
- (iii) Audit of schedule of purchases.
- (iv) Audit of stock account and reserve limit of stock.
- (v) Audit of schedule of deposit.
- (vi) Audit of schedule of deposit works.
- (vii) Audit of the account of interest bearing securities.
- (viii) Audit of account receipt/issue of Tools and Plant.
- (ix) Audit of schedule of Works Expenditure.
- (x) Audit of schedule of Cash Settlement suspense.
- (xi) Audit of schedule of Remittances.
- (xii) Audit of Contractors Ledger.
- (xiii) Audit of schedule of dockets including those for percentage recoveries.
- (xiv) Audit of first and final bills of contractors.
- (xv) Audit of Final bills of contractors upto Rs.50,000/-.
- (xvi) Audit of running account bills of contractors,
- (xvii) Audit of Bills of Suppliers, Bills in respect of purchase through D.G.S. & D. and Railway credit notes.
- (xviii) Audit of Hand Receipts.
- (xix) Audit of completion reports.
- (xx) Audit of Land Acquisition Vouchers.
- (xxi) Audit of Transfer Entries.
- (xxii) Recording of Pass Order on monthly Accounts (MICA).
- (xxiii) Conduct of Audit of Works Accounts and Vouchers on the lines indicated in the succeeding chapters of the Manual.
- (xxiv) He should prepare the Audit Notes as prescribed in Paras 4.4.3 to 4.4.6 of MSO (A) – 2nd edition.

(xxv) Maintenance of Note Books as Paras 4.2.12 and 4.2.13 of MSO (A)-2nd edition.

3. Auditor

- (i) Listing of vouchers for selection of Audit/Review and put up to Assistant Audit Officer duly filled up and checked for selection.
- (ii) Audit of Work Charged Establishment Pay Bills, T.A/ L.T.C. Bills and Medical Bills.
- (iii) Audit of Consolidated Contingent Bills.
- (iv) Audit of other Miscellaneous vouchers not specifically listed.
- (v) Any other routine work or other work entrusted by Assistant Audit Officer.

CHAPTER – 2

PROJECT ESTIMATES

2.01 Register of Project Estimates in respect of Projects costing more than Rs.25 lakh or more.

- (1) The Register of Project Estimates is intended to watch that the estimates sanctioned by various authorities under the detailed heads of a Project do not exceed the Administratively approved Project Estimates under those heads. The Register should be maintained on the lines indicated in Paras 632 to 637 of M.S.O. (Tech) Vol-I.
- (2) All technical sanctions to Works Expenditure accorded against the Project Estimates should be watched against the provision for sub-head prescribed under the relevant major and minor heads of accounts for different branches as indicated below.

Branch	Sub-head
(i) Irrigation	Reservoir, Dam and Appurtenant Works, Spill-way Barrage, Weir, Buildings, Canals, Branches
(ii) Public Works	
(a) Roads & Bridges	Major District Roads, Other District Roads, Classified village Roads etc.
(b) Public Works	Education, Police, Jails, Medical etc.
(c) Housing	Same against (ii) (b)

The exact sub-heads should correspond with those provided in the preliminary estimates which form the basis of Administrative approval. The preliminary estimates may be called for from the Department on receipt of Administrative approval/Expenditure sanction. If there is no sub-head in the preliminary estimates, the register of project estimates may be used for keeping a watch on overall excess.

- (iii) When only a single estimate is sanctioned for a Project, the register of project estimates need not be maintained in respect of that project.

[Comptroller & Auditor General's letter No.2482/Tech-Admn-II/173-65 dt.2.12.1965, No.250/Tech-Admn-II/173-65 dt.3.2.1966 (Dy-WM-24-12-6117) and revised classification structure]

2.02 Procedure of Audit and Review.

In the case of a Project, consisting of several works, report on all the works, Plans, specification and a detailed statement of measurements, quantities, and rates with an abstract showing the total estimated cost of each item bringing the whole together will be prepared to constitute the estimate of a Project. The report is to embody in clear terms the object to be gained by the execution of the works estimated for and explained any peculiarities which require elucidation, including where necessary the reasons for the adoption of the estimated project or design in preference to others.

(Based on Para 87 of C.P.W.D. Code and 3.4.1 of O.P.W.D. Code)

Note :- (1) The basic condition for commencement of a Project/Work or the Administrative Approval, Technical sanction to detailed design, expenditure, sanction, provision of funds and orders for commencement thereof are laid down in Rules 131 of G.F.R. 128 of O.G.F.R. Vol-I, Para 61 of C.P.W.D. Code and 3.7.1 of O.P.W.D Code.

(2) For the purpose of financial sanction, a group of works which forms one Project shall be considered as one work, and the necessity for obtaining the sanction of a higher authority to a Project is not avoided by reason of fact that the cost of each particular work in the Project does not require such sanction.

(Para 42 of MSO (Tech) Vol-I Note-2 below Rule 131 of G.F.R, Para 67 of C.P.W.D. Code and Note 2 to Para 8 (f) of Delegation of enhanced financial Powers 1975 (Orissa)

(3) Separate expenditure sanction is not necessary, if Budget Provision is available for works expenditure.

(Para 63 of C.P.W.D. Code read with Rule 1 (1) of Delegation of financial Powers Rules 1958 and Para 11(d) of Delegation of enhanced financial powers 1975)

(4) Projects which require the sanction of the Government of India are dealt with the Para 6.1.6 of O.P.W.D. Code.

(1) Commencement of work in anticipation of detailed estimate of the whole Project

Please see Para 81 of C.P.W.D. Code and Para 6.1.3 and 6.1.4 of O.P.W.D. Code. For conducting audit of technical sanctions to component parts of a Project not technically sanctioned as a whole after it has been Administratively approved, the provision of para 636 of MSO (Tech) Vol-I may be referred to.

(2) For scrutiny of estimates and expenditure pertaining to large works or projects, to ensure that there has not occurred any material modifications or deviation from the sanctioned estimates as also to correlate the progress of expenditure with the progress of work actually done as compared with the estimates in order to ascertain the prospect of the Projects being completed within the limit of sanctioned estimates from the stand point of financial importance, reference may be had to para 520 of MSO(Tech) Vol-I.

(3) The Administrative approval to a project costing more than Rs. 25 lakh together with the abstract of estimates as also Technical sanctions thereof should be received in audit for scrutiny and maintaining the Register of Project Estimates.

(Based on Paras 4.1.13 and 4.1.14 of MSO (A) 2nd edition)

(4) Submission of Project estimates to audit should be watched by concerned Central Audit Supporting Section and kept in Library.

2.03 Communication of sanctions to Estimates.

A return of all estimates for non Projects costing more than Rs. 10 lakh and Projects each costing more than Rs. 25 lakh sanctioned by competent Public Works Officer is required to be forwarded to this office not later than the 10th of the month following the month of sanction. On receipt, these sanctions should be audited with reference to the Rules of the Government concerned and the Powers of the

sanctioning authorities as per Para 3.01 of this Manual and noted in the Register of Project Estimates.

It should be ensured that the names of the estimates as adopted in the return (NMR) is adhered to in all the accounts records, correspondence and statements.

The returns should be filed serially in a separate file for each Division after necessary action.

Remarks on the returns of sanctioned estimates will be communicated to the Divisions, Superintending Engineers and Chief Engineers concerned in Form No.SY-221 (Continuation) and pursued until they are finally settled

CHAPTER – 3

SCRUTINY OF SANCTIONS AND ORDERS.

3.01 Scrutiny of Sanctions.

(i) The general principles for the audit of sanctions to expenditure laid down in Paras 2.2.34 to 2.2.45 of MSO (A) 2nd edition with particular reference to Paras 4.1.11 and 4.1.12 *ibid* in relation to works expenditure and with reference to relevant chapters of the MSO in respect of other types of expenditure should be borne in mind. It should be seen whether the procedure of communicating sanctions to audit as prescribed in Rules 45 of the O.G.F.R. Vol-I and 39 of G.F.R. and Chapter 4.4 of C.P.W.A. Code has been observed.

(ii) All sanctions should be carefully examined to see that the authority according sanctions is competent under provision of the constitution and of the Laws, Rules and orders there under or by the rules of delegation of financial authority may by a competent authority and that the sanction is definite. It should cover the important points such as the date from which the sanction will take effect, the period upto which tenable, other facts and material points are correctly brought out so as to leave no room for misconception or occasion for further reference to the sanctioning authority.

(CAG's letter No.2562-TA-II/363-67 dated 4.10.1967, OOA-5852 dated 12.12.1967)

Note: (i) For scope of sanction to estimates of works, Para 10.8.7 of C.P.W.A. Code, Rules 132 of G.F.R and 130 of O.G.F.R Vol-I, Paras 89 of C.P.W.D. Code and 3.7.5 of O.P.W.D. Code may be seen.

(ii) Cases of wanting sanctions will be registered in objection Book as per Para 7.2.16 of MSO (A) 2nd edition.

(iii) For date of effect of sanction, retrospective sanction and lapse of sanction, Rule 42, 42-A, 43 and 44 of G.F.R. and 51 to 54 of O.G.F.R Vol-I may be referred to.

The procedure regulating lapse of sanction to an estimate for works has been laid down in Paras 83 of C.P.W.D. Code and 3.7.6 of O.P.W.D. Code.

3.02 Audit of sanctions – Delegation of Powers to the Administrative Departments.

In the sanction orders issued under the powers delegated to an Administrative Department it should be seen that :-

- (i) It falls within the field of the delegated authority of the Department concerned,
- (ii) It conforms to the conditions governing the delegation of powers and,
- (iii) Has been issued with the concurrence of the Internal Financial Adviser concerned.

In other cases, it should be seen that the sanctions have been issued in consultation with the Finance Department.

A statement in the sanction that it has been issued with the concurrence of the Internal Financial Adviser or in consultation with the Finance Department may be accepted without a formal endorsement to that effect by the Internal Financial Adviser or the Finance Department (OOA-7212 dated 30.10.1974).

3.03 Acceptance of sanction.

When a sanction to expenditure received in this office has been examined and admitted in audit as regular and correct according to Para 2.2.36 of MSO (A) 2nd edition the same should be noted in the appropriate registers maintained for the purpose. Instead of a simple file order it should bear an endorsement to the effect “Admitted under the orders of” (the designation of the officer and date of order to be specified) (OOB – 1203 dated 13.12.1967).

Note:(1)All sanctions and payments for individual amounts exceeding Rupees Two lakh, Five lakh and Ten lakh should be brought to notice of Branch Officer, Group Officer and Accountant General respectively (OOB – 1486 dated 3.4.1975 and OOA – 8550 dated 28.10.1981 (CS No. 10 to WAD Manual).

- (2) Even though a sanction might, in the view of audit be against financial propriety (G.I. Decision below Rule-6 of G.F.R. and Rule-9 of O.G.F.R. Vol-I), Audit should not withhold payment, but should resort to the prescribed method of reporting the matter through Audit Reports, if considered necessary.

(C.S. No.190 to Para 2.2.46 of MSO (A) 2nd edition)

3.04 Insufficient/Irregular Sanction

Objection to insufficient or otherwise irregular sanctions accorded by any authority above the disbursing officer must be excluded from the ordinary records of the objections booked against disbursing officers. A record of these objections should be kept in Special Registers in Form No.MSO-121. A separate Register should be maintained for the record of objections relating to irregular sanction of the Administrative Department/Ministries of Government. All such registers should be reviewed monthly and submitted to Branch Officer/Senior Deputy Accountant General on 3rd of every month/5th of every quarter.

Correspondence on such objections should be addressed to the Authority who accorded the sanction. The disbursing officers and other higher officers, should however, be informed simultaneously that the sanction has been held under objection. If at any time before the removal of the objection it is considered necessary to retrench the amount disbursed under Para 845 of MSO (T) Vol-I, each retrenchment order shall be communicated to the disbursing officer through the sanctioning authority.

(Based on Para 7.2.3 of M.S.O. (A) – 2nd edition)

3.05 Appropriation and re-appropriation of funds.

The principle regarding appropriation audit has been dealt with in Para 6.04 of this Manual. Orders of re-appropriation, affecting different major works or a major and minor work either within the same sub-head or outside should be scrutinized with reference to Rules 151 to 159 of the Orissa Budget Manual and para 3.15.1 of M.S.O(A)-2nd edition by Central Audit Parties/Central Audit Supporting Section to see that there is no defect or irregularity.

Note :- 1) The existing provisions in Para 3.7.1 of O.P.W.D. Code read with Rule 100 of the Orissa Budget Manual regarding provision of funds for works should be strictly followed.

[G.O.W. & T. Deptt. letter No.F-A-97/69-1543(6) dated 21.01.1970 received with that Department letter No.26135 dated 28.11.1970 (Dy.WM-12-16-4819)]

- 2) Standard Detailed Heads (Objects) of expenditure have been prescribed for Primary units of Appropriation under Revised structure of Government Accounts effective from 1.4.1974.
- 3) Appropriation Audit Certificate should be furnished by Central Audit Supporting Section in respect of expenditure on works/suspense quarterly upto September and thereafter monthly during a year to C.A.S.S.-IA of Main Office (Based on Paras 3.16.1 to 3.16.11 of M.S.O.(A) -2nd edition)
- 4) It should be ensured that under the system of budgeting gross expenditure no attempt is made to include recoveries of expenditure relating to respective grants/appropriation.

(Para 5 of M.S.O.(T) Vol-II and 5.2.2. of C.P.W.A. Code)

- 5) Some of the important points of irregularities which can form the subject matter of comment in Audit Reports are available in Appendix – X referred to in Para 30 of M.S.O.(T) Vol-II and para 15.11 of this Manual.

3.06 Sanction to Contracts

The points to be borne in mind in applying audit checks are detailed in Chapter-4 of this Manual.

3.07 Sanction to work charged establishment

The principles on which work charged establishments are sanctioned and the authority competent to sanction entertainment of such establishments are put forth in Paras 10 to 11 of C.P.W.D. Code and 2.3.1 to 2.3.2 of O.P.W.D. Code.

Sanctions to work charged establishment or other services received in this office should be scrutinized. This scrutiny is to be supplemented by a test check in local inspection as per para 4.2.16 of M.S.O.(A) – 2nd edition.

Note :- 1) Rules for grant of leave, gratuity, pension, traveling and other allowances for work charged employees under the Central Government are laid down in the C.P.W.D. Manual and vide Para 10.2.27 of C.P.W.A. Code.

- 2) Recruitment and conditions of service of work charged staff of the State Government of Orissa have been formulated in P&S Department resolution No.9488 dated 18.6.1974 received with Accountant General, Orissa letter No.1M-I-40-1223 dated 10.1.1975 (Dy-WM-12-44-7004)]

The above order takes effect from 19.8.1974 vide Works Department letter No.1399 dated 6.1.1975 received with that Department letter No.2145 dated 14.8.1975 (Dy-WM-12-44-3877).

- 3) Audit procedure has been prescribed in Para 6.25 of this Manual.

3.08 Sanction to regular establishment

Sanctions to Direction and Administration (Regular establishment) are governed by Rules .10 of Delegation of Financial Powers and Para 3 of Delegation of Enhanced Financial Powers.

Communication of sanctions to Audit is regulated by Section 18.6 of C.P.W.A. Code. Drawal of pay and allowances, preparation of bills, their encashment and accountal etc. are laid down in Sections 18.1 to 18.5 *ibid*.

Chapter 2 and 3 under Section – III of M.S.O. (T) Vol-I prescribed the audit procedure applicable to such sanctions, drawals etc.

Note :- 1) Regarding the yard stick for creation of a State P.W. Division/Circle see Para 16.01 of this Manual.

- 2) Pay and allowances of officers and staff in respect of Central P.W. Divisions are drawn by cheques with effect from 1.4.1972.

The Accounts Branch of a Division Office headed by the Divisional Accounts Officer/Divisional Accountant will exercise Treasury Check.

[Based on CAG's Circular letter No.367-TA-II/318-70 dated 8.3.1972 received with Main Office D.O. letter No.TM-BO-Works-15 dated 4.4.1972 (Dy-WM-DO-24-14 pt.7)]

- 3) Sanction to investigation of arrear claims are governed by provisions of rules 83 to 86 of G.F.R and 73 to 76 of O.G.F.R Vol-I.
- 4) Regarding Divisional Accounts Officer / Divisional Accountant's responsibility as to examination of personal claims, maintenance of Service Books and Leave Accounts etc. Note 1 and 2 below Para 22.1.3 of C.P.W.A. Code may be seen.

3.09 Other Miscellaneous Sanctions

This will include sanction for purchase of furniture etc. for office expenses and sanction to remission of Revenue accorded by officers higher than Divisional Officers etc. They should be audited with reference to the general principles laid down in Para 3.01 above. After audit, they should be noted in the register of Special Charges in Form No.3 prescribed in Para 3.4.10 read with Note to Para 3.1.20 of M.S.O.(A) -2nd edition for checking up expenditure there against.

Note :- 1) Expenditure on Stores charged under Office Expenses of P. W. Divisions is regulated by Financial Rules applicable to Civil Departments of Governments concerned while those incurred for works are regulated by rules applicable to P.W. Departments of those Government.

(Based on Rules 99 to 100 of G.F.R. 77 and 94 of O.G.F.R Vol-I, Para 19.2.1 of C.P.W.A. Code and Para 6.3.5 of C.P.W.D. Code)

- 2) (i) Remissions of and abandonment of claims to revenue are dealt with in Rules 31 to 32 of G.F.R and 35 to 36 of O.G.F.R Vol-I.
- (ii) For rules regarding refunds of revenue, Rules 146 of G.F.R and 166 to 169 of O.G.F.R Vol-I may be referred to.
- (iii) The Audit procedure in regard to remission and refund is prescribed in Para 2.3.12 and 3.23.4 of M.S.O.(A) – 2nd edition.
- 3) In cases where revenue is credited to a wrong head of account or credited wrongly under some misapprehension, the authority competent to order refund of revenue shall, in such cases, be the authority to whom the original receipts correctly pertain.
- (G.I.M.F. OM No.F-11(10) E.II (A)/65 dated 27.10.1965)
- 4) Once penalty compensation has been imposed under terms of contract whether rightly or wrongly, all proposals for waiver of such penalty compensation should be referred to the Administrative Department who in consultation with Finance Department would issue necessary orders.

[G.O. W.T. Department letter No.III-MT/69-18695 dated 28.8.1969 concurred by F.D. under U.O.R. No.267 EF III dated 13.2.199 (Dy-WM-12-46-3606)]

- 5) Fines for delay in execution of work, if not levied with the object of defraying expenditure caused by the action of the contractor as in the case of fines for bad work will be credited to the sub-head "Other Items" under the minor head "Other Receipts" of the Major heads concerned.

[Based on Note-1 to F.MN-14 of Appendix-2 of C.P.W.A. Code and CAG's letter No.1401-AC/48-74 dated 19.9.1974 copy received with Main Office letter No.CC-III-152 dated 6.11.74 (Dy-WM-18-Classifn-5642A)]

CHAPTER – 4

CONTRACTS

4.01 Classes of Contracts/Agreements.

Tenders for works or supplies after acceptance by competent authorities become the contract. The general principles to be observed for entering into contracts or agreements are laid down in Government of India decisions below Rule 12 of G.F.R. and Rules 13 to 15 and 18 of O.G.F.R Volume-I.

Different kinds of contracts/agreements in vogue in Central/State Public Works Divisions are indicated below.

(i) Percentage Rate Tender and Contract for works (Form No.PWD-7).

This form is normally used for works costing Rs.1 lakh and below at stations where C.P.W.D. have their own schedule of rates and for works costing Rs.40,000/- and below at other stations as well as for repetitive type of works relating to standard approved designs where a reasonable and complete Schedule of Rates exists. In case of the State PWD, Government of Orissa has decided that in accordance with the provisions of para 3.5.5(V) of OPWD Code all the building and road/ bridge works costing above Rs. 5.00 lakh and Rs.10.00 lakh respectively are to be executed in variably on Percentage Rate contract and works costing below this financial limit may be executed either on Item Rate or Percentage Rate contract.

The detailed guide lines/ procedure to be followed on Percentage Rate contract is appended in Annexure - C.

Authority: Works Department Letter No. 8316-dated. 17.05.2006 and Letter No. 17190, dated 09.10.2007.

(ii) Item Rate Tender and Contract for works (PWD 8 for CPWD and F₂ for State PWD).

Time is the essence of this type of contract. For item rate tenders, contractors are required to quote rates for individual items of work on the basis of Schedule of quantities furnished by the C.P.W.D./State P.W.D. The element of uncertainty and guess which is inherent in the use of P.W.D. Form No -7 is altogether absent in Form No.8 and the authority competent to accept the tender can always check the rates with reference to his own calculations and decide which of the tenders is suitable.

(iii) Tender and Contract for supply of materials (PWD-9 for CPWD and H₂ State PWD).

This form should normally be used where the purchase of materials otherwise than through Director General of Supplies and Disposals/State Purchasing Organisation is involved. The contractors are required to quote rates for supply of required quantity of materials whether raw or finished such as bricks, furniture, metal chips etc. Audit is to satisfy itself that the terms and conditions of supply are fulfilled.

(iv) Tender and Contract for piece-work (PWD-10 for CPWD and K₂ for State PWD)

(a) Piece-work is that which involves the payment for work done at a stipulated rate specified in the tender schedule without reference to a total quantity or time.

(b) This form is to be used for a work costing less than Rs.60,000/- for C.P.W. Divisions and Rs.10,000/- for State P.W. Divisions also in cases where it is necessary to start the work in anticipation of formal acceptance of contract. This form is to be cancelled as soon as the regular contract is signed.

(v) Lump-sum tender and contract for works (PWD-12 for CPWD and Form for State PWD).

In lump sum tenders, contractors are required to quote a lump-sum figure for completing the works in accordance with the given specifications, designs, drawings etc. Such contracts should be entered into in exceptional cases. Wherever lump-sum contracts are entered into all possible safe-guards to protect the interests of the Government should invariably be provided in the conditions of the contracts.

(vi) Implementation of e-procurement in the State.

The State Government has introduced e-tendering of all works valuing above Rs 50.00 lakh with effect from 1st July 2008 and above Rs 20.00 lakh with effect from 1st November 2008 in four major engineering departments i.e. Works, Rural Development, Water Resources and Housing and Urban Development. Consequently, the mode of manual tendering for the works of above amount shall cease to exist.

[Authority : GOWD No.FA-R-3/08-8894 dated 06.05.2008]

Note:- The detailed guidelines/procedure to be followed in introduction of e-procurement in Government of Orissa is outlined in their Office Memorandum No.FA-R-3/08-1027 dated 24.01.2009.

4.02 Tenders

(1) The Following constitute the tender documents:-

- (i) a complete set of drawings.
- (ii) a complete specification of the work and of the materials to be used.
- (iii) a schedule of quantities.
- (iv) a set of conditions of contract.
- (v) the notice inviting tenders.

(Para 3.5.6 of O.P.W.D. Code and Para 3 of Section 17, Chapter III of C.P.W.D. Manual Volume-II)

(2) Cases where tenders are not to be called for :-

(i) Powers of Central Public Works Departmental officers for awarding works without call of tenders are follows:

Designation of the officers	Extent of powers
(i) Assistant Engineers/ Assistant Executive Engineer	Rs. 15,000
(ii) Executive Engineer	Rs. 1.00 lakh
(iii) Superintending Engineer	Rs. 3.00 lakh
(iv) Chief Engineer (under his own authority)	Rs. 6.00 lakh
Chief Engineer (with prior approval of ADG)	Rs. 30.00 lakh
Chief Engineer (with prior approval of DGW)	Rs. 60.00 lakh
Chief Engineer (with prior approval of CGWB)	Full powers.

[Authority: - DGW/MAN/7 – dated 01.01.1997 Sl.No.4, Section-14 of Chapter-III of

CPWD Works Manual Vol-II]

(Para 14.1 of Section-14, Chapter-III of C.P.W.D. Manual Vol-II)

(ii) In the case of State P.W. Division tenders should invariably be invited for all works given out on contracts to cost Rs.50, 000/- and more. Works given for less than Rs.50, 000/- may be given out on contract with or without invitation of open tenders at the discretion of the Divisional Officers to the best advantage of Government. In this case the rates allowed should not be in excess of the current schedule of rates and the Divisional Officers should also record reasons for not inviting tenders vide Para 3.5.9 of O.P.W.D. Code. For award of work costing more than Rs.50,000/- without calling for tenders, the detailed procedure has been given in Appendix VII of O.P.W.D. code Volume II.

(3) Validity of tenders:-

The tenders for works shall remain open for acceptance for a period of 90 days from the date of opening of tenders. (Para 13(a) of Section 20 of C.P.W.D. Manual Volume-II and Note IV to Para 3.5.18 of O.P.W.D Code)

(4) Limitation on tenders:-

No tender should be invited unless designs, drawing and estimate are sanctioned.

(Para 89(a) of C.P.W.D. Code and Note iii below Para 3.5.6 of O.P.W.D. Code)

Note :- (i). Instructions regarding calling for and acceptance of tenders have been given in paras 94 and 95 of C.P.W.D. Code and Appendix-IX to para 3.5.9 of O.P.W.D. Code

(ii). Acceptance of single tender will require the approval of next higher authority (Note iii to Para 3.5.18 of O.P.W.D. Code)

In case of C.P.W. Divisions single tender can be accepted by the following authority subject to limits noted against each.

Authority	Limit
Assistant Engineer/ Assistant Executive Engineer Executive Engineer	Rs.15, 000/- (i) Rs.1.00 lakh under his own authority (ii) Rs.6.00 lakh with the prior approval of next higher authority under the note below Para 95(b) of the C.P.W.D. Code.
Superintending Engineer	(i) Rs.30.00 lakh under his own authority. (ii) Rs.70.00 lakh with the prior approval of the next higher authority.
Note: - Full reasons should be recorded by the approving authority who should also guard against contractors holding out for unjustifiably high rates.	
Chief Engineer	(i) Rs.125.00 lakh under his own powers. (ii) Rs.200.00 lakh with the prior approval of ADG. (iii) Rs.350.00 lakh with prior approval of DGW. (iv) Full powers with the prior approval of C.W.Board.

(Ministry of Works & Housing No.28012/85/84-WA dated 31.7.85 Para-18.15 of Section -18 Chapter-III of C.P.W.D. Manual Volume-II)

(iii). Purchase orders shall not be split up to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the order.

(Rule 104 of compilation of G.F.R. and 98 of O.G.F.R. Vol-I).

(iv). A tender should not be rejected for want of VAT/Income Tax clearance certificates. As the rejections of the tenders on these grounds involves considerable loss to Government by eliminating lowest tenders, in such cases tenders may be accepted subject to the production of required certificates within a reasonable time.

(Item No-I of Digest of Important and interesting cases circulated in OOA-3048 dated 20.5.1959)

(5). Acceptance of tender

Acceptance of tender for a work/project costing more than Rs.2.50 crore where splitting up is involved rests with the D.G.(W)/C.W. Board as the case may be unless the tenders are for work for which there is a provision in the estimate under the distinct sub-head as a component part of the work/project and the amount of such component does not exceed Rs.2.50 crore tenders for the component parts of the projects, if the amount of such component part appears as a distinct sub-head in the estimate should be dealt with by the authorities concerned according to their powers of acceptance of the tenders and sanction of estimates and not referred to the higher authorities even though the project may be beyond their competency as a whole.

(Para 15 of Section-18, Chapter-III of C.P.W.D. Manual Vol-II)

In the case of State P.W. Divisions a Public Works Officer may accept a tender upto the following amount provided that any provision in the tender does not infringe any standard rule or order of a higher authority, and that no provision involves an uncertain or indefinite liability or any condition of an unusual character.

[Para 6.3.15 and 3.5.4 of OPWD Code Vol-I]

Public Work Officer	Tender finalisation power
1. Engineer-in-Chief	Above Rs.5.00 crore and upto Rs.7.00 crore
2. Chief Engineer	Above Rs.2.00 crore & upto Rs.5.00 crore
3. Superintending Engineer	Above Rs.50.00 lakh & upto Rs.2.00 crore
4. Divisional Officer	Upto Rs.50.00 lakh

Tenders for works or supplies above Rs.7.00 crore should be referred to the Administrative Department who will refer it to a Committee consisting of the Secretary of the Administrative Department, Secretary of the Finance Department, Secretary of the Law Department and Chief Engineer concerned. The Financial Adviser or Assistant Financial Adviser of the Department will act as member Secretary of the Committee. Secretary of the Financial Department and Secretary of the Law Department may send their representative not below the rank of Deputy Secretary of the respective Department, if they so desire. In case of the members of the Committee come to a unanimous decision, the recommendation of the Committee should be communicated to the Chief Engineer after obtaining orders of the Government in Administrative Department. In case the members express divergent

views on any point, final decision in the Administrative Department be taken after obtaining orders of Government.

The Departments/Wings where there is no Engineer-in-Chief, tenders for works or supplies above Rs.5.00 crores should be referred to the Administrative Department for finalisation of tender as per the procedure mentioned in the preceding para.

Finalisation of tenders for the works above Rs 2.00 crores and upto Rs 5.00 crores will be done at the level of Chief Engineer through a tender committee constituted with concerned Chief Engineer as Chairman, Superintending Engineer of concerned Circle as member and Financial Advisor/AFA/Accounts officer of the same office as member Secretary, Similarly, finalization of tender for works or supplies above Rs.5.00 crores and upto Rs.7.00 crores will be done at the level of Engineer-in-Chief, through a tender committee constituted with E.I.C. as Chairman, concerned Chief Engineer as member and Financial Adviser/A.F.A./Accounts Officer of the same office as member Secretary.

This is effective from the date of issue of the order i.e. 17.05.2006

[GO, Works Department letter No.Codes-6/06-8310 dated 17.05.2006.]

The Government of Orissa have (i) enhanced the Financial powers of State P.W.D. officers and amended (ii) the procedure of invitation of tenders, (iii) time limit of issue/publication of tender notice, sale (iv) time schedule for scrutiny of tenders in addition to (v) incentive to contractors and (vi) imposition of additional performance security between 19th January 2004 and 17th May 2006 – Details Annexure ‘B’ ibid

[G.O. Works Deptt. letter No.Codes-1/2004-1220 dt.19.1.2004 and Works Department letter No.Codes-6/06/8310 dated 17.05.2006]

(6). Splitting of work

(i) Generally, splitting of works for the purpose of inviting tenders for Central Public Works should not be resorted to except in the following cases.

(a) When it may be Administratively convenient or otherwise expedient to split up the work and invite tenders separately for the split portions.

(b) The financial powers for splitting up of projects/works by the CPWD officers are as below:

Designation of Officers	Extent of powers
Executive Engineer	Upto Rs. 6.00 lakh
Superintending Engineer	Above Rs. 6.00 lakh and upto Rs. 70.00 lakh
Chief Engineer	Full powers.

The CPWD officers are also empowered to accept tenders for the split up components of works/projects as per detailed below :

Designation of Officers	Extent of powers
Executive Engineer	Upto Rs. 6.00 lakh
Superintending Engineer	Above Rs. 6.00 lakh and upto Rs. 70.00 lakh
Chief Engineer	Above Rs. 70.00 lakh and upto Rs. 250.00 lakh
ADG/DGW/CW Board	Full powers.

Note: (i) The tenders for the split up portion shall be accepted by the same competent authority who permitted such splitting for projects/works costing upto Rs. 250.00 lakh. The fact that the project/works has been split up for the purpose of inviting tenders should, however, be clearly brought to the notice of the authority competent for split up, explaining the reasons while forwarding the tenders for such work.

(ii) The tenders for the split up portion of projects/works costing more than Rs.250.00 lakh, shall be accepted by the ADG/DG(W)/CW Board as the case may be. The fact that the project has been split up for the purpose of inviting the tenders should be clearly brought to the notice of the ADG/DG(W)/CW Board explaining the reasons while forwarding the tenders for their consideration/approval.

[Authority: DGW/MAN/7- dated 01.01.1997, Sl.No.6, Appendix-I to CPWD Works Manual Vol-II]

(c) In case of Projects/works costing more than Rs.30 lakh and upto Rs.1 crore splitting up can be resorted to with the approval of the Chief Engineer. If the sub-head of the project has been split up by the Chief Engineer, tenders for the split up portions will be accepted by the Chief Engineer himself.

(Para 4 of Section-17, Chapter-III of C.P.W.D. Manual Volume-II)

(ii) Splitting up of a work into several parts or reaches for facility of execution as in the case of Construction or Repairs to Roads, Excavation of Main Canals and Branches etc. or parts of a building projects etc. is permissible with the prior approval of the Authority competent to accept the tender for the whole work subject to splitting up of the abstract of sanctioned estimate for facility of control over expenditure. Splitting up at the time of calling for tenders is a measure which should be justified by circumstances and must be in the interest of the work. It must not be resorted to with a view to evading the operation of any prescribed limit.

(Para 3.5.24 of O.P.W.D. Code)

(7). Negotiations

I. Central Public Works Division:

(i) Principles:

(a) As a general rule, negotiations should not be resorted to. Whenever necessary, negotiations should be restricted only to the lowest tenderer unless otherwise advised by the Competent Authority. For conducting negotiation with tenderer other than the lowest, prior approval of the Competent Authority is required.

(b) Negotiation for the tenders being excess over the sanctioned estimate up to the following marginal limit shall not be conducted.

Value of works	Marginal limit
For works costing upto Rs.50, 000/-.	5 per cent
For works costing more than Rs.50, 000/- and up to Rs.5 lakh.	2 ½ per cent
For works above Rs.5 lakh.	1 per cent

(ii) Procedure for conducting negotiation with the lowest tender.

(a) For works upto Rs.60, 000/-.

If the Assistant Engineer/Assistant Executive Engineer feels that the work should be awarded by negotiation, he will himself conduct negotiation with the lowest tenderer.

(b) Works costing upto Rs.10.00 lakh (Strengthened Division) and Rs.6.00 lakh (Ordinary Division) and more than Rs.30.00 lakh.

Executive Engineer concerned will himself conduct negotiation, if he feels that work should be awarded by negotiation.

(c) For works costing more than Rs.10.00 lakh (Strengthened Division) and Rs.6.00 lakh (Ordinary Division) and upto Rs.70.00 lakh.

The case should be reported to the Superintending Engineer concerned for orders as to whether tenders should be re invited or negotiation conducted. In such cases, if Superintending Engineer concerned feels that work should be awarded by negotiation, he will himself conduct negotiation with the lowest tender.

(d) Works costing more than Rs.70.00 lakh and up to Rs.250.00 lakh.

The case should be reported to the Chief Engineer for orders as to whether tenders should be re-invited or negotiation conducted. If the Chief Engineer feels, he may authorize an officer not below the rank of Superintending Engineer to conduct negotiations and to report the result thereof to the Chief Engineer.

(e) Works costing more than Rs.250.00 lakh and upto Rs.400.00 lakh.

The case should be reported to the Director General (Works). If the Director General (Works) feels, he may authorize an officer not below the rank of Superintending Engineer to conduct such negotiation and to report results thereof to Director General (Works).

(Para 12 (ii), Section-20 of C.P.W.D. Manual Volume-II)

(iii) Negotiation with tenderer other than the lowest.

(a) For Works above Rs.4 lakh and up to Rs.30 lakh

The case should be reported to the Chief Engineer for orders. If he feels, he may authorise an officer not below the rank of Superintending Engineer to conduct such negotiation and report the result thereof to the Chief Engineer.

(b) For works costing more than Rs.25,000/- and up to Rs.4 lakh.

In such cases, if the Superintending Engineer concerned feels that the work should be awarded by negotiation he himself will conduct such negotiations.

(c) For works costing up to Rs.25,000/-.

The Executive Engineer concerned will conduct the negotiation in such cases.

(Para 12 (iv), Section-20 of C.P.W.D. Manual Volume-II)

(iv) Award of work by negotiation with the tenderer other than the lowest.

In case where the lowest tender is not accepted, the reasons should be recorded confidentially and prior approval of authority next higher than the one competent to accept the tender should be obtained.

In the case of Chief Engineer, however, it would not be necessary to obtain such approval for contracts upto Rs.30 lakh prior approval of Director General (Works) and C.W. Board will be necessary in respect of contracts upto Rs.50 lakh and contracts more than Rs.50 lakh respectively.

[Para 12 (iii), Section-20 of C.P.W.D. Manual Volume-II]

II. State Public Works Division.

If the lowest valid tender is in excess of the amount which the Sub-Divisional Officers, Divisional Officers, Superintending Engineers and Chief Engineers are competent to accept vide Para 6.3.15 of O.P.W.D. Code, the tenderer should be asked if he is willing to reduce some of his rates so as to bring the total amount of the tender within the prescribed limit. Otherwise the next higher valid tenderer should be called and so on.

(Para 3.5.18 of O.P.W.D. Code)

4.03 Departmental execution of work.

All original works costing upto Rs.1 lakh and all repair works without any monetary limit shall be executed departmentally. There may, however, be no objection to execute original works exceeding Rs.1 lakh on cost reduction and expeditious execution. In case where it is not expedient to execute any original work costing Rs.1 lakh or any repair work, departmentally and contractors are to be engaged on such execution through invitation of tender, prior approval of the Chief Engineer should be obtained to the deviation supported by adequate justification. The detail procedure has been given in Appendix-XXXIII of O.P.W.D. Code Volume-II.

4.04 Procedure for award of works to contractors.

(1) Classification of contractors for the purpose of registration and award of works.

The contractors are classified into six categories as follows and award of any work to any individual contractors, the cost of which exceeds the amount noted against the class to which he belongs, is prohibited except with the prior approval of the Engineer-in-Chief or Chief Engineer.

(a)	Super Class	Unlimited
(b)	Special Class	Rs.5.00 crore
(c)	'A' Class	Rs.2.00 crore
(d)	'B' Class	Rs.50.00 lakh
(e)	'C' Class	Rs.10.00 lakh
(f)	'D' Class	Rs.5.00 lakh

(GO WD No.8310/WE dt: 17.05.2006.)

(2) Security deposits – Procedure of recovery thereof.

The earnest money and initial security deposits by the contractors be made in Deposit Receipt of schedule bank, Kissan Vikash Patra, Post Office Savings Bank Account/National Savings Certificates/Post Office Time Deposit Account duly pledged to the authority competent to accept the tender for the work. Any officer of Public Works Department competent to forfeit the security money may order for forfeiture of the same either in full or in part where upon the Registering Authority on receipt of such information may forfeit the same and pass on the credit to the concerned Division. Simultaneously, the fact of such forfeiture shall be communicated to all Divisions and circles under Works and Water Resources Departments and a call of the like amount shall be made upon the concerned contractor. After the contractor has replenished the fined deposit, all the Divisions and circles of the Works and Water Resources Departments shall be informed about the fact without delay.

All contractors for the purpose of participation in tender have to deposit 1 per cent as earnest money at the time of submitting tenders and 1 per cent as initial security at the time of acceptance of tenders. Besides the earnest money and initial security, contractors of Super, Special, A and B Classes will be required to furnish security deposit by way of deduction from their bills at the rate of 5 per cent of the gross amount of each bill whereas in case of C and D class contractors, such deduction will be made at the rate of 3 per cent of gross amount of each bill. Thus, the total security deposit from contractors will be 7 per cent for Super, Special, A and B Class and 5 per cent for C and D Classes, respectively.

The percentage for earnest money deposit should be calculated on the estimated cost of the work and initial security will be such amount as would together with Earnest Money make two per cent of the cost of the work as per the accepted tender. If the actual cost of the work exceeds, for any reason the original cost as per accepted tender the amount to be recovered from the bills of the contractor will be such as to make together with the deposits already realized an amount equal to the prescribed percentage on actual cost of the work executed.

The security amounts deducted on percentage basis from the running bills of the concerned contractors by the Divisions are to be deposited in a specific Bank Account. The guidelines for deposit and subsequent withdrawal of the security amount for refund of the same to the contractors are as stated below.

- (i) A separate and specific bank account may be opened to keep the security deposits deducted from the running bills in a Nationalised Bank only in the name of concerned Executive Engineers of the Divisions, but not in personal name.
- (ii) The amount deducted towards security from the running bills of the contractors shall be deposited into the said account within three days from the date of deduction.
- (iii) The security amount so deposited should be withdrawn from the same account after completion of defect liability period of the concerned work and after the work is found defect free in all respect.
- (iv) The amount should not be utilized for any other purpose except to refund the same to concerned contractor of the concerned work.
- (V) A particular ledger account should be maintained recording the name of the work, name of the contractor, each amount deposited and withdrawn with date which should be certified by the concerned Executive Engineer.

(3) Refund of Security Deposit.

Security Deposit of contractors for each work will be refunded in accordance with procedure indicated below keeping in view the provisions of Rule 279 of O.G.F.R. Volume I.

- | | |
|--|---|
| (a) Contractors for supply of materials and carriage of materials. | Refund is to be made in full alongwith the final bill within a month of satisfactory completion of contract. |
| (b) Item Rate and Lump sum contracts. | Full refund is to be made one year after the completion of the work provided final bill has been paid and defects, if any, rectified. |

- (c) Piece-rate contracts Full refund after six months from the date of completion, provided final bill has been paid and defects, if any, rectified.

In case, however, where refund of security deposit is delayed for non-payment of final bill the 2 *per cent* security deposit recovered as Earnest Money Deposit and Initial Security Deposit may be refunded and balance of Deposit may be refunded after payment of final bill.

[P.W.D. Contractors Registration Rules, 1967 Published in Government of Orissa, Works And Transport Department Resolution No.22647 dated 16.10.1969 (Dy-WM-12-5A-4682), Works and Transport Department letter No.FA-II-M-39/73-2100 dated 30.1.1974 (Dy-WM-12-5A-6891) and Works Department OM No.Codes-AP-2/75-34221 dated 23.12.1975 (Dy-WM-12-5A-7288), GO No.782 dated 20.3.1982 and 9512 dated 31.3.1982, GO WD No.FA-R-2/2005/2246/W dated 03.02.2006, Appendix-VIII of O.P.W.D. Code Volume-II, G.O. WD No. Codes – 8/06 – 17164 dated 26.09.2006]

4.05 Acceptance and communication of Contract/Agreements to Audit.

Certified copies of agreements for works/supplies tenders in respect of which have been accepted by authorities higher than the Divisional Officer must be submitted by the Divisional Officer to this office without any delay at any rate within 15 days from the date of acceptance through the authority who accepted the tender.

(Note 2 to Para 4.4.1 of C.P.W.A. Code)

4.06 Watch in Audit of copies of Contracts.

- i) In order to exercise an effective watch over regular and punctual submission of agreements, all Divisional Officers are to furnish in their respective Monthly Accounts report in the following proforma.

P R O F O R M A

Agreement No. & Year	By whom accepted	Name of work	Name of Contractor	If copies sent, quote letter No. & date	If not, state reasons for delay and probable date of submission
1	2	3	4	5	6

(Letter No.WM-12-46-4453 dated 14.11.1963)

- ii) The Executive Engineer should send a quarterly return to Audit with a copy to the Superintending Engineer and Chief Engineer in the proforma below on non-submission of copies of Agreements to Audit within two months of award of works.

P R O F O R M A

No. & date of Agreement	Name of work	Name of Contractor	Tendered amount	Reasons for delay in supplying copies of agreements to Audit
-------------------------	--------------	--------------------	-----------------	--

1	2	3	4	5
---	---	---	---	---

[Para-6(c) (i) of Section-24 of Chapter-III of C.P.W.D. Manual Volume-II]

iii) For facility of audit, the Divisional or Sub-Divisional Officer before making payment on a bill for a contract accepted or to be accepted by an Officer higher than the Divisional Officer should get the following information prominently written in red ink on the top of each bill “Agreement accepted/still to be accepted by the Superintending Engineer/Chief Engineer”.

[Government of Orissa, Works Department letter No.FA-23/55-2 dated 29.7.1955 (Dy-WM-46-2744)]

iv) If by the time payments are audited, the Contracts/Agreements are not received in Audit, the amount so paid should be held under objection for “Want of agreements” till this documents are received and prompt action taken for receipt in audit of the wanting agreements.

[Para-830 M.S.O. (Tech) Volume-I]

4.07 Audit of Contract

i) The Contracts/Agreements should be audited with reference to the principles enunciated in Paras 2.2.9 to 2.2.12 and 3.7.1 to 3.7.10 of M.S.O. (A) - 2nd edition. All contracts, purchase orders etc. exceeding Rs. 10.00 crore and Rs.20.00 crore or which contain unusual conditions or which have any peculiar features should be brought to the notice of Senior Deputy Accountant General (Works Audit & Projects) and Accountant General (CW&RA) respectively.

Note- 1) Indents placed on the D.G.S & D will not come under scope of this para.

2) For items not covered by original agreements, it should be ensured that certified copies of supplementary agreements, where necessary are received in Audit.

(Instruction in Appendix-IX of O.P.W.D. Code and Government of India, Ministry of Works, Housing and Supplies letter No.Conf-7(55)/60 dated 26.12.1960 (Dy-WM-12-46-6976))

ii) Audit is to be conducted keeping in view the check lists as per the following proforma.

- 1) Whether the Contract/Agreement is in prescribed form and gives evidence of its execution by both contracting parties.
- 2) Whether the order number and date of the tender accepting authority have been noted on the Contract/Agreement.
- 3) Whether the tender has been accepted by the competent authority.
- 4) Whether Earnest Money and Initial Security were deposited by the contractor as required.
- 5) Is there a schedule for Departmental supply of materials and recoveries thereof attached? If so, whether they are in order.
- 6) Is there any new condition in the agreement which was not included in the Detailed Call Notice or any Item not provided in the estimate? If so, what is its financial effect?
- 7) Whether the work order was issued before acceptance of tender.
- 8) Whether tender was accepted within prescribed period.

- 9) Whether Contract/Agreement was executed within the due date and certified copy thereof submitted to this office regularly.
- 10) Whether Contract/Agreement contains any unusual condition or peculiar features.
- 11) Whether the stipulated rates for recovery of hire charges of machinery/equipments are not indicative of any loss to Government.
- 12) Whether the total amounts of all the vouchers for articles supplied exceed the amount for which an authority is competent to accord sanction.
- 13) Whether there is a sanctioned estimates for the work or an order to start work in anticipation of estimates.
- 14) Whether the contractor has not received any other contract or work order in respect of the same work or estimate in avoidance of sanction of higher authority.
- 15) Whether the sum total of the amounts of agreements and work order issued in respect of the work is not in excess of the amount of sanctioned estimate.
- 16) Whether in cases of negotiated contracts, the prescribed conditions of negotiations have been fulfilled.
- 17) Whether in respect of extra items, supplementary agreements have been drawn up as per rules.
- 18) Whether the extra item statements does not alter the position of agreement e.g. lowest tender becoming 2nd lowest etc.
- 19) Whether recorded reasons exists for non-acceptance of lowest tenders.
- 20) Whether the interim K₂ Agreement has been replaced by the regular one within the prescribed period of 90 days.
- 21) Whether altered/substituted items of work are covered by the duly sanctioned analysis of rates.

iii) Post Audit Functions

a) After check of the Contracts/Agreements, audit encasement to the effect "Accepted subject to observations in the check-list" should be recorded under the dated initial of Branch Officer on the front page of the agreement. It is quite possible that a contract may be scrutinised in audit by one person, but accepted on a later date by another, on receipt of further remarks. The names of the persons who scrutinise and accept each contract in audit should also be recorded in the contract file.

b) All Agreements relating to a Division executed during the same financial year should be filed together regardless of the date on which the copy of the agreement is received in this office.

c) Every Agreement File should have an Index in the form given below on its opening page. It should be ensured that every Agreement after action taken is kept in the file and indexed.

Sl. No	Agreement No.	Authority accepting the agreement	Name of the contractor/supplier	Name of work/supply	Page Number
1	2	3	4	5	6

- d) When a supplementary agreement is received it should be filed in the file containing the original agreement and the original and supplementary agreements linked by cross-reference.
- e) A note should be kept quoting reference to Schedule Docket/Voucher number and date on payment of final bill.
- f) The file containing copies of agreements should on no account be sent to Old Record until the Assistant Audit Officer has satisfied himself that final payment has been made in respect of all the agreements contained in the file.

4.08 Interpretation of contract clauses

1) Additional work not covered by original Contract/Agreement under clause-II of F₂ contract.

i) Additional work not involving any change in specification, drawings, design falls under the same class of work and the rate provided in the contract for the respective item will hold good for additional work.

ii) Additional work involving change in specification etc. falls under the similar class of work. The rates for the altered/additional work as per changed specification etc. have to be derived from the tendered rates for that class of work and the contractor is bound to accept such rates.

iii) If there is no rate in the contract, but there is a rate for such additional work in the schedule of rates as a specific item, payment has to be made at the schedules of rates.

iv) Where the Schedule of Rates provides for a work of a particular specification but the additional work required to be done may have a different specification the rate for the additional work has to be derived from the Schedule of Rates and the contractor is bound to accept the rate.

v) If the additional item of work includes a class of work for which there is neither any rate in the contract nor in the Schedule of Rates than only the contractor is to quote his own rates and can refuse to carry out the work unless his rates are accepted as provided in the later part of this clause.

The above interpretations are based on legal decisions.

[Government of Orissa, Works and Transport Department letter No.FA-24/70-20992 dt.29.10.1971 (Dy-WM-12-46-5024)]

2) Clause-12 of P.W.D Form No-7 and 8, clause-13(a) of P.W.D. Form-9 and Clause-8 of P.W.D. Form-12 except for minor verbal changes.

The practice of changing the specifications after tender have been called for and contract entered into is not a healthy one and should be discouraged. In cases where it is considered essential to change the specification etc. during the progress of the work, the officer authorising such changes is required to record clearly the reasons for ordering such changes and also why they could not be foreseen and forward the same simultaneously to the accepting authority. The contractor is bound to carry out such items of work.

The time for completion of the work as altered added or substituted should be extended according to such proportion that the additional, altered or substituted work bears to the original contract work plus 25 *per cent* of that proportion.

Under the Departmental procedure the Executive Engineer is required some times to take approval or sanction of the higher authority in determining the rates under Clause-12 of the Agreement. All communications in connection with fixation of rates etc. should be marked "Confidential" and copies thereof should not be endorsed to the contractors or any other private party.

On receipt of the rates from the contractor intimated by him under Sub-Clause (v) of Clause-12 of contract, the Engineer-in-Charge should consider whether the rates demanded are reasonable in which case he may agree to the rates after consulting the higher authority. In case the rates are not reasonable and he does not agree to them, he should cancel the order to carry out such particular class of work, give intimation in writing to the contractor of such cancellation and arrange to carry out the work in such manner as he may consider advisable. Where the contractor has commenced the work or incurred some expenditure before determination of the rates, the payment should be made at the rates determined by the Engineer-in-Charge.

(Para-9 of Section-32, Chapter-III of C.P.W.D. Manual Volume-II)

3) Clause-3 of P.W.D. Form-7 and 8 and Clause-17 of P.W.D. Form-12.

A question having been raised whether this clause entitled the Government to exercise the power under anyone or more than one of the Sub-Clause (a) (b) & (c), it has been decided in consultation with the Ministries of Works and Housing and Law that Government is entitled to forfeit the Security Deposit under Clause-3(a) and also to recover the extra cost involved in getting the work done departmentally and/or through another contractor. In other words, recourse can be had to one or more alternatives according to the requirements of each clause.

It may however, be added that extra expenditure under Sub-Clause (b) and (c) can not be recovered in addition to the forfeiture of the Security Deposit, but if the extra expenditure exceeds the forfeited Security Deposit, the difference between the extra expenditure and the security deposit only can be recovered. Further more, whenever action is taken under Clause (a) to rescind the contract and forfeit the security deposit, it should be explicitly stated that this was without prejudice to Government's right to recover losses under Clauses 3 (b) and (c). This would preserve Government's right under these two Sub-Clauses.

Clause-3 of the Agreement, inter alia, provides that if contract is rescinded, the security deposit of the contractor shall stand forfeited and be absolutely at the disposal of the Government. In a case of this type, it has been held in consultation with the Ministry of Law that the full security deposit recoverable under the contract stands forfeited to the Government and do not merely security deposit standing at his credit. Further if any portion of the security money has not been paid or realised it would be called and forfeited.

The Ministry of Law have advised that the provision of Clause-3 can be applied even after recovery of compensation equal to the amount of the security under Clause-2 as the two Clauses are independently enforceable to the full extent.

In regard to the question whether any credit is to be allowed to the original contractor in case the amount spent by the Department is less the amount payable to the original contractor had the work been done by him, the Ministry of Law have opined that whether in a case dealt with under Sub-Clause (c) or Sub-Clause (b) there is no extra expenditure, but on the other hand the unfinished work is executed at a lesser cost, the contractor has no right to claim the amount saved. Further the question of giving the contractor any benefit can not, at all arise, since he can not make any

profit out of his own default. They have further observed that Sub-Clause (b) and (c) merely define the extent of damage recoverable and if the work is executed cheaper the only consequence is that no damages are recoverable under these two Sub-clauses.

(Para-2 of Section-32, Chapter-III of C.P.W.D. Manual Volume-II)

Audit Procedure: - In the case of the failure of the original contractor to execute the work and the balance work is got done by other contractor or departmentally, it should be seen that Government interest is protected by adherence to the prescribed procedure.

4) Clause-2 of P.W.D. Form-7 and 8 and Clause-16 of the P.W.D. Form-12.

Time allowed for completion of the work is essence of the contract on the part of the contractor. The date of commencement of the work starts from 15 days from the date of giving order for its commencement or any other date specified. For non-commencement, slow performance, or delay in the completion of the work, compensation maximum of 10 *per cent* of the estimated cost is leviable. Under these clauses, irrespective of the value of the contract the Superintending Engineer alone is competent to levy compensation. The decision as to the quantum of compensation to be levied under these clauses has therefore necessarily to be given in all cases by the Superintending Engineer irrespective of the value of the contracts. On review, the Superintending Engineer can revise the quantum of compensation.

A notice is required to be given to the contractor to recover such compensation at the time of acceptance of the delayed performance. Decision of the competent authority in regard to levy of compensation for delay in execution of work should be conveyed to the Audit Office in writing.

(Para-1 of Section-32 under Chapter-III of C.P.W.D. Manual Volume-II)

Note: - Regarding waiver of penalty/compensation under terms of contracts relating to state P.W. Divisions, please see Note-4 below Para 3.09 of this Manual

5) Clause-16, 16 of P.W.D. forms 7 and 8

Under this clause the contractor may be required to make good the defects in work at his own expense or re-execute the work if it is not in accordance with the specifications, designs etc. but the clause does not authorize the Engineer-in-charge to offer lower rates to the contractor for work done below specification, if the work so done is otherwise acceptable to the Department. Despite this provision, Departmental instructions exist that sub-standard work can be accepted under certain circumstances and paid for at certain rates with the approval of the competent authority vide details given in Annexure-A.

This clause empowers the Engineer-in-Charge to ask the contractor to rectify the defective work and in the event of his failing to do so within the period to be specified by the Engineer-in-Charge in his demand, the contractors shall be liable to pay compensation at the rate of 1 *per cent* on the estimated amount put to tender for every day not exceeding 10 days while his failure to do so continues and in case of any such failure the Engineer-in-Charge may rectify, remove or re-execute the work at the risk and expense of the contractor.

According to this clause, there is no provision for any notice to be given to the contractor, notifying intention to levy compensation for failure to rectify the defects. All that is required is to ask the contractor to rectify the defects within the specified

period failing which compensation is leviable automatically not exceeding 10 *per cent* thereof for 10 days.

The Superintending Engineer has no power to reduce or waive compensation levied by the Executive Engineer under this clause.

(Para-10 of Section-32 under Chapter-III of C.P.W.D. Manual Volume-II)

Note: - Debits recoverable from the contractor on account of defective work executed by him etc. should be watched through objection book.

ANNEXURE – A

[Para 4.08 (5)]

Payment for sub-standard work

The contractors are required to execute all works satisfactorily and according to the specifications. If certain items of work are below specification the contractors should be asked to redo them according to the specification and if he does not rectify the defects, the work should be got re-done or rectified departmentally at his cost in terms of clause-I of the conditions of contract Form P.W.D. 7 and 8, clause-5 of Forms P.W.D. 10 and similar conditions in other forms. In consultation with the Government of India it has been decided that acceptance of work below specification and payment of reduced rates should be resorted to only for those items where it is structurally impossible to get the work re-done, with the approval of the competent authority. Full powers have been delegated to the Superintending Engineers for acceptance of sub standard works and determination of rates thereof. In cases where sub-standard works have been accepted the record of analysis of reductions in the rates for acceptance for sub standard work by the Superintending Engineer should be sent to the Divisional Officer so that they are made available to Audit during the inspection when found necessary. The A.E/A.E.E should invariably write down in the Measurement Books the element of the item of work remaining un-executed and the defects in the items of works for which rate is allowed. The Executive Engineer should clearly show, in red ink below the form as well as in the abstract entry in the Measurement Book that the reduced rates for work were only provisional so that the contractor may not come with a plea later on or before the arbitrator, that a certain rate has already been paid and work hence agreed to by the Engineer-in-charge. While making part payment for the defective work care should be taken that the amount withheld is commensurate with the nature of defects. Further in case where N.I.T. was approved by the Superintending Engineer or the Chief Engineer, prior approval of the Superintending Engineer should be taken in regard to acceptance of substandard items of work in question before allowing part rates thereof in the running bill.

2) The Superintending Engineer has no power to reduce or waive the amount of compensation levied by the Executive Engineer under this clause.

3) If it is found that any work has been executed with un-sound, imperfect or unskilled workmanship or materials of any inferior description etc. the contractor on demand in writing from the Engineer-in-charge shall rectify or remove or re-execute the work so specified in whole or in part as the case may be, in accordance with the provision of clause-14 of forms C.P.W.D. 7 and 8. Before claiming damages from the contractor in the shape of reduction in rates for defective work, the Executive Engineer is required to serve a notice on the contractor for any time (s), the work is found to be defective.

(Section-30 of Chapter-III of C.P.W.D. Manual Volume-II)

Annexure – B

[Sub-para 4.02 (5)]

(i) Enhanced Financial powers of State P.W.D. officers [Para 6.3.2 of OPWD Code Vol.I]

Powers to accord technical sanction to detailed estimates

1	Engineer-in-chief	Full power
1(A)	Chief Engineer	Full power
2.	Superintending Engineer	
	(a) Original works:	
	(i) Roads, Bridges and Buildings	Rs.3.00 crore (Rupees three crore)
	(ii) Irrigation, flood control, drainage works and storage reservoir for drinking water supply.	Rs.3.00 crore (Rupees three crore)
	(iii) Public Health Engineering Works	Rs.3.00 crore (Rupees three crore)
	(iv) Electrical works	Rs.3.00 crore (Rupees three crore)
	(v) All other works	Rs.3.00 crore (Rupees three crore)
	(b) Repairs	Full Power.
3.	Divisional Officer	
	(a) Original works	
	(i) Roads, Bridges and Buildings	Rs.50.00 lakh (Rupees fifty lakh)
	(ii) Irrigation, flood control, drainage works and storage reservoir for drinking water supply.	Rs.50.00 lakh (Rupees fifty lakh)
	(iii) Public Health Engineering Works	Rs.50.00 lakh (Rupees fifty lakh)
	(iv) Electrical works	Rs.50.00 lakh (Rupees fifty lakh)
	(v) All other works	Rs.50.00 lakh (Rupees fifty lakh)
	(b) Repairs	Rs.50.00 lakh (Rupees fifty lakh)
4.	Sub-Divisional Officer	
	(a) Repairs Ordinary	Rs.30,000/- (Rupees thirty thousands)

(ii) Procedure of publication of tenders [Rule 9 (c) of Appendix IX]

For tender costing more than Rs.50,000/- and up to Rs.10.00 lakh shall be published in two local Oriya Newspapers, above Rs.10.00 lakh and up to Rs.1.00 crore shall be published in one local English Daily and two local Oriya Dailies. Tender for works costing more than Rs.1.00 crore shall be published in one English National Newspaper in addition to one Oriya daily. Besides above, tenders for works costing more than Rs.50.00 lakh shall also be posted in the website of the State Government. The bid documents will be available on the website for down loading by intending bidders. In addition, the bid documents in the form of compact disc may also be made available on payment of cost. Bidders who down load the bidding document from the internet site will have to pay the cost of bid documents. i.e.

Rs.10,000/- in shape of Demand Draft in favour of the concerned Executive Engineer and submit the D.D. in a separate envelope marked “Cost of bidding documents downloaded from the internet” with bid documents. The authority will not be responsible, if any portion of the approved documents available in the office of the EE or the C.E. is excluded or modified. The download facility will be available up to the last date of sale of tender papers. Tenders where special skill or experience is required for execution of the work or where requisite material for execution is not locally available, the same may be published in the Newspaper or posted in the website at the discretion of the Engineer-in-Chief/Chief Engineer.”

(iii) Time limit between issue/publication of Tender notice & sale [Rule 10 of Appendix IX]

The time limit between issue/publication of tender notice and sale, receipt shall be ordinarily allowed as follows. This period may however be varied at the discretion of the officer competent to accept the tender in case of urgency. The tender document should be kept ready prior to date of publication/issue of tender notice, so that it will be made available for sale immediately after publication in Newspapers.

- (i) Minimum 10 days and maximum 15 days in case of works, the cost of which does not exceed Rs.50.00 lakh.
- (ii) Minimum 15 days and maximum 21 days in case of works, the cost of which is more than Rs.50.00 lakh and upto Rs.3.00 crore.
- (iii) Minimum 15 days and maximum 30 days in case of works, the cost of which is more than Rs.3.00 crore.
- (iv) In case of very large and complex projects, minimum 21 days but not more than 45 days.

Note: If more than the maximum prescribed time is allowed, the concerned authority will record the reason in writing.

(iv) Time schedule for scrutiny of tenders by PWD Officers [Appendix IX of OPWD Code Vol. II]

Sl. No	Classification of tenders	Maximum time allowed for				
		Sub-Divn. Officer	Divn. Officer	S.E	C.E	Contract Committee
1	2	3	4	5	6	7
1.	Tenders within the power of Sub-Divisional Officer	5	-	-	-	-
2.	Tenders within the power of Divisional Officer	10	-	-	-	-
3.	Tenders requiring orders of authority higher than Divisional Officer					
	(a) Scrutiny and disposal	-	15	10	10	15
	(b) Disposal by the Divisional Officer after receipt of orders from higher authority.	-	7	-	-	-

Note-I. In case where prolonged negotiations are necessary an additional period of 15 days is allowed at the level at which negotiations are to be carried.

Note-II. In respect of works for which alternate design has been given by the contractor, the period of examination in the office of the Chief Engineer (including scrutiny in the Design Directorate if any) will be double the period indicated against item 3(a).

(v) Incentive for completion of work ahead of stipulated period of a contract [Note I of para 3.5.5 of OPWD Code Vol.I]

Provision of incentive will be made in the Agreement. This incentive will be @ 1 *per cent* in case of completion of work ahead of one month (part of the month shall be excluded) and the maximum amount payable will be fixed at 2 *per cent* if the work is completed two months ahead of the schedule time.

(vi) Imposition of Additional performance security [Note-II of para 3.5.5 of OPWD code Vol-I]

Additional performance security shall be deposited by the successful bidder when the bid amount is seriously unbalanced i.e. less than the estimated cost by more than 10 *per cent*. In such an event the successful bidder will deposit the additional performance security to the extent of the differential cost of the bid amount and 90 *per cent* of the estimated cost in shape of Post Office Savings Bank Account/National Savings Certificate/Post Office Time Deposit Account/Kissan Vikash Patra/Deposit receipt of schedule Bank.

Annexure – C

(Para - 4.01)

Subject: Percentage Rate Contract:

Percentage contract will be in addition to item rate, lumpsum contracts ect. In such contracts the schedule of quantities shall mention estimated rate of such item and amount thereto. The contractor has to mention percentage excess or less over the estimated cost (in figures as well as words) in the prescribed format appended to the tender document. The contractors participated in the tender for more than one work may offer conditional rebate. Rebate offer submitted in separate sealed envelopes shall be opened, declared and recorded first. The rebate so offered, shall be considered after opening of all packages called in the same tender notice. The contractors who wish to tender for two or more work shall submit separate tender for each. Each tender shall have the name and number of the works to which they refer, written on the envelop.

The adopted format for percentage rate is same as that of the form adopted for item rate tenders but the word “ item rate “ shall be replaced by “ percentage rate “ and the contract form may be named as P-1. In this form time is the essence. The contractor is required to maintain a certain rate of progress specified in the contract. The contract can also be terminated with penalty when the progress of work is not as per the conditions of contract. The quantity mentioned can be increased or reduced to the extent of 10% for individual items subject to a maximum, of 5% over their estimated cost. If it exceeds the limit stated above prior approval of competent authority is mandatory before making any payment. The period of completion is

fixed and cannot be altered except in case of exceptional circumstances with due approval of next higher authority.

In case of percentage Rate tenders, only percentage quoted shall be considered. Percentage quoted by the contractor shall be accurately filled in figures and words, so that there is no discrepancy. If any discrepancy is found in the percentage quoted in words and figures, then the percentage quoted by the contractor in words shall be taken as correct. If any discrepancy is found in the percentage quoted in percentage excess/less and total rate quoted by the contractor then percentage will be taken as correct. The percentage quoted in the tender without mentioning excess or less and not supported with the corresponding amount will be treated as excess. The contractor will write percentage excess or less up to one decimal point only. If he writes the percentage excess or less up to two or more decimal point, the first decimal point shall only be considered without rounding off. Where the contractor has omitted to quote the rates either in figures and words, the officer opening the tender should record the omission.

Bills for percentage rate tenders shall be prepared at the estimated rates for individual items only and percentage excess or less shall be added or subtracted from the gross amount of the bill.

This may not be applicable to the works funded by World Bank and other external agencies, in which case their guidelines shall be followed.

CHAPTER – 5

AUDIT OF RECEIPTS

I. GENERAL

5.01 Scope of Receipt Audit

The audit of receipts owes its authority to Section 13 and 16 of the C.A.G's (Duties, Powers and Conditions of Service) Act, 1971 which envisage that it shall be the duty of the Comptroller and Auditor General to audit all receipts which are payable into the consolidated Fund of India and of each State and all transactions of the Union and of the states relating to Contingency Funds and Public Accounts are to be audited by him and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose, such examination of the accounts as he thinks fit and report thereon.

5.02 Responsibility of the Departmental Officer.

The Divisional Officer is primarily responsible for ensuring that all revenues or other debits due to Government which have to be brought to accounts in the P.W. Sections of the accounts are correctly and promptly assessed, realised and credited to the concerned head of account, vide Chapter-3 of O.G.F.R. Vol-I, compilation of G.F.R. of the Central Government and Chapter-9 of C.P.W.A. Code.

5.03 Duty of Audit

The Audit of receipts should be conducted with reference to the principles enunciated in Paras 2.3.1 to 2.3.11 and 4.3.6 , 4.3.7 and 4.3.10 of M.S.O.(A)-2nd edition and the rules and orders of the Governments concerned as applicable to the particular class of receipts. The most important functions of Audit is to see (1) that adequate regulations and procedure have been framed by Departmental authorities to secure an effective check on assessment, collection and proper allocation of taxes and (2) to satisfy itself by adequate test check that such regulations and procedure are actually being carried out. Audit should also make such examination as it thinks fit as to the correctness of sums brought to Account. In the audit of receipts ordinarily the General is more important than the particular. Audit will see that no amounts due to Government are left outstanding on its books without sufficient reasons. It will continue to watch such outstanding carefully and suggest to departmental authorities any feasible means of recovery. The recoveries towards clearance of charges outstanding in any account schedules or in the Objection Books should be watched through these documents. Whenever any dues appear to be irrecoverable, orders for their adjustment should be sought. It is also duty of the Audit Office to see that revenue and other receipts of which it has cognizance either through any entries in the accounts or otherwise i.e. through orders of special recoveries received from competent authorities are brought to account by the Divisional Officer and that cases in which separate revenue accounts of the Projects are kept the receipts relating to each Project is kept distinct.

Note:- Power of Audit Officers to waive recovery of Government dues on certain conditions in relation to expenditure apply mutatis mutandis to audit objections on any accounts of receipts

[Para -7.1.16 of MSO (Audit) 2nd Edition]

II. CHECK OF RECEIPTS

5.04 Revenue realised

All revenue receipts of P.W. Divisions (Roads & Buildings) Wing, Irrigation Wing, Rural Development Wing, Public Health Wing and Electrical Wing are brought to account in the schedule of revenue realised (Form-46-46A) which are subject to check along with monthly accounts (Form-80).

The following further points should be borne in mind:-

(i) It should be seen that recourse is not taken to take credit for the revenue before actual realisation in contravention of Para-84 of M.S.O. (Technical) Volume-I and 9.1.4 of C.P.W.A. Code.

(ii) It should also be seen that refunds of revenue are accounted for in this Schedule as “Deduct Refunds” of the Revenue head concerned supported by the proper voucher.

Note: - 1) For repayment of lapsed deposits credited as departmental revenue, it should further be seen that the refund has not been made without pre-audit by this office (vide Para 15.4.3 read with 9.4.2 of C.P.W.A. Code).

2) (i) The procedure for payments of refunds of revenue will continue to be observed as laid down in C.T.R. 399 and 401 but the bills for refund of revenue will be presented to the concerned Pay & Accounts Officers to whom the Departmental Officers are linked. The Pay & Accounts Officer will before making payment, verify the original credit from his records.

(ii) In the case of refund of revenue which were originally deposited before the date of departmentalisation of accounts and accounted for by the Treasuries, the Departmental Officers will first send the bills to the concerned Treasury Officers for verifying the original credit with reference to the details in Column 4 and 5 of the refund bill (T.R. Form-41) and for affixing their signature in Column-6 in token of having done so. The bills after the certification by the Treasury Officers should be presented by the Departmental Officers to the concerned Pay & Accounts Officers will ensure that the above requirements have been complied with.

(Government of India, Ministry of Finance, Department of Expenditure Special Cell’s letter No.2(27)76 Spl. Cell dt.3.11.1976 received with C.& A.G’s letter No.2801-TA-II/87-76 dt.25.12.1976 Circulated under No.WM-12-SAA/5463 dt.1.3.1977)

(iii) Receipts and Recoveries on Capital Accounts under each of the Capital expenditure heads under the respective wings are exhibited in this schedule separately in the manner laid down in Para 9.5.3 of C.P.W.A. Code, which should be checked with the corresponding figure in the relevant classified Abstract of Expenditure.

It should also be seen that no amount other than the receipt and recoveries on Capital Account is brought to account in this schedule.

(iv) It should be seen that receipts on account of recoveries of percentage charges are adjusted under the Minor Head “Recovery of Centage Charges” by a P.W. Division other than Irrigation Division or under the minor head “Other Receipts” by an Irrigation Division in this Schedule (vide Para 9.5.3 *ibid* and 6.23 of this Manual). Credits for centage charge should be verified from the Schedule Dockets of Percentage Recoveries (Form-62) as well as Schedule of Works Expenditure (Form-64).

5.05 Receipts under D.D.R. Heads

The procedure of audit relating to Debt, Deposit and Remittance transactions has been set forth in Para 2.6.1 to 2.6.3 of M.S.O.(A)- 1st edition (1991).

The principles of audit of receipts have been laid down in Section-VIII of Chapter-6 of this Manual.

5.06 Receipts deducted from bills.;

(1) Income Tax.

Receipts on account of Income Tax recovered from pay bills and contractor's bills are to be checked in accordance with the instructions contained in Note below Para 1.9 (k) of M..S.O. (Technical) Volume-I and Para 6.25 (ii) of this Manual. This credit is shown in the schedule of credit to miscellaneous Heads of Account which should be dealt with as per Para 6.20 of this Manual.

(2) Other Receipts;

Credits for receipts on account of hire charges of ordinary Machinery and Equipments, Royalties etc. are to be traced to the relevant head/work in the schedules concerned (Vide Para 6.4.6 of C.P.W.A Code).

5.07 Receipts to be taken in reduction of expenditure.

(a) Sale proceeds of surplus materials and plant required specially for any work or of materials received from dismantled structures irrespective of whether the estimates for works make allowance for such recoveries or not are to be taken in reduction of expenditure on works in progress. It should be seen in this case that such receipts are not available for expenditure in excess of that authorised in the estimates for the work; without the orders of the Competent Authority, the gross expenditure authorised is not exceeded or surplus receipts are not utilised towards additional expenditure. Further, it should be seen that such receipts are actually accounted for as minus expenditure against the work (Vide Para 22.2.10 of C.P.W.A. Code).

(b) Recoveries on account of depreciation charges of special machinery equipments and running and maintenance charge thereof are to be shown against the detailed head "Deduct-Recoveries" under the head "Special Machinery and Equipments". It should be ensured that adjustment of such charges is made under the above head correctly.

[Appendix-VI under Para 6.31(iii) of this Manual.]

5.08 Hire charges of Machineries and Equipments issued to contractors local bodies and other private parties.

Rules regulating the hiring of tools and plant and machinery in public works department are laid down in Appendix-XVII of O.P.W.D. Code Volume-II.

Apart from seeing that the hire charges of machineries and equipments representing ownership cost operating expenses and cost of supervision are credited as reduction of expenditure under the sub-head detailed head "Special Machineries and Equipments", basic principle of fixation of hire charges should be borne in mind as follows.

- (i) It should be seen that the rates are fixed on no profit and no loss basis.
- (ii) Whether the Division has maintained a complete list of machineries of each category on its records and these lists are constantly updated.

-
- (iii) Whether a hire charge rate is fixed for each machinery.
 - (iv) While checking the method of fixation of hire charge rates (in Chief Engineer's office), it should be seen whether (a) it takes into account all elements of cost.
 - (b) Life of the machine is properly assessed as per Government orders or recommendations of Advisory Committee, Rates and Costs Committee or the Plant and Machinery Committee and depreciation is correctly worked out with reference to the cost of acquisition and life expectancy. Of late, technical experts are recommending the diminishing balance method of depreciation so that depreciation plus maintenance in any year is more or less uniform.
 - (c) The number of works for which the machine is expected to work in a year is usually assumed as a fixed figure. This has to be related to actual performance in the Divisions.
 - (d) Separate rates for charging to the contractors etc. (except where the rates are specified in the tender and contract) should include an element of interest on Capital Cost.
 - (e) Rates are revised as frequently as may be found necessary due to factors e.g. increase in wage rates of other concessions to labour or in issue prices of materials to be charged.
 - (v) Scrutinise maintenance estimates to see whether the provisions for each item, P.O.L., tyres, staff, do not exceed the assumptions on which the rates are fixed.
 - (vi) See whether work charged establishment employed are in accordance with the norms prescribed by the Government.
 - (vii) See whether work charged staff though on the norms prescribed are to be compared to the actual number of hour worked.
 - (viii) See whether the actuals under each item is within the estimate and really proportional to the actual number of hours worked.
 - (ix) See to what extent these variations in the actual number of hours worked the actual expenditure is incurred. Suggest a need for revision of rates of recovery of hire charge.
 - (x) See if the maintenance estimates are closing to "Nil" balance or else investigate the cause, which will be mainly due to.
 - (a) Inadequacy of hire charge rates
 - (b) Hire charge not recovered.
 - (xi) See the machine log book which should contain clear entries of works on which or the parties to which it was employed/lent on hourly or other periodical basis.
 - (xii) See that there is a proper system of analyzing work-wise or party-wise, the total monthly hours of working of the machine and hire charge statements are prepared at appropriate rates for debit to works account or to the contractors ledger or Register of Miscellaneous Recoveries.

(xiii) It should be checked to see that the total period of employment of a machine is fully allocated and the system provides for debits being raised in respect of all machineries on the list of the Divisions.

(xiv) Verify the procedure of raising demands and actual recoveries of dues.

[Based on letter No.RA-II-I-R/5983 dt.20.3.1976 of Sr.DAG (RA), O/o the A.G. Orissa Circulated in WM-20-Circular-1694(14) dt.15.7.1976]

III. RENT

5.09 Capital Cost of Residential Buildings

For assessment of rent (licence fees) the procedure for determining the capital cost of a resident belonging to Central and State Governments has been described in Rules 45-A II of F.R. and S.Rs. and 109 of the Orissa Service Code.

Note: - 1) For expenditure incurred on the works to be regarded as expenditure on the preparation of site see S.R. 319 of F.R. and S.Rs.

(2) Pucca drains round residential buildings are to be regarded a part of the roof drainage system connected with the building and shall be charged to the capital cost of the building. They shall not be considered as part of the storm water drainage. Where the roof drainage system discharges through these pucca drains into the storm water drainage system of the compound, the division between the two system shall be located at a point or points on the outfall or outfalls of the roof drainage system situated at a distance of 20 feet from the building (Note-1 to SR 2 under Rule 45-A of Fundamental –cum-S.Rs of the Orissa Government.).

(3) In cases where the expenditure on the items of work referred to above is not available it shall be estimated by the Executive Engineer (Note-2 *ibid*).

(4) The cost of replacement of palmyra rafters by another country wood should not be added to the capital cost of building but the cost of replacement of a cement floor by tiles should be added to the capital cost.

The cost of deepening a well to restore the normal water supply should not be added to the capital cost of the building. Similarly, the cost of replacing the lime plastering by cement plastering should not be added to the capital cost of a building (Note-3 and 4 *ibid*).

5.10 Standard Licence Fee

The principles for calculation of the Standard Licence Fee of residence belonging to Central and State Governments has been laid down in Rules 45-A III of F.Rs and S.Rs and 110 of O.S. Code.

Note:-1) For permissible limit of minor additions and alteration and effect of additions and alteration beyond the prescribed limit see S.Rs 323 and 324 of F.Rs and S.Rs & Note below Para 4.7.11 of O.P.W.D. Code Volume-I.

2) All Rent data statements which require the sanction of Government should be submitted in triplicate through this office, which will be forwarded to Government for disposal with comments, if any.

The Chief Engineer has been authorized to sanction rent statement in respect of residential buildings in charge of the P.W.D.

(Government of Orissa, P.W.D. No.2508-9A/VIIIR-2/41 dt.19.3.1941 and F.D. Memo No.1218 F dt.20.3.1941, Dy-WA-21-3471 Para 430 of old W.A.D. Manual)

5.11 Allotment of Residential Building.

For allotment of residential buildings belonging to Central and State Government of Orissa, provisions of F.R. 45 and S.Rs 311 to 317 and Rules 107-A of O.S. Code may be referred to.

As per G.I.M.W.H. & S. O.M. No.3/3/61-ACC dt.18.4.1961 disobedience of orders and/or rules by not giving up vacant possession on demand or on the expiry of the prescribed notice if any, by persons who remain in occupation of Government accommodation when they are not authorized to occupy it or the allotment of which has been cancelled under the relevant rules could be good and sufficient reason for the imposition of penalties prescribed by Rule 13 of the C.C.S.(C.C.& A) Rules 1965). It would however be for the Administrative Ministries/Departments to decide the quantum of penalties depending on the merits of case. In some cases, censure or recovery of the loss to Government from the pay of the officers concerned might be adequate, while some other recalcitrant case may require more severe punishment.

[Based on G.I. Director of Estates Memo No.5/9/60-viz dated 20.10.1965 received with C& AG's No.2212 NGE.II/52-65 dated 7.12.1965 (OOA-5377 dated 10.1.1966)]

5.12 Preparation of Rent Rolls and Deduction of Rent.

(i) The head of each office shall send to the Executive Engineer of the Division before the 20th of each month a statement giving the name, designation and emoluments as defined in F.R 45C/Rule-III(C) of O.S. Code of every officer attached to his office including himself, who is occupying a house maintained by the P.W.D. In the case of broken periods the dates of beginning and termination of occupation based on occupancy and vacation report received from the occupants are to be noted.

Note: - The head of the office should certify on the statement that no officer not entitled to rent-free quarters occupies any such quarter. Orders of competent authority in support of rent-free accommodation should also be quoted against rent-free quarters.

(ii) If an officer has to vacate a house owing to his departure on transfer, leave or retirement the fact should be reported immediately through the head of his office to the Executive Engineer.

(iii) The Executive Engineer shall prepare Rent Rolls in duplicate and triplicate respectively for gazetted and non-gazetted officers of each department and forward them for gazetted officers to the head of office and for non-gazetted Government servants to the Drawing Officers for deduction of rents as contemplated in para 9.3.4 of C.P.W.A. Code. If the total demand is liable to vary from month to month and in other cases whenever there is any change in the monthly demand the Executive Engineer should at the same time send particulars of the demand to the Government servant from whom rent is demanded direct if he is non-gazetted officer.

Note: During the absence of the Executive Engineer on tour, the rent rolls may be issued under the signature of the Divisional Accounts Officer/Divisional Accountant and the office copy thereof should be scrutinized and initialed by the Executive Engineer when he returns from tour.

(Based on G.O.P.W.D. letter No.1406 (5) dated 17.2.1943 Dy-WM-State-21-436)

5.13 Recovery of rent for Residential Buildings from Government servants,

(a) Rules 45-A IV of F.R and S.R. and III of the O.S. Code regulate recovery of rents from Government servants.

(b) The special circumstances in which the Central/State Government may grant rent-free accommodation, waive or reduce the amount of rent, principle or other taxes not being in the nature of house or property tax are provided in Rules 45-A IV of F.R. and S.R. and 112 of O.S. Code.

(c) Rule 45-A VI read with S.R. 325 and 324 of F.R and S.R. and Rule 14 of the O.S. Code read with S.R (made under Rule 45-A) of Fundamental-cum-S.R of the Orissa Government provide for recovery of rent for special services to be calculated separately.

(d) The circumstances in which rent in excess of that prescribed in sub-clause (b) of clause IV of F.R. 45-A and clause (b) of Rule III O.S. Code is recoverable are laid down in Rule 45-A.IV(a)(ii) of F.R. and S.R. and Rule III (d) (ii) of O.S. Code respectively.

5.14 Recovery of Rent on plinth area etc. in respect of Orissa Government servants.

Pay range with plinth area, designs of types, flat licence fee and standard licence free has been fixed by the Government of Orissa for various types of quarters for the purpose of allotment and realization of rent from the occupants with effect from 01.11.2008.

(1) Allotment of available quarters of the following types shall be made on the minimum plinth area basis despite minor disparities in plinth area.

Pay Range	Plinth area	Eligible to type of quarters	Flat rate of licence fee	Standard licence fee
Rs.18,400/- to Rs.26,000/-	3700 sft	All designs of Type-VIII & 6R	Rs.1110/-	Rs.4440/-
Rs.14,300/- to Rs.18,400/-	2300 sft	All designs of Type-VII & 5R	Rs.820/-	Rs.3280/-
Rs.10,000/- to Rs.14,300/-	1600 sft	All designs of Type-VI & 4R	Rs.610/-	Rs.2440/-
Rs.6,500/- to Rs.10,000/-	900 sft	All designs of Type-V & 3R	Rs.410/-	Rs.1640/-
Rs.4,000/- to Rs.6,500/-	580 sft	All designs of Type-IV & 2R	Rs.290/-	Rs.1160/-
Rs.3,050/- to Rs.4,900/-	390 sft	IV N & various designs of Type 2RA(F)	Rs.200/-	Rs.800/-
Upto Rs.3,050/-	270 sft	Type-II 1R & 2R	Rs.140/-	Rs.560/-

(2) Government servants who are entitled to rent free occupation under special orders for the time being in free, shall not pay flat licence fee for occupation of Government owned residential buildings.

(3) Group 'D' employees working under State Government shall pay concessional licence fee @ Rs.70/- per month for the lowest type of Government quarters and Rs.100/- per month for a type above that.

- (4) If for any reason an employee is allotted with a quarters which is of a higher/lower type than his eligible pay range, the licence fee shall be the flat rate of the quarters which is under his occupation.
- (5) Government of India employees occupying State Government quarter and the State Government employees occupying Government quarters on deputation to Government of India office at the same headquarters shall pay licence fee at par with the State Government employees.
- (6) Employees of Board and Corporation/Private parties shall pay standard licence fee.
- (7) The Journalists, representatives of Newspapers and news agencies as well as news papers and news agencies for office-cum-residential building shall pay flat licence fee at par with State Government employees.
- (i) If officers in occupation of Government quarters, transferred from his station can retain the Government quarters for one month from the date of relief on payment of flat licence fee and subsequent two months on payment of standard licence fee. For retention of quarters beyond 3 (three) months of transfer, the allottee shall pay 5 (five) times of standard licence fee.
- (ii) Any officer who is transferred from his station after 1st August of the year will be permitted to retain the quarters till the 31st May provided he represents for the same and there is no administrative inconvenience. For retention of the quarters for the 1st 4 (four) months, he shall pay flat licence fee and for the remaining period standard licence fee. Retention of quarters beyond this period will be treated as un-authorized and the allottee shall be charged five times of standard licence fee of the quarters allotted with eviction proceeding as per rules in force.
- (iii) If an officer, to whom a Government residential building is allotted, dies, retires or dismissed, discharged or removed from service, the provision of Rule-107 (A) of the Orissa Service Code shall be followed.
- (a) provided that where a Government employee on retirement is allowed to retain the quarters occupied by him for a maximum period of four months as per Rule-107(A) of the Orissa Service Code have to pay in advance the flat licence fee for the said period.
- (b) the licence fee at the rate of five times of the standard licence fee shall be charged for the period of occupation of the quarters beyond the permissible period followed with eviction proceedings as per rules in force.

This will come into force from the 1st November 2008.

[Authority: GO, GAD No.7637 dated 18.09.1998 modified with GO, GAD No.6773 dated 01.11.2008]

5.15 Rent recoverable from an officer who is transferred.

- (1) When a gazetted officer is transferred within the State, a statement of rent recoverable from pay bills (P.W.A. Code form No.48) should be sent to the treasury officer of the new station. It should be specially indicated that rent demanded has already been noted in the Last Pay Certificate of the Officer by the Treasury Officer concerned. This precaution is particularly necessary to prevent double recovery, In the case of transfer outside the State P.W.A. Code form No.48 need not be used.

(2) Rule-6 of the Financial Rule Form No. 3 (Schedule XLV-Form No.159) provides that the officer under transfer is responsible for rent upto the date on which he actually makes over charge and the Relieving Officer from that date. The words from “that date” clearly mean from the date the Relieving Officer takes over charge and “upto that date” therefore, means the date immediately preceeding the date of transfer. The liability to pay the rent for the day on which transfer of charge takes place, rests with the relieving and not the relieved officer.

[Based on G.O.W.D. letter No.2A/IVR.552-2 dated 16.4.1952 Dy-WM-21-617 and F.D. No. 6619-F dated 29.4.1952 and based on GO, GAD (Rent) No.7637 dated 18.09.1998 with partial modification on GO GA (Rent) No.6773 dated 01.11.2008]

(ii) In the case of non-gazetted officer necessary correspondence should be made with the heads of offices concerned and certificate of recovery in P.W.A Code Form No.48 obtained.

5.16 Recovery of joint occupation and higher class of accommodation (Central Government)

(i) When a Government servant to whom a residence is allotted shares it by private arrangement with one or more other Government servants who are not entitled to rent-free quarters or who are entitled to rent free quarters but draw a house rent allowance in lieu thereof, there shall be recovered from him for the period of joint occupation the standard rent of the house or 10 *per cent* of his emoluments [as defined in F.R. 45C or Rule III(c) of O.S. Code], which ever is less, even though, but for such joint accommodation he would be entitled to pay rent at a percentage of his emoluments. This rule does not apply to Government servant to whom a residence is allotted, free of rent and who shares it with other Government servants of the description referred to in the rule. But care should be taken to prevent houses being left vacant as the result of such Government servant being allowed to live with rent free tenants.

(ii) An Officer who at his own request is supplied with a residence owned or leased by the Central Government of a class higher than that for which he is eligible, when a house of his class is available to him, should be charged the full standard rent laid down in F.R. 45-A and should not be given the benefit of the 10% concession afforded by clause IV (b) of this Rule.

(G.I.F.D. No.F-3-XI-R/1-29 dated 23.3.1928)

5.17 Recovery of rent for Quarters reserved for M.L.As at Bhubaneswar

Rent on the following scale will be recovered from the Members of the Legislative Assembly who occupy the Government Quarters in the Capital at Bhubaneswar.

- | | |
|--|--|
| (i) For accommodation in type I quarters | Rs. 1/- per day (inclusive of all charges) |
| (ii) For accommodation in type IV-B quarters | Rs.1.50/- per day (inclusive of all charges) |

(1) The above rates will apply if a single member of the Assembly occupies a quarter. For joint occupation every M.L.A, will be charged rent at the rate of Rs.1/- per day for the while period of joint occupation.

(2) Type VI or type VII houses shall be allotted when available for accommodation of M.L.As jointly or individually during the Assembly Session on

payment of standard rent now payable by Government servants plus 50% extra which include all other charges. Note more than 4 members can occupy such a house, if they choose, but all of them will be responsible for payment of the rent prescribed above.

(3) When any set of quarters is allotted to more than one member of the Assembly, the total rent as fixed above will be recoverable from them in equal shares.

(4) Type IVB and type II quarters shall for the present be allotted to the M.L.As who desire it on annual rental basis at the rate of Rs.25/- and Rs.18/- per month respectively inclusive of all charges.

(5) These rates of rent should be given effect from the commencement of current session of Assembly i.e. Session or March 1953 until further orders.

(6) As regards scale of furniture to be furnished to permanent M.L.A. quarters see Para infra.

(7) The rent will be recovered by the Secretary, Legislative Assembly and credited to the Treasury under the head "0059-Public Works Rents (Stock)".

[Based on Government of Orissa, Works Department letter No.AQ-44/52-8 dated 3.3.1952 as modified in Government of Orissa, Works Department letter No.AQR-44-52 dated 31.3.1953 (Dy-WM-21-6590)]

5.18 Supply of furniture on payment to M.L.As.

Furniture as detailed below should be supplied on payment for M.L.As quarter in the Bhubaneswar.

I. Single seated room – M.L.A.s Hostel

(i) Wooden bed 6' X 3'6"	1
(ii) General or writing table 4' X 2'6"	1
(iii) Dressing table 3' X 2' with 2 drawers	1
(iv) Ordinary chair with can seats	2
(v) Easy chair with can seats	1
(vi) Peg table	1

II. Double seated room for single M.L.A. – M.L.A's Hostel

(i) Wooden beds size 6'9" X 3'6"	2
(ii) General or writing table 4' X 2'6"	1
(iii) Dressing table 3' X 2' with 2 drawers	1
(iv) Ordinary chair with can seats	4
(v) Easy chair with can seats	2
(vi) Peg table	2

III Married M.L.A's quarters

(i) Wooden beds size 6'9" X 3'6"	2
(ii) Ordinary chair with can seats	4

(iii) Easy chairs	2
(iv) Dressing table 3' X 2' with 2 drawers	1
(v) General or writing table 4' X 2'6"	1
(vi) Peg table	2

The M.L.A.s have been provided with accommodation in type II, type IVB and a few superior type of quarters and the minimum furniture as detailed below should be supplied to them.

Type II Quarters	Bed, Table, Two Chairs, Tea Poy, Bath Stool, Hat Rack (Ladies Mirror extra) and One Alna.
Type IVB Quarters	Two Beds, Table, two Chairs, Tea Poy, Bath Stool, Hat Rack, Mirror and One Alna
Type VI and VII Quarters	As these quarters will be occupied by not more than 4 MLAs jointly each MLA should be provided with a set of furniture as in type II quarters

Besides, 4 doors Mats should be supplied in Type II and IVB quarters rented out to MLAs on annual rental basis.

The rent fixed for accommodation provided for MLAs in Type II and type IVB is inclusive of furniture rent, where as in the case of MLAs occupying superior type of quarters, the 50 *per cent* extra over the standard rent covers all other charges including rent of furniture.

[Based on Government of Orissa, Works Department order No.AQ-119/52-19 dated 28.8.1953 (Dy-WM-21-3153)]

5.19 Recovery of rent from Parliamentary Secretaries.

(i) The Parliamentary Secretaries when provided with houses by Government will, in accordance with the principles of Rule 110(b) of the O.S. Code, pay the standard licence fee or rent of 10 *per cent* of their monthly emoluments as determined by sub-rule (c) of the same rule.

(G.O. Home Department letter No. 5344-Arr dated 24.7.1939 received with F.D. No.749 dated 31.7.1939)

(ii) In case where the legislature has specifically declared the posts of Parliamentary Secretaries as not disqualifying the holder from membership of legislature under Article 191 of the Constitution, the pay and allowances of the parliamentary secretaries can be regulated by Executive Orders issued by Government so long as the disqualification that a member would incur by reason of his appointment as Parliamentary Secretary has been removed by an Act of the appropriate Legislature in terms of Act 191(i)(a) of the Constitution, audit need not object to the salary and allowances and other concessions having monetary value granted to him being regulated under orders of the Executive Government. The recovery of rent from Parliamentary Secretaries under FR 45-A/Rule-110 of O.S. Code should not, therefore, be objected to in audit.

Otherwise, recovery of rent of Government buildings occupied by them should more appropriately be computed under FR-45B/Para 4.1.22 of O.P.W.D. Code and not under FR 45A/Rule-110 of O.S. Code. In the cases involving the grant to them of the concession of rent free house or of low rent, the matter should be taken up in

higher audit and if not placed on a proper footing, it should find a lucid mention in the report of the C.& A.G giving details, but no audit comments.

[Based on C.& A.G. letter No.1688-Admn/139-51 dated 3.7.1951 and No.200-Admn.I/39-51 dated 7.2.1956 *Dy-WM-21-7426)]

5.20 Remissions and Refunds of rents.

The Government of Orissa may sanction on the recommendation of the Chief Engineer partial or total remission of rent of a building rendered inhabitable by reason of extensive repairs being in progress or from any other cause provided the occupant at once reports the circumstances to the Executive Engineer for inspection and follow up action as contemplated in Para 4.2.14 of O.P.W.D. Code,

Rent recovered in excess should as far as possible be adjusted by short realisation. When this is not feasible refunds of rents of buildings recovered in excess (other than those under FR 45-A and Rule 112 of O.S. Code) should be made by the Executive Engineer concerned on Hand Receipts.

Note: (1) In all cases of refunds of rents of buildings, leases and license etc. except in cases of refunds arising purely out of clerical error and arithmetical computations, the Rents Officer, Bhubaneswar should obtain orders of competent authority before payment.

[Based on G.O. P&S (Admn) Department Notification No.2179 dated 19.8.1958]

(ii) Regarding the accounting procedure of remission and refunds see Para 9.4.1 and 9.4.2 of C.P.W.A. Code.

5.21 Municipal and Gram Panchayat Taxes – payment and Accounting procedure.

(i) As provided in Para 4.1.24 of O.P.W.D Code, the Municipal Taxes of the nature of service taxes i.e. latrine tax, lighting tax, water tax and drainage tax will, in the first instance, be paid by the concerned Executive Engineer in compliance with the Municipal law in respect of P.W.D. and non P.W.D. buildings from the maintenance estimates of the buildings concerned. The same should be borne by Government and the Government servant occupying residences on 50:50 basis. The occupants share shall be recovered from their pay bills in twelve equal instalments, the deductions made on this account being shown separately in the rent rolls. The recovery shall be watched by the respective Executive Engineer through a subsidiary register in the same form as Rent Register and credited to “0059-P.W. Rents”. This takes effect from 1st April 1958. The entire amount prior to this date borne by Government by charge to the maintenance estimates of the buildings concerned.

(Based on G.O. W&T Departments letters No.5186 dt 3.3.1958 and No.1613 dt.5.6.1959 copies received with their letter No.1147/A dt.14.5.1970 Dy-WM-I-990)

(ii) The above procedure would also apply for payment of Gram Panchayat Tax of service nature leviable under Section-83 of the Orissa G.P. Act and rules made there under. The decision is effective from 1.4.1970.

(Based on G.O.W&T Department letter No-II-9/68-6587/A dt.14.3.1970 and No.WM-I-1465(21) dt.6.7.1970)

Note: (i) For method of payment of charges for municipal taxes Central Government buildings, see Rule 1 & 2 under Section III of the Rules for the payment of municipal

rates and taxes on building (Annexure to Schedule V under Rule 10 of the delegation of Financial Rules, 1958)

(ii) For exemption of property of the Union from State taxation see Act. 285 of the Constitution of India.

5.21 Audit procedure in respect of recovery of service taxes.

As per Government of Orissa, Works Department letter No,16813 dt.5.6.1959 read with Government Order No.5186/A dt.3.3.1958, fifty *per cent* of the occupants share of municipal taxes of service nature are recoverable from Government servants concerned and recovery watched by the concerned Executive Engineer through a subsidiary register in the same form as Rent Register. The deductions made from pay bills on account of the tenants liability in twelve instalments are required to be shown separately in rent rolls.

Payment of service taxes by Government and recovery from Government servants of such taxes will not attract the provision of Para 2.2.40 of M.S.O.(A) 2nd edition. A test check of the rent schedules supplemented by the local check of the records will be sufficient for the purpose.

(Based on C.& A.G's letter No.2337-Admn-II/35-67 dt.12.9.1967 Dy-TM-8-195, OOB-1198 dt.14.11.1967, Dy-WM-21-4768)

5.23 Grant of Rent-free Accommodation.

The following categories of officers are eligible for rent free accommodation.

(i) Officers and Sub-ordinates required to live in a specified locality or building who because of the nature of their duties are with some regularity, to call on duty at any time in the 24 hours.

(ii) Officials who in addition to regular duties have to exercise direct supervision over resident students and have accordingly to live in close proximity to the hostel.

(iii) Officers whose pay is fixed on the ground that free accommodation (or an allowance) is provided and who are required to live at or near their work.

(Based on G.O.F.D. Memo No. 32000(35) dt.10.12.1957 OOA-2515 dt.2.1.1958)

Note : (1) Regarding recovery of rent for occupation of quarter during leave from an officer granted rent free accommodation see Rule 113 of O.S. Code.

(2) Taxes which are by local rule or custom, ordinarily leviable on tenants shall be paid, in respect of the term of his occupancy by the occupant of the building even though he is entitled to rent free quarters. If, in any case, it has been decided by competent authority that the whole or any portion of the taxes should be borne by the Government and not by the occupant of the building the whole tax shall be paid initially by the department in the administrative control of the building, and the portion, if any, payable by the occupant shall then be recovered from him.

(Based on Rule-1 of Section II of the Rules for the payment of Municipal Rates & Taxes on buildings, SCH V of Rule 10 of Delegation of Financial Rules, 1958)

(3)(a) Any concessions to Ministers of a financial nature not specifically provided for in the Minister's salaries Acts should be brought to the notice of Parliament/Legislature by the inclusion of a suitable paragraph in the Report of the C.& A.G without any comments cases where, even if the Ministers Salaries Act provides free furnished accommodation and the scale of such accommodation is fixed by executive order of Government should also be mentioned in the report. The draft

paragraph should however be approved by the C & A.G. before their inclusion in the Report.

(Based on C & A.G's letter No.139-Rep/60-A-49 dt.18.4.1950)

(b) With effect from 1.10.1942 the Hon'ble Ministers have been allowed rent free houses, where houses have been provided by Government and the actual rent and municipal taxes (except taxes payable by the occupiers) paid by them if they live in residence hired by them on private arrangement.

(c) The charge is debitable to "2216-Housing-01 Government residential building lease charges (voted)"

[Government of Orissa, Home Department No.12556 A(c) dt.11.12.1942 received with Finance Department No.12738-F(c) dt.13.11.1942 (Dy-G-A-X-I-2373)]

(d) The concession mentioned in the concluding portion of the above Note is not applicable to Hon'ble Ministers who occupy their own houses.

[Government of Orissa, Home Department No.2575-A(c) dt.7.2.1943 (Dy-G-A-X-I-32437)]

(4) After careful consideration of the question of review of the existing provision for recovery of rent at concessional rates from subordinate Government servants in occupation of Government residence as recommended by the pay committee it has been decided that no rent will be charged from Government servants drawing pay of less than Rs.60/- in the revised scale.

(Based on G.O.F.D. Resolution No.F.38/61-89-87 dt.15.11.1961 page 149 of file WM-21 of 1960-61-62-63-64)

(5) In all cases in which rent free accommodation is provided or in which rent is waived or reduced, the authority passing the order shall communicate a copy of this to the Audit Officer.

(Based on Para-4 of Appendix-10 below Rule 144 of the Compilation of the G.F.R and 4.2.9 of C.P.W.D. Code)

(6) Cases in which rent free quarters or reduced rents have been sanctioned shall be periodically reviewed by Government (Heads of Departments and the Chief Engineers) and if the concession granted appears for any reason to be no longer necessary, it shall be withdrawn.

5.24 Rent-free concession during the period of suspension.

(i) The rent free concession will cease from the date of suspension.

(ii) The Government servant under suspension will not be required to vacate rent free accommodation unless the accommodation is specifically attached to any particular post. However, from the date of suspension rent will be recovered from him on the assumption that he was not in occupation of rent free accommodation at the time of suspension i.e. for the purpose of recovery of rent, his emoluments will be taken as laid down in FR 45-C(vi).

(iii) If, subsequently, the Government servants is allowed for the period of suspension full pay and allowances under FR-54(2) the concession of rent free accommodation will stand restored to him and the rent, if recovered for the period of suspension will be refunded to him.

(iv) If the period of suspension is treated as one spent on leave, the officer will be refunded the rent charged for the 1st month only. The difference between the rent recovered on the basis of subsistence grant and the rent due in terms of Para-1(i) of M.W.H & U.D. OM No-2/52/64-ACC dt.28.3.1955 shall be recovered for subsequent months.

(v) If such a Government servant is made to vacate the rent free accommodation either because it is specifically attached to a particular post or for any other reason he will not be allowed to draw H.R.A. prescribed in lieu of rent free concession. But if his headquarters at the time of suspension is at a place which is a classified city or a hill station at which HRA is admissible to other Central Government servants, then he will be allowed the HRA at the rates and subject to the conditions applicable to either Government servants. The HRA will be calculated with reference to the pay that he was drawing at the time of suspension.

The orders will be effective from the date of issue.

[Based on G.I.M.F.(DE) OM No.F-2(37)-E.II(B)/66 dt.24.9.1966 received with C.&A.G's letter No.1210-Audit/13-66 dt.28.9.1966 (OOA-5593dt.3.11.1966 Dt-WM-21-4495)]

5.25 Value of Rent free accommodation (Perquisites) for computation of Income Tax furnishing Annual Returns in respect of Government servants enjoying rent free accommodation.

(i) The disbursing officer should see that the value of rent free accommodation occupied by persons in their employment, is taken into account for the computation of tax to be deducted at source at the time of payment of salary.

(Based on G.I.M.F.(RD) letter No.(16)-50-IT dt.9.7.1961 received with T.M. Circular No.TM-I-33-1735 dt.11.12.1967 Dy-WM-11-28-6013)

(ii) In pursuance of the instruction of the Government of India the State Government have issued suitable instructions to the Administrative Departments/Heads of Departments for furnishing an annual return showing the exhaustive list of posts, the incumbents of which are entitled to rent free accommodation to the disbursing officers with copy to audit by 30th April each year vide G.O F/D No.Rec-1-94-67-35374 (95) F dt.27.10.1967.

The C.A.S. Section should watch the receipt of the return from the respective Administrative Department they deal with. A 'nil' return should also be called for even in cases when there is no case of grant of rent free accommodation. For this purpose a register shall be maintained in the following proforma.

Register of Annual Return relating to Rent free residence for the year ending

Sl. No	Forwarding letter No. and date of the Administrative Department	Designation of the post	Name of the present incumbent	Particulars of residence	Annual rental value of the residence according to Govt. rules excluding value of rent free furniture, water, electric and other services	Date of transmission to the inspection party for check	Date of return from the party	Further action if any irregularity was commented upon
1	2	3	4	5	6	7	8	9

Note: The Annual return will have the column 1, 3, 4 and 5 as prescribed by the Government of India.

The register shall be submitted to the Branch Officer on 1st of every month. The Branch Officer shall review the register to ensure that action has been taken in case of non-receipt of return from Administrative Department for its transmission to and receipt back from Inspection parties.

The auditor in charge of maintenance of this register should furnish to the Inspection party an extract of the return if any item exists relating to a particular office to be taken up for Inspection. Although Audit has no specific responsibility for correct deduction of tax from salaries, the returns should be utilized by the Inspection Parties in order to see that the disbursing officers have made adequate arrangements and safeguard to satisfy themselves about correct deduction of the tax from salaries. The extract of return with necessary comments should be returned by the Inspecting Officers separately marked to CAS Section where appropriate final action shall be taken.

[Based on T.M. letter No.TM-1-1-33-625 dt.19.6.1967 circulated in Memo No.OE (Br)-TMS-1-6-637 dt.12.7.1967 and WM-24-12-2238 dt.20.8.1967]

Note:- (1) As per rule 3(a) of IT Rules, 1962 the value of rent free accommodation shall ordinarily be estimated at a sum equal to 10 *per cent*, 12.5 *per cent* of the salary due to the assesses for the period of his occupation of the residence where the accommodation is not furnished/is furnished. But where the fair rental value of the accommodation is in excess of 20 *per cent* (if unfurnished) or 25 *per cent* (if furnished) of the employees salary the value of the perquisite shall be taken to be 10% or 12.5 *per cent* respectively of the salary increased by a sum equal to the amount by which the fair rental value exceeds 20 *per cent* or 25 *per cent* as the case may be, provided the ITO may having in view the nature of the accommodation, determine the sum by which the 10 *per cent* or 12½ *per cent* of the salary is to be increased.

(2) Since the officers of the Orissa Government are required to pay only 5 *per cent* or 7.5 *per cent* of their pay as house rent the perquisite for the purpose of charging Income Tax should be calculated at the same rate. In that case it should be made sure that the officer would not have been required to pay rent at more than 5 *per cent* or 7.5 *per cent* had he been required to pay rent under the rules framed by the Government for occupation of residence appropriate to his status.

(Based on M.O. letter No.TM-8-60-1947 dt.12.1.1970 and No.WM-II-8-9183 dt.25.3.1970)

5.26 Watching Revision of Standard Licence Fee of Building.

(i) SR 322(3), 32(2), 331(3) and 333 (2) under FR 45-A and 45-B require the quinquennial revision of the standard licence fee of a residential building when the total cost due to minor additions or alterations in a building does not exceed 5 *per cent* of the capital cost or where there is no increase or decrease in the charge for maintenance and repairs on the basis of which standard rent was last calculated. As each addition or alteration in a residential building is carried out since the last fixation, the date of completion and cost of each such addition or alteration should be noted against the building concerned in the appropriate columns of the register to be maintained in Division Office. Each time the entries are made in the register the Divisional Accounts Officer/Divisional Accountant should examine whether the aggregate cost of minor addition or alteration is within or in excess of 5 *per cent* of the previous capital cost. In case there is excess immediate steps should be taken to

revise the standard rent, otherwise, it should be revised on the expiry of 5 years from the date of last revision.

(ii) It has been ordered by the local Government that the annual maintenance charges provided in the rent data statement and maintenance charges or five continuous years should be noted in the appropriate columns and if there is any increase or decrease in any year raising or reducing the average maintenance charges leading to an alteration of rent in accordance with Para-1 of P.W.D. letter No.3072-760A dt.10.8.1925, the Divisional Accounts Officer/Divisional Accountant should take steps to have the estimated annual allowance revised in case they have not been so revised he should take steps to revise them after such five years. When maintenance charges are revised the standard licence fee should also be revised.

If the rent fixed under FR 45A-III/45B-III or Rule 110 of O.S. Code need alteration he should have the revised rent statement prepared and submitted to Government for sanction in accordance with the order issued in P.W.D. NO-2091-95-A dt.19.7.1932.

Review of the Register should be conducted on the following lines:-

(1) Review of the average annual expenditure incurred on maintenance (inclusive of municipal and other taxes for the quinquennium and its comparison with the annual allowance for maintenance, to see whether the actual expenditure on maintenance is in excess of annual allowance or within the limits.

(2) Review of rent realisations with the standard licence fee of the buildings to see whether the standard licence fee requires any revision and whether the licence fee realised at 10 *per cent* of the officer's emoluments is far less than the standard licence fee, suggestive allotment of residences far in excess of the status of the officer or economy in the construction of residences or revision of the scale of accommodation consistent with the cost of construction and status of the officer.

(3) Review of adequacy or otherwise of the licence fee fixed for special services like furniture, electric, water supply/sanitary installations to be exhibited separately in the accounts.

(4) To judge the financial results of the rents realised as against the rent fixed,.

Note: (1) Correctness of the data furnished by the P.W. Divisional Officers should be test checked during local inspection with reference to the initial records.

(Based on C.& A.G.'s letter No.24-Tech.Admn.II/371-62 dt.9.1.1967 received with TM-8-51-2544 dt.23.2.1967, Dy-WM-4-6359 read with C.& A.G. letter No.1394-Tech.Admn.II/371-62 dt.11.7.1966 received with TM-8-54-241 dt.17.5.1967 Dy-WM-4-885)

(ii) The preparation of Capital and Revenue Accounts for the State Government buildings has been dispensed with as per the decision communicated in Government of Orissa, Works and Transport Department No.IVR-13/69-17847/A dt.18.8.1969 received with F.D. Memo No.31200/F dt.30.8.1969 Dy-WM-4-3751)

(iii) The preparation of the Capital and Revenue Accounts of residential buildings under the Government of India has been dispensed with.

[Government of India, Ministry of Works & Housing letter No.29012(10)/70-W dt.6.7.1971 received with A.G.C.W. & M's Memo No.WM-IP/II-3/65-79/1108-1125 dt.19.8.1971, Dy-WM-1-4-3908]

(iv) Regarding fixation of limit for annual maintenance of Central Government buildings Para -113 of C.P.W.D. Code should be referred to.

5.27 Realisation of rent Government buildings occupied by private individuals.

(i) Rent should be recovered from private party for occupation of Government buildings under State and Central Governments in advance (vide Para 9.3.1 of C.P.W.A. Code and Para 4.1.23 of O.P.W.D. Code)

(ii) The procedure for recovery of rent from private person in the case of buildings under the State Government Orissa is laid down in Para 4.1.22 read with Para 4.1.18 of O.P.W.D. Code.

(iii) So far as the buildings of the Central Government are concerned, without the sanction of the local Government the rent recoverable from private parties shall not be less than the rate calculated under FR 45-B. In making the calculation proviso (iv) under clause-II and Note-I under clause-III of that Rule shall be ignored and full Departmental charges for establishment (including pension) T&P and audit and account charges shall be taken into account both for the purpose of arriving at the capital cost and additional charges to be included for ordinary and special maintenance and repairs at the rate in force at the time of calculation of rent.

Note : (1) In all cases where buildings are normally acquired by Government through the C.P.W.D. a charge of 3 *per cent* only on the capital cost shall be levied in lieu of the full rate of Departmental charges.

[Based on Government of India, Department of Labour letter No.B-9 dt.13.9.1939 and G.I.F.D. endorsement No.F-II(51)-Ex-1/39 dt.2.11.1939 incorporated as G.I. decision below FR 45-B]

(2) Residence let to private individuals shall not be altered or enlarged at Government expenses to suit the tenant and persons occupying such residences on rent shall be prohibited from making any alternations even at their own expenses except with the express concurrence of the Superintending Engineer or the Head of the Department.

(Para-I of Appendix-10 below Rule 144 Compilation of G.F.R.)

5.28 Procedure for calculation of Fair Rent.

The procedure for calculation of fair rent of private buildings has been prescribed in Government of Orissa, Works Department letter No.Codes/AP-27/76-24244 dt.24-8-1976 reproduced in Appendix-XIII of O.P.W.D. Code Volume-II.

5.19 Leases

Lease for Ferry Ghats, Fisheries etc. are granted by P.W. Departments. It should be seen that the terms and conditions of lease agreements are carried out strictly and lease money realised from time to time are credited to Government under proper heads of account.

5.30 Grants of Lands Assignments of Revenue and other concessions etc.

Relevant provisions in this connection are in Rules 31 and 32 of compilation of G.F.R. and 41 of the O.G.F.R. Volume-I. The orders of Government sanctioning grants of land, assignments of land revenue or any other concessions involving relinquishment of revenue etc. received in audit under Rules 39 and 45 respectively will be subject to usual audit check.

V- REVIEW

5.31 Review of Receipts

The review of important items/heads of receipts should be conducted during local inspection to bring out inter alia.

- (i) The adequacy or otherwise of the machinery of collection,
- (ii) The extent of arrears;
- (iii) State of Accounts
- (iv) Cases of Frauds;
- (v) Cost of commodities supplied and services rendered compared with the sale proceeds, where possible.

(C.& A.G's letter No.4335-Rev.A/212-68-IV dt.26.10.1966, 489 dt.1.3.1969 OOA-6054 dt.30.12.1968 and OOA-6100 dt.31.3.1969)

CHAPTER – 6
AUDIT OF ACCOUNTS AND RECORDS
I – GENERAL

6.01 The Principles of Audit.

The audit of works transactions should be conducted in accordance with (i) general rules and principles and (ii) the special procedure applicable to each class of transactions as set out in the relevant chapters of Section-IV of the Manual of Standing Orders (Technical) Volume-I with due regard to the relevant rules in the C.P.W.A. Code, the Account Code Volume-III and the Financial Rules of the Government concerned.

6.02 Uniformity of procedure

Care should be taken to maintain uniformity of procedure in all the processes of work carried out in the Works Audit Department, Assistant Audit Officers are required to maintain a close watch on this point and to enquire, whenever necessary, the practice obtaining in other Central Audit Parties so as to ensure uniformity in procedural matters and mode of application of checks etc. Whenever a question of clarification on audit which is common to all Central Audit Parties arises, the point should be referred to Central Audit Supporting Section for examination and obtaining Senior Deputy Accountant General's orders if necessary.

6.03 Function of Audit

The primary function of audit is to secure substantial correctness of accounts and regularity and propriety in individual financial transactions. While therefore financial rules and orders must be observed carefully, rigid and literal interpretation of such rules and orders will result in a wholly unintelligent audit. As a general rule, insistence on trifling errors and technical irregularities should be avoided and more time and attention should be devoted to the investigation of important and serious irregularities.

6.04 Audit of Appropriations

The Appropriation Audit should be done with reference to the provisions of Para 3.16.15 of M.S.O. (A) – 2nd edition.

- (i) While the schedules of work expenditure exhibit inter-alia, any excesses over allotment for the works included therein, the “Works Register” maintained in A&E Office should be utilized for conducting an additional check regarding any excesses over allotments in respect of works required to be posted in part-I of the “Works Register”.
- (ii) The Works Audit Department is not responsible for the check of expenditure against the grant for the whole State, which is conducted by the Appropriation Audit Section.

6.05 Audit against extravagant or avoidable expenditure.

The following procedure should be observed in audit in dealing with cases of prima-facie extravagant or avoidable expenditure or challenging in audit sanction accorded by Administrative/Executive authorities to write off losses which are avoidable and due to culpable neglect of the parties of fault.

(i) There may be cases of write off in which an Audit Officer may feel it right or consider it desirable to bring certain points to the notice of the Administrative authorities when the financial interests of Government are clearly at issue. In such cases, it would be proper for him to bring them to the notice of the authority, which sanctioned the write off, pointing out that when there could be prima facie ground for effecting recovery from the person to whose neglect the loss was apparently due and asking to be informed whether any action in this direction was contemplated. It will be the duty of the administrative authority concerned on receipt of such a report to give his careful consideration and to inform the Audit Officer in due course of the action, if any, taken by him.

(ii) In minor cases, the action indicated above will be sufficient and the considered decision of the administrative authority concerned may appropriately be accepted. But in a matter of more substantial importance the Audit Officer may properly proceed to refer to the next higher administrative authority, if he considers that the action taken by the original authority was inadequate.

(iii) The same procedure should be followed when steps are not taken to enforce a recovery which would apparently be legitimate. This would include cases in which the Audit Officer considered that recovery could be made from a third party and no recovery had been effected.

(iv) Cases of 'UNPROFITABLE EXPENDITURE' in the P.W. D. such as that incurred on works abandoned during execution, expenditure on works found faulty and requiring replacement etc. should be considered as falling under the category of expenditure which appears prima facie extravagant or avoidable. Action will be taken under the special procedure prescribed in Para 2.2.47 of M.S.O.(A) 2nd edition.

(v) All sanctions to write off of irrecoverable amounts should be specially scrutinized by Assistant Audit Officer and submitted to the Branch Officer with notes for acceptance. If in the sanctions, adequate reasons are not furnished for the write off they should be called for from the sanctioning authority. If it be found that the system necessitating the write off requires modification, the matter should be pointed out to the competent authority. In case of doubt orders of the Accountant General (Audit) should be obtained before the sanctions are accepted. All sanctions, whatever, be the amount should be entered serially in a special register (Register of losses/Defalcation) maintained for the purpose.

(vi) Sanctions to write off of unprofitable outlay in cases in which no definite rule can be quoted as the basis of objection should not be asked for in the ordinary course of audit or inspection; such points should be brought to the notice of Senior Deputy Accountant General (Works Audit & Projects) who may at his discretion conduct correspondence on the subject with reference to Para 2.2.47 of M.S.O. (A) 2nd edition.

6.06 Reference of Higher Audit Department.

The procedure for referring cases to the Efficiency-cum-performance Audit Department prescribed in ECP Manual should be followed. The Gazetted Officer will consider each such case and forward it with prior approval of the Senior Deputy Accountant General, complete with all the connected papers for examination. While scrutinizing proposals for forwarding a case to ECPA Section, the Gazetted Officer should make sure that the case is one of real importance, meriting further examination by Efficiency cum-performance Audit Wing. The particular aspects of the case which are required to be examined should be clearly brought out and views of the section on the issues involved should also be offered.

6.07 Schedule of Rates

(i) To facilitate the preparation of estimates as also to serve as guide in settling rates in connection with contract agreements, a schedule of rates for each kind of work commonly executed is maintained in the Division and kept upto date. This is prepared on the basis of the rates prevailing in each locality. Necessary analysis of rates for each description of work and for the varying conditions thereof should as far as possible be recorded.

(Para 10.6.13 of C.P.W.A. Code)

(ii) A verified schedule of rates for the State as a whole on Zonal basis prepared by the Rate Board has been introduced with effect from 1.4.1964 subject to the provision that the revision of the schedule of rates will be taken up every year by the Rate Board in the month of September and rates finalized for the next year.

(Government of Orissa, Works and Transport Department letter No-FA-24/62/PT4/89 dt.9.3.1964)

(iii) Central Audit Supporting Section should call for copies of the revised schedule of Rates and its analysis by 1st November each year and distribute the same to all Central Audit Parties and Resident Audit Officers.

(iv) Audit Points.

(a) In respect of payments to the contractors on contracts, the rates allowed should be checked with the schedule of rates wherever schedules of rates has been adopted and where there is a clear indication that the rates are at per with or percentage above or below the schedule of rates.

[Based on Note to Para 647 of MSO (T) Volume-I]

(b) Comparative examination of rates.

As required under Para 2.2.10 of MSO (A) 2nd edition a comparison of PWD rates with that of Municipality/Railways and with the rates adopted by the CPWD for identical items of work should be conducted by CAS Section each year after receipt of the revised schedule of rates (State).

For this purpose, CASS is to call for copies of the schedule of rates from other authorities also. Such a review has preventive value and hence is very important. Where significant variations are noticed, the matter should be pursued with the appropriate authorities in consultation with ECPA Section. The review should be taken up by 15th December each year.

[Based on C&AG's letter No.409-TA.II/496-68 dt.14.3.1972 (Dy-WM-CAG-24-14(3))]

6.08 Procedure of Audit

A programme of audit of the accounts of the Divisions should be drawn up by CASS and intimated to all the Central Audit Parties before the 20th of each month. For this purpose a register in Form No-4 of this Manual should be maintained.

II. SELECTION OF VOUCHER FOR AUDIT/REVIEW

6.09 Procedure of Selection

The Auditors of the Central Audit Parties will catagorise the vouchers, strike total of each category and record total No. of such catagorised vouchers against the prescribed items in the selection register for audit (SMI-I). The register will be put up

to the Assistant Audit Officer for selection, who will select the vouchers and records to be audited and reviewed on the spot in the same manner and form as was required to be done before bifurcation (2.7 of MICA)

Note: 1) In the case of Transfer Entry Orders and Adjustment vouchers, the amount involved in the adjustment should be the criterion for the selection for audit and review.

2) In respect of D.G.S.D. vouchers Railway Credit Notes etc. the amount of each voucher should be taken in the money limit for the purpose of review.

3) As regards supply vouchers, the amount for which supplier gives acknowledgement, should be the basis for audit.

[Bases on C&AG's Circular letter No.4595T.Admn-II/420-69 dt.10.12.1969 in reply to this office No.WM-35-587 dt.30.10.1969 (Dy.WM-CAG-65)]

4) Since an Audit Certificate based on test audit is required to be furnished by an Audit Officer other than the Accountant General who prepares the report on Appropriation Accounts in terms of Para-18 of Manual of Standing Orders (Technical) Volume-II, it would not be correct to omit such transaction altogether from the scope of audit in view of relaxed audit now being conducted. This aspect shall be kept in view while making selection of vouchers for audit so as to ensure that the expenditure incurred on behalf of another Government/Department by the state PWD/CPWD under audit control of this office is not left altogether unaudited in Central and local audit.

(Based on CAG's letter No.3819-TA.II/211-66 dt.1.11.1966 copy received with main office letter No.TM.I-77-2540 dt.6.2.1967 Dy-WM-24-14-Con-423)

5) The transactions booked under suspense heads "Materials purchase settlement suspense Account" etc. are to be audited as normal expenditure transactions, besides being subjected to other special checks prescribed in Para 4.3.25 of MSO (A) 2nd edition. In the case of adjustment advices of the Accountant General responded by the Divisions through transfer entries, it is not proper to stop with auditing the correctness of the transfer entries only and seeing that supporting documents are available. The vouchers attached to the TEO should be audited in accordance with the provisions in MSO (Technical) for audit of vouchers, by including them in the respective category in the Selection Register. The quantum of selection prescribed for vouchers should be applied to these vouchers also.

[Based on CAG's secret letter No.457-TA.II/207-72 dt.14.3.1973 (Dy-WM-24-14-Con-83)]

III. AUDIT OF CLASSIFICATION

6.10 Change in classification with reference to the classification adopted in Administrative Approval.

While making provision the Budget Estimate, Government Estimates change the head of accounts mentioned in the Administrative Approval. In such cases the following procedure will be observed;

(i) For Works in Progress: - No formal orders amending the classification shown in original Administrative Approval need be issued. General orders will be issued by the Works Department for transferring the progressive expenditure on these schemes from one head to another.

(ii) For Works in respect of which no expenditure has been incurred under the head of account shown in the order according Administrative Approval :- For these works it will be necessary to change the classification by issue of formal orders to confirm to the provision in the Budget Estimate. Respective departments will amend the Administrative Approval.

[Government of Orissa, Works & Transport Department letter No.4BT-IM-108/55-1 dt.4.10.1955 (Dy-WM-27-4246)]

6.11 Payments in satisfaction of Court decrees and arbitral awards classification of

The principle of classification as ‘Voted’ and ‘Charged’ in respect of following cases has been clarified by Government.

1. Where a Court award is for a composite amount which is not capable of being split up as ‘REFUNDS’ and ‘OTHER EXPENDITURE’, the entire amount of award should be treated as ‘Charged Expenditure’.
2. Where a Court award is exclusively for the refund of security deposit or other revenue, the refund should not be treated as ‘Charged’ expenditure but should be accounted for as refund of deposit or revenue as the case may be, under ‘DEDUCT – REFUNDS’.
3. Where a Court award is specific about the components of the award (eg. Refund of security deposit plus costs) or is for a composite amount when capable of being split up as ‘REFUND’ AND ‘OTHER EXPENDITURE’, the components are to be accounted for individually as ‘REFUNDS’ of deposit or revenue and as ‘CHARGED EXPENDITURE’ respectively.
4. Any sum required to satisfy the award of an arbitral tribunal is to be charged. In order that a body of authority may be tribunal, it must be invested with the State’s inherent judicial as distinguished from Administrative or executive powers. An arbitrator appointed under Industrial Dispute Act or a private Arbitrator to whom a dispute is referred under an agreement under the Arbitrator Act is not a tribunal. In the latter case, an award made by it can not be treated as expenditure ‘Charged’ unless the said award is again filed in the Court and decree obtained or referred to arbitral tribunal as defined above.
5. Where an award is decreed against Government for payment of rent in respect of certain requisitioned property, the payment of rent up to the date of award and afterwards till the property is de-requisitioned is to be treated as ‘Charged’.

Passed cases need not be reopened.

[Based on Government of Orissa, Finance Department Memo No-Bt-9/65-6181(35) dt.26.2.1966 Dy-WM-1-2-590 pf 4/66 and Memo No.B-162/66-14766(35)/F dt.20-7-1966 Dy-WM-1-2-3025 of 8/66]

6.12 Receipts accruing from avenues on National Highways.

The receipts and revenues from avenue trees and proceeds by way of sale of clippings, dead trees and charges realized for ferry services and Inspection Bungalows rest house etc. which are maintained from National Highway Funds should be credited to the head “1054 R&B – Central”.

[Based on Government of India, Ministry of Transport and Communication letter No.WI-43(4)-59-1 dt.6.12.1962 Dy-WM-II-27-6-2116(80) sr.23.1.1963 (Dy-WM-I-6356)]

6.13 Miscellaneous

(a) Advertisement charges for calling for tenders for works :-

The advertisement charges for calling for tenders for works are debitable to the contingencies of the respective offices. The charges should not be debited to the works concerned.

Note:- Works contingencies are incidental expenses of miscellaneous character which can not appropriately be classified under any distinct sub-head or sub-work if the advertisement charges pertain exclusively to a particular work, there is no objection to treat them as works expenditure and to classify them under a separate sub-head or under the head "Works Contingencies" as may be desired by State Government.

If, however, the charges are common to several works, it would be easier to debit them to "Establishment Contingencies". Uniformity should not be insisted upon. This procedure has been accepted by the State Government.

(Based on CAG's letter No-351-AG/57-54 dt.7.4.1954-Dy-WM-1-1877 and G.O.W.D. letter No.IIIM-5/59-414A dt.7.1.1960-Dy-WM-1-7573)

(b) Cost of Tracing Cloth.

The cost of tracing cloth and ferro/prussiate papers required in connection with the preparation of drawings in a major project may be charged to the contingencies of the project concerned.

(G.O.W.D. Memo No.F-A-3/57-544 dt. 8.1.1958, G.O.F.D. Memo No.1527-F dt.16.1.1958-Dy-WM-23-7706)

(c) Return of empty cement bags or recovery of cost in case of non-return-classification thereof.

The Works Accounts (Estimates) which include an element of charge on account of the value of the bags merged in the rates for finished sub-heads of works or finished items, may get the benefit of the stipulated return of the bags either in kind (physical return) or in assessed value in case of non-return. As such, the receipt on account of the empty cement bags should be credited to the estimates of works in progress as miscellaneous receipts recoveries of expenditure.

In case of major works, the cost of gunny bags recoverable from contractor shall be debited to the sub-head "Suspense-contractors-other transactions" in the works accounts by credit to the sub-head "Additional charge for materials issued to contractors". On receipt back of the empty bags, the two sub heads should be relieved by reverse entries and the empty bags treated as surplus material and dealt with through the site accounts under Para 10.3.13 of C.P.W.D. Code. If the bags are not returned, the recovery of the cost thereof will wipe out the debit under "Suspense" and the credit initially afforded to the sub-head "Additional charges etc" will have the effect of reducing the expenditure on the work concerned. In the case of minor work, the credit will be adjusted under the sub-head "final charges" instead of under "Additional charges" etc. vide Para 10.5.12 read with Para 10.3.6. of C.P.W.A. Code.

(Based on A.G.O. letter No.Control-Works-109- dt.17.4.1954 Sy-WM-1-454 and No.Control-Works-576 dt.16.6.1954 Dy-WM-1-1514 and G.O.W.D. order No.2A-VIIR-11/52-21 dt.17.9.1954 Dy-WM-I-4130)

(d) Payments to Commission Agent

Such payments should be recorded in the accounts as expenditure and the vote of the legislature obtained for them. The gross sale proceeds on accounts of sale of Government property should therefore constitute the revenue of the State.

(CAG's letter No-791-AC/89-55 dt.19.7.1955 received with A.G.O. letter No.TM-1-49-2057-WM-24-22-Files 1955-56)

6.14 Check of classification.

The classification recorded on paid vouchers selected for audit should be checked in accordance with the provisions contained in Paras 60 et seq MSO (Technical) volume-I, Para-11 of S.M.I. Para 2.4 read with Annexure 2.4.1 of MICA. The Auditors/Senior Auditors will ensure that:

- (i) Major, Minor detailed heads of accounts as noted in the paid vouchers selected for audit are authorized head.
- (ii) The expenditure has been classified as per the provision made in the annual financial statement approved by the Parliament/State Legislature and is in accordance with the provisions of Rules 22 set of "Form of Accounts of the Union and State (Basic) Rules 1983".
- (iii) The expenditure which should have been classified under the capital section of account has not been classified as voted or vice-versa.
- (iv) The expenditure which should have been classified under the capital section of account has not been classified under revenue or vice-versa. The detailed duties of audit in respect of classification between capital and revenue as given in Para 3.16.32 of MSO(A) 2nd edition would also be observed.

The Assistant Audit Officer will check the classification of vouchers above Rs.50, 000/- required to be audited by him as per provisions contained in Annexure-2.4.1 of MICA. He will also review the classification recorded on the vouchers audited by the Auditors during the course of review of the work done by the Auditors as prescribed in Para 4.2 of MICA.

The classification checked by the Assistant Audit Officer will not be subject to review by the Audit Officer or any higher officer.

(CAG's Circular No.20/AC II/86 No.349-AC II/44-86 dt.10.3.1986 Appendix-23 of MICA)

IV. AUDIT OF GENERAL ACCOUNTS AND SCHEDULES

6.15 Monthly Accounts (Form-80).

The audit of monthly accounts consists in seeing that:

- (i) The Memo of Misc. Cash Receipts paid into Treasuries and the Divisional Officers Certificate of cash balance recorded on the back of the form should be seen that they do not indicate any deviation from rule. Note 1 below Para 4.3.5 of MSO (A) 2nd edition.
- (ii) The Accounts of March is supported by original Cash balance reports and the certificate mentioned in Art. 234(a) of Account Code Volume-III and the balance certified therein are equal in aggregate to the closing cash balance as shown in Monthly Account

(Para 4.3.5 of MSO (A) 2nd edition)

- (iii) If the March Accounts of any Division the Statement of cheques issued during March (vide Art. 234(a) of Account Code Volume-III) received from it indicate an unusual or serious rush of payment towards the closing of the month, it is necessary to investigate, the causes and effects of the rush and the current payments which it must have involved. (Para 4.3.5 of MSO (A) 2nd edition).
- (iv) When the closing balance is large, explanation of the circumstances should be called for.
- (v) Reasonable explanation is recorded for the balance remaining to be paid as per Memo of Miscellaneous Cash receipts paid into Treasuries/Bank and the amount paid into Treasuries/Bank as shown in the Memo agrees with that entered in the Schedule of Debits to Remittances (Form 70) and Schedule of Remittances into Treasury.
- (vi) The certificate of cash balance is correctly furnished by the Divisional Officer with regard to closing cash balance, Imprest and Temporary Advances with the exception, if any and the closing cash balances are within the prescribed limits.

Note: - The maximum cash balance of Divisional and Sub-divisional Officers should generally not exceed Rupees two hundred and one hundred respectively and the surplus money, if any, should be remitted to Treasury/Bank.

[Based on Government of Orissa, Public Works Department (R&B) No.1661/IIM-1/50 dt.15.1.1950 (Dy-WM-II-4522)]

6.16 Schedule of Works Expenditure (Form-64).

The following points are to be seen:

- (i) In cases where expenditure appears for the first time reference to communication intimating amount of sanctioned estimate/allotment is given.
- (ii) To see that action is being taken for regularisation of excess over estimate and allotment.
- (iii) To see that action towards fixation or revision of licence fee is taken for original works connected with residential buildings when those are completed.
- (iv) When it is not necessary to submit schedule docket, the prescribed certificate is recorded under Note 1 below Para 22.4.2 of C.P.W.A. Code.
- (v) Where the upto date figure is shown as minus figure, enquiries should be made regarding the correctness of the figures.
- (vi) See that in case of completed works, completion reports or completion statements are received in Audit Office.
- (vii) It should be ensured that the following certificate is recorded in the schedule of works expenditure "Certified that the Schedule of works expenditure have been prepared after reconciling the totals of Works Accounts and relevant schedule dockets".

(WM-24-14-Simp-17 dt.10/67)

6.17 Schedule of Deposit Works (C.P.W.A. Form No.65).

Besides the points prescribed in Para 4.3.12 of MSO (A) 2nd edition the following checks should be exercised in audit.

- (i) The Cash receipts under deposit is verified with 'Memo of receipts' shown in monthly account – Form 80.
- (ii) To see that expenditure in excess of deposit received is correctly charged to Misc. Works Advance which is to be checked with reference to the entries in the Schedule of Misc. Works Advance.
- (iii) To see that Part-II of the schedule has been correctly prepared showing the particulars of all un-affected deposit works.
- (iv) To see that action is taken for refund of excess deposit or to realize excess expenditure when the works are shown as closed.
- (v) Verification of the report to progress of expenditure on deposit works, if any, accompanying the schedule.

6.18 Schedule of Takavi Works (Form PWA 36).

The following points to be seen :-

- (i) When a realization is credited in this schedule by debit to the detailed head cultivators subordinate to relevant functional Major head, it is supported by acceptance of debit by authority concerned in the accompanying schedule docket.
- (ii) Part-II of the schedule is to see that all Takavi Works which were included in the previous months schedule have been debited correctly.

(CAG's Circular No.12-AC II/1986 and letter No.151-AC II/251-84/005100 dt.4.2.1986)

6.19 Schedule of Revenue realized (Form CPWA 46).

The following points should be seen in audit.

- (i) To check the cash realization of revenue with reference to details of receipt on the reverse of monthly account.
- (ii) To see that no amount are credited to revenue until they are actually realized except provided in Note 2 below Para 9.1.4 of CPWA Code.
- (iii) To see that the amounts shown under Recoveries of Expenditure are actually creditable to these heads and are traceable in Form 62 schedules docket of percentage recoveries.
- (iv) When the amounts credited to revenue represents sale proceeds of unserviceable materials or other property, these are supported by Survey Report and sale account and to exercise check as per Para 4.3.8 (iv) of MSO (A) 2nd edition.
- (v) All refunds have been authorized by competent authority. If the refund is made by Divisional Officer in compliance with order of a court of law remitting a fine previously credited to Government it is to be seen that original order of Court accompanies the schedule.
- (vi) It is to be seen that in respect of each refund that the amount refunded has available from the original receipt to which it pertains and a suitable note specifying the amount refunded should be recorded against the entry of receipt in the relevant receipt schedule.

(CAG's Circular No.40-AC II/1986 & No. 914-AC II-295-85 dt.20.5.1986)

6.20 Schedule of Debit/Credit to Miscellaneous heads of Account (Form No.76)

It should be seen in audit that only such disbursements and receipts, which cannot be accounted for in any of the other schedules prescribed vide Act 213 to 224 of Account Code Volume-III have been noted in this schedule. It should further be ensured that no transactions have been accounted for under the final or debit head except under the authorization of Accountant General vide Art 225 of Account Code Volume-III.

6.21 Schedule Dockets.

Instructions contained in Para 4.3.30 of MSO (A) 2nd edition should be borne in mind. Besides the following points should be looked into :-

- (i) The transfer entry debits/credits are checked with relevant transfer to see the correctness of charge/credit.
- (ii) Necessary particulars of cash refunds are given and do not indicate any financial irregularity. These cash refunds are to be tallied with the Memo of cash receipts in Form 80.
- (iii) The sale account/survey reports where necessary are attached and it is to be seen in case of all credits which represent.
- (iv) Sale proceeds of stores or other property.
- (v) Their transfer value that :-
 - (a) The disposal of property has been authorized by competent authority.
 - (b) The full value (including supervision charges or other charges leviable under the rule) of the property has been accounted for and if there is a less, the loss has been sanctioned by competent authority.

6.22 Schedule of Debits/Credits to Remittances (Form 77 & 77A).

The following checks should be exercised in audit.

(1) In respect of responding item provisionally accepted, the objection raised by Divisional Officer is to be examined to see that it does not indicate any deviation from rule, either on his own part or on the party to the transmission.

(Para 4.3.16 of MSO (A) – 2nd edition)

(ii) In respect of the head “I-remittances into Treasury” and “II-P.W. cheques” , it is to be seen that totals shown in the schedule are supported by necessary details in the schedule of “Monthly settlement with Treasuries” and the figures agree with corresponding figures in line 2 of Form 51 Para 4.3.17 of MSO (A) 2nd edition.

(CAG’s Circular No.12-AC-II-1986 and letter No.151-AC-II/251-84/005100 dt.4.2.1986)

6.23 Schedule Docket for percentage recoverable (Form 62).

This schedule shows the percentage recoverable for Direction and Administration, Machinery and Equipment and accounts and Audit charges assessed on all works referred to in Rule 4 of Appendix 4 of the C.P.W.A. Code. Audit should be conducted with reference to Para 4.3.31 of MSO (A) 2nd edition.

This schedule docket should be checked simultaneously with the schedule relating to the expenditure on the works which are assessable to percentage recoveries for “Direction and Administration”. The following are the audit points :-

It should be seen that

- (i) The charges shown in this schedule dockets under each of these three heads are calculated correctly in accordance with the Rule.
- (ii) In the expenditure schedule concerned the total amount of these charges has been debited correctly to the account of each work and
- (iii) The credits on account of recoveries under each of these heads are brought to account correctly vide Articles 69 and 72 of Account code Volume-III as indicated below.

(a) Direction and Administration Recoveries:

As deduct percentage recoveries in the classified Abstract of expenditure or as Receipts adjustable under the Minor Head “Recoveries of centage charges” or “Other Receipts” according as the recoveries are made by a Public Works Division or an Irrigation Division in the Schedule concerned.

(b) Machinery and Equipment:

As deduct recovery in the classified Abstract of Expenditure or as Receipts adjustable under Minor Head “Recoveries of centage charges” or “Other Receipts” according as the recoveries are made by P.W Division or an Irrigation Division in the Schedule concerned.

(c) Account and Audit Recoveries:

As a minus debit to the Major head 2016 Audit in the schedule under Head of Account 8658 suspense-PAO Suspense -PAO, Accountant General, Orissa, Bhubaneswar in the State Section of Accounts or as 0070 (110)-Other Administrative Service-fees for Government audit.

The percentage charges leviable on various works executed by P.W. Divisions are indicated in Annexure No.I

6.24 Schedule of Monthly settlement with treasuries (Form 51).

The procedure to be applied in audit of the schedule is prescribed in paras 4.3.17 and 4.3.18 of MSO (A) 2nd edition. It should be ensured that :

- (i) the differences as per line 5 agree with ‘Details of difference’.
- (ii) at the end of the year there should be ordinarily be no difference.
- (iii) effective action is being taken by the Divisional Officer to clear the differences.

(CAG’s No.151-AG-II-251-85 dt.16.2.1985)

6.25 Vouchers

Generally 6 classes of vouchers are received in Audit viz; voucher in support of payment to contractors, supply vouchers, work charged Establishment vouchers, Land Acquisition vouchers, Miscellaneous and General Establishment vouchers Points laid down in Paras 3.1.20, 4.3.32, 3.2.1 to 3.2.20 and 3.3.1to 3.3.14 of MSO (A) 2nd edition should be looked to .

Following are some of the salient features:

GENERAL

- (i) It should be seen that:
- (a) they are in prescribed form, duly receipted by payees as per Para 6.26 are in original.
 - (b) the amount of the voucher is correctly noted in the Schedule Dockets.
 - (c) the acknowledgement is for the full amount (gross amount of the bill less amount of previous payments, if any).
 - (d) they are for current and specific claims and that the periods to which the payment relates and allocation of charge affecting different works where necessary are clearly shown.
 - (e) they are signed in all necessary places and bear pay order signed by the disbursing officer.
 - (f) the bills containing erasures and any alterations in totals are attested by Officer concerned as well as by the payee as many times as they are made.
- (ii) It should be ensured that Income Tax deduction @ 2 per cent is made from the contractors/suppliers bills invariably if the expenditure for the contract exceeds Rs.10,000/-

Note: (1) All payments upto Rs.100/- should be made in cash instead of issuing cheques by Public Works Officers. In so far as such transactions pertaining to the interdivisional transactions are concerned, the following procedure should be followed.

- (i) In the case of transactions requiring settlement with local divisions, the remittances may be made through a special messenger and the receiving divisions should issue a receipt in Form NO-PWA 3 which should ensure that the amount is accounted for correctly. The receipt would form a voucher for the paying division.
- (ii) The outstation payments not exceeding Rs.25/- may be made by Money Order and for payments exceeding Rs.25/- but not exceeding Rs.100/- by Bank Draft. This procedure is prescribed to economise expenditure under contingencies.

[G.O.W&T Department letter No.FA-28-67-1204 dt.30.5.1969 and G.O.W&T Department No. IA-28/67-317 dt.4.1.1969 (Dy-WM-24-14-Simp-1473 and 5388)]

2. Categories of vouchers, TEOs survey Reports and Sale Accounts to accompany the monthly accounts are described in Para 22.4.17 of CPWA Code.

1. **Contractors Bill:**

It should be seen that:

- (i) the rates paid are covered by contract agreements.
- (ii) agreements receivable in audit, are either already received or obtained without further delay.

Note : (1) Regarding delay in receipt of copies of contracts, Para 4.05 of this Manual may be seen.

- (1) See paras 10.2.15 to 10.2.22 of C.P.W.A. Code regarding preparation, examination and payment of bills.

- (2) All S.D.Os may pass contractor's bills upto a maximum amount of Rs-500/- which represents the gross amount of the bill in case of all Final and First and Final bills, and Rs 500/-monthly in case of intermediate bills for each work, with the reservation that in the case of intermediate bills every alternate bills should be pre-audited in the Divisional Office before payment and provided also that if there be only one intermediate bill the first one should be pre-audited.

[Based on G.O.P.W.D. No 1159(c) A/VIII-R-18-41 dated 10-2-1943]

- (3) A time limit of 25 days should be fixed for payment of running bills from the date the bill is received in the office where payment is made.

[Based on G.O. W&T letter No. FA-97/69-1543(6) dated 21-1-1970 copy received with that Department letter No. FA-61/70-26135 dated 28-11-1970 (Dy WM-12-46-4818)]

- (iii) agreed rates are not increased save in exceptional circumstances and under orders of competent authority. Whenever the contract rates are departed from, or the rates allowed by an officer are altered by a higher authority, the reasons should invariably be recorded in writing.

(G.O.P.W.D. Memo No. 10181 dated 11-9-1940)

- (iv) All corrections made by the person preparing the bill should be made in black ink and corrections made by the person checking the bill in red ink under dated initials.

[Based on G.O.W.D. No. 2A-VIIIR-27/52-8 dated 29-3-1954 (Dy-WM-II of 53-54 file C.S 14)]

- (v) the signature of the payee is witnessed when made by a seal or by a mark and also in all cases when he signs his name, but not well known and is paid in cash.
- (vi) the work was completed by the stipulated date. If not, whether extension of time was granted by a competent authority should be ascertained.
- (vii) the outlay is fully detailed and the quantities are always given of work done.
- (viii) there are no items indicating unauthorized financial aid to contractor.
- (ix) Advance payments and secured Advances have been made as per para 10.2.24, 10.2.25 and 10.2.22 of CPWA Code and recovered from the contractors strictly as per rules.
- (x) In the case of final payments on running accounts or First and Final payments the following additional points may be seen.
- (a) that final bill is prepared in appropriate form printed in yellow paper;-
- (b) the payee has added in his own hand writing. Words that the payment is in full settlement of all demands, if he is able to write, other wise, these words should be filled in by the officer making the payment.

Note: If the contractors refuse to give such an acknowledgement, the payment should be rendered unconditionally (Note-I under Para 10.2.20 of CPWA Code).

- (c) the final bills for lump sum contract are supplied by a certificate of completion of the work according to the prescribed drawings and specifications signed by

Divisional Officer or such other officer declared by Government to be an experienced Engineer of Government for the purpose.

(Para 11.2.3 of CPWA Code)

(d) the material statement in Form No-5 of this Manual as prescribed in GO, Works and Transport Department letter No.34042 (16) dt.21.2.1969 circulated in No.WM-1-6735 dt.26.3.1969 is invariably attached to Final Bills. This statement should be checked carefully to see that:-

- (1) there has been no excess issue of materials to contractors;
- (2) materials issued were covered by items of work entrusted to contractors for execution;
- (3) recovery of cost of materials from contractors has been effected regularly and fully;
- (4) cases of materials issued beyond the terms of agreements are regulated by the provision of Para 10.3.3 of CPWA Code.

Note: (1) Rough working sheets used by the Auditor for verifying the arithmetical calculation should be attached to the relevant vouchers or schedule dockets in proof of the arithmetical checks having been exercised and omission to do so may give rise to a presumption that prescribed checks had not been exercised.

(2) In order to ensure that the items, rates etc. shown in the paid bills of contractors and suppliers had actually been verified with the rates, quantities and description in the relevant agreements, the Auditor should quote (preferably in red ink) reference to the corresponding item No. in the relevant agreements and also indicate the quantities for each item for watching variation in the quantities.

(3) Where arithmetical calculations are checked by means of calculator a certificate should be recorded on each of the vouchers that the arithmetical accuracy has been checked by means of calculator.

2. Supply Vouchers :

It should be seen that :

- (i) reference to Agreement/Purchase order is quoted on the voucher.
- (ii) no change beyond the scope of Agreement/Purchase Order has been allowed.
- (iii) the certificate of receipt of the stores in good order is signed by the responsible officer and that they were promptly accounted for in numerical account is invariably recorded.
- (iv) the financial rules of the Government concerned for acquisition of Stores for Public Service have been strictly observed.

Note: (1) See rules below for purchase, acquisition and manufacture of Stores:

Rules 95 to 99 of OGFR Volume-I Appendix-6 of OGFR Volume-II, Paras 5.4.20, 6.3.4 and 6.3.5 of OPWD Code, Rules 101 to 105 and Appendix-8 and 9 of compilation of GFRs and Paras 142 to 148, 155 and 155A of CPWD Code.

- (2) For advance payments to private firms for supply of stores/services see Government of India, Ministry of Finance (Department of Expenditure) OM No.F II(II)-EII(A)/68 dt.28.12.1968 received with CAG's letter No.17-Tech-

Admn.II/318-68 dt.4.1.1969 (Dy-WM-24-17-5548) and Government of Orissa, Finance Department Memo No.Code-19-70-9514(28) dt.12.3.1970 (Dy-WM23-4-7105)]

- (3) Government of Orissa, Industries Department have constituted a State Purchasing Organisation under their Resolution No.14667 dt.2.8.1963 and No.24 dt.13-1-1964 (Dy-WM-14-17-5850) in connection with exclusive purchase of certain selected stores by Government Departments from state owned State sponsored Industries, quality and price of whose products are fixed by the SPO, prohibiting purchase from other sources.

The pamphlet issued under Industries Department letter No.SPO-93/63-23(87)1.SPO dt.27.11.1963 as amended from time to time should be referred to.

- (v) full details of charges are always recorded with the requisite quality of materials.

Note: Linking by this office of the balance payments made on receipt of the Inspection Note-cum-Receipt certificate from the consignee with 90% or 95% advance payments made to the contractors by the DGS & D on proof of dispatch of stores to the consignees as per the existing arrangements, is not necessary in view of the CAG's instructions circulates in OOA -1516 dt.20.8.1954. The Division concerned is required to link up the debit intimation issued by the Broadsheet Section of A&E Office with the intimation received in the Divisional Office from the DGS&D as per Para (i) of the GI instructions circulated in Memo No.TM-1-42-dt.18.4.1967.

The vouchers for the balance 10 *per cent* or 5 *per cent* to be supported by the consignee's receipt, which usually contains the information regarding stock entry etc. When the consignee's receipt is not received, the voucher for the balance payment is required to be stamped prominently by the DGS&D to the effect that the payment has been made without consignee's receipt. In such cases as well as in cases where the consignee's receipt does not contain any information regarding the stock entry the amount should be held under objection and receipt of the consignee's receipts/stock entry certificate shall be watched by the CAS Section.

The correctness of stock entry certificate requires verification in local audit. For this purpose, exchange/settlement account vouchers pertaining to the months selected for detailed check are required to be sent to local audit.

In case the selected month does not include any exchange account vouchers but the Section feels that some of the vouchers received in other months have to be examined in local audit, the Section may include such case as special points to be seen in local audit. For this purpose a note of such vouchers should be kept in the Register of special points to be seen during local inspection and the vouchers sent accordingly for check in local audit.

[Based on OOB No-1211 dt.20.1.1968 and No.WM-24-17-1270(8) dt.16.6.1969-P/90 of file WM-24-17-Vol-III and MO letter No.IAD-WAD-Circular-584 dt.27.3.1981 (Dy-WM-IAD-146)]

- (vi) The vouchers are supported by the certificate of payment of VAT.

Note: It is not necessary to check petty payments of VAT claimed in the bills, but where the amount of tax involved is not less than Rupees one thousands in each individual case, audit checks should be extended to verify with reference to VAT Act and Rules made there under to the effect that the VAT which has been paid is really

payable and if so, whether the rate at which the tax has been paid is correct. In case of doubt or cases requiring detailed scrutiny audit section should seek the advice of the Revenue Audit Wing.

(Based on CAG's letter No. 3690-RA.II/379-66 dt.5.12.1966 and No.WM-24-14-Con-4307 of 1966-67)

(Orissa Sales Tax Act 1947 was repealed by Orissa Value Aided Tax Act-2004 with effect from 01.04.2005)

3. **Work charged establishment vouchers :**

It should be seen that :

- (i) the rules for entertainment of work charged establishment laid down in Para 10.2.26 of CPWA Code and 2.3.1 and 2.3.2 of OPWD Code are observed by the Divisional Officer.
- (ii) the vouchers for pay and allowances of such establishment are prepared in prescribed form and are completed in all respects.

Note: The pay and allowances of certain categories of work charged establishment as are borne on the regular establishment of the Department are drawn by bills as per regular establishment.

(Note-3 below Para 6.2.1 of CPWA Code)

- (iii) grant of pay, leave, gratuity, traveling allowances and other allowances etc. to members of work charged establishment conforms strictly to the rules prescribed.

Note : (1) The fixation of pay of Industrial and work charged employees, on their appointment, promotions etc. or transfer from one post to another should be regulated under the relevant Fundamental Rules as amended from time to time.

[Based on GIMF (DE) OM No.II (21)-E-III/62 dt.29.1.1962 received with CAG's letter No.40-Audit/246-AII/61 dt.8.1.1963 (Dy-WM-12-44-6767)]

- (2) The recruitment and conditions of service of work charged employees in respect of the Government of Orissa are regularized by the Resolution No.9488 dt.18.6.1974 of the P&S Department copy received with Main Office letter No.TM-1-40-1223 dt.10.1.1975 (Dy-WM-12-44-7003)]
- (iv) The procedure for record of unpaid wages and subsequent payment thereof as also for notes of payments of arrears is laid down in Para 10.2.30 of CPWA Code.

Note: (1) Work charged establishment does not include non-industrial employees such as Clerks, Draftman, Sub-ordinate or extra establishment of any kind for the divisional or sub-divisional officers, such being properly chargeable to the regular establishment.

(Para 10(b) of CPWA Code)

- (2) Arrear claims of work charged establishment does not require pre-audit except in the case of those drawn at Treasury.

[Based on M.O. letter No.TM-1-13-1787 dt.15.0.1960 (Dy-WM-12-44-4651) and No.WM-1-1-12-44-2743 dt.5.9.1963]

- (3) Arrear claims of work charged establishment of Central Public Works Divisions will require pre-audit.

[Circular letter No.WEA-10-1/61/616 dt.16.2.1962 of Director of Audit FRSCS & M received with MO DO No.TM-1-13-2773 dt.17.3.1962 (Dy-DO-WM-1-12-44-517) and No.1-12-44-2743 dt.5.9.1963)

4. **Land acquisition vouchers:-**

Section – V of this Chapter should be referred to.

5. **Miscellaneous Vouchers :-**

It should be seen that :-

- (1) the miscellaneous payments and advance for which special forms -24 and 26 are not suitable are made in Form No. 28.
- (2) Payments are made as per Rules e.g. for refund of deposit. It should be seen that apart from regularity in preparation of the bill, the requisite certificate regarding a note of refund having been made as contemplated in Para 15.5.2 of CPWA Code has been recorded in the voucher and for payment of advances charged to Miscellaneous Works Advances, the Principle contained in Para 13.4.1 and 13.4.3 *ibid* has been followed.

Note :- Once a penalty/compensation has been imposed under the term of the contract whether rightly or wrongly all proposal for waiver of such penalty/compensation should henceforth be referred to the Administrative Department who in consultation with Finance Department would issue necessary orders.

[Government of Orissa, Works and Transport Department letter No.IIIM-II/69/18695 dt.28.8.1969 (Dy-Wm-12-46-Vol.VIII/3606)]

6. **General Establishment Vouchers :-**

The following are the more important points to require the special attention of auditors in respect of non-gazetted and gazetted establishment vouchers.

I. Non-Gazetted.

- (i) the arithmetical calculations of the bills are correct (The extent of test check being as laid down in the Secret Memorandum of instructions issued by the CAG/AG).
- (ii) the Absentee statement, where required is duly filled in or no leave certificate furnished,
- (iii) the enhanced pay of officiating government servant is in accordance with the Rules,
- (iv) a Last Pay Certificate is furnished for a Government Servant transferred from another establishment.
- (v) The amount of leave salary drawn is supported by a statement showing calculations how the amount is deducted or a reference to the bill with which such statement is given. Where leave salary is , however required to be supported by a certificate about the correctness of the rate claimed in lieu of average pay statement it should be seen that such a statement is enclosed.
- (vi) The dates of making over and receiving charge are stated and joining time is in accordance with relevant rules,

- (vii) In cases of Government servants appointed for the first time, a health certificate is furnished except where such certificate are not required to be furnished under the Rules of Government.
- (viii) The increment drawn in support by an Increment Certificate and if the increment carries a Government servant over an Efficiency Bar, the declaration of fitness to cross the Bar is furnished.

II. **Gazetted**

- (i) The payees are legally entitled to the pay claimed.
- (ii) Except in cases of first appointment, every first payment to an individual, whether on account of pay and allowance or leave salary is supported by a last pay or leave salary certificates, as the case may be.
- (iii) In the case of Government servant appointed to the service of India, a Health Certificate is given.
- (iv) Examine and check that Income Tax and service and other Fund deduction including superannuation contributions are in strict conformity with the Rules.
- (v) In the case of a Gazetted Government servant on leave.
 - (a) see that leave has been granted.
 - (b) See that it has not been exceeded.
 - (c) See that the leave salary claimed is covered by Rules applicable to the case.
 - (d) See that a life certificate is attached or the bill endorsed to some well known bankers or agents who have executed a general bond of indemnity for the refund of any over payment.
- (vi) Stamp them with 'Admitted' or 'Objected', as the case may be.

6.26 Stamped Receipts :

Receipts for sums exceeding Rs.5000/- must be duly stamped subject to exemptions vide Appendix-3 to Orissa Treasury Code, Volume-II.

Note: (1) The rules regarding affixing a stamp to all receipts for sums exceeding Rs.5000/- applies not only to original receipts but also to duplicates, triplicates etc, signed by the payees. Certified copies not signed by the person acknowledging payment do not require a stamp.

(2) A stamped receipt should be obtained when the gross amount of an individual payment exceeds Rs.5000/- even though the net amount after deducting the value of articles issued is less than Rs.5000/- receipts with (stamp if the gross amount of the bill exceeds Rs.5000/-) should be furnished even in respect of adjustment bill for 'Nil' amount.

(3) Under the provisions of the Indian stamp Act unless a document comes within the purview of Section-3 of the Act and is also mentioned in the Schedule to the Stamp Act, it will not be chargeable to Stamp duty. What is chargeable to Stamp duty is the instrument but not the document. Document includes instrument but not vice-versa. A cash memo a document but not an instrument within the meaning of Section-2 (14) of the Act. Cash memo also can not be treated as receipts within the meaning of Section-2 (23) of the stamp Act. Under Section -30 of the Act it is not obligatory to issue receipts for the money without demand. In case of a purchase money is exchanged for

goods and generally a purchaser does not bother about a stamped receipt for the money exchanged for goods. The receiver thus is not under any obligation to give a receipt unless there is a demand for it from the buyer under the Sales Tax Laws. The receipt of money is the cash-Memo has not also been provided for in the Sales Tax Act.

(C.A.G's letter No.54B-RA-IV-50/75 dated 7-4-1976 O.O.A.-7671 dated 4-11-1976)

(4) One stamped receipt is permissible for two or more bills when paid by a single coequal.

(5) Receipts obtained from the depositories for return of interest bearing securities are not strictly cash transactions as no cash payment is involved. Hence acknowledgement obtained from them in such cases need not be stamped.

(Accountant General, Orissa letter No.TM-1-39-2804 dated 23-3-1962 in file WM-12-5)

6.27 Procedure to be followed for acceptance of certificate of payment in lieu of lost vouchers of payee's receipts;-

The loss of voucher or payee's receipt is a serious defect which may suggest inference of some irregular or fraudulent transactions. The scrutiny of certificate of payment and duplicate copies of vouchers/bills will, therefore, assume greater importance than that of the original vouchers/ bills. The following instructions should be scrupulously observed in such cases;-

(i) On receipt of a report from the disbursing officer that an original voucher/bill or payee's receipt has been lost, a certificate of payment in lieu of lost voucher /bill or payee's receipt prepared in manner prescribed in the Note below Para 6.4.6 of C.P.W.A. Code, S.R. 163 of Orissa Treasury code, Volume-I should be accompanied by a copy of the bill in proper form and a memorandum explaining the circumstances in which the original vouchers/ bills or the payee's acknowledgement was not submitted to audit. Those will be accepted in audit with circumspection and only if the audit officer is thoroughly satisfied with reasons adduced for sending a certificate of payment with copy of bill/voucher instead of the original payment voucher/bill or receipt.

(ii) All certificates of payments together with other requisites should as a special case be audited in detail in the same way as original vouchers, even if these are not marked for audit and their acceptance should be sought only after audit is completed. They should be examined judiciously to see that there were no unusual circumstances or maladies attached to the non-production of the original vouchers. Such examination may extend to verification of payments with foils of paid cheque or investigation during local audit whenever the accepting authority feels that the payments are of doubtful propriety.

Note;- 1) The register should contain all cases of certificates of payments which should be audited and reviewed.

2) Wanting information, if any, should be called for from the Divisions.

3) While sending the registers to C.A.S section for review at the end of each half year, a suitable abstract of the cases entered in the register should be prepared by the C.A.Ps stating the number of certificates of payments received and audited during the half year. And the number of cases pending for acceptance for want of further information.

- 4) Extracts of the entries in the register along with the abstract of the cases pending for acceptance should be sent by resident Audit Officers to C.A.S. Section.
- 5) Serious delays in explaining non-submission of original vouchers to audit and abnormal delays in the Annual Review on the working of state public Works Divisions.

(Based on office Memorandum No.WM28-SPI-8266 dated 2-2-1970)

V. LAND ACQUISITION

6.28 Acquisition for P.W.D

When it is necessary to acquire land for public works Department purposes, an estimate has in all cases to be sanctioned by the state Government in the P.W.D. after obtaining necessary estimates from the Revenue Authorities. Arrangement for allotment of fund is then made in the Budget Estimate for P.W.D. The Revenue Department of Government will, therefore be requested to publish the necessary declaration in the Gazette after which land is acquired by Revenue Officer and the L.A. Act 1894 read with Executive Instructions in the B&O, L.A. Manual, 1928, Appendix-6 of C.S.R. Volume-II and Appendix-7 of O.T.C. Volume-II

6.29 Procedure for payment of land acquisition charges and accountable there of:

- 1) Procedure of special officer appointed under the Act;-
 - i) Land Acquisition Officers who are specially employed for acquisition of Land for a project under the public works Department are placed at the disposal of that Department. They are regarded as public works disbursers and are supplied with funds in the manner prescribed for the works outlay of public works officers. As soon as an award is made under section-II of the L.A.Act a copy there of duly filled up and signed by him will be furnished to this office. Payments of compensation to the parties concerned will be made by him in vouchers form 'C' or 'CC'. Submission of the subsidiary statement in Forms 'A.A' giving particulars regarding acceptance by the persons concerned of the accounts entered in column-6 of the Award Statements is also furnished to audit as soon as possible.
 - ii) In case where an Award has been made by a court under Section -26 of the Act a second Award Statement in Form-B will be prepared by the Land Acquisition officer and a copy thereof furnished to Audit. The disputed amounts will be remitted into the Civil- Court in Form-D. In cases where the Awardees do not appear before the Land Acquisition Officer after due notices to receive payment of compensation, the undisbursed amounts will be paid into the Treasury under Revenue Deposit in Form-E.

(Rule-4 to 11 of Appendix-6 CTR Volume-II and of Appendix -7 of OTC Volume-II)

- 2) Procedure for adjustment of L.A charges when a civil officer is not specially employed for Land Acquisition.
 - i) Land Acquisition officer will be financed by the P.W Divisional officers directly instead of by the Treasury officer.

- ii) On the basis of a written demand for fund received from the Land Acquisition Officers, the P.W Divisional Officers will make advance payments directly to the Land Acquisition Officers.
- iii) The Land Acquisition Officers will grant receipts for the cheque issued to them by the P.W. Divisional Officers.
- iv) The powers of the Divisional Officers to sanction payment of advances to Land Acquisition Officers will be subject to valid appropriation/re-appropriation of fund during the year being available.
- v) The advance payment by the P.W Divisions to the Land Acquisition Officers should not be made much in advance of the requirements of the latter but for immediate disbursement on the basis of awards passed.
- vi) The advance payments so made by the Divisional Officers will be debited directly to a Suspense Account "Land Acquisition" which will be newly opened within the works Accounts till the possession of Land is received or intimation of actual payment to the owners of land is received.
- vii) The Land Acquisition Officer will thereafter arrange for disbursement of the award and render a detailed account of the adjustment of advance to the Divisional Office along with award statements and vouchers etc.
- viii) The suspense "Land Acquisition" will be cleared by Divisional Officers on receipt of the accounts along with the Land Awards Statements, Vouchers etc. from the Land Acquisition Officers by debit to the final head "Land" in the accounts of work,
- ix) Any balance of the amount of advance should be refunded by the Land Acquisition Officers along with the accounts, Award Statements etc, and credited to the suspense "Land Acquisition"
- x) The Land Award Statements and the vouchers should after the relevant entries there of in the Register of Land charges be forwarded to the Accountant General along with the Monthly Accounts.
- xi) If there is any delay in the land acquisition proceedings and final payment of compensation etc., the accounts of work can be closed leaving the amount under suspense "Land Acquisition" unadjusted as in the case of Suspense "Labourers" in the accounts of work vide Para 10.5.19 of the C.P.W.A.Code and may be reopened. In case refund has to be made or some further amount has to be paid.
- xii) Adjustment of outstanding amounts, if any, after the closure of the accounts of work should be watched through a separate register.

[Government of India, M.H.& F.P.&W.H.&U.D. (Works Division) letter No.14014(3)-68-EW/Vol.II dated 23-9-1969 DY-WM-I-LA-3725 and CS No.203 dated 1-6-1971 Dy-WM-I-LA-DO-167]

Note: The above procedure of the Central Government has been adopted by the State Government of Orissa subject to the following notifications.

- 1) Un-disbursed accounts, should on no account be deposited by the Land Acquisition Officer into the Treasury under the head "Revenue Deposit" and the disputed amounts alone should be remitted to the Court.

- 2) A detailed account of the advance will be rendered by the Land Acquisition Officer to the Divisional Officer within a month alongwith the award statements, vouchers etc.
- 3) When the accounts of the work are to be finally closed, the undisbursed amounts if any, appearing under the head "Land Acquisition Suspense" should be transferred to "Public Works Deposit" from which head their future payments would be regulated.

[Government of Orissa, Finance Department Memo No.742/F dated 18-2-1976 (Dy-WM-I-LA 8793)]

6.30 Audit Procedure:-

- 1) Vouchers:-
 - i) The vouchers in support of payment of advance to the Land Acquisition Officer received alongwith the monthly Accounts should be checked to see that -
 - a) it is correctly classified under the suspense head "Land Acquisition" of the work concerned.
 - b) the work to be executed is covered by Administrative Approval, Technical Sanction , Allotment of funds etc.
 - ii) It will be seen that every payment is supported by an entry in the award statement (Form A or B). This check should be carefully exercised so as to detect double or excess payment, if any.
 - iii) It will be examined to see that there is adequate justification for interest paid for delay in payment or deposit of compensation on or before the date of taking possession of land (Section-34 of Land Acquisition Act of 1894)
 - iv) It should be ensured that the amount of drawal against each award is covered by actual payment.

Note:- The audit enfacements should be noted in the Award statements and vouchers over the dated initial of the Auditor/Assistant Audit Officer.

VI. MACHINERY AND EQUIPMENT/TOOLS AND PLANT:-

6.31 Audit Procedure:-

- i) Machinery and Equipment/Tools and Plant fall into two classes – ordinary tools and plants and special tools and plants. While the former are meant for general use of a PW Division, the latter for meeting the special requirement of a particular work/project (Articles-41 Account Code Vol .III and Para 7.3.1 read with Para 7.1.4 (b) of CPWA Code).

Note: - Machinery and Equipment/Tools and plant classified under detailed head/sub-head will record expenditure on special Tools and Plants. Depreciation and Maintenance will be other detailed head/sub-heads. The cost of Special Tools and Plants required specifically for any particular work/scheme will be debited to that work/schemes entirely.

[Annexure-B to Art-27 (C) of Account code Volume-I and F.N.2 under major Heads 2701- Major & Medium Irrigation etc. 2711 flood control & Drainage etc. in lost of Major and Minor Heads of Accounts].

ii) Except in the case of special Tools and Plants the account of receipts/issues of T&P (Form 13 & 14) need not be received with the monthly account vide item 23 to Para 22.4.15 of C.P.W.A. Code. The following points should be observed in audit.

- a) The forms are complete in respect of source of receipt and issue, reference to voucher number with date and schedule docket being quoted in all cases.
- b) Receipts should be checked with reference to Vouchers submitted to audit.
- c) All articles written off or sold and shown as issue should be supported by sanctioned survey reports [Para 22.4.17 (d) of C.P.W.A. Code].
- d) The supply, repair and carriage charges in respect of ordinary and Special Tools and Plant are correctly classified in accounts as per Para 7.3.1 (b) of C.P.W.A. Code.
- e) There are properly sanctioned estimates for both categories of Tools and Plant

iii) **Special Tools and Plant**

The procedure for the accounting of expenditure on Special Tools and Plant has been prescribed in Government of India , Ministry of Finance letter No.O.F.8(23)-E.G-11/51 dated 29-6-1951 (Dy-WM-24-14-4260) and Government of Orissa, Works Department letter No.VII IR-3/62-17984(7)/A dated 28-5-1962 (Dy-WM-1-24-14-2040 and No.19368(7)/A dated 8-6-1962 (Dy-WM-1.24.2277) reproduced in Appendix –VI of this Manual. The salient points to be seen in audit are as follows.

- a) In the course of audit of purchase vouchers, it should be ensured that special Tools and Plant acquired are of the category specified in para-10 of the Accounting Procedure (State).
- b) Separate estimates are prepared for acquisition of machineries, spare parts expected to be required for maintenance and repair of each of machinery and for operation and repair of each class of machinery, and correctly classified.
- c) While auditing the Schedule of works expenditure (Form 64) it should be ensured that the details heads “Gross Expenditure” and “deduct recoveries” are opened under the head “Special Tool and Plant” and the gross expenditure on Special Tool and Plant” and recoveries on account of depreciation, operation etc. are appropriately shown against the respective detailed heads from month to month.

(Vide Item 23 to Para 22.4.15 of C.P.W.A. Code)

- d) Depreciation charge should be checked with reference to T.E.O. attached to relevant schedule dockets.
- e) The expenditure against sanctioned estimates for purchase, operation and maintenance provided regularly.
- f) Before the close of the accounts for a year adjustment is made by the Divisions apportioning the total expenditure incurred during the year on operation and maintenance of the machineries by debits to various works concerned. The figures should be checked with the connected schedule dockets and T.E.Os.
- g) The balance under the head “Special T & P” is not kept outstanding for periods longer than necessary.

Note;- Where the cost of particular machinery is debited to the estimates of the work concerned under the head “Special Tools and Plant” the cost of spares purchased for such machinery should also be debited to the same estimate under the same head. It is incorrect to debit the cost of such expenditure under suspense head like stock etc.

Where, however, the special machinery itself with the estimated requirement of spares is received in a separate store Division and not in the Executive Division the account of the machinery as well as its spares by debit to the suspense head “Stock” becomes inevitable and they are issued to the Division using them as and when required. In the latter case, the executing Division has to deal with the articles according to the normal procedure of estimating accounting and classification.

(Based on CAG’s letter No.544-A/C-235-57, dt.15-4-58. Dy-WM-24-14-285)

VII. SUSPENSE TRANSACTIONS WITHIN P.W. MAJOR HEADS:-

6.32 General:-

Para 2.4.1 to 2.4.11 of M.S.O (A) 2nd edition read with Para 4.3.12 to 4.3.26 ibid and Chapter-7 of C.P.W.A Code regarding audit of stores and stock accounts, other suspense and deposit heads should be carefully borne in mind.

6.33 Schedule of purchase (Forms No. 69)

The following principles should be observed in auditing the schedules:-

- (i) The list of O.T.E should be checked with reference to the O.T.E.Os attached with various schedule dockets
- (ii) It should be ensured that lists of items outstanding for more than six months under the sub-head ‘Purchases’ are invariably received alongwith the monthly accounts for September and March (22.4.24 of C.P.W.A. Code) and action taken for adjustment by the Divisional Officer.
- (iii) It should be seen that unclaimed balances outstanding for more than 3 account years in the purchase account are lapsed and credited to Government as per Para 13.2.5 of C.P.W.A. Code..

6.34 STOCK ACCOUNT (FORM 73) AND SCHEDULE OF DEBIT TO STOCK (FORM 72):-

The following checks should be exercised.

- (i) Schedule of debit to stock (Form 72) should be checked in audit as per Para 4.3.22 of M.S.O.(A) 2nd edition.
- (ii) In respect of Stock Account (Form 73) detailed account of issues with relevant entries in the dockets of the months, consolidated contingents bill etc. and total issues with corresponding figures for the month should be checked as per Para 4.3.23 of M.S.O.(A) 2nd edition.
- (iii) Regarding sale/transfer of stock, checks as per Para 4.3.8(iv) of M.S.O(A) 2nd edition should be exercised.

6.35 LOSSES IN STOCK AND STORE ACCOUNT;-

Petty cases of losses of stores for amounts not exceeding Rs.500/- each in respect of state transactions and Rs-2,000/- each in respect of Central Transactions need not be reported to Audit (Rules 19(2) of O.G.F.R Volume-I and 16(2) of Compilation of G.F.R.

Note:- All sanctions to write off of losses of stores and public money required to be communicated to Audit Officer under Note-1 below Para 4.4.1 of C.P.W.A. Code.

6.36 SCHEDULE OF M.W.A. (FORM No. P.W.A.-32A):-

The schedule should be audited with reference to Para 4.3.24 of M.S.O (A) 2nd edition. The following points should also be examined.

- a) See that the schedule is prepared in 4 parts. In each part the transactions should be noted in chronological orders except for part-II (expenditure on Deposit Works in excess of deposits received), In respect of part-II, details are recorded in the schedule of Deposit works.
- b) See that schedules for September and March are supported by list of item, outstanding for more than 6 months and action is being taken by the Divisional Officer for their clearance as per Para 4.3.24 of M.S.O. (A) 2nd edition.
- c) See that no item has been placed under M.W.A for want of sanctions/ funds.
- d) Items which represent disregard of financial rules or losses, retrenchment and errors awaiting adjustment should be registered in O.B. and their clearance watched through the subsequent schedules.

(C.& A.G's letter No.2009-Tech-Admn.II/20-63/pt-1/KW dated 16.12.1964 and Circular No.WM-24-14-Con-3511 dated 10-2-1965).

6.37 SCHEDULE OF WORKSHOP SUSPENSE:

The following points should be observed:-

- i) It should be verified whether the estimate number and amount in respect of each job are quoted.
- ii) The apportionment of general charges to various jobs should receive special attention.
- iii) The adjustment of indirect charges at percentage rates should be carefully checked verifying at the same time contra credits also.
- iv) It should be ensured that as and when jobs are completed, the total cost of the jobs is transferred from "workshop suspense" to the concerned head.

VIII. SUSPENSE DEPOSIT AND REMITTANCE TRANSACTIONS;

- 1) Suspense:-

6.38 SCHEDULE OF CASH SETTLEMENT SUSPENSE ACCOUNT;

The following points should be seen;

- i) Entries of credits are compared with details shown in the Memo of Cash receipts on reverse of Form 80 Monthly Account.
- ii) To see that claims are settled within 10 days as prescribed in Para 2 of Appendix-7 to C.P.W.A. Code and those not settled are taken up with respective officers.
- iii) To see that at the close of the year there is normally no balance.

6.39 Introduction of Letter of Credit System for PW Officers:

With a view to checking the tendency of PW Officers to utilize fully the budget grants by withholding adjustments under Remittances and Part-IV suspense

and exercising effective control over excess expenditure, the State Government have introduced the letter of Credit system with effect from 1-4-1968. The scheme envisages fixation of the initial limit equal to net Budget provision minus improvements assumed in respect of Remittances and Part-IV Suspense which is subject to increase basing on adjustments carried out in the course of the year. The drawal of funds by PW Officers shall be regulated within the limit.

[Based on GOFD letter No. Res-1-80/67-1406(100)/F dated 24-4-1968 (Audit Bulletin, September 1968)]

(2) **DEPOSITS:-**

6.40 Schedule of deposits (Form PWA 35):-

The following points should be specifically looked into:-

- (i) To see that debits are adjusted and against/to the extent of the corresponding credits and there is no minus balance.
- (ii) If schedule of deposits shows that any of the items have been converted into any form or interest bearing securities, the certificate oriented at the foot of the schedule has been recorded correctly.
- (iii) When the schedule for March is checked, it is to be seen that lapsed deposits have been duly credited to Government Account.

6.41 Audit of Interest Bearing Securities (Form 86)

This account is received in audit along with March Accounts as per Para 15.6.1 of C.P.W.A.Code and checked in accordance with the principles prescribed in Para 4.3.26(ii) of M.S.O (A) 2nd edition.

(3) **REMITANCES: -**

6.42 General: -

The audit of Remittances transactions appearing in P.W. Divisional Accounts is conducted with reference to the instructions contained in Chapter-14 under Section III of the Manual of Standing Orders (A) 2nd edition. An important part of this audit is to scrutinize the balance from month to month in order to effect early clearance and to determine the accuracy of the outstanding at the end of the year. Ordinarily there should be no balance under the head when the accounts of the year are closed.

IX- REVIEW.

6.43 Current review of audit:

The extent of review of vouchers by the Assistant Audit Officer is detailed in the secret memorandum of instructions. The selection of vouchers for review will be made by the Assistant Audit Officer-in charge of the Central Audit party on the spot in the Review selection Register (Form SM I-2). The certificate of review is required to be furnished at the bottom of the page of the selection Register for Review under dated initial of Assistant Audit Officer.

- (ii) After completion of audit and review the selection Register may be sent to the relevant C.A.S.S. along with the completion certificates (in the Form given in Annexure 2.7.1 of M.I.C.A) and the audit Memos/ Notes.

ANNEXURE 2.7.1

Division

Name of the Month

Certificate of completion of Audit and Review

Name of A.A.O/Sr Auditor/Auditor.	Vouchers Audited	Vouchers reviewed	No. of audit memos prepared and sent to C.A.S.S.	Full signature
1	2	3	4	5

(iii) While conducting Review, Assistant Audit Officer should bear in mind the points laid down in Para 4.2.6 to 4.2.11 of M.S.O (A) 2nd edition and paragraph 16 of Comptroller and Auditor General’s Secret Memorandum of Instructions.

(iv) Where the classification check is required, the concerned vouchers and schedules should be initialed by the Assistant Audit Office in token of such check.

6.44 Completion of Audit/Review:-

The Audit /Review of the Monthly Accounts should be completed by the Auditors/Assistant Audit Offices as per approved programme and a certificate of completion of audit and review sent to C.A.S.S. on the 8th of the 2nd following month.

(A.G. Audit’s O.O.B.No.10 dated 3-9-1984).

6.45 Procedure for reporting results of current Review to the Group Officer:-

The following procedure should be followed.

(i) Objections of an important nature or those involving serious lapses noticed during the course of audit/review should, however, be brought to the notice of the Senior Deputy Accountant General (Works-Audit & Projects)/Accountant General (Audit) before issue of audit observations.

(ii) In order to enable the Senior Deputy Accountant General (Works –Audit) to keep himself posted with the facts of completion of audit and review, a report should be submitted to him every month by 15th of the second succeeding month to which the accounts relate in a special Register in respect of each Division, wherein the concerned auditor and Assistant Audit Officer should record necessary certificate in the forms given in the Annexure- II to this Chapter regarding completion of Audit and Review of the accounts of the Division.

[Based on C.A.G letter No 1244-TA.II/68-71 dated 28-8-1972 copy received with Main Officer letter No.TM-BO-Works-1003 dated 22-9-1971 (Dy-WM-24-Con-4483), C.A.G.letter No 56-TA.II-68-71 dated 10-1-1971 (Dy-WM-24-14-Con-CAG-91) and No. WM-24-14-Con-2775 dated 23-9-1971 and No.4456 dated 10-2-1972]

X. MISCELLANEOUS

6.46 Review of paid Cheques;

The Review of cheque is an integral part of audit and review of P.W. Accounts and check of schedule of settlement with treasuries. In view of this the review has to

be conducted by the respective Assistant Audit Officer of the C.A.Ps . in charge of the Divisions to which the cheques relate.

The following procedure is to be observed for selection and review of paid cheques.

(i) As per the prescribed quantum, all cheques amounting to more than Rs. 5.000/- and 5 *per cent* of the rest, i.e. Those less than Rs. 5.000/- are required to be reviewed by the Assistant Audit Officer.

Note;- The Auditor is to check the classification of all cheques in course of his audit and the Assistant Audit Officer above Rs.2500/-.

[Based on C.& A.G's Secret letter No.131 O7M/10-67 dated 3-30-1968 copy received with Main Officer letter No. IAD-3-1-WA-5-201 dated 29-6-1970 (Dy -WA-5-IAD-835) and secret Memo No.WM-24-14-Con-2783(12) dated 1-9-1970].

(ii) Each Central Audit party will maintain a Selection Register for the purpose in the following proforma.

Name of Treasury	Name of P.W Divn.	Total No of cheques received		No. of cheques selected from column. 4
		Cheques more than Rs.5,000/-	Cheques less than Rs.5,000/-	
1	2	3	4	5

The selection shall be made by the Assistant Audit Officer in the Register.

(iii) On completion of review the certificates in the following form should be recorded by the Reviewing Assistant Audit Officer in the Selection Register.

Certified that I have reviewed all cheques more than Rs.5000/- and those indicated in column-5 of the Selection Register.

Asst. Audit Officer

The enfacement of review may be recorded on the covering schedule of cheques. The observations should be communicated to CASS for pursuit of objections.

(iv) The due dates to be observed for selection and completion of review are as follows:-

Selection:- By 15th of the second succeeding month to which the schedule relate.
Completion by 30th of the Second succeeding month of Review.

(v) The position of arrear in review of cheques will be exhibited in the monthly arrear report of the CAP and CAS Section.

6.47 Review of expenditure relating to contracts sanctioned by an authority higher than Divisional Officer.

Expenditure on works in connection with which any contract has been sanctioned by an authority higher than the Divisional Officer should be reviewed completely, month after month, till completion, even though during a month no payments may have been made in connection with the contract to detect irregularity in

contract payment, disregard of rule irregular grant of advance, issue of materials to contractors etc.

[Para 4.2.15 of M.S.O (A) 2nd edition]

Note; - (1) Review of expenditure; - A note on Review of Works Expenditure is required to be furnished by C.A.S Section to Report Section for incorporation in C.& A.G's Report. To enable C.A.S Section to furnish the Report on due date i.e 16th August of each year all C.A.Ps should furnish the materials for Review of Expenditure conducted on the above line to C.A.S Section. For effective watch and consolidation of all the points in this connection suitable notes should be kept in the "Register of Financial Irregularity" by C.A.S.Section.

2) Certificate of Audit:- After audit of schedules and vouchers, a certificate in M.S.O.(Technical) Form No. 113 should be prepared in respect of each original items representing cost of work done by Divisional Officers on behalf of other Departments or Governments, except in cases of works, carried out as a standing arrangement vide Para 22.4.6 (a) of C.P.W.A.Code, for whose receipt and expenditure transactions the Accountant General acts as the Sub-Audit Officer on behalf of the concerned Audit Officer.

In cases where the expenditure is adjustable in the books of a separated Accounts Officer viz. Defense, Railway or any Pay and Accounts Officer, the Audit Certificate will be prepared in Form No. 113 –A.

[Based on Para 690 of M.S.O.(Technical) Volume –I]

6.48 Completion Reports/Statements :-

(i) On receipt of completion Reports or Statements in the Audit Office, vide Paras 10.5 to 10.7 of C.P.W.A. Code and Para 3.12.1 to 3.12.6 of O.P.W.D. Code, the amounts thereof should be verified with those recorded in Works Register maintained in A&E Office or the last audited Schedule of works Expenditure, as the case may be. If there is an excess over the sanctioned estimate requiring sanction, it should be ensured that the work continues to be included in Half yearly comprehensive Schedule of Works Expenditure till the excess has been regularized by the competent authority.

(ii) In course of Audit and Review, the wanting completion reports/Statements should be called for from the Divisions. An enquiry should also be instituted of the Divisional Officer whether the works should not be treated as closed in Form No. SY-194A, in cases where there has been no expenditure for six months continuously or works appear from the expenditure schedule to be completed but no completion reports/ statement have been received as contemplated in Para 627 *ibid*.

(iii) The completion report/ statement should be submitted within three months from the date of completion of work. (Para 97 of Old Manual).

A N N E X U R E - 1

1. STATE GOVERNMENT

(Para 6.23)

A. Departmental Charges: -

(i) For works to be executed by works, Irrigation and Power Department on behalf of other Departments, other Governments, non-Government bodies or individuals etc.

Rate of Departmental Charges:-

(a)	Establishment	
(i)	Charges for preparation of plans and estimates	2 per cent
(ii)	Charges for supervision	9 per cent
(b)	Tools and plant	4 per cent
(c)	Pensioner Charges	1 per cent
		16 per cent

An additional charge of 1 per cent should continue to be levied for audit, wherever required

[Based on Government of Orissa, Works and Transport Department letter No.F.A- 28-61-3768(14) dated 3-3-1964 (Dy- WM-1- 5-1002 of 5/64)].

(ii) For works to be executed by Orissa P.W.D. on behalf of Post and Telegraph Department as a special case, rate of Departmental Charges.

		Estt	T&P	Audit	Pensioner charges.	Total
		<i>Per cent</i>				
(a)	Works costing Rs- 5 lakh and above	7 ¾	¼	1	1	10 ¼
(b)	Works costing Rs 2 to 5 lakh	10	¼	1	1	12 ¼
(c)	Works costing Rs 1 to 2 lakh	12	¼	1	1	14 ¼
(d)	Works costing less than Rs- 1 lakh	12 ¾	¼	1	1	15

[Based on G.O., W & T Department letter No. II-M-294/62-1437 dated 25-1-1963 (Dy-WM-1-5-2781 and No.6983/B dated 27-4-1963 – Dy-WM- 1-5-1153)]

Note: - The charges for Establishment against serial (a) to (c) include 1.1/8 per cent, 1½ per cent, 1¼ per cent respectively for preparation of structural design, detailed plans and estimates. There is no objection to reduce the Departmental Charges accordingly if all the work in preparation of plans and estimates including revision thereof would be done by the P&T Department.

(Based on G.O.W.& T Department letter No. III OP – 102/65-14494 dated 26-8-1965-DY-WM-1-5-2899).

B. Recovery of Departmental charges on fixed percentage basis in lieu of prorata distribution to be levied of P.W .Electrical and Internal P.W.Works from the financial year 1974-75.

1. (a) Roads and Buildings wing:-

(i) Establishment:-

10.5 *per cent* of works estimate under demand No 7(i) 4059 C.O.L. on P.W. (ii) 4216 on Housing (iii) 5054 C.O.L on R & B.

(ii) Tools and Plant:-

4.5 *per cent* of works estimates under demand No 7(i) 4059 C.O.L. on P.W.(ii) 4216 C.O.L on Housing and (iii) 5054 C.O.L on R & B.

The percentage charges as fixed above in respect of Direction and Administration and Machinery and Equipment may be recovered on monthly basis by the Divisions by following the normal pattern and included in the monthly accounts. The credit will appear under “Demand No. 7 (i) 2059 P.W.(ii) 3054 Roads and Bridges (a) “Direction and Administration” and (b) Machinery and Equipment”, as the case may be. Besides, pensioner charges at the usual rate of 1 *per cent* of Works estimates should be recovered and credited under 0071 contributions and Recoveries towards pensions and other Retirement Benefits (a) Subscription and Contributions

(b) Besides above, the adjustment of Direction and Administration and Machinery and Equipment charges between the Revenue Major Heads should be carried out at the end of the year.

II. Irrigation Wing

(1) In case of Direction Administration, mainly engaged for Major Irrigation Project Works like Salandi and Delta will be directly charged to the concerned projects. -

(2) The Direction & Administration & Machinery & Equipment charges of the Superintending Engineer, Delta Irrigation Circle, Executive Engineer, Puri canals Division No-I to IV and Stores and Mechanical Division will be directly charged to the Delta Irrigation Project under 4701 C.O.L or Irrigation, Navigation, Drainage and Flood Control project-A-Irrigation Projects (Commercial)-Delta Irrigation Project – Direction and Administration “Salary Machinery and Equipment”.

(3) Similarly, the Direction and Administration and Machinery and Equipment charges of Superintending Engineer, Northern Irrigation Circle, Salandi Dam Division, Salandi Mechanical Division, Quality Control Division, Salandi Canals Division and Salandi Barrage Division will be directly charged to 4701/4711 C.O.L on Major and Medium Irrigation, Flood control projects (Commercial) –Salandi Irrigation Project- Direction and Administration and Machinery and Equipment.

(4) Excepting the above Circles and Divisions, the remaining Circles and Divisions will continue to be provided under ‘2701/2702 Major & Medium Irrigation /Minor Irrigation etc’ as usual. For the works undertaken by these Circles and Divisions percentage charges at the rates mentioned below will be levied on works

(a) Mahanadi North and South Divisions will recover percentage charges at 16 *per cent* (11 *per cent* for Direction and Administration. 4 *per cent* for Machinery and Equipment + 1 *per cent* for pensioner charges) of works expenditure for work of Delta Irrigation Project executed by these two Divisions.

(b) Similarly any other Division doing any works for Major Irrigation Projects will recover the percentage charges of 16 *per cent* (11 *per cent* + 4 *per cent* + 1 *per cent*).

(c) Project Divisions will recover percentage charges at 16 *per cent* (11 *per cent* + 4 *per cent* + 1 *per cent*) for doing non-project works.

(d) For normal works under the heads 2701/2702 Irrigation etc” and 4701/4711 C.O.L.” (16 *per cent* + 4 *per cent* + 1 *per cent*) of works expenditure should be recovered from these heads.

(e) For Medium Irrigation Projects under 4701/4711 C.O.L. etc. Establishment charges at 6 *per cent* and Tools and Plant charges at 3 *per cent* and pensioner charges at 1 *per cent* of the works expenditure should be recovered by debit to these heads and credit to “2701/2702 irrigation etc” and 0071 Contribution and Recoveries towards pension etc”.

(f) For non-delta works done by Delta Divisions 16 per cent of works expenditure will be charged by the Divisions concerned.

(g) Stores and Mechanical Division under the Delta Irrigation Project will follow the workshop rates for non-projects works.

(5) The percentage rates fixed above in respect of Establishment and Tools and Plant are to be recovered on monthly basis by the Divisions by following the normal pattern and included in the monthly accounts. The credit will appear under the head” 2701/2702 Irrigation etc”. Pensioner charges at usual rate of 1 per cent should be recovered and credited under 0071 contribution and Recoveries towards pension etc.

(6) The establishment charges of the offices of Chief Engineer, Irrigation and Directorate of Designs are initially debited to 2701/2702 Irrigation etc.” These Organizations undertake supervision of work for Delta Irrigation, Salandi Irrigation and other works Divisions. 20 *per cent* of such Establishment charges will be debited to the Delta Irrigation Project. Similarly, 20 *per cent* of such establishment charges will also be debited to the Salandi Irrigation Project.

5 *per cent* of the above establishment charges may be recovered by debit to 2701/2702 other Revenue Expenditure etc. “and credited to 2701/2702” Irrigation works etc.

The above procedure will be given effect from 1967-68 until further orders. (Adjustments required under sub-para No-6 are to be carried out in the Audit Office).

III Hirakud Dam Project;-

The Expenditure on establishment and Tools and plant initially booked under “2701 M.P.R.Schemes” and transferred to the Capital head 4701/4711 C.O.L etc.- Hirakud Dam Project- Stage I and II “ on prorata basis at the end of the year is to be adjusted on fixed percentage basis from 1967- 68.

The rates prescribed are as given below;-

Establishment	:	17.25 of works Expenditure
Tools and plant	:	3.5 <i>per cent</i> -do-

This amount will be recovered from 4701/4711 C.O.L.etc.” Hirakud Dam Project Stage I and II by credit 2701 M.R.P etc.1 *per cent* pensioner charges will also be recovered and adjusted by debit to 4701/4711 C.O.L.etc.” per contra credit 0071 Contribution and Recoveries towards pensions and other retirement benefits as usual.

These rates are subject to further review.

(Government of Orissa, Works and Transport Department No4391 dated 17-3-1967-Dy-WM-12-23-62).

(G.O. I & P Department letter No.16767 dated 28-7-1966-DY-WM- 12-23-2815)

(G.O. I&P Department letter No.25696 dated 22-11-1966-DY-WM-12-23-4734)

(G.O. I&P Department letter No. 16771 dated 28-7-1966-DY-WM-12-23-2814)

For works to be executed by the Rural works organization on behalf of other Departments of Government of Orissa, Other Government and non – Governments bodies etc. the following percentage charges will be levied with effect from 1-4-1976.

1. Salaries	10.5 per cent
2. Machinery & Equipment.....	4.5 per cent
3. Pensionary.....	<u>1 per cent</u>
Total :	16 per cent

An additional charges of 1 per cent should be levied for Account and Audit charges wherever required.

(Based on Government of Orissa, Rural Development Department letter No.23009/RD/BT-III-676 dated 10-11-1976 (DY-WA-5-635)

Note;- - For earlier years a flat rate of 10 per cent on account of supervision charges (establishment Charges) used to be levied

II- CENTRAL GOVERNMENT

Departmental charges leviable by C.P.W. Divisions: - effective from 1-6-1984.

Sl. No	Description of works	Estt. Charges	T&P (M&E) Charges	Audit & Accounts Charges	Pensionary Charges	Total
1	2	3	4	5	6	7
1	Maintenance works and Minor works costing upto Rs.1 lakh each	22.5%	0.75%	0.25%	0.25%	23.75%
2	Construction works costing upto Rs- 2 crores	10.75%	0.75%	0.25%	0.25%	12%
3	Construction works more than Rs 2 crores but less than Rs.5 crores	7%	0.50%	0.25%	0.25%	8%
4	Construction works conting more than Rs 5 crores.	6%	0.50%	0.25%	0.25%	7%

(G.I.M/W&H Letter No.22011/3/82-W-4 dated 28-11-1984 Section 12 Chapter-II of C.P.W.D.Manual Volume-II.)

Pensionary and Audit and Account Charges are to be levied only in the case of Railways, postal, Telecom, All India Radio (except Monitoring Office) Department of overseas Communication Service and Non-Government Works. Audit and Accounts charges will, however, not be leviable on the works on the Delhi Development Authority

The break – up of the establishment charges effective from 1-6-1984 into various components is as under:-

Sl No	Objective of works	Maintenance and minor works costing up to Rs.1 lakh	Construction works upto Rs-2 crore	Construction works between Rs.2 and 5 crore	Construction works more than Rs.5 crore.
1	2	3	4	5	6
		%	%	%	%
1	Preparation of preliminary sketches	½	¼	¼	¼
2	Preparation of detailed working drawings	1	¾	½	¼
3	Preparation of preliminary estimates.	¼	¼	¼	¼
4	Preparation of detailed estimates	½	¾	½	¼
5	Preparation of structural designs	1	1	¾	¾
6	Execution	19 ¼	7 ¾	4 ¾	4 ¼
7	T & P (M&E)	¾	¾	½	½
8	Audit & Accounts	¼	¼	¼	¼
9	Pensionary	¼	¼	¼	¼
10	T o t a l	23 ¾	12	8	7

(Section – 14 Chapter – II of C.P.W.D Manual Volume – II.)

A N N E X U R E - II

(Para 6.45)

CERTIFICATE TO BE RECORDED BY THE AUDITOR

Certified that the vouchers selected for audit have been audited with reference to agreement/Works orders, where the Agreements/Work orders are for the works awarded by the authorities higher than the Divisional Officer. The following agreement/works orders have not been received in audit and have been called for.

2. Where the works are approved by the Divisional Officer/Sub-Divisional Officer, I have checked the rates from the schedule of Rates, as contemplated in Para 4.3.32(ii) of M.S.O (A) 2nd edition as modified by correction slip No.33 and 40.

3. The objections of monetary value have been registered in the O.B. and the balance totaled and progressive totals brought upto date.

4. All works, forming part of project have been noted in project Register, and the Register has been completed with regard to progressive totals etc. as envisaged.

Signature of Auditor

CERTIFICATE TO BE GIVEN BY ASSISTANT AUDIT OFFICER

Certified that all the accounts allotted to this section have been audited in accordance with the rules.

Certified that I have fully reviewed all the vouchers which are marked for review and entered in column-4 of the Selection Register and generally examined the other vouchers also whether audited or not in order to see that there is nothing irregular or peculiar on the face of them. Certified that I have checked classification of all other vouchers for amounts exceeding Rs 20,000/- each and also reviewed the classification recorded on the vouchers audited by the Auditors.

Certified that no case of expenditure on “New Service” not contemplated in the Annual Budget Estimates was noticed during the Review.

OR

Certified that cases of expenditure on “New Service” were noticed during the course of review and necessary action has been taken there on.

Signature of Asst. Audit Officer

_____Section.

CHAPTER – 7

PUBLIC WORKS INSPECTION

I. Introductory

7.01 Scope

Audit conducted in the Central Office is based on accounts rendered to that office in the form prescribed by the C. & A.G. The major portion of the original records, viz. the initial accounts and other books or paras on which the accounts so rendered are based are retained in the offices where they originate. To enable audit to ensure itself of the accuracy of the Original data on which the accounts and its audit work are based, the C. & A.G has authority to inspect any office of accounts of India which is under the control of the Central Government or of a State Government and such Offices responsible for the keeping of initial or subsidiary accounts vide Section-18 of C.& A.G's (Duties, Powers and Condition of Service Act, 1971.)

(Para 6.1.1 of M.S.O (A) – 2nd edition.)

7.02 Object

The primary objects of inspection are (i) to see that the initial accounts from which the accounts rendered by the P.W. Divisional Officers are compiled, or on which they are based are properly maintained in the prescribed forms and that financial rules and orders are being carried out and (ii) to test the degree of care exercised by the authorities responsible for keeping the accounts over the accuracy of original records. At the same time a test audit is applied to such accounts, Vouchers etc. as are not audited in the Central Audit Office or as can not be checked adequately, except at a local audit. In inspections, the purpose of this test audit is to provide the material upon which a conclusion regarding (i) and (ii) above may be reached.

(Para 6.1.2 of M.S.O (A) 2nd edition)

7.03 Distinction between local Audit and Inspection

This has been dealt with in para 6.1.5 of M.S.O (A) 2nd edition

7.04 Position of audit vis-à-vis Departmental Offices in the matter of inspection

The primary object of inspection by the Indian Audit Department of the departmental Offices being to assist the executive authorities in maintaining an efficient, regular control of financial transactions entrusted to their charge, it is not intended that those authorities should be relieved of their responsibilities in the matter of frequent check and supervision expected of them as a standing arrangement. An Inspection by the audit staff does not and can not extend to a detailed examination of each and every item of receipt and expenditure or other transactions that occur in an office or department. An audit inspection, which only supplements inspection and supervisions by administrative authorities, can do no more than see generally that the rules prescribed for guidance of those authorities in the matter of financial transactions are being duly observed and bring to notice any irregularity or want of attention on their part. The audit Department is responsible for seeing that the procedure observed at departmental Officers meets all the requirements of audit, the accounts are properly maintained and the orders in force regarding the custody and handling of cash etc. are properly observed. In fact, any suggestion for safeguarding the financial interests of Government should be given special attention.

II. Preliminaries for Inspection:

7.05 Skeleton Inspection Programme

(1) The Principle which should regulate the frequency and periodicity of local inspection has been laid down in para- 28 of the Secret Memorandum of Instructions (C.&A.G.). For working out the total number of party days required for inspection of the Divisions / Offices during the ensuing financial year a skeleton programme is to be drawn up, keeping in view the following factors:

- (i) Divisions/Offices newly formed or abolished consequent upon re-organization ordered by Government.
- (ii) Any change in the time allocation of an Office considered necessary owing to Increase/Decrease in volume of transactions or other factors as per report of the Inspecting Officer or otherwise.
- (iii) Any change in the periodicity of audit of an Office.
- (iv) Guidelines if any ordered by the Accountant General for preparing skeleton programme, the requisite materials which should include the name and location of Office annual expenditure, including expenditure booked under suspense heads, number of Major Works under execution etc. shall be obtained from Accountant General (A&E) Branch by 15th February each year. The skeleton Programme is to be completed by the end of February and got approved by the Accountant General (Audit).

(2) Important points to be observed in preparing skeleton inspection programme are as follows.

- i) As per provisions in Para -28 of Secret Memorandum of Instructions regarding the extent of audit issued by the C.& A.G. and Notes 1 and 2 there under, all P.W. Divisions should be inspected half – yearly except in the following cases the periodicity.
 - a) Investigation Divisions, where the expenditure is small.
 - b) Wholly maintenance Divisions, where this expenditure is not more than 12 to 15 lakh of Rupees.
 - c) Divisions situated in inaccessible localities, where half – yearly inspection is not physically possible.

With a view to ensuing uniform assessment of staff requirements for P.W Inspection Parties, the norms indicated below may generally be followed from the R.E 1982 – 83 and B.E.1983 – 84.

	Nature of Divisions/Offices	Working party days
1.	Survey Investigation, Design, Research and Quality Control Division.	8 days
2	Maintenance P.W. Divisions	9 days.
3	Construction Divisions with Expenditure :-	
i)	Up to 80 lakh	8 days
ii)	Above Rs. 80 lakh & upto Rs.1.20 crore	10 days
iii)	Above Rs. 1.20 crore & upto Rs. 2 crore	12 days

	Nature of Divisions/Offices	Working party days
iv)	Above Rs.2 crore & upto Rs. 2.50 crore	14 days
v)	Above Rs. 2.50 crore & upto Rs. 3 crore	15 days
vi)	Above Rs. 3 crore	16 days
4.	Chief Engineer's Office	5 days
5.	Superintending Engineer's Office/ Surveyor of Works	3 days
6.	<u>Estate Officer</u>	
i)	Director of Estates	20 days to 30 days
ii)	Other Estate Offices	10 days

In case of maintenance – cum – Construction Divisions, the norms prescribed for Construction Division will apply. (C.&A.G. letter No. 220-TA-II/34-81 dated 25.2.1981 and No. 1116-TA-II/34-81 dated 21.9.1981 No. 335-TA-II/222-82 dated 18.3.1983 and orders dated 8.10.1981 File-WM-24-24-14- Con Volume -V)

The F.A & C.A.O Offices of the project with pre-checks system, where Resident Audit System is not in vogue are required to be inspected intensively. Those Offices should be inspected quarterly.

ii) Since the year 1974-75 as per the instructions of C.& A.G Communicated in his Office letter No. 974-TA-II/75-74 dated 4.6.1975 (DY. CAG-WM-24-14-Con-II (Annexure-A) and No.789 TA II/75-74 dated 25.5.1974 (DY-WM-CAG-24-14-Con-21 (Annexure-B) inspection of a Division should be made annual in all cases as a general rule leaving cases where the Accountant General Would like to have half – yearly inspection for special reasons, except in the case of Survey and Investigation as well as wholly maintenance Division which will be inspected biennially.

iii) Audit programmes should be drawn up keeping in view the audit points likely to emerge after making preliminary studies at Headquarters. C.& A.G. is not in favour of audit programmes being drawn up or staff proposals being made with reference to any rules of thumb formula based on fixed periodicity or more volume of expenditure. The Instructions as laid down in C.&A.G's letter No. 380-Code- 1/41/-74/Gr. V dated 5.8.1975 received with A.G.Note-73 dated 11-9-1975 (DY-WM-DO-20-Prog-793) may also be followed in course of P.W. Inspection (Annexure -C).

iv) The planning of the work and selection of personnel should be made as per instructions of C.& A.G as communicated in his D.O letter No.673-TA.I/JD (TA)/75 dated 5-8-1976 addressed to Accountant General, Orissa, Bhubaneswar (DY-WM-DO-20-SP-76-77-174) (Annexure-D). Period of local inspection for a Division/Office should never exceed 50 working days. In cases where it is considered absolutely necessary to allow local audit party more than 50 working days full facts of the case with detailed justification should be reported.

7.06 Detailed Inspection programme

The detailed programme for the parties and Inspecting Officers based on the approved skeleton programme for Inspection of Divisions/Offices may be drawn up quarterly or for such period as may be administratively convenient and got approved by the Group Officer. The period of audit is to be clearly indicated against each Division/ Office to be inspected as per the programme. Copies of programme should

be supplied to the Inspection parties, Inspecting Officers concerned, and other concerned Sections.

7.07 Procedure for selection of Accounts

On receipt of the detailed programme of Inspection of Divisions, the Assistant Audit Officer of the concerned Section should ensure that selection of accounts etc., is got approved by the Group Officer at least one month before the commencement of Inspection of the concerned Division. The following items require selection.

- a) The month's account for test audit out of the months to be covered by Inspection, Judged by the Volume of Expenditure.
- b) The Sub – Divisional accounts for test audit, the selection being made in such way that all the Sub – Divisional Offices are covered within a period of 2 to 3 years.
- c) One major work or two minor works whether completed or in progress for complete analysis.

Note;- It should be ensured that all important works in the Division are selected by turns and ordinarily a work once analyzed is not selected again, and a work in progress for a period of 10 years is also not selected.

(Memo No. WM- 20- GI-3499 dated 1-12-1962)

- 2) The list of Major Works/minor works for selection for analysis should also indicate if the said works have been selected earlier for analysis or not, with dates of analysis when done.

(Memo No.WM-20- Circular – 4147 dated 1.2.1975)

- d) One month's stock account based on volume of transactions other than the month selected under (a) above.

In respect of work or works to be selected for analysis the following particulars would be supplied against each work in the proposal.

- i) All Major works in progress and those Completed since last inspection.
- ii) Upto date expenditure.
- iii) The year from which the work had started.
- iv) Works requiring special investigation with reference to grave irregularities noticed in Central Audit.

7.08 Intimation about selection to concerned quarters

Soon after the selection is approved by the Group Officer, the name of the Division to be inspected, period of inspection and month of account selected should be communicated to the concerned WAC/ treasury, Deposit and D.C. Sections of Accountant General (A&E) Office for sending direct to the Inspection party/parties all vouchers including those relating to loan and P.D. Accounts and foils of paid cheques for the months selected for detailed local audit for the purpose of vouching the Cash Book and further scrutiny with reference to other initial records.

7.09 Issue of notice of Inspection to Divisions/Offices

At least notice of the actual inspection should be sent to the Head of the Office with copies to the next superior Officer and the Inspecting Officer concerned. Care should be taken to specify therein all the documents including Measurement Books by reference to audited vouchers of the month selected as well as of the work/works to be

analysed and outstanding paras of the previous Inspection Reports, list of objections and outstanding remittance items and special points. The month's account and stock account selected for test audit should not be intimated to the Divisional Officer but the same should be indicated in the Memo addressed by name to the Inspecting Officer confidentially. In communicating the name of the work/works to be analysed, it should be ensured that the names of two or three other works (not selected) are communicated to the Divisions along with the name/names of the selected work/works so that the name/names of the work /works selected for analysis is/are not disclosed to the Division. The Inspecting Officer should however, be apprised of the actual position confidentially. Notice of inspection should be in the form given in Appendix-VII.

7.10 Documents to be sent to Inspection party

Documents required to be sent to the Inspection party for scrutiny with reference to initial records of the Division are indicated in Appendix- VIII. The Works Accounts section are to send the documents 10 days before the commencement of Inspection to Central Audit Supporting Section for onward transmission to the Inspection party, while the section located in the office of Account General (A & E), Orissa, Bhubaneswar should send direct to the party, at least one week before the date of inspection.

Before the documents are sent out for Inspection, the Auditor concerned will carefully go through all the schedule dockets and vouchers etc. and see that they are complete in all respect. If there be any vouchers that are wanting owing to their having been sent out to the Division or elsewhere a note should be put up with the vouchers bundle for the information of the Inspection party. The Assistant Audit Officers of Inspection party should ensure that the vouchers and records relating to Head quarters Office are returned direct to the section from which they were received.

(Vide C.&A.G's Confidential letter No.2928-TA/563-68 (DY-WM-20-Genl – 340) and Circular No. WM-23-Genl- 8767 dated 27-2-1970).

Note;- See para 1.21 of this Manual regarding watching return of vouchers etc. sent to Field parties.

When the documents are received back from the parties after each inspection, it should be ensured by Central Audit Supporting Section that all the document sent to the Inspection parties are received back and the same should be sent to the sections concerned promptly.

7.11 Register of points for local Inspection

A register in the form indicated below should be maintained by Central Audit Supporting Section in which a note may be kept of all points noticed from time to time in course of Central Audit and ordered to be brought to the notice of the Inspecting Officers as prescribed in para 4.2.13 of M.S.O(A) -2nd edition. Cases reported under the order of the Group Officer for examination during Inspection of Public Works Divisions should also be included in this register.

The outstanding points from the previous Inspection Reports should also be briefly noted in this Register after a prescribed period. The entry in the Register should be attested by the Branch Officer of the Section. The Register should be submitted to the Branch Officer on the 20th of each month.

Extracts from this Register should be sent to the Inspecting Officer along with the connected file and Inspection report for his examination and report. He should return

the memorandum of points with his remarks as to action taken by him. He may either drop the matter, or include it in his Inspection Report, or deal with it in a separate report if the matter be of too general a nature or a confidential nature for discussion in an inspection report. The action taken by the Inspecting Officer or by the Headquarter Office should be noted against each point of the Register under dated initial of the Assistant Audit Officer after giving reference to the order in the connected file.

Register of points for local inspection;-

Sl. No.	Reference to orders, file numbers, I.Rs. etc	Brief narration of the point to be examined at the time of the local inspection	Date on which extract was sent to the I.O.	Results of examination	Final disposal.
1	2	3	4	5	6

7.12 Selection of personnel for Inspection

The Inspecting Officer should be assisted at the inspection of each Divisional Office by staff adequate to complete the inspection of an office within the period allotted for the purpose. The composition of P.W. Inspection party is generally two Assistant Audit Officer and one Auditor. The staff must include at least one experienced Assistant Audit Officer. Inspection work is important and requires special qualifications and the staff should be selected carefully.

(Para 6.2.2 of M.S.O (A) – 2nd edition)

7.13 Gazetted Supervision

The Accountant General should arrange for the inspection and test audit of the accounts of each Public Works Division by an Audit Officer of his establishment according to the programme of inspections, the principles of which one settled from time to time in consultation with the Comptroller and Auditor General.

[Para 6.2.1. and note there under of M.S.O (A) – 2nd edition- 2002]

III. ARRANGEMENT FOR LOCAL INSPECTION

7.14 Responsibility for Inspection;-

The Officer – in – charge of the inspection party is primarily responsible to see that all audit inspection work done by himself and his staff is carried out in accordance with the rules prescribed in the authorized codes and subsidiary instructions in this Manual. For this purpose, on the first date of inspection, the Inspecting Officer should distribute all the items of works between the Inspecting staff and himself with a view to achieving maximum efficiency. Even in regard to the items of works entrusted to subordinate staff, the Gazetted Officer – in – charge will remain responsible for the efficiency of the work.

Note :- The work of Test Audit and Inspection should be conducted ordinarily at the Headquarters of the Divisional Officer, but it is open to the Accountant General to require the account records of a few Sub-Divisions of subordinate offices to be inspected in the offices concerned.

(Para- 6.2.3 of M.S.O (A) 2nd edition.)

7.15(a) Meeting with the Head of Office

“Even after meeting the Head of the Office, if the records are not still produced, the head of the audit party should immediately intimate the matter to the Group Officer in charge at his Office (and beyond office hours at his residence) and in case of his absence, to the concerned BO (Headquarters) in charge of the Group using any available mode of communication considered most suitable and seek further orders without moving to the next item of the programme suo moto. The cost incurred towards such communication will be reimbursed by the Headquarters Office on proper claim.

7.15(b) Requisitioning Records for Inspection

1) The documents to be reviewed during the inspection should be called for from the office of inspection. The documents that are required to be reviewed during the inspection of P.W. Divisional Office are in Appendix – IX.

Note; -If important records are not produced at an inspection, every possible step should be taken to secure their production. If such efforts are unsuccessful, the omission should be mentioned specifically in the Report and such record should be obtained for examination in the Audit Office, if such examination is considered to be necessary.

[Note- iii below Para 6.2.4 of M.S.O (A) – 2nd edition]

2) There should be a distinction between (i) non-submission of records by the Divisions/Offices due to non maintenance of records and (ii) non – production of records with a view to withholding the information from Audit. Accordingly a Para should be included in the Draft Inspection Report for incorporation in the Audit Report.

[Based on A.G’s orders communicated in U.O.No Rep – 4-66-(75-76)-2221 dated 20-11-1976 circulated in O.M.No.WM- 8-State- 4941 dated 6-1-1977]

7.16 Attitude of Inspecting Officer and his staff

The Inspecting Officer and his staff should be careful to see that no grounds are afforded for complaint from local authorities against the manner in which inspection are conducted or in regard to tone or the tone or the substance of their reports. If the work of inspection is to be of any value it should be conducted with tact & discretion and in a manner to avoid as far as possible all irritation to the local Officers. They should also bear in mind that unnecessarily meticulous or badly expressed objections not only bring discredit on audit and give rise to unreasonable annoyance but also cause an increase of work both in the Audit and Local Offices.

The Inspecting staff while yielding in nothing they consider to be part of their official duty should be careful to avoid friction with any of the officials with whom they come in contact. If they avoid frivolous objections and convince the Officers by the manner in which they go about their work, that they are there not to complicate procedure but to simplify it, not merely to criticize but to assist, they will meet with little difficulty in this direction. They should assist the local authorities with advice and may, show by practical example, if necessary, how account registers should be posted and how a proper check is exercised in order that there may be no possibility of mistake or omission due to ignorance on the part of the Local Officials. It is much better to prevent mistakes in procedure and other matters than to discover such mistakes after they have been committed.

7.17 Advisory works by the Inspecting Officer during Inspection;-

The Inspecting Officer should submit separately with each Inspection Report a note as to whether any advice to departmental Officers in matters of affecting accounts, budget etc. or financial irregularity of transactions was rendered and whether any practical suggestions resulting in tangible benefit to the finances of the state were discussed with the Executive Engineers concerned during inspection and if so, with what results.

7.18 Interview with the Superintending Engineers;-

Officers who inspect the accounts of P.W.D. Offices should arrange to see the Superintending Engineer of the Circle with a view to discussing with him the state of accounts of the divisions in the Circle inspected if the latter happens to be at any of the stations visited by them.

IV POINTS TO BE SEEN DURING LOCAL INSPECTION**7.19 Examination of important points;-**

a) The important points that should be examined with reference to documents are given in Appendix – X.

7.20 Procedure for raising Objections;-

The following procedure should be adopted while raising objections after examination of records of the Division/Offices inspected.

i) In the course of inspection the Inspecting Officer or Assistant Audit Officer or Auditor should record every objection formally and immediately it is noticed. The Inspecting Officer or Assistant Audit Officer or Auditor should issue at the end of each day's work Preliminary Objection Memoranda as the inspection works progress to the Head of the office inspected with a request that they should be returned with replies by the following day at the latest. The question whether an objection should find a place in the Inspection Report or the Test Audit Note or be dropped should be decided only after considering the replies to the objection memoranda.

Note;- According to para 2.9 of M.I.R and para 2.5 of M.I.C.A., normally auditors should be able to finalise audit memos and put up notes on their own. The Head of the party should determine the extent of independent action to be allowed to each member of the party with reference to his experience, quality and capacity to act independently. Based on such judgment, he may permit individual members to issue in due course. In cases where it is considered appropriate, the head of the party should stipulate that the memos may be issued only with his approval.

(Appendix – 19 of M.I.C.A.)

ii) Minor defects should be disposed on the spot as far as possible by pointing out the errors and getting them rectified.

iii) The report should contain important irregularities and should in all cases be narrative and descriptive in form.

iv) When anything is noticed as unsatisfactory, the reason should be fully stated in the body of the report.

v) Defects should not be recorded in general terms and unnecessary details should be dispensed with.

vi) All exaggeration of language should be carefully avoided.

vii) General objections should not be raised unless they can be supported by concrete instances.

viii) If a really flagrant case of irregularity is detected, it should be investigated with the utmost care and set out in such detail as will ensure that the gravity of the breach of the rule is clearly brought to the notice of the superior authority, so that the audit office may be in a position to press for proper action.

(Based on Office order No.B-340 dated 17-8-1949)

7.21 Report of serious/important cases to Group Officer

It should be regarded as one of the bounden duties of the Inspecting Officer to report to the Group Officer separately and immediately anything really serious or important which comes to light in the course of inspection, without waiting to include it in the Draft Inspection Report. Such interim reports may be shown in the first instance to the Head of the Office inspected for any comments he may wish to make.

Note;- In the event of finding any thing likely to lead to the discovery of a defalcation or fraud the circumstances should be reported to the Head of the Office at once and daily reports should be sent of the progress made in the investigation. When defalcation is discovered beyond doubt an intimation should be sent to Accountant General (Audit) by wire.

7.22 Examination of other points

(1) To ensure expeditious disposal/ settlement of outstanding paragraphs of Inspection Reports and Audit Objections, it should be seen that the two registers prescribed in Government of Orissa Works Department vide their D.O No.F A – II – M – 62/75 – 17066 dated 10-6-76 have been properly maintained vide Note – 1 below Para 15.33 of this Manual.

(2) Check of Service Books and Leave Accounts of all the members of staff of an office should be completed in a cycle of four years, as far as possible. If any of the offices are not audited annually, but only once in 2 or 3 years, the percentage of check in such cases may be suitably enhanced to attain this objective.(Note below Para – 24 of S.M.I of C&A.G) Service Books and Leave Accounts of persons retiring within coming 5 years must be checked in particular.

Like the original Service Books, the duplicate Service Books shall also be checked during the inspection. The scope of check of duplicate Service Book will be limited to see that the essential entries such as date of birth, the date of commencement of continuous service, breaks in service, extra – ordinary leave etc. which have bearing on pension of the official are correctly entered. Tracing of important noting to their duplicates should be done in respect of 60 original Service Books per party day.

(D.A.G. (Works Audit), Puri confidential Circular No.20-Genl 1779 dated 20-7-1968)

After completion of inspection, the statement in the prescribed proforma as required in Deputy Accountant General (Works Audit) Circular letter No.DA-Cir-381 dated 12-6-68 alongwith the required certificates duly signed by the Assistant Audit Officer should be enclosed in the Draft Inspection Report.

The quantum prescribed for checking Service Books/Leave Account of regular Establishment should apply to the check of service Books/Leave Accounts of work charged employees of Central P.W. Divisions.

[D.A.G (Works Audit), Puri O.M. No. WM – 20-Genal- 2209 date 21-7-1969]

(3) P.W. Remittances – clearance of outstandings.

The Inspection party should examine the position of settlement outstanding balances and discrepancies in the transactions under P.W. Remittance heads – Viz,

Head – I Remittances into treasuries,

Head –II P.W. Cheques,

Head – III (b) – Items adjustable by P.W.D.

and include one specific para in the Inspection Report with sub – para on each head about the position of outstanding upto end of the month of account immediately preceding the month of inspection. The reasons for the outstanding as well as any failure noticed on the part of the Division/Treasuries in this regard with specific mention about failure, if any, on the part of Divisional Accounts Officer/Divisional Accountant should be mentioned.

[D.A.G. (Works Audit), Puri letter No.WM-1-20-Genl -3412(15) dated 30-1-1965]

The public works Inspection parties should conduct verification of remittances independently with reference to treasury records of the selected month by deputing a member of the Public Works Inspection party to Treasury/Sub-Treasury located at the place of Inspection. In exceptional circumstances where the Treasury/Sub –Treasury is not located at the place of the Audit, the fact may be recorded in the selection note as well as in the title sheet to waive such requirement.

As regards the remittances of the Project Divisions under Resident Audit system, the same may be verified with reference to the records of concerned Financial Adviser & Chief Accounts Officer Office.

[Sr. D.A.G. (Works Audit), Puri's No 1821 dated 23-11-1990].

(4) Information as to whether the head of the office inspected was or was not present at the time of inspections should be given with the Draft Inspection Report.

(5) When any irregularity not covered by the scope of the inspection are brought to light, brief reasons should be recorded as to how the irregularity came to be discovered.

(6) In order to facilitate the entries in the Register of financial irregularities, Inspecting Officer should be careful to note in the rough notes of their Inspection Reports the name and rank of the officer responsible for the irregularity noticed. The information is only for the use of the audit office.

(7) It is incumbent upon the Inspecting Officers when they come across serious cases of neglect of the rules regarding measurements and their record in the Measurement Books, to investigate them very carefully and to report in such a way as to make the degree of the irregularity apparent.

(8) Inspecting Officers should specifically comment on the position of physical verification of stores under the division with the following details.

- i) Name of the Sub-Divisional Officer/Executive Engineer
- ii) Name of the Sub-Division,
- iii) Period to which the stock etc., accounts pertain,
- iv) Dates on which the physical verification on last two occasions were conducted.

- v) Result of verification.

To ensure collection of materials on physical verification of stock from divisions the information in the following proforma should be collected from the divisions and suitably commented upon.

Proforma

- a) Name of the Executive Engineer/Sub-Divisional Officer who conducted physical verification on last two occasions in respect of
- i) Stock materials
 - ii) Site materials
 - iii) Machinery and Equipment including Special Machinery and Equipment
 - iv) Road metal
- b) Date of physical verification
- i) Stock materials
 - ii) Site materials
 - iii) Machinery and Equipment including special Machinery and Equipment.
 - iv) Road metal
- c) Period for which verified
- i) Stock materials
 - ii) Site materials
 - iii) Machinery and Equipment including Special Machinery and Equipment.
 - iv) Road metal
- d) Mode of physical verification;-
- i) Whether book balance was correctly arrived at,
 - ii) Whether book balance agreed with the ground balance on verification.
 - iii) In the case of any discrepancy, steps taken for reconciliation.

Note:- On receipt of such information Central Audit Supporting Section should open a suitable register and consolidate all information Division-wise in the above proforma as available from the Draft Inspection Reports.

(Circular No.WM-29-DA-4822 dated 26-3-1975)

9) Regarding plan schemes eligible for Central Assistance, the materials required in the Columns – 9 (Want of utilization Certificate), 11(over issue of materials to works). 12 (Outstanding suspense amounts against Contractors), 13 (Recoverable expenditure from the Contractor, 14 (Other reasons), 18 (amount of assistance received from any other source), 19 (any other irregularity) of Form No.6 Prescribed in Para 10.05 of this Manual should be furnished separately alongwith Draft Inspection Report (Vide Item No.28 of the Title Sheet). These materials should be sent to Central Audit Supporting Section for utilizing for issue of Audit Certificate.

7.23 Duties and Responsibilities

The broad outline of responsibilities and duties of various categories of personnel as per the Manual of Instructions for Restructuring of cadres in I.A.&A.D (M.I.R) issued by C.& A.G is given below.

A. **Audit Officer**

- 1) Review of all regular contracts and of percentage of other agreements made since the last inspection.
- 2) Review of register of Revenue other than rents, including a review of the procedure for its assessments and realization, special attention being paid to cases where a short fall is noticed in the revenue derived from any particular property.
- 3) Review of the system and the extent of check measurements by Divisional and Sub-Divisional Officers and review of the Check measurement books by the Divisional Accounts Officer/Divisional Accountants.
- 4) Review of balance of stock system of acquisition of stores and of store verifications.
- 5) Review of accounts of manufacture operations.
- 6) Review of the banking arrangements to see that they are generally satisfactory.

Note;- It should be seen in particular,

- a) in whose custody the current cheque books are kept and by whom the cheques are filled in.
 - b) What stock of blank cheque books and receipt books is in hand, where the books are kept and what account is kept of them,. The balance of books in stock should be verified, and
 - c) Whether the certificate of count of cheques is duly recorded by the drawing Officer on each cheque book.
7. Review of the arrangements for the custody of Cash and withdrawal of money from the Cash Chest.
 - 8) General review of the account of works (the nature and extent of detailed scrutiny being left to the discretion of the inspecting Officer).
 - (a) Muster Rolls.
 - (b) Transfer entry Books.
 - (c) Suspense/Deposit Register.
 - (d) Schedule of Rates.
 - (e) Register of rents of buildings and lands.
 - (f) Establishment records.
 - (g) Monthly Accounts.

B. **Assistant Audit Officer - I**

1. Complete analysis of selected works with reference to sanction estimates, agreements etc. and Connected Books.
2. Material – at site account for selected works.

3. Examination of the register of Major and Minor works.
4. Disposal of special points referred by Central Audit.
5. Stock Accounts including general review of Stores Ledger, Bin-cards etc.
6. Complete checking of Contractor's Ledger for selected months.
7. Examination of abnormal rates quoted by Contractors.
8. Examination of arbitration cases.
9. Checking of extra or substituted items – deviation of rates etc.
10. Scrutiny of special repairs estimates.
11. Survey reports alongwith register of survey Reports.
12. Disposal of previous inspection reports.

C. Assistant Audit Officer - II

- 1) General review of cash book with reference to counterfoils of cheques/receipt books.
- 2) Tracing of receipts in cash books.
- 3) Remittance Book.
- 4) Checking of transaction in the selected months with cash book and other allied records.
- 5) MAS accounts and road metal returns in respect of works affected during the selected months.
- 6) Transfer entry book since last inspection.
- 7) Checking of contractors ledger for the affected works in the selected month including complete checking of the ledger since last inspection.
- 8) Examination of Tools and Plant register.
- 9) Register of leases/leases files.
- 10) Register of Muster Rolls/Muster rolls.
- 11) Register of licence fee of buildings and lands.
- 12) Register of agreements/work orders.
- 13) Test audit of sub-division.

D. Senior Auditor.

- 1) 25 per cent check of service books.
- 2) Complete checking of Pay and TA bills.
- 3) Checking of leave account of Government servants including leave salary and checking of increments.
- 4) Provident Fund accounts of work charged establishments and Group 'D' Government servants.
- 5) Log books of motor vehicles/construction machinery.
- 6) Suspense and Deposit registers.
- 7) Treasury bill book.

- 8) Register of Fixed charges.
- 9) Contingent Register.
- 10) Register of Service Books.
- 11) Register of interest bearing securities.

(Annexure – 2.9.1 of MIR)

Note:- It should be clearly understood that the introduction of this list is not intended in any way to diminish the responsibility of the Inspecting Officer for the supervision of the Inspection as a whole. It is within the discretion of the A.G.(Audit) to add other items to the list according to local needs and circumstances. It is also open to the Inspecting Officer to extend his personal scrutiny to any other points which in his opinion requires such scrutiny.

(OO No.WM-20-GI-1730 dated 27.7.1966)

The Audit Officer in-charge of the Inspection Party is not however precluded from making certain changes to be indicated by him in writing in the distribution suggested keeping in view the suitability of the individual official for the type of work in hand.

7.24 Important items of works requiring personal attention of the Inspecting Officer.

The following items of work also require the personal attention of the Inspecting Officer.

- (1) Review of the Divisional Accounts Officer/Divisional Accountant's objections as provided in Para 4.1.4 and 4.1.8 of MSO (A) 2nd edition.

The procedure observed by him in discharging their duties, and the results achieved should be reviewed by the Inspecting Officer who should further consider all objections recorded in the register of Divisional Accountants objections (Form-60), record his remarks against each item, and note for incorporation in his Inspection Report, for report to the Accountant General or for other suitable action. Any objection, which after discussion with the Divisional Officer where necessary, the Inspection Officer decides not to withdraw. When an objection is withdrawn, he should record (quoting rules if possible) the full reasons for taking such action.

Note:- 1) A few cases of leave granted to sub-ordinates should be examined and it should be seen that leave was not granted in any case before the applicant's title to it was certified by the Divisional Accounts Officer/Divisional Accountant and that the certificate was in order.

- 2) The check applied by the Divisional Accounts Officer/Divisional Accountant to TA Bills should be reviewed generally and it should be seen that they are scrutinised with care and before payments.
- 3) It should also seen with reference to the prescribed rules that standard rents as well as the allowances fixed for maintenance and repairs which are due to be reviewed during the period under audit were reviewed punctually and revised where necessary, a test check being applied to the calculations in a few cases for verification of their accuracy.

(2) Any arrears or confusion in the account work of the Division should receive the special attention of the Inspecting Officer, who in consultation with the Divisional Officer and the Divisional Accounts Officer/Divisional Accountant should devise the

remedies to be applied and report the same immediately for orders of the Accountant General.

(3) It should also be seen that irregularities brought to notice at the previous inspection as well as these noticed by the Divisional Officer or the Superintending Engineer at their respective inspection of Offices have been remedied, and that matters, the procedure relating to which was considered defective previously.

(4) Review of the arrangements for the custody of cash and of withdrawal of money from the cash chest.

V. RESULTS OF INSPECTION.

7.25 Drafting of Inspection Reports.

The results of the Inspection should be brought out in the manner mentioned in Para 6.1.20 of MSO (A) 2nd edition. The Inspection Report should be drafted carefully by the Inspecting Officer so that there may not be any necessity for redrafting the same at headquarters. It should be a constant endeavour of all concerned on inspection to see that the irregularities and objections are sorted out, well established and brought out prominently with a view to contributing as much as possible to the Audit Report. The Inspecting Officer should give greater personal attention to the final shape of the Draft Inspection Reports and that in all cases the money value of the objection is brought out in the Inspection Report invariably. Minor questions, which if not personally attended to by the Executive Engineer can lead to no harm, should find in the Test Audit Notes. Points which are neither so important so as to claim a place in the Inspection Report, nor so trivial as to be relegated to the Test Audit Note should be collected together, and should appear as an Appendix to the Inspection Report. The Inspection Reports should be as brief as possible. The Inspection reports should not be completed before the Inspecting Officer leaves the office inspected and it should not be signed until the officer-in-charge of the office (or any other officer acting on his behalf) has been given the opportunity of reading and discussing it and suggesting any omission or modification. As the approved and final copy of the Inspection Report is issued from the headquarter office under the signature of the Audit Officer, the advance copy of the Report given to the head of the office on conclusion of Inspection of the office and at the time of discussion of the Draft Report should not contain any mark of authentication either by signature or initial of Inspecting Officer or any of the member of the party.

[Based on DAG (Works Audit), Puri Memo No.WM-1-20-Genl-736(10) dt.5.6.1965]

The Draft Inspection Report should be prepared in the following three parts in accordance with the provisions contained in Para 6.1.20 of MSO (A) 2nd edition.

Part-I (a) – Introductory

Particulars about the office of inspection, period of inspection, scope of inspection etc. as given in Appendix – XI and just below the appendix an introductory containing the particulars about the objectives of the auditee unit, schemes going on/completed during the year, funding pattern and physical & financial progress of each scheme/project are required to be furnished in this part

[Authority: Memo.No.Vetting-GL-Circular/149 (33) dated 04.08.2009]

(b) Outstanding paras from previous IRs, in brief.

The Inspecting Officer should try to settle as many outstanding paras as possible by personal discussion. Out of the unsettled paras, the more important to develop ultimately into Draft Paras for the Audit Report, may be reproduced under this part with upto date position. Other important paras regarding the arrears and persistent irregularities in the maintenance of initial accounts records may with suitable modifications be incorporated in the current report and removed from the old ones. Other objections as are of a routine nature may be transferred to the Test Audit Note. This procedure may be followed to enable clearance of old Inspection Reports without resulting in omission to pursue the irregularities brought out therein. The discussion and settlement of the outstanding paragraphs of the earlier Inspection Report in respect of offices situated at a station visited by an Inspection Party but which are not selected for inspection should as far as possible be done by the Inspecting Officer during his stay at that station.

(c) Schedule of persistent irregularities. Irregularities persisting through years may be mentioned in the parts briefly giving reference to paras of various Inspection Reports.

PART - II

Section – A :- Consist of major irregularities which are likely to be materialised into Draft Paras for the Audit Report. Copies of such paras should be sent to the Group Officer by name with brief notes so that the objections may be pursued with the authorities concerned by special letter for expeditious processing of the Draft Paras. Copies of relevant materials to serve as key should invariably be furnished with the same.

Guidelines

Local inspection of P.W. Divisions/offices would be Audit Report oriented. On the last day of the Inspection, the Inspecting Officer may retain the Draft Inspection Report with him either after discussion with the Departmental Officer or before such discussion (if it is not possible to have the discussion on the last day). In case he likes to see some further records with reference to the replies to the Preliminary Objection Memos furnished by the Divisions/Offices, he may make the necessary minimum days in his tour programme for the purpose and write to the Headquarter office for post facto approval. In cases where any important or interesting points are detected which are likely to develop into Draft Paras for Audit Report, special steps should be taken to collect the required information and copies of relevant documents. If this will require a re-visit to the division office or a visit to the Direction offices, the Inspecting Officer should rearrange his programme under intimation to the Senior Deputy Accountant General (Works Audit & Projects). Such a para should come to Central Audit Office in a complete shape.

The intention is that, the inspection should be purposive and that more work should be done on the field directly in contact with the Divisional Officer to make the Inspection Reports and Draft Paras full proof and to the point. Collection of such materials/information at headquarters at a later date vitiates the correctness and accuracy of the Draft Para.

These guidelines are given with the intention of making the Inspecting Officer more involved on the finalization of Inspection Reports and Draft Paras and for this purpose they have been allowed more flexibility within reason with respect to their programmes for the purpose of visiting Controlling Officers/Governments / Headquarters or revisiting the Division.

[Conf.I Circular No.WM-20-Prog-2749 (5) dt.25.10.1975]

Section – B: – Objections or irregularities though not major or serious in nature but require to be brought to the notice of the higher authorities.

Part – III

Test Audit Note: Consisting of routine objections of minor importance to which should be attached a schedule of items settled on spot. The procedural irregularities in respect of which the head of the office has held out assurances about following correct procedure in future should be noted in this schedule.

Note: 1) The Draft Inspection Report on audit of receipts should be prepared separately in the same form as the Draft Inspection Report on Expenditure. Points to be seen in check of receipts during local inspection are given in Chapter 5 of this Manual.

2) While compiling the Inspection Report, the Inspecting Officers should express their opinion as to the state of accounts in the Division.

3) Materials should be collected by the Inspecting Officers in connection with review of selected scheme in accordance with the specific instructions by the office and brief notes thereon together with copies of relevant documents collected from the Divisional office should be sent separately.

4) A list of Machineries & Equipments transferred by the Division under inspection (during the month selected for Test Audit) to other divisions be prepared and sent to Central Office along with the Inspection Reports. This is required by the Central Office (concerned Audit Section) for advising the Inspecting Officer while visiting the division (s) to which such transfers were made for necessary check as to its incorporation in the books of the recipient division (s).

5) While drafting the Inspection Reports the Inspecting Officer should pay special attention to the following:-

- i) Arithmetical accuracy should be ensured in all cases.
- ii) Draft Inspection Report should be compared, carefully and incomplete sentences should be avoided in all cases.
- iii) Para of Draft Inspection Reports should be drafted after taking into account the replies furnished by Division/office to the Preliminary Objection Memos.
- iv) Outstanding paras of previous Inspection Reports should be settled as many as possible and position indicated clearly in the Draft Inspection Report.
- v) One third margin in the Draft Inspection Report should be left.
- vi) Paras should be arranged in order of importance.
- vii) Signature of the Inspecting Officer should be given in the last page of the Draft Inspection Report.
- viii) The factual position should be clearly indicated in the Draft Inspection Report bringing out the crux of the objections and financial implications involved.

[OM No.WA3-Genl-895(25) dt.25.10.1972 and Circular No.WA3-GI-272 dt.11.7.1975]

7.26 Discussion with the Head of the Office Inspected.

The Head of the office inspected will in most cases be present during the inspection. To this effect a request is usually made in the Inspection notice. The

Inspecting Officer of Public Works Divisions may also call on the Superintending Engineer when convenient for discussing with him any matters in which his personal interest or intervention is desired. All important controversial points should invariably be discussed (before embodying them in the report) with the departmental officers concerned in course of inspection with a view to their elucidation and settlement on the spot, if possible, consistent with sound financial and audit principles. The Inspection Report where necessary or where there is disagreement between the Inspecting Officer and the Departmental Officers should bring out also the views or explanation of the Executive Officer present at the discussion and the reason why the same could not be accepted by the former. The signature of the departmental officers should be obtained on the Draft Reports in token of this discussion. Where the discussion is not possible special reasons therefore should be briefly recorded. The object through out, it should be understood, is to establish personal and helpful relations with the administrative officers of the Government.

(Para – 5 of the O.O. No.B-340 dt.17.8.1949)

7.27 Records to be sent with the Draft Inspection Report.

(i). All rough sheets including requisitions, preliminary objection memos with replies etc. are required to be neatly arranged and kept in one file along with the Draft Inspection Report. The preliminary objection memos should be arranged para-wise like that of Draft Inspection Report and cross reference given both on the paras of Draft Inspection Report and Preliminary Objection Memos in pencil for facility of reference in Central office.

Along with the Draft Inspection Report a note (Title sheet) in the prescribed proforma in Appendix-XII should be forwarded by the Inspecting Officer containing the various details of the work done during the inspection and materials collected on the spot for use by Central Office.

(Circular No.WM-20-Genl-5274 dated 30.12.1968)

(ii). Besides, for creation of data base in the central office, information in the prescribed proforma in Annexure-E should be collected from the auditee unit and furnished.

(iii). Information/materials containing the details of recovery suggested by Inspection Party, accepted by the auditee and recovery effected on the instance of audit with the details of voucher No. and TEOs etc should be furnished in the proforma given below. A register for each wing should be maintained in Vetting Section for posting the information/data received through the D.I.R by the Auditors and the Assistant Audit Officer shall monitor to ensure the Implementation of the item of the work effectively without fail. The data in the register shall be consolidated and put up to Branch Officer monthly and the Group Officer quarterly.

PROFORMA

Name of Auditee Units	Ref. of IR No./ Year	Ref. to Para No.	Objection contained/ recovery in brief.	Amount of recovery			Ref. to Vr./ MB/ TEOs
				Amount raised by Audit	Amount accepted by Auditee	Amount effected by Auditee	

Note:- Reference to POM may please be quoted in respect of current D.I.R. regarding recoveries suggested, accepted/to be effected.

[C&AG's letter No.313-Rep-(S)-74-2007 dated. 13.3.2007 circulated in DAG (W.A&P) Memo No.Vett-Gen-Circular-32 (25) dated. 25.4.2007]

(iv). **Certificates:**

(a) On Implementation of Minimum wages Act. 1948 to ensure that minimum wages fixed by the Central / State Governments from time to time is paid to the labourers/workers engaged by the agencies. The Inspecting Officer should entrust checking of the item to one of the party personnel during the course of Inspection.

[C&AG's circular no.2-Audit (AP)/ 30-2006 & No. 35-Audit (AP)/30-2006 dt: 11.4.2007 circulated in DAG (WA&P)-Memo No.Vett-Gen-Circular-35 (20) dated. 26.4.2007 and Memo No.Vett-Gen-Circular-60 (35) dated. 15.5.2007]

(b). On Quality and Reliability of evidences for Inspection Report regarding collection and submission of all Key documents alongwith the D.I.R.

(c). The Inspection Parties are required to examine the issue relating to fraud and corruption during the course of inspection and the Inspecting Officer should furnish certificate of assurance alongwith the materials/data, if any, on detection of indicators of fraud and corruption alongwith the D.I.R. The materials / data received from the field parties should be consolidated in Vetting Section for onward transmission as materials for half yearly report for half-yearly ending on 31st March and 30th September to Headquarters office by the Accountant General.

[C&AG's letter No.126/Audit (AP)-1-2004-dated: 6.9.2006 circulated in DAG WA&P) No. Vett-circular-F&C-2007-08- 177(40) dated: 01.08.2007]

VI. TREATMENT OF DRAFT INSPECTION REPORT IN CENTRAL OFFICE

7.28 Register for watching Receipt and disposal of Inspection Reports.

A Register in the following proforma (SY-336) should be maintained in the concerned section to watch the disposal of the Draft Inspection Reports.

The Register should be submitted to Branch Officer fortnightly on 5th and 20th of every month and to the Group Officer on 7th of each month to watch the disposal of Draft Inspection Report.

Register for watching the Receipt and Issue of Inspection Reports

Sl. No	Name of office inspected	Names of Inspecting Officers and staff	Month upto which the account is now audited	Date of audit		Due date for receipt from the Inspecting Officer	Particulars of reminders issued in case of non receipt of IR by the due date
				From	To		
1	2	3	4	5	6	7	8
Date of receipt of draft report	Date of submission to AO/DAG	Date of approval	Date on which sent for type	Date of return from type	Date of issue	Reference to Progress Register	Remarks
9	10	11	12	13	14	15	16

Note: 1) Other modes of disposal of Draft Inspection have been described in Section – VI of Chapter 15 of this Manual.

2) The Draft Inspection Report after scrutiny by the Section should be put up to the Branch Officer/Group Officer with a check slip vide Appendix-XIII duly filled up.

7.29 Issue of Inspection Reports.

(i) The report after approval should be neatly typed in triplicate and issued to the offices concerned and to Government where necessary over the signature of the Branch Officer concerned.

(ii) The report will be issued in duplicate, one to the Executive Engineer and the other to the Superintending Engineer or the Chief Engineer in cases where the divisions are directly under the control of Chief Engineer, inviting the special attention of the latter to the important items or serious irregularities, or other points requiring special or prompt attention of the higher authorities. The third copy is for use in Section. The Executive Engineer will send the first reply direct to Audit with a copy thereof to the Superintending Engineer or Chief Engineer as the case may be. Further remarks of audit on the first reply received from the Executive Engineer, indicating to the latter cases where his specific comments are necessary. The reply of the Executive Engineer to the further remarks of audit will be sent through the Superintending Engineer or Chief Engineer as usual. The Superintending Engineer/Chief Engineer, on receipt of reply from the Executive Engineer shall examine and after his marks, if any, on each case but his specific comments on cases marked by audit inviting his attention should be offered invariably to Audit. Further rejoinders upto finality of the Report shall be replied to, through the Superintending Engineer or Chief Engineer, as the case may be

[DAG (Works), Orissa, Puri No.WM-24-14-Simp-4749 dated 27.8.1969]

(iii) Paras of the Draft Inspection Report requiring special attention of the Divisional Officer/higher authorities as ordered by the Group Officer should be taken up separately with the respective authorities through special letter or D.O. letter as the case may be.

A copy of the Report need not be forwarded to the Government in the ordinary course, only those items will be reported to Government which the Superintending Engineer/Chief Engineer is unable to or does not settle to the satisfaction of the A.G. or which is necessary to report, in view of possible inclusion in the Appropriation Accounts/Audit Report or for any other special reason. Every case reported to Government for orders should from the subject of a separate reference which should be self contained indicating specifically, the points on which the orders of Government are sought.

(iv) While issuing the Inspection Report it should be signed by the Branch Officer. While forwarding the extract of the Inspection Reports to the higher authorities, it should also be ensured that the extracts of the reports are certified “True Copy” by the Assistant Audit Officer. The Branch Officer should invariably put his signature at the end of the report.

(v) The Test Audit Note after scrutiny and after inclusion of any further Para (s) taken out of the Draft Inspection Report should be issued from the headquarter office.

(vi) If there are no paras for an Inspection Report, a letter should be issued to the Superintending Engineer/Chief Engineer concerned reporting the fact of inspection and stating that the minor defects noticed are being taken up separately with the

Executive Engineer concerned through Test Audit Notes and that the general state of accounts of the Division is satisfactory. No reply to this letter is needed.

VI. PURSUIT OF OBJECTIONS

7.30 Outstanding Inspection Reports and settlement of items of objections including outstanding paras of IRs.

The receipt of replies to the Inspection Report till the final settlement of all the outstanding paras thereof should be watched through a register maintained in the Section. The register should be kept upto date, noting the action taken against each of the outstanding paras and the same should be submitted on 5th of every month to the Branch Officer and quarterly to the Group Officer on 7th April, July, October and January alongwith memo of review showing:-

- i) Opening balance of outstanding Inspection Reports/Paras.
- ii) Further paras added during the month.
- iii) Total .
- iv) No. settled during the month.
- v) Closing balance with year wise analysis.

In addition to watching the receipt of replies to paras of Inspection Reports the Register should also be used to watch the replies to special letters issued to the Divisional Officer or higher authority as decided at the time of scrutiny of draft inspection reports and every monthly closing of the register should also indicate the outstanding position of the special letters also.

(Office Memo No.WM-20-Genl-1140 dated 12.1.1963)

7.31 Test Audit Note

The Test Audit Note does not require reply in detail but it should be verified at a subsequent inspection that adequate notice was taken of it.

7.32 Disposal of the replies to the Inspection Reports.

The replies to the Inspection Reports should be carefully scrutinised and paras of the Inspection Reports should be dropped only under orders of the Branch Officer. Specific cases of objection of important nature should be dropped under the orders of the Group Officer. Replies to the paras which require further verification or examination of papers in the Divisional Office should be specifically brought to the notice of the Inspecting Officer during next inspection of the Division.

Note:- The paras that have been dropped on the basis of replies furnished to Inspection Reports should be indicated specifically in the re-joinder issued to the Inspection Report for information of the Divisional Officer.

(Memo No. WM-20-Genl-3081 dated 30.12.1964)

7.33 Review of old Inspection Reports and settlement of outstanding paras thereof.

The following procedures should be adopted by the Inspecting Officers during local inspection of the Divisions/ Offices for review and settlement of old Inspection Reports.

- (i). Old paras with low money value should be written off.

(ii). Paras which do not have relevance beyond the year in which they proposed should be deleted.

(iii). Paras with similar nature should be consolidated especially when they belong to the same field formation.

(iv). Paras for which reviews have been proposed should be included in the review and should be deleted.

[Authority:- H/Qrs-DO. No. 68 (Rep)-(S)-19/2004 dated. 22.01.2004]

(v). The I.R should not contain objections more than 3 to 5 years old and all efforts should be made by the Inspection Parties either to settle the objections through discussion or transfer them to the current Draft Inspection Report.

[Authority:- H/Qrs DO. No. 27-Audit (AP)-34/2001 dated. 4.6.2002]

(vi). The paras appeared in the Audit Report have already been discussed in PAC may be treated as settled and objection books revised accordingly.

[Authority:- Minutes of the Group Officers meeting held with A.G on 13.8.2004]

The old outstanding Inspection Reports of the previous years should be reviewed by the Section dealing with Inspection Reports half-yearly, with a view to closing the following types of paras.

(vii) Paras indicating recoveries of outstanding dues on account of hire charges etc. which have been reported or included in similar paras in subsequent Inspection Reports.

(viii) Paras indicating defective maintenance or non-maintenance of different registers and records in the Divisions which has been included in the subsequent Inspection Reports in Part-I(C) persistent irregularities.

(ix) Un-important objections such as procedural lapses and omissions pointed out to Divisions for future guidance.

(x) Petty over payments pointed out which can be waived by audit.

A Register in the following proforma should be maintained in the Section dealing with Inspection Reports to record the results of review of the outstanding paras of Inspection Reports. After review of the Reports, the Register should be submitted to the Branch Officer with a covering note suggesting the paras that may be dropped and the paras which may remain as outstanding. Branch Officer should pass necessary orders and doubtful cases should be put up to the Group Officer for orders.

Proforma

Sl. No.	Name of the Division	No. & period of IR and No. of paras outstanding	When reviewed by AAO	Paras dropped as a result of review with reference to orders of BO/Sr.DAG (WA)	Paras still outstanding	Remarks
1	2	3	4	5	6	7

(xi). Transfer of objections to respective Departments.

The instructions issued by the C&AG in his letter No. 46 – Rep-(S)-285/2008 dated: 16.1.2009 reproduced as Annexure-F regarding settlement of paragraphs which remained outstanding in the Inspection Reports pertaining to more than 5 years by transfer of those paras to the respective Departmental Secretaries/ Chief Secretaries.

Paras relating to recoveries more than Rs.50,000/- may be reviewed separately and discussed by the Pr. A.G/ A.G with Finance Secretary.

Inspection Reports/ Paras relating to 2003-04 and onwards should be analysed Departmentwise and grouped based on the nature of audit findings and the paras may be discussed by the Pr. A.G/ A.G with the Secretaries of the Department concerned for corrective action having regard to the nature of findings.

7.34 Closing of Inspection Report Files.

When all the outstanding items of an Inspection Report have been satisfactorily explained and have been accepted or they have been incorporated in subsequent Inspection Reports, the report will be closed under the orders of the Branch Officer/Group Officer.

ANNEXURE – A

(Para 7.05)

Coy of letter No.974-TA. II/75-75 dated 4.6.1975 of the C&AG of India addressed to all A.Gs (Dy-WM-CAG-24-14(Con)-II)

Sub: Periodicity of P.W. Inspection.

Sir,

I am to invite a reference to this office letter No.789-TA.II/74-75 dated 25.6.1974 conveying the decision taken in the conference of AGs held in April 1974 making the periodicity of P.W. Inspection annual, unless for special reasons, it is considered necessary to have half-yearly inspection for some Divisions. The replies received from the AGs in this office indicate that some would still like to have half-yearly inspection in respect of some Divisions incurring heavy works expenditure (say above Rs.40/60/80 lakh).

In this connection, it is clarified that the intention of the decision in the conference of AGs is to make the inspection annual in all cases as a general rules, wherein AG would like to have half-yearly inspection he may do so, for valid reasons, like peculiarity of the transactions of the division, past experience, with reference to points like repeated non-observance of rules leading to frauds, persistent irregularities etc. In such cases, the AGs may for recorded reasons, have half-yearly inspection by furnishing list of such divisions to this office for information.

It is requested that the programme for the inspection of P.W. Divisions under your audit control for the year 1975-76 may kindly be drawn up in the light of the above instructions.

The receipt of this letter may kindly be acknowledged.

Yours faithfully,

Sd/-

(A. Rangachari) Joint Director (TA.II)

ANNEXURE – B

(Para 7.05)

Copy of letter No.789-TA.II/74-75 dated 25.5.1974 of the C&AG of India addressed to all Accountants General. (Dy-WM-24-14(Con)-24)

Subject: Periodicity of Public Works Inspection.

I am to invite a reference to Para 7 in the minutes of the conference of the Accountants General held in April 1974 on subject No.2 Reporting and Allied matters and to state that except where the A.G. for special reasons would wish to have half-yearly inspection, the P.W. Divisions might in future be inspected only once a year. More time may be allowed for these inspections than now given for each half-yearly inspection. In an office where the existing quantum of gazetted supervision of P.W. Divisions is relatively on the low side, the quantum of such supervision may need to be increased. Your concrete proposals regarding the P.W. Division Inspection connected in your office, in the light of the above decision may please be sent to this office early.

The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(S.Natarajan)

Joint Director (P)

ANNEXURE – C

(Para 7.05)

Copy of A.G.'s Note dated the 11th September 1975 addressed to Sr.DAG (Works) Puri. (Dy-WM-DO-20-Prog-793)

During my last visit to Delhi, ADAI (Headquarters) advised me that local inspection of Civil as well as Public Works Offices should be audit report oriented and for this purpose, if necessary, routine type of auditing could be deferred or dispensed with. He suggested that audit programmes should be drawn up keeping in view the audit points likely to emerge after preliminary studies at Headquarters. He was not in favour of audit programmes being drawn up or staff proposals being made with reference to any rule of thumb formula based on a fixed periodicity or mere volume of expenditure.

Senior Deputy Accountant General (Inspection Civil) and Senior Deputy Accountant General (Works Audit) Puri may see and discuss with me before chalking out the programmes for the third quarter of this year.

Sd/-

(R.K.A.Subrahmanya)

Accountant General, Orissa.

Copy of letter No.380-Codes-141/74/Gr.V dated 5.8.1975 from the Comptroller and Auditor General of India, New Delhi addressed to the Accountant General, Orissa, Bhubaneswar.

Subject: Arrear in local audit programmes not conducted during 1974-75.

Kindly refer to the Annexure-II to this office letter communicating approved provisions allowed for inclusion in the Revised Estimates 1974-75. It was requested therein that you may organise the local audit programme in such a way as to ensure that audit of bodies and authorities selected under Section 14 and 15, Corporations and other Institution audit of which is entrusted under Section 19 or under any law made by Parliament is completed accordingly to prescribed schedule. The review of scheme selected was also required to be completed with the existing staff. The balance of staff were then to be deployed on the normal OAD work which was to be phased in a suitable manner. In this context therefore the old yardstick of fixed schedules of annual or biennial local audit in respect of Institutions have been absolute and the concept of any "arrears" in local audit should therefore not arise. Our intention was that all institution should be covered in local audit over a period of time without any fixity of schedules. The period for which the Institutions which were not audited during 1974-75 would not be taken into consideration while working out priorities for further annual programmes.

As the emphasis is now on annual programming local audits consistent with available staff with a reorientation of frequency and periodicity, there should normally not be any audit programmes but not carried out.

You may kindly confirm that the annual programming of local audit is being done accordingly.

Yours faithfully,

Sd/-

(Vijay Kumar)

Dy. Director (Codes)

ANNEXURE – D

(Para 7.05)

Copy of DO No-673-RA.I/JD(TA)/75 dated 5.8.1976 from Shri T.Rangachari, Dy. C.& A.G., New Delhi addressed to Shri R.K.A.Subrahmanya, A.G. Orissa, Bhubaneswar (Dy-WM-DO-20-SP-76-77-174)

The question of a proper method of organising the local audit work of important/long duration audit inspection has been engaging our attention for some time past. It has come to our notice that in one case a party was entrusted with the local audit of a major organisation without even drawing up a detailed programme and without any attempt to brief the party or furnish the back ground material essential for local audit. Supervision at Section Officer and Branch Officer level was also not organised properly and frequent changes took place. The period of local audit was also found to be unduely long in several cases. It is, therefore, necessary to review the present system with a view to ensuring that programmes are drawn up and composition of local audit teams decided after careful consideration of all relevant factors. The planning of the work and selection of personnel at supervisory level should receive your personal attention and should not be left to be decided upon in a routine way by the officer-in-charge. In organising the work, you may please keep in view the following suggestions.

2. Ordinarily, the period of local audit should never exceed 50 working days. The composition of the local audit party should be determined keeping this in view and nature and complexity of the work of the office or the organization to be inspected. It

is also necessary to improve the operational level of the local audit party. At present local audit parties generally consist of one Assistant Audit Officer/Section Officer and two Auditors or two Assistant Audit Officer/Section Officers and one Auditor. This composition can be varied, particularly for major and important local audits and large number of Section Officer Grade Examination passed personnel subject to availability of qualified men can be provided. For really important local audits, even three or even four Section Officer can be drafted with one or two Auditors and full time Gazetted Supervision provided with a view to improving the quality of local audit and cutting down its duration. It is also imperative to ensure that before starting the local audit, the party undertakes a detailed and indepth study at the headquarters of the functions, nature and extent of activities and magnitude of its financial transactions of the office or organisation to be inspected. The Inspecting Officer should himself undertake some important original work and a brief description of the work done by each member of the inspection party should be kept on record. Detailed planning of the work should from its very inception be the personal responsibility of the supervisory officer at the level of the Deputy Accountant General/Senior Deputy Accountant General who should also ensure effective supervision of the inspection work and provide necessary guidance. It has to be ensured that the supervision is meaningful and effective. Sporadic visit by the supervisory officer for a day or so after long spells does not serve any useful purpose. Much closer supervision by DAG/Sr. DAG (Inspection) would be desirable, particularly in the second half of the inspection of major departmental offices and other organisations. It is also necessary to ensure that the personnel of the local audit party, particularly Assistant Audit Officer/Section Officers and Audit Officers are not changed in the midst of an inspection. A case has come to notice in which the Inspecting Officer was withdrawn in the midst of local audit of an important and major organisation for being posted as the Branch Officer in the headquarter office. It is needless to say that such changes seriously affect the efficacy of local audit.

In the light of what is stated above, I request you to kindly review local audit arrangement in your office and organise the work with a view to ensuring that in every important long duration of local audit, our party goes reasonably prepared and briefed from the headquarters office and that the supervision is closed. It should be the responsibility of the inspecting officer and the supervisory officer to ensure that best use is made of the material thrown up in the local inspection. We have also to ensure that we do not draw unconsciously over a local inspection. In all cases in which it is considered absolutely necessary to allow a local audit party more than 50 working days, full facts of the case with detailed justification should be reported to this office.

Kindly acknowledge receipt of this letter.

ANNEXURE – E

[Para-7.27 (iii)]

DATABASE INFORMATION

INFORMATION FOR I.R. MONITORING FOR THE YEAR.....

1.	I. R. No. / Year	
2.	Name of the Division/ Office	
3.	Name of the District	
4.	Name of the Department	
5.	Telephone No. (with STD Code)	
6.	Inspection Period	
7.	No. of working days	
8.	Name of the Inspecting Officer	
9.	Name of the Assistant Audit Officer	
10.	Total expenditure during the financial year (works)	
11.	Upto date expenditure (at least three major works)	
	1.	
	2.	
	3.	

Inspecting Officer

(To be filled by Vetting Section headquarters)

12.	Date of I.R due for submission.	
13.	Date of receipt of IR in Vetting Section.	
14.	No. of part-II-A Paras identified in the I.R and work name.	
15.	Name of the contributor	
16.	Money value of Part-II-A paras	
17.	No. of part-II-B Paras identified in the I.R	
18.	Money value of the Part-II-B paras	

Senior Audit Officer/ Vetting

Annexure – F

Copy of C&AG's letter No. 46- Rep (S)/285/2008 dated. 16.1.2009 addressed to all concerned.

Sub: Pendency of Inspection Reports/ paragraphs.

Settlement/ pendency of outstanding Inspection Reports/ Paras is a great concern for field offices. Headquarter office has reviewed the position of pendency and taken a view about retention or for follow up action of paragraphs contained in the Inspection Reports within the concerned departments. It has been decided that:

As a one time measure, all outstanding paragraphs in the Inspection Reports pertaining to the period more than five year (2002-03) may be reviewed and except cases where in recoveries are involved. Cases which are under discussion by the PAC/COPU and paras which are still valid (for instance. Projects which may have been taken up a decade back. But are not yet complete despite significant expenditure due to lack of approvals or poor design etc.) may be forwarded to the respective departmental Secretaries/ Chief Secretary with a request for necessary follow up in each case.

Paras relating to recoveries may be reviewed separately cases wherein the amount involved is significant say over Rs.50,000 the paras should be discussed by the concerned Pr. A.G/ AG with the Finance Secretary. Procedure for Audit Committee mechanism may be revised for taking appropriate/ necessary action in a time bound manner to pursue and settle the paras for recovery of the amounts.

Inspection Reports/ Paras relating to 2003-04 and onwards may be analysed department-wise and grouped based on the nature of audit findings like taking up projects without approvals, time and cost overrun, diversion of funds, infructuous expenditure etc. These may be discussed by the Pr. AG/ AG with the Secretary of the department concerned for specific corrective action having regard to the nature of the audit findings.

Only such paras should be included in Part-II A of Inspection Report which can be developed further for Audit Report of the same year or within the next two years.

Appropriate mechanism should be put in place or evolved to hold the officers accountable for the quality of work produced by the office during reporting period. All cases where 'Nil' reports are given by the field parties consistently or cases where mortality of the paras in Part-II-A is high need to be monitored closely and viewed seriously by senior officers in the office.

CHAPTER – 8

RESIDENT CONCURRENT POST AUDIT

I. General

8.01 Centralised system of Accounts for big Engineering Projects.

The Hirakud model of centralized system of payments and accounting is to be adopted for all future Engineering Projects costing Rs.5 crore and more sponsored by the State Government of Orissa subject to prior concurrence of the Accountant General for introduction of the centralised accounting procedure to be followed in each project.

[C&AG's letter No.1603-T-Admn.II/257-64 dated 26.9.1964 addressed to AG, Orissa copy received with Memo No.TM-BO-Works-1218 dated 18.10.1964 (WM-46-4-Vol.II)]

8.02 Duties and responsibility of R.A.O.

(1) The Resident Audit Officer will be in charge of the office as a whole. He will be responsible for the smooth and efficient conduct of work in the office and for seeing that the Registers and Records in the Section are kept upto date and the work is not allowed to fall into arrears. He is responsible to see that proper relationship is established and maintained among the staff of the office and those of the office of Financial Advisor and Chief Accounts Officer, on which depends the satisfactory completion of the Resident Audit work. He should also keep himself abreast of all important matters concerning the project and keep the Senior Deputy Accountant General (Works Audit & Projects)/ Accountant General (Audit) informed of the same and obtain his instruction, whenever necessary.

(2) He is to devote 50 *per cent* of time in local inspection of Divisions as may be allotted under orders of the Senior Deputy Accountant General (Works Audit & Projects) from time to time. As far as possible all important cases communicated to Government shall be routed through Senior Deputy Accountant General (Works Audit & Projects).

[OBB (Br)-2 dated 28.12.1976]

(3) The Resident Audit Officer is to maintain the Registers and Returns as specified in Annexure-A and B.

(4) A report should be sent to C & A.G. annually by the first week of May covering the period to end of March. It should include inter alia, the following points.

- i) The amount of expenditure incurred on the project upto the end of the last financial year and the amount budgeted for the year under report.
- ii) The number of divisions formed upto the end of the previous year and the number estimated to be added in the current year.
- iii) The percentage of audit conducted and whether any change therein is recommended by the Accountant General.
- iv) Whether the work is current or in arrears, in the later case important arrears should be mentioned (with a rough computation, if possible, as the number of mandays in which they should be cleared).
- v) Whether the project estimate has been sanctioned by Government. If not, an assessment of the prospects.

- vi) Whether any financial stock taking has been done and if so, with what results.
 - vii) The number and value (roughly) of the estimates that had not been sanctioned but on which work has already commenced. The amounts placed under objection for (a) want of estimate and (b) excess of estimates.
 - viii) Whether works are executed on contracts after inviting tenders. If not, the method followed, with the Accountant General's comments thereon.
 - ix) The general conditions of accounts with particular reference to (i) Stock, manufacture accounts (ii) reconciliation of Priced Stores Ledger (iii) Posting of Register of major works and materials site accounts (iv) suspense accounts and (v) workshop accounts and ;
 - x) The number of Audit Notes remaining unsettled.
- (5) In addition to the above, it would be useful to include, very briefly a gist of the very important points discovered in audit. Ordinarily only such cases may be considered for inclusion as are likely to find a place in the Audit Report on the Appropriation Accounts or arise by way of higher audit suggestions of equal importance.
- (6) The most valuable portion of the Report will be "General Remarks" at the end of the Report.

[Based on C&AG's Memorandum No.3523-Admn.II/288-57 dated 25.11.1957 (Dy-WM-46-6-RA-189/CAG)]

(7) The above review may be discontinued in the case of the projects where quanta of audit and review as laid down in the C&AG's Circular No.3693-Tech-Admn.II/214 dated 5.12.1966 have been adopted vide Para 8.05.

[Based on C&AG's letter No.1334-Admn.II/193-68 dated 12.6.1968 received with M.O. letter No.Control-DNK-2-35 dated 9.7.1968 (Dy-WM-46-14-2052)]

ANNEXURE – A

(Para 8.02)

- 1) Attendance Register
- 2) Calendar of Returns
- 3) Casual Leave Register
- 4) Dead Stock Register
- 5) Despatch Register
- 6) General Note Book
- 7) Half Margin Register
- 8) Inward Diary Register
- 9) Inward Diary of Express letters and Telegrams
- 10) Outward Register
- 11) Progress Register
- 12) Pending Case Register
- 13) Register of Cases

- 14) Reminder Register
- 15) Register of Theft, Losses etc.
- 16) Register for watching opening, transfer and closing of circles, divisions and sub-divisions.
- 17) Register of Appropriation of Funds
- 18) Register of Agreements
- 19) Register for watching the disposal of Control Board proceedings
- 20) Register of disposal of Inspection Reports.
- 21) Register for watching completion of Audit Registers and Records of FA & CAO and divisions.\
- 22) Register of cases for discussion with FA & CAO
- 23) Stock Register of stationery and forms
- 24) Section Officer's Note Book
- 25) Transit Register
- 26) Voucher Selection Register
- 27) Register of Tour Programmes
- 28) Waiver Register
- 29) Register of points to be seen during local Inspection
- 30) Register of outstanding Inspection Reports and paras of Inspection Reports
- 31) Register of good work and bad work
- 32) Register of volume of statistics for work done
- 33) Register of noting important irregularities including that to be incorporated in the Appropriation Accounts and Audit Report
- 34) Parts II to IV of Works Register
- 35) Other relevant Registers and Records prescribed from time to time.

ANNEXURE – B

(Para 8.02)

I. Monthly

- a) Consolidated Accounts compiled by Divisions where category 'D' projects exist.
- b) Report on serious & interesting cases under Para 7.1.7 of MSO (A) 2nd edition.
- c) Extracts from the Register of serious irregularities likely to be included in the appropriation accounts.
- d) Extracts from the Register of financial irregularities.
- e) Cases of losses and defalcations.
- f) Cases of abandonment of claims and remission of revenues.

- g) Report on cases of refusal to ex-post facto sanction by the Finance Department.
- h) Extracts from the "Dictionary of References etc."
- i) Appropriation Audit Certificates should be furnished in respect of expenditure on works/suspense quarterly upto September and thereafter monthly during a year.

II. Quarterly

- a) Statement of outstanding Audit objections (Statements in duplicate).
- b) Statement of expenditure incurred out of advance from the Contingency Fund.
- c) Report on the points for investigation by the Director of Inspection.

III. Half-yearly

- a) List of important and interesting cases which are to be digested.
- b) Report on the audit of grants-in-aid.

IV. Annual

- a) Statement showing the details of major works, which are completed during the preceding financial year on which there were large savings against approved estimates.
- b) Statistics regarding volume of work done in Audit Office
- c) Report on changes in classification which have affected the accuracy of budgeting and which appeared to hamper control over expenditure.
- d) Financial stock taking report of the project.
- e) Grant statement.
- f) P.W. Finance schedules.
- g) Administrative Accounts.

Note: A report should be sent by RAO by 10th April every year to this office after conducting a detailed review on the staff position of the Resident Audit Organisation keeping in view the instructions contained in CAG's letter No.3693-TA.II/214-65 dated 5.12.1966. The report duly examined will be sent to Accountant General (Audit) Orissa by 15th April for onward transmission to the CAG by 30th April.

[CAG's letter No.1766-TA.II/56-57 dated 21.7.1967 and AG, Orissa letter No. TM.II-BO/Works (1)-961 dated 13.3.1978 (Dy-WM-46-14-1976)]

8.03 Relationship with Central Office

- (1) The procedure of payment of salary and other bills of the Resident Audit Officer and his staff, opening of an imprest account for the Resident Audit Office, supply of copies of important orders and stationary etc. will be such as will be decided from time to time.
- (2) The Resident Audit Office is required to furnish to Central Office a monthly Report of work done and of the State of works of his office and to keep it informed of all important points that come to notice in course of audit and to obtain orders on all important questions.

8.04 Relationship with FA & CAO/Director of Accounts.

All the normal audit and accounting functions of a combined Audit and Accounts office are fully exercised by the FA & CAO under the special system prescribed for the project. Before payment the FA & CAO has to satisfy himself that all expenditure is incurred on proper authority and is covered by provision of funds in the Appropriation Act, i.e. properly vouched for, is correctly classified, conforms to the estimates and sanctions and that the accounts are correctly prepared and classified. He does audit against appropriations and will issue warning slips, where necessary, and is to see that all expenditure is incurred with due reference to the general principles of financial propriety. He maintains objection books in which he records money value of all items placed under objection by him on his own initiative or on the basis of an objection communicated by the Resident Audit Officer. The results of audit work conducted by him will ultimately have to be dealt with in the same way as the results of audit conducted by IA & AD in so far as report to Central/State Government/Parliament/State Legislature is concerned.

The audit work of the Resident Audit Office will cover the same ground which has been covered by the FA & CAOs office but in varying proportion as found necessary for each item of work. As there is a complete identity of interests in working of both the offices, it is desirable that there should be harmonious relations between the two offices in regard to detecting an irregularity and regularizing the same.

The FA & CAO is to arrange for speedy and timely supply of all records whenever indented for by the Resident Audit Officer and his staff.

As regards the method of communicating the results of Audit, the RAO should communicate all his audit objections to the FA & CAO who is responsible for dealing with all audit objections. Cases where there is difference of opinion, after discussion informally at various stages and if the RAO feels that his points should be pressed, he should discuss the point with the FA & CAO and if he can not come to an agreement with him, brief points of the case as recorded by him together with the opinion of FA & CAO should be submitted to the Senior Deputy Accountant General (Works Audit & Projects) for his decision as to whether the views of audit should be formally communicated to the FA for further action.

III. PRINCIPLES, RULES AND PROCEDURE OF AUDIT.

8.05 Introduction.

Audit is conducted with reference to the directions contained in relevant codes and manual issued by the C&AG, Government and the rules for conducting residential concurrent post audit. The rules prescribed by the C & A.G. in his letters No.1932-Admn-575-3 dated 8.7.1950 and No. 3693-TA.II/214-65 dated 5.12.1966 have been reproduced as Annexure-C & D. In conducting audit the instructions contained in the Financial and Accounting Hand Book of the project and office orders issued by the FA & CAO for the guidance of his staff should also be born in mind.

For the facility of exercising a uniform quantum of Audit and Review of the different classes of vouchers and other important records, the projects are divided into the following four categories.

1) Category 'A' Projects where the F.A. & C.A.O./Director of Accounts conducts cent percent pre-check except for petty payments, Muster Rolls etc. and payments are also centralized with him.

2) Category 'B' Projects where pre-check is conducted by the F.A. & C.A.O./Director of Accounts (except for Muster Rolls etc.) but payments are made by the Divisional and Sub-Divisional Officers and accounts are rendered by them to the F.A. & C.A.O. for consolidation.

3) Category 'C' Projects where the F.A. & C.A.O. pre-check certain running and/or Final Bills only or no pre-check is conducted by him at all and the payments are made direct by the Divisional/Sub-Divisional Officers.

4) Category 'D' Projects without F.A & C.A.O's Organization but having a Resident Audit Office or where the Divisions of the Project submit compiled accounts to the Accountant General just like P.W. Divisions.

Note:- C & A.G's orders of 08.07.1950 are not applicable to the A to C Category Projects.

(C & A.G's letter No.3693-TA.II/214-65 dated 05.12.1966 (Secret) received with A.G., Orissa letter No.TM.BO-Works-2394 dated 19.01.1967 (Dy-WM-46-14-5681).

8.06 The audit checks by the Resident Audit Officer are exercised at three stages viz.

- i) In the Resident Audit Office.
- ii) In the Office of the F.A. & C.A.O.
- iii) In the Divisional and other Offices.

The detailed procedure of audit conducted at each stage has been described in subsequent Sections. The checks to be exercised in the Resident Audit Office and the Office of the F.A. & C.A.O. are effected simultaneously as far as possible.

8.07 Outlines of procedure of Audit:-

The general outlines of the procedure of audit briefly stated are as follows:-

(1) All sanctions received are checked and admitted in audit after approval of the Resident Audit Officer or the Senior Deputy Accountant General (Works Audit & Projects) / Accountant General (Audit) as detailed in Para 8.09 infra.

(2) All vouchers, chalans or other details in support of the transactions upto tenth of a month will be sent by the FA & CAO with a covering list for each category to the Resident Audit Office by the 15th of that month and those pertaining to transactions for the rest of the months with the monthly accounts viz. by 10th of the following month.

(3) The following schedules received with monthly accounts of the FA & CAO shall be sent by the Resident Audit Officer to Accountant General (A&E) for the purpose of compilation and consolidation of accounts and posting in the Broad sheets of Remittance and Deposit Heads.

- (i) Schedules of revenue/Refunds of Revenue/R.R. on capital account.
- (ii) Classified abstracts of expenditure.
- (iii) Schedule of Remittance paid into Treasuries (in duplicate).
- (iv) Schedule of cheques drawn (in duplicate).
- (v) Schedules referred to in item (v) to (xxi) of Para 22.4.4 of CPWA Code, Schedules referred to in item (xiii), (xiv) and (xvii) in Forms No. 77, 76-A and 76-B (in duplicate).

- (vi) Schedule of monthly settlement with Treasuries Form-51 in duplicate with supporting consolidated Treasury Receipt and Certificate of issues signed by the Treasury Officers.

Besides, all documents (schedules and vouchers etc.) relating to all transactions adjustable in the books of other Departments, divisions or Governments should also be sent by the Resident Audit Officer alongwith the above accounts and returns.

Note: Regarding the procedure of collection of the schedule at (vi) and its audit procedure please see Para 6.24 of this Manual.

(OBB (Br)-2 dated 28.12.1976)

(4) The monthly works registers maintained by the FA & CAO separately for each division or other offices are utilized in audit for the purpose of schedule docket Form-61. The original suspense and Deposit Registers etc. maintained by the FA&CAO are checked in audit in lieu of the corresponding schedules received with the monthly accounts in a combined Audit and Accounts Office. The works registers (Part-I) maintained by him in form MSO (Technical)-108 are audited in lieu of schedule of works expenditure (Form CAPWA – 64).

(5) The vouchers of the Project are arranged by the FA & CAO Division-wise according to the dates of payment and not works. The transfer entries excepting those initiated by FA & CAO's office are also arranged division-wise. The Transfer Entries which are effected by the FA & CAO comprise mostly the transfer transactions pertaining to debits received from other Accounts Circles through Audit Office and are kept in bundles for the project as a whole.

(6) At the time of audit the total number of vouchers and Transfer Entries pertaining to a Division or other office is verified with reference to the Monthly Work Register and compilation sheets maintained in the office of the FA & CAO and wanting vouchers and T.Es called for from that office.

(7) Vouchers etc. to be audited arithmetically checked and reviewed by Assistant Audit Officer through a separate register in Form-SM-1 for Audit and Review in which a certificate of completion of audit and Review by the Assistant Audit Officer and Resident Audit Officer is also recorded.

(8) Accounts records maintained in Divisions, Sub-Divisions, and other offices are scrutinised during local inspections. Points arising in Central Audit which require further investigation with reference to the records of a Division or other office are recorded in a Register for investigation during local inspection.

8.08 Record of objections.

Under Para 3.1.22 of MSO (A) 2nd edition any objection taken in Audit in respect of a voucher or any item in a schedule or other account should be recorded thereon in red ink. Those instructions are primarily meant to be followed in the cases of vouchers, schedules, and other account records received and filed in the combined Audit and Accounts Office. In the present set up of audit in the project the FA & CAO is the custodian of all vouchers. Similarly, the schedules mentioned in Rule-8 of the Rules for conducting Residential concurrent post audit, 1950 (Annexure-C) are not required to be sent to audit, instead, the registers themselves maintained for the purpose are scrutinized locally by the audit staff on such registers, documents etc. is not strictly necessary for the guidance of the audit staff, on the other hand such entries make them clumsy. For this reason, all objections raised in audit are recorded in

separate sheets, but in order to facilitate subsequent reference and disposal of replies to the Audit Objections, the rubber stamp audit encasement, recorded on the vouchers should contain reference to relevant item numbers of the list of objections. Again, so far as registers are concerned, the audit encasements for each month is made month after month in a few blank pages set apart at the end of the Register instead of in the body of the Register. These arrangements will ensure neatness and legibility of the entries in the vouchers and registers and at the same time, retain a record of objection for future reference.

ANNEXURE – C

(Para 8.05)

Rules for conducting Residential Concurrent Post Audit of Big Projects:-

Note:- The directions in this rules are primarily for the guidance of staff employed for conducting Residential Concurrent Post Audit of big projects and they supplement the directions embodied in the various Codes and Manual issued by the Comptroller and Auditor General.

Note:-2) All the auditors will be posted at the headquarters of the RAOs office which will be located at the headquarters of the Accounts Officer of the Project. The audit will be done by the Resident Audit Office with reference to the records available in Accounts Office, supplemented by half-yearly local inspections of the Divisional Offices for inspection of initial records.

All the payments arising in the Divisions including Division not situated at the headquarters of the Accounts Officer are subject to pre-check by the Accounts Officer before payment.

Note:-3) The procedure for audit prescribed in these rules may be changed with the prior concurrence of the Comptroller and Auditor General of India to suit local conditions or where a Financial Advisor and Chief Accounts Officer or a Chief Accounts Officer has been appointed for carrying out internal check and accounting.

1) Schedule of Rates – A copy of the upto date sanctioned Schedule of Rates in force in each Division will be supplied to the Resident Audit Officer by the sanctioning authority. All corrections and modifications to the rates will also be intimated to him by the sanctioning authority as and when they are sanctioned. The Resident Audit staff may where necessary also obtain copies of analysis of rates on which the Schedules of Rates are based.

2) Abstracts of Sanctioned Estimates – Copies of the abstracts of all estimates including revised and supplementary ones, sanctioned by the Executive Engineer, Superintending Engineer, Chief Engineer and other higher authorities will be supplied to the Resident Audit Officer along with the monthly lists of sanctioned estimates or individually, as the case may be. These should be carefully filed and used for reference when checking work order, contracts, bills etc. The Divisional Office will in addition make the detailed sheets of the estimates available, whenever required by the Auditor.

3) Cash Book – The entries of receipts and payments in the original Cash Book of Sub-Divisional Officers and Divisional Officer will be checked fortnightly by the Auditor with supporting documents and vouchers. This will be taken up a week after the close of the Sub-Divisional Cash Books so that the vouchers and entries in the Cash Books are in the meantime subjected to the prescribed audit checks in the Divisional Office. The Cash Book of the Divisional Office will be checked twice a

month on such dates as may be fixed by the Accountant General to suit local conditions. The vouchers that are not usually required to be submitted to Audit along with the monthly accounts will be audited at the time of such periodical check of Cash Book.

Note:- Subsidiary Cash Books and Imprest Accounts maintained by the Sub-Divisional Officer and the Divisional Officer should also be checked once a month.

4) Labour Muster Rolls, Work – Charged Establishment Bills and Imprest vouchers.

Those will be audited by the Auditor at the time the Divisional and Sub-Divisional Cash Books are checked. It should be seen inter alia that specific provision has been made in the estimates for work to be done by labour and work charged establishments, that the provision is not exceeded without adequate sanction and that there is administrative sanction for the appointment of each individual member of the work charged establishment.

It should be seen that

- (i) the Muster Rolls contain acknowledgement of labourers;
- (ii) Part – III of the Muster Rolls form is duly filled up; and
- (iii) That there is evidence of the labour shown as employed on Muster Rolls having been checked by the Sub-Divisional Officer frequently and by the Divisional Officer (and the Chief Accounts Officer also if he is required to exercise that check) at least once a month.

5) Work Order, Contracts and order placed by letters.

Copies of all work orders issued and contracts entered into by the Sub-Divisional Officers and Executive Engineers should be submitted to the Resident Audit Office in weekly batches. In the case of work orders issued by the Sub-Divisional Officers,, the Divisional Officer should initial each work order in token of scrutiny. These documents should be checked in Resident Audit Office with the connected schedule of Rates/or estimates, and record for future reference in guard files, if otherwise in order. Separate guard file should be kept for each Major Work. Reference to number and date of vouchers on which payments have been made should be recorded on the relevant work order or contract as and when each voucher is received for detailed check. The Assistant Audit Officer should see at the time of his concurrent review, that the Auditor does not neglect this work. The review of the contracts executed by officer higher than the Divisional Officer will be done in accordance with the instructions and procedure laid down in Para 4.2.9 and 3.7.12 of MSO (A) 2nd edition.

6) Tenders :- During the review of tenders received, the Resident Audit Officer will see that the Rules prescribed in Para 95 and 97 of Central Public Works Department Code or relevant rules framed by the State Government have not been violated in any way.

7) Contractors Bills: - Audit of contractor's bills including suppliers bills for stores supplied or service rendered is done as follows. Every first and final bill, every hand receipt, every first running bill against a work order, contract or order by letter (thereafter, every fourth running account bill, if any and every final running account bill should be made over to the Assistant Audit Officer of the Residential Audit Office after payment, along with the connected documents viz. work order or contract (if not

already supplied) measurement books, estimates, contractors Ledger etc. for applying a complete audit and arithmetical check including an arithmetical check of calculations of ten *per cent* of the entries in measurement book.

Note:- 1) Every final bill in respect of contracts accepted by an officer higher than the Divisional Officer will be pre-audited by the Resident Audit Officer before payment is authorized in order to guard against over payment or short recoveries.

2) The auditor will, after audit, submit the vouchers to the Assistant Audit Officer within 3 days of receipt so that the vouchers and the connected records may be returned to the Divisional Office on the fourth day. All vouchers audited should be clearly enfacéd “Checked” by Auditor/Assistant Audit Officer and initialed by them. Vouchers above Rs.5,000/- only need be put up to the Gazetted Officer-in-Charge, vouchers below that amount being finally dealt with the Auditor and the Assistant Audit Officer but all audit objections should be issued only over the signature of the Resident Audit Officer.

8) Monthly Accounts :- The procedure outlined in Account Code volume-III for the compilation and submission of monthly accounts to the Accountant General (A&E) office will apply in toto , but the following schedules need not be submitted to the Resident Audit Office as the original registers maintained in the Divisional Office will be audited by the Resident Audit staff.

- 1) Schedule of Deposits (PWA Form 34 or 35)
- 2) Schedule of purchase (PWA Form 30 or 31)
- 3) Schedule of Miscellaneous Advances (PWA Form 32)
- 4) Schedule of Revenue Realised/Refunds of Revenue Receipts and Recoveries on Capital Account (PWA Form 9)
- 5) Schedule of Rent of Buildings (local Form)
- 6) Schedule of London Stores (PWA Form 28)
- 7) Contractor’s Ledger (PWA Form 43)
- 8) Returns of Tools and Plant (Local Form)
- 9) Schedule of Debits of Stock and other connected documents (PWA Form 28) relating to stock.

The Divisional Office will post the monthly transactions and strike the progressive totals of closing balance in the above registers as usual and the Divisional Accounts Officer/Divisional Accountant will review each register initial it in token of having conducted the review and verification of totals of transactions with the monthly accounts. The registers will then be checked by the Auditor who will likewise apply the prescribed checks and put his initials at the end of each months column, in token of check and the result of audit included in the Audit Note

9) Works Register Part –I in lieu of the procedure of posting Part-I of the Works Register from the Schedule of Works Expenditure in Form PWA 27, the procedure prescribed below will be followed by Resident Audit Officer. PWA Form No. 27 (Schedule of Works Expenditure) submitted by the Divisional Officer will be amplified for noting the monthly progressive expenditure in respect of each work as per specimen printed at the end of this Appendix. This schedule should be returned to the Divisional Office each month after audit check for resubmission with the next month’s accounts after posting there in the transactions of that month. Sufficient

space should be left under each sub-head for noting subsequent addition. The loose form of this schedule will be bound into a register after the close of the March, supplementary Accounts and kept as a record of the Audit Office in lieu of the Works Register for future reference. For the purpose of posting from list of sanctioned estimates and 10 *per cent* check and review of the posting of expenditure by the Section Officer as required by the rules in the MSO (Technical) Volume-I loose forms will be treated as if they are works registers. Works summarises will however be maintained separately as usual.

The Divisional Officer will also submit separately a consolidated monthly abstracts of all the sub-heads of expenditure showing the monthly and the progressive expenditure against each sub-head together with the appropriation for each. This will be attached to the monthly accounts after audit and will not be returned by the Audit Office.

10) Review of Register of Works and Materials at Site Accounts.

The Auditor will ensure by monthly review between the 13th and 20th of each month that the Register of Works in Form A and B has been properly and regularly posted by the Divisional Office from the Works Abstracts and that the postings have been agreed with them. The Auditor should see that quantities, rates and amounts where these are required under rules to be worked out and noted in the Registers, are so entered and the gross totals agreed. The Auditor should see that the closing balances under the column "labour" "Contractors" transactions and "Materials at Site Accounts under the heading Suspense:" are duly supported by details and other relevant documents and that the balances are tallied.

11) Review of Stock Accounts :- Price Stores Ledger, Monthly Summary of Indents, Goods received Sheets and Bin Cards should be reviewed to see that they are maintained according to rules. It should be ensured that issue rate of an article of stock is fixed at the beginning of the year and rates are revised only when material variations are noticed in the purchase rates. The Auditor should test check 10% of the entries in each Register, when possible, and attest the entries checked.

12) Audit of Monthly Accounts :-The monthly accounts will be submitted by the Divisional Officer on the prescribed due dates complete in all respects to the Chief Accounts Office for consolidation. The Resident Audit Office will conduct the usual audit checks prescribed under the rules to the extent that it was not already done in the course of concurrent audit and submit necessary schedule to the Accountant General (A&E) for incorporation in general accounts.

13) Financial Stock Taking: - The Financial Stock Taking of a big project should be kept in view by the Resident Audit Officer and he should see that proper and timely action is taken by the appropriate authorities.

(The Comptroller and Auditor General of India's letter No.1931-Admn-575-3 dated 8.7.1950)

ANNEXURE - D

(Para 8.05)

Copy of secret letter No.3693-TA.II/214-65 dated 5.12.1966 from the Comptroller and Auditor General of India, New Delhi.

Subject: Audit arrangements in River valley and Irrigation Projects.

The question of prescribing uniform quanta of audit and review of the different classes of vouchers and other important records in respect of various River valley and Irrigation Projects in the country has been under consideration of this office for some time past. The projects may be divided into the following 4 categories for this purpose.

i) Category 'A':-Projects where the FA&CAO/Director of Accounts conducts cent per cent pre-check except for petty payments, muster rolls etc. and the payments are also centralized with him in accordance with the Model Scheme (Copy of Model Scheme enclosed).

ii) Category 'B':-Projects where pre-check is conducted by the FA & CAO/Director of Accounts (except for Muster Rolls etc.) but payments are made by the Divisional/Sub-Divisional Officers and accounts are rendered by them to the CAO for consolidation.

iii) Category 'C' :- Projects where the FA & CAO pre-checks certain running and /or final bills only or no pre-check is conducted by him at all and the payments are made direct by the Divisional/Sub-Divisional Officer.

iv) Category 'D' :- Projects without the CAO's organization but having a Resident Audit Officer or where the Division of the project submit compiled accounts to the Accountant General just like ordinary P.W. Divisions.

2) The quanta of audit and review indicated in the enclosed statement in respect of projects falling in the 1st three categories have been prescribed for adoption. The existing quanta of audit and review on the various projects under your audit control may be reviewed in the light of these quanta of audit and review and the quanta as indicated in the statements may be adopted. Where the existing quanta of audit and review exceed the quanta now prescribed and the Accountant General considers desirable to continue them, taking into consideration the condition of accounts, the efficiency of internal check etc. be allowed the discretion to continue them subject to their periodical review with a view to bringing them down to the quanta now prescribed. Where, the existing quanta of audit and review are lower than those now prescribed and the Accountant General considers them adequate or where the Accountant General feels that the quanta of audit and review prescribed can be safely reduced further with due regard to the condition of accounts and the efficiency of the internal checks conducted by the CAO's organization, he may at his discretion continue the existing quanta or adopt a reduced quanta, provided that the reduction is not in excess of 25 *per cent* of the quanta indicated in the statement except items 1,2,4(a), 8,9(i)(a) and 10 thereof. It is not considered desirable to effect any reduction in the quanta prescribed for the excepted items. If it is felt that a reduction beyond 25 *per cent* of the prescribed quanta in respect of the items, other than the excepted items or a reduction in the quanta of audit prescribed for the excepted items can be made, proposals should be sent to this office for approval, giving full justification for the same.

3) Under the provisions of Para-3(b) of the Model Scheme for big dam projects, certain records are required to be maintained in the office of the Director of Accounts or the FA & CAO statement (Statement No-II) indicating the quanta of audit and review of those records is also enclosed herewith. The necessary checks would be exercised in the CAO's office and no reduction in the quanta of audit/review indicated therein may be made without the approval of this office.

4) These statements cover only the central checks exercised by the Resident Audit Sections over the various records and these should be supplemented by local inspection periodically. The periodicity of local inspection should be determined with reference to the principles in Para 1(ii) of this office letter No.2208-Admn.II/366-62 dated 22.12.1962.

5) In the case of projects falling under Category 'D' where Resident Audit Officer's office is located, rules for conducting residential concurrent post audit circulated vide this office circular letter No.1332-Admn./578-48 dated 8.7.1950 should continue to be followed, subject to the condition that where any relaxation has already been followed by this office, it may continue if the conditions on which the relaxation was allowed still exist. In cases where the Resident Audit Officer's office is not located and the project divisions send account to the Accountant General the usual checks prescribed in the Manual of Standing Orders (Technical) and Secret Memorandum of Instructions may continue to be exercised.

6) It may please be noted that the quantum of review by the Assistant Audit Officer would be based on the vouchers etc. audited by the Auditor and the quantum of review by the Branch Officer would be based on the vouchers reviewed by the Assistant Audit Officer in each case.

7) The receipt of this letter may kindly be acknowledged.

MODEL SCHEME OF ACCOUNTING SYSTEM FOR BIG DAM PROJECTS GIVING RELIEF TO ENGINEERS

1. The position and functions of the Chief Accounting Authority are as follows:

- a) The Chief Accounting Authority should be under the Administrative control of the top man of the project. He will be under the Chief Engineer only if the Chief Engineer or one of them is also the Administrator of the project.
- b) In order to differentiate the Chief Accounting Authority from the present type CAO, he may be designated, if necessary, the Director of Accounts, he and his organization will be wholly integrated with the project Administration and will be a part of it.
- c) The Accounting functions of the project will be broadly as indicated below:-
 - i) He should ensure that payments are made in accordance with the rules and orders issued by the competent Authorities.
 - ii) He should ensure that expenditure is incurred on estimates sanctioned by competent authority and that the estimates so sanctioned are identifiable with the Project Estimates.
 - iii) He should arrange for a cent per cent check of claims before payment.
 - iv) He should withhold payments which he considers to be irregular.
 - v) He should bring to the notice of Government/Control Board any expenditure which he considers to be outside the scope of the Project Estimate so that the Budget Estimates do not contravene the rules and orders.
 - vi) He should be the final accounting authority and the Chief Internal Auditor.

- vii) He should bring to the notice of the Government/Control Board probable large savings/excesses anticipated against the provision in the Project/Budget Estimate.
- viii) He should send timely warning of probable excesses over reserve stock limits.
- ix) He should send monthly and other consolidated accounts of the project, as may be required to the Accountant General/Government/Control Board/FA.
- x) He should be responsible for stock verification.
- xi) He should keep a constant watch over the state of initial accounts and bring delays and irregularities to the notice of the Administrator, where necessary for proper action.
- d) The position of the Director of Accounts will be some what different from that of other sub-ordinates of the Administrator. Whenever there is a difference of opinion about the regularity of any payment, the authority competent to remove the objection will authorize the payment and give written assurance that he will take steps to remove the objections. For this purpose, a suitable form may be evolved. A list of such payments should be sent monthly by the Director of Accounts to the FA/Administrator/ Government.

2) **Payments**

- a) Under the present provisions, the contractors and suppliers are supposed to prepare their own bills within a stipulated period. If this is not done, then the Engineer-in-Charge prepares the bill on behalf of the contractor. In actual practice bills are generally prepared by sub-divisional Clerks from the measurement book entries. Their rates are filled in by the Sub-Divisional Officer's under special authorization by the executive sub-ordinates, and submitted ultimately to the Engineer-in-Charge for check and countersignature. The present practice in this regard may be allowed to continue.
- b) The bill along with supporting documents like measurement books, will then be sent to the Director of Account. The materials at site account should also be sent with the final bill. Much of the arrears of the initial accounts are due to non-preparation or late preparation of the MAS Accounts. If the MAS Accounts are prepared along with at least the final bill, the initial accounts will be in a far better state than they are now. The bills will be checked by the CAO/Director of Accounts and cheques made out for the amounts payable.
- c) The cheques should be sent to the Divisional Office for actual handing over to the contractors. There should be transit registers between the office of the Director of Accounts and the Divisional Offices, which will provide for recording both the receipt of the cheques in the Divisional Offices and their actual handing over to the contractors.
- d) At no stage should there be any necessity for contractors to approach the office of the Director of Account.
- e) The Director of Accounts will also undertake the work of payment of establishment as well as gazetted officers on the line of Pay and Accounts Office procedure.

f) The engineers may continue to make payments of work charged staff and labour, if necessary, against lump sum advances made to them by the Director of Accounts on requisitions sent by them. In the case of distributaries but not branch canals, sub-divisional officers may be empowered to make payments upto a maximum amount of Rs.500/- in each case of first and final bills and Rs.5,000/- in the case of intermediate bills, to avoid delays in payment and hardship to petty contractors.

3) **Keeping of records and accounts**

- a) The Divisions should maintain the following records;
- i) Imprest cash account.
 - ii) Cash Book in respect of payments made by the Division.
 - iii) Materials at site accounts.
 - iv) Measurement Book.
 - v) Muster Rolls.
 - vi) A simplified form of Contractor's Ledger.
 - vii) Fixed Charge Register.
 - viii) Numerical stock accounts under the new stores procedure viz. Bin Cards, SRBs & SIRs.
- b) The Director of Accounts should keep the following records and accounts;
- i) Cash Book.
 - ii) A combined works abstract -cum-register.
 - iii) Contractor's Ledger.
 - iv) Suspense Register.
 - v) Deposit Registers.
 - vi) Registers of Receipts and Recoveries on Capital Account.
 - vii) Tools and plant Account.
 - viii) Priced Stores Ledger-Quantity-cum-Value Accounts.
- c) The Director of Accounts should book expenditure direct to the Head of Account/Work concerned, thus eliminating inter Divisional transfers within the projects.

4) **Stores Accounts**

- a) The Priced Stores Ledger should be maintained by the Director of Accounts. These ledgers will be maintained in the divisions and the men of the Director of Accounts will work in the divisions. This will ensure that the stores received and stores issued books are promptly received by the Director of Accounts.
- b) So far as the issue rate goes, the "weighted average" method, involving the fixing of a fresh issue rate each time an article is purchased may be followed where this is necessary. This process is purely mechanical and can easily be carried out by clerical labour. It is necessary that this should be done by Engineers. This method may be necessary where issues are made to

contractors. Where stores are consumed departmentally, this is not necessary. In such cases so far as controlled articles like cement, steel rods etc. are concerned, the issues rates should be revised whenever there is a change in the control price, but for other articles it would be enough to fix the issue rates at the beginning of the year, unless there is any material variation in the purchase rates, in which case, the issue rate of an article can be revised earlier if necessary at the discretion of the Executive Engineer.

- c) It is essential that whichever method of fixing issue rates is followed in Projects, that method should be invariably adopted. A combination of both the methods in the same Project would create confusion.

5) Control Statements to be sent by the Director of Accounts to Divisional Engineers

- a) For purpose of control, the Divisional Engineers will require certain control statements from the Director of Accounts. These will be in respect of :-
 - i) Works Abstracts.
 - ii) Contractor's Ledgers.
- b) The Director of Accounts should send these statements to the Divisional Officers promptly every month. Where necessary, other control statements may also be prescribed.

6) Stock Verification

The Director of Accounts will be responsible for all monetary matters in the Projects. He should therefore be responsible for stock verification also. Stock verifier alongwith the necessary engineering staff will be under his control. In the case of any difference of opinion with Divisions, the matter can be referred to the Administrator. Independence is thus ensured, along with provision for proper technical soundness. Where possible the question of having a cadre of stock verifiers for the State may be considered.

7) Accounting Staff in the Division

- a) There will be total vertical Division in the Project under which practically all accounts work will be centralized under the Director of Accounts. As such, the Divisional Accounts Officer/Divisional Accountants and other accounts staff will work under the Director of Accounts.
- b) The Divisional Officers may require some accounts clerks to act as internal checkers to prepare M.A.S. Accounts and bills etc.
- c) The total quantum of accounting staff necessary under the revised system will have to be assessed.
- d) The Accountant General will make available a certain number of Divisional Accounts Officer/Divisional Accountants to the Director of Accounts and the Director of Accounts will have full administrative control over these Divisional Accounts Officer/Divisional Accountants for the period of their deputation.
- e) Where necessary, the Accountant General will also make available S.A.S. Accountants and other trained accounts staff to the Director of Accounts.

8) **Audit Objections**

- a) Where the audit objections relate to accounts keeping, naturally the Director of Accounts will answer them. As he will be responsible for the proper maintenance of initial accounts also, the engineers will not ordinarily be troubled about these audit objections. This will afford them some relief on this account.
- b) In such cases, the power of payment by Sub-Divisional Officers may be suitably enhanced, as suggested for instance, in para-2(f) above, so that payments to petty contractors are not delayed

9) **Forms**

In respect of extra-ordinary payments {Para-1(e)} the simplified form of contractor's Account {Para-3(a)} and control Statements (Para-5) different Projects will no doubt themselves prescribed forms considered suitable by them.

III. **Audit conducted in Resident Audit Office**

8.09 Receipt of Sanctions

Copies of all sanctions are received by the Resident Audit Office and these are admitted in Audit with the approval of the Resident Audit Officer. In important and doubtful cases the approval of the Senior Deputy Accountant General (Works Audit & Projects)/ Accountant General (Audit) is also obtained before admitting the sanction in Audit.

8.10 Schedule of Rates with analysis of rates

Audit checks to be exercised are described in Para 6.07 of this Manual.

8.11 Estimates

In addition to audit checks enumerated in Para 2.03 the following further points are to be seen :-

- 1) Whether all the abstracts of estimates sanctioned by Executive Engineer/ Superintending Engineer/Chief Engineer mentioned in the monthly statements have been received and if not, the wanting abstracts are to be called for.
- 2) The estimates are correctly classified.
- 3) The estimates are traced in the Register of Project Estimates maintained by the F.A. & C.A.O.

8.12 Audit of Sanctions

Besides audit checks contained in Para 3.01 and 3.02 the following further checks are to be exercised.

- i) The charge is legitimate against the Project.
- ii) The classification is correct.
- iii) The mode of recovery or adjustment where necessary is regular.
- iv) The rates included in the estimate are reviewed to the extent prescribed.

8.13 Correctness of classification

Expenditure against a sanctioned estimates may in certain cases, include individual items of outlay for which specific sanction is required under the Rules.

Such items should be specially watched and objections raised pending sanction of the Competent Authority.

8.14 Agreements

As soon as an Agreement/Purchase Order is received in the office and the relevant estimate could be located from the particulars furnished therein, a note of it should be kept on the abstract of estimate for that work, if it had been received in the Office. This linking should in any way be completed before that first payment on the basis of the agreement is admitted. The issue of a work order or entering into an agreement before an estimate is sanctioned is irregular and in the few cases in which it is done, a note of the Agreement should be kept on a separate slip for each estimate and should ultimately be pasted on the abstract of the estimate when the same is received.

The audit checks to be exercised on agreements are laid down in Para 4.06 of this Manual.

8.15 Sanction to write off

In addition to the provisions in Para 6.40 of this Manual, sanctions to write off of stock, machinery and Equipments, Road metal and losses are scrutinized to see that:-

- i) The authority sanctioning the write off is competent to do so.
- ii) The case does not reveal any unusual or peculiar features requiring further investigation.

8.16 Completion Reports and Statements

i) Audit checks required to be exercised have been enumerated in Para 6.48. In respect of Resident Audit system, the F.A. & C.A.O. communicate to the Resident Audit Officer all cases in which excesses in the completion report of working estimates have been passed. On the authority of the communication, the Resident Audit Office should keep a note of the excesses passed for each estimate on the Abstract of estimates after satisfying that the Competent Authority has sanctioned the excess.

ii) The Resident Audit Officer should ascertain from the Works Register maintained by the F.A. & C.A.O. each month, the cases in which the works have been closed and keep a note of the same on the relevant Abstracts of estimates indicating the up-to-date expenditure incurred against the same.

8.17 Agenda and Minutes of the proceeding of the Control Board Meeting

On receipt of the Minutes of the proceedings of the Control Board, action is taken to :-

- (i) ensure that the results of scrutiny of the proceedings of the Control Boards meetings is to be sent to the Senior Deputy Accountant General (Works Audit & Projects)/ Accountant General (Audit) immediately within 15 days of the receipt of the same in Resident Audit Office.
- (ii) keep a note of the items which have appeared in the minutes of the proceedings of the Control Board as a result of audit objections or initiative taken by audit will be kept and the matter reported to the Senior Deputy Accountant General (Works Audit & Projects) / Accountant General (Audit).

(iii) see that extracts of decisions with those of the corresponding items of the Agenda are kept in the relevant files and action taken on important items expeditiously.

Note :- It is not necessary to intimate the remark on each and every item of the proceeding of the meetings of the Control Board to the Senior Deputy Accountant General (Works Audit & Projects) / Accountant General (Audit). The report on the scrutiny of the proceedings sent to the Accountant General (Audit) / Senior Deputy Accountant General (Works Audit & Projects) should indicate that (i) the proceedings have been scrutinized by the Resident Audit Officer, (ii) a watch is being kept over the receipt of the sanction of the Government on the items for which such sanction is necessary. Comments on all important items only, which are required to be brought to the notice of the Accountant General for his information or for orders are to be given in a separate note to be attached to the Report.

8.18 Schedule of Monthly settlement with Treasuries (Form-51)

The procedure of transmission of the Schedule in duplicate and of Audit has been set forth in Para 6.24 of this Manual. The prescribed procedure should be strictly observed.

8.19 Note Books

The Note Book of each Auditor and Assistant Audit Officer should be properly indexed and separate sets of pages should be allotted to each of the following:-

- i) Reference to orders of general interest.
- ii) Reference to standing orders applicable to the Division.
- iii) Important Cases, the disposal of which has to be watched.
- iv) Points to be looked into during the next visit, to the Division.
- v) Special points to be looked into the Records of F.A. & C.A.O.
- vi) Pursuit of Financial Irregularities / Serious Irregularities etc., which are likely to be developed into Draft Paras.
- vii) Miscellaneous.

IV. AUDIT CONDUCTED IN THE OFFICE OF THE F.A. & C.A.O./ DIRECTOR OF ACCOUNTS

8.20 Introductory :- A list of documents to be seen in the office of the F.A. & C.A.O. is given in the Annexure-E to this para. Details of check are stated below :-

1) Cash Book

The check of Cash Book will consist mainly in seeing that :-

- i) There is a proper voucher or chalan etc. in support of each entry in the Cash Book.
- ii) Miscellaneous Cash receipts of the Divisions or other offices which are paid at the counter of F.A. & C.A.O. or which are paid into treasuries and chalans sent to F.A. & C.A.O. / Chief Accounts Officer are recorded in the Cash Book with proper classification.
- iii) The cheques are not drawn and deposited in the Cash Chest at the close of the year for the purpose of showing the full amount of grant as utilized.

- iv) Unpaid amounts of temporary advances refunded to the F.A. & C.A.O. by the Disbursing Officers do not indicate that there was any laxity in estimating and anticipated payments for labour etc.
- v) The accounts of temporary advances are closed as soon as possible.
- vi) The final acquittance for private cheque and drafts on local Banks is not given to the remitter until they have been cleared.
- vii) Instructions for maintenance and check of Cash Book are followed rigidly.

2) **Foils of paid cheques**

In addition to checks indicate in para 6.46 the following instructions are also to be kept in view :-

- a) The foils of paid cheques should be checked in detail with counter foils, Cash Book and Vouchers to the extent prescribed with a view to see that payments have actually been made to the persons entitled to them. The fact of scrutiny may be kept on record.
- b) In scrutinizing the paid cheques, the endorsements thereon should be connected with the acquittance on the voucher or vouchers and it should be seen inter-alia that no Divisional employee figures in them.

Note:- It should be ensured that foils of paid cheques are obtained from WAC-II Section of Accountant General (A&E) Office.

3) **Cheque Books and Receipt Books**

The following points are to be seen while auditing the cheque books / Receipt Books :-

- i) Corrections, if any, on the counter foils and of the memorandum of balances on the reverse of counter foils do not disclose any financial irregularity.
- ii) Proper arrangements exist for the safe custody and periodical verification of Receipt Books and Cheque Books.
- iii) The counter-foils of Cheques are initialed by the Officer signing the cheque and the memorandum on the reverse of the counter-foils of cheques show the up-to-date drawals of the month.
- iv) No cheque is drawn unless it is intended to be paid away.
- v) Time-expired, cancelled or lost cheques are dealt with an accordance with the rules.
- vi) The paid cheques are traceable in the Treasury Pass Book.

4) **Audit of vouchers**

Audit checks in respect of vouchers have been laid down in para 6.25 of this Manual.

5) **Contractor's Bills**

Checks to be exercised have been laid down in para 6.25.1 of this Manual.

6) **Vouchers relating to work charges Establishment**

Audit checks are indicated in Para 6.25.3 of this Manual which may be referred to.

7) **Muster Rolls**

The following points are to be seen :-

- i) The Muster Rolls contain acknowledgements of labour concerned and if the amount payable to each individual is in excess of Rs.5000/- the acknowledgement is duly stamped.
- ii) The Departmental authorities have exercised the requisite checks of the attendance of labour.

Note:- At the time of monthly audit it should be watched that Muster Rolls are subjected to requisite check by the Executive Engineer. The results of such monthly audit will be consolidated for a period of three months or six months, if necessary. It would then be examined if there are any instances where the sites of work are not visited by the Executive Engineer for over a month. Such cases should be taken up with the F.A. & C.A.O.

- iii) The disbursement of wages has been witnessed by the authority of highest standing.

8) **Receipts**

A regular account of assessment and realization of rents of buildings, electric rent, water rent, furniture rent etc. is maintained by the concerned project Division/Divisions (in Form No.46). The following checks are to be exercised.

- i) The B.F. figures should be checked and found correct.
 - ii) The figures are arithmetically correct.
 - iii) The orders of the Competent Authority exist for buildings shown as occupied rent free.
- i) The classification of receipt is correct.
 - ii) There are no cases of delay in recovery or non-recovery of Government dues or of leakage of Government revenue.

9) **Monthly Works Register**

The Register is maintained separately for each Division, for each month by the F.A. & C.A.O. and serves the purpose of Schedule dockets which accompany monthly accounts in support of the figures in the Schedule of Works expenditure in the normal P.W. system. The Register is examined to see that.

- i) Necessary particulars of all Cash refunds are given and those do not indicate any financial irregularities.
- ii) All other credit entries (i.e. all transfer credits) are counter balanced by one or more items of charge.
- iii) Net charge of the month is arithmetically correct and agrees with the corresponding entry in the Works Register (Works Audit Register).

10) **Works Register**

(A) The Register which is maintained in Part-I of Form M.S.O. (Technical)-108 (Works Audit Register) serves the purpose of amplified Schedule of Works Expenditure (Form-PWA-27) mentioned in Rule-9 of the rules for conducting residential concurrent post audit. In checking the Register it is to be seen that :-

- i) The expenditure relating to each work agrees with the audited charges as shown in the monthly Works Register.
- ii) The progressive totals have been correctly recorded and do not exceed the amount of the sanctioned detailed estimate as noted in Column-4 of the Register.
- iii) The detail postings up to the totals shown in the Abstracts.
- iv) No work is started without detailed sanctioned estimate.
- v) The Register is closed properly and there are no defects in the maintenance of the same.

Note- For accuracy of Suspense figures, it should be ensured that the quarterly certificate in the Monthly Accounts for April, July, October and January are recorded by F.A. & C.A.O. and quarterly statements of suspense transactions furnished by the latter to WAC Section of Accountant General (A&E) Office.

(B) The postings of the expenditure and of the estimates sanctioned during a month in the Works Register are reviewed by the Assistant Audit Officer to the extent prescribed. As the postings of the estimates in the Register are already initialed by a member of the Supervisory staff of the F.A. & C.A.O.'s Office, the items checked by the Assistant Audit Officer of Resident Audit Officer Office are not to be initialed. The Assistant Audit Officer of Resident Audit Office, however, initials the items of the Memo of sanctioned estimate which have been traced into the Register.

Note:- It should be ensured that the quarterly Review Report on suspense transactions is furnished to WAC Section of Accountant General (A&E) Office invariably on due dates.

11) **Contractor's Ledger**

The following checks are to be exercised in Audit.

- i) The prescribed time limit for adjustment of advance payments has not been exceeded without proper sanction.
- ii) Adequate action has been taken for submission of a subsequent running bill or the final bill in the case of old outstanding running Account Bills.
- iii) Proper debits for value of stock supplied during the month to a Contractor have been afforded on the authority of intimations received from the Divisions.
- iv) The rates charged to the contractor agree with the rates stipulated in the agreement.
- v) The Register have been properly closed and the balances have been correctly brought forward..
- vi) Minus debit appearing in the ledger in respect of each contractor should be scrutinized to see that there is no delay or defect in raising debits against the contractors for materials issued.

12) **Deposit Register**

The following checks are to be exercised in audit :-

- i) The inside totals have been correctly brought over to the abstract page.
- ii) The figures in the abstract page agree with the figures shown in the accounts.

- iii) Each item of the suspense register conforms to the instructions laid down in CPWA Code governing each class of suspense.
- iv) The old outstanding balances are cleared expeditiously.
- v) The Register have been reconciled with those maintained in the Divisional Offices.
- vi) Action has been taken for crediting lapsed deposits to Government in March each year.

13) **Stock Account Monthly account of Stock (Abstract of stock Receipts and issues)**

Audit checks of store and stock account have been laid down in Para 6.34 of this Manual, which may be referred to.

14) **Machineries & Equipments :-** (Form 13,14 and 15).

Audit checks to be exercised have been enumerated in Para 6.31 of this manual.

15) **Register of Receipt and Recoveries on Capital Accounts**

Instructions contained in Para 4.3.6 and 3.23.4 of MSO (A) 2nd edition should be kept in view in course of audit of the Register.

16) **Objection Book**

The audit checks enumerated in the Chapter-I Section-VII of MSO (Technical) Volume-I and Section-I of Chapter-15 of this Manual should be kept in view.

17) **Register of land charges**

Instructions laid down in Para 6.29 and 6.30 of this Manual should be followed.

18) **Register of Project Estimate**

It should be seen that the Register has been maintained in accordance with the instructions contained in Para 2.01 of this Manual and that necessary action has been taken as per instructions contained therein. Postings in the Register should be checked by the Auditor and Assistant Audit Officer to the extent prescribed.

19) **Register of temporary Advance/Emergent Advances**

It should be seen that there is no undue delay in adjustment of Temporary / Emergent advances granted to Divisional and Sub-Divisional Officers as the accounts of Temporary Advances are required to be closed expeditiously under Para 6.6.12 of CPWA Code and of Emergent Advances within 10 days and always within the close of the month vide Para 231 of Financial and Accounting Hand Book. It is also to be seen that the outstanding balances as worked out in the Register agree with what has been shown in the Cash Book at the end of each month.

20) **Consolidated Abstract**

The FA & CAO is required to maintain the Consolidated Abstract in respect of all Major Heads for which he acts as the Chief Accounts Officer.

In checking the Consolidated Abstract it should be seen that the expenditure has been recorded under correct heads, the progressive totals have been correctly arrived at and the Register is closed regularly under proper attestation.

The discrepancies, if any, between the statement of expenditure communicated by FA & CAO and the consolidated abstract are pointed out to the FA & CAO.

21) Inspection Report of the FA & CAO

A copy of each of the reports of Inspection of the Divisions and other offices conducted by the FA & CAO should be received by the Resident Audit Officer. It should be seen :-

- i) Whether there is any financial irregularity.
- ii) Whether any action has been taken for improving the state of accounts of the divisions and sub-divisions etc.
- iii) That the objections already raised by the FA & CAO are not repeated by Audit, but Audit should see that proper action has been taken for settling the objections.

ANNEXURE – E

(Para 8.20)

LIST OF DOCUMENTS TO BE SEEN IN THE OFFICE OF FA & CAO

1. Appropriation Register.
2. Cash Book.
3. Cheque Book.
4. Contractor's Ledger.
5. Consolidated Abstract.
6. Deposit Register.
7. Fixed Charges Register.
8. Priced Store Ledger.
9. Inspection Reports of FA & CAO.
10. Monthly Works register (Works Abstract).
11. Objection Books.
12. Other Miscellaneous Registers.
13. Receipt Book.
14. Register of Land Charges.
15. Register of Project Estimates.
16. Register of Cheque Books and Receipt Books.
17. Establishment Audit Registers in respect of Project staff except his own.
18. Register of Receipts and Recoveries on Capital Accounts.
19. Survey Reports and Sale Account.
20. Stock Returns.
21. Transfer Entries including OTEs.
22. M & E Returns.
23. Treasury Remittance Register.

24. Vouchers.
25. Works Register (Works Audit Register).
26. Review Register of suspense transactions.
27. Register of Temporary Advances.
28. Register of Emergent Advances.
29. Log Book of Jeep.

V. LOCAL AUDIT AND INSPECTION.

8.21 Introductory :-

Local audit of accounts records of P.W. Divisions and Sub-Divisions, other offices of the Project for which Accountant General (Audit), Orissa is the statutory Audit Officer devolves on the Resident Audit Office.

Note:- For the purpose of audit each of the P.W. Divisions including its sub-divisions and of offices under miscellaneous group is to be treated as a Unit.

8.22 Programme of Inspection.

- i) A programme for inspection is prepared in advance and got approved by the Senior Deputy Accountant General (Works Audit & Projects). Modification to Inspection Programme are also made by him from time to time for his approval.
- ii) A copy of the Inspection Programme is supplied to the FA & CAO so as to facilitate him to prepare the programme of inspection by his staff and for avoiding overlapping of his inspection programme with that of the Resident Audit Officer.
- iii) The heads of the offices to be inspected are given at least 15 days notice for keeping all the records to be inspected ready by the date of Inspection so that no time would be wasted in arranging the receipt of records.
- iv) The record of the selected sub-division or sub-divisions may be inspected at Headquarters of the Divisional Officer or at the Headquarters of the Sub-Division itself, as may be found convenient and necessary by the Inspecting Officer.

8.23 Scope of Inspection.

- i) The Registers and other documents to be checked in Division/Sub-Divisions are enumerated in Annexure F & G respectively.
- ii) The Measurement Books in respect of payments made since last inspection are checked to the extent prescribed.
- iii) A complete analysis of the accounts of selected work or works is made. The Inspecting Officer will, however, be at liberty to analyse in detail, the accounts of any other work in case, he finds this desirable on the spot.

Note:- Instructions contained in Section-VI of MSO (Audit) 2nd edition and Chapter-7 of this Manual are to be borne in mind while checking the various Registers and Records required to scrutinise during local inspection.

8.24 Documents and information to be supplied to Inspection Party

The Inspection party before taking up local audit of any new unit should make sure that the following documents and information are supplied to them.

- i) List of Measurement Books to be checked along with the list of concerned vouchers.
- ii) List of outstanding paras of previous Inspection Reports.
- iii) List of points arising in the Central Audit requiring investigation with reference to records of Division, Sub-Division or other offices.
- iv) Copies of Agreements in respect of which original call notice, tenders and other relevant papers are to be seen in the Divisions.
- v) Last Annual Certificate of Balances in PWA Form No-91.

8.25 Check of Service Books.

The checks of Service Books and Leave Account of the non-gazetted staff is arranged along with the programme for local inspection of the accounts of the Divisions and other offices. These documents relating to the offices of the Chief Engineer, Superintending Engineer and FA & CAO are checked at the time of audit of office expenses of these offices.

Increments of Government servants whose names are omitted from the Establishment bills are also checked at the time of check of Service Books and Leave Account.

8.26 Check of other Records.

In respect of Work Abstracts, Register of Works, Deposit Register, Registers of Suspense and Register of R/R on capital account of which a separate set is maintained by the FA & CAO it is to be seen that figures appearing in the Registers and Records of the Divisions and other offices are reconciled with those appearing in the records of FA & CAO as provided in Para – 31 of the Financial and Accounting Hand Book for Engineering Projects.

8.27 Indent Note.

It should be seen that :-

- i) Indents are approved by Divisional Officer prior to issue of materials from store.
- ii) All the columns of Indent Notes are properly filled in and the copies of indents are promptly sent by the Sub-Division to the Divisional Office for pricing.

8.28 Stores return Note

It should be seen that :-

- i) The requisite instructions for filling in the forms and transmission of the same to the Central Stores Division are being correctly followed.
- ii) These do not indicate that un-necessary indents are being placed by other Divisions on Stores Division.

8.29 Log Books of Machineries and Equipments including Vehicles.

The following checks are to be exercised in audit:-

- i) Whether Capital and Depreciation Accounts in all cases are maintained.
- ii) Outturn of each machinery compares favourably with that shown in the estimate.

- iii) The cost is properly allocated to works on the basis of working hours after charging depreciation every month.
- iv) Machines are not unnecessarily kept idle.
- v) In cases where machines remained idle for a long time the reason for the same is investigated to see that it is not due to any major break down. In the latter case action taken for fixing the responsibility for the break down and taking suitable action against the person or persons responsible for the same should also be ascertained.
- vi) In the case of staff car and other vehicles, the Log Books of the staff car should further be scrutinized (a) with reference to the Tour Programme and TA Bills of the officers using staff car to see whether there are any over payments, (b) to see that consumption of petrol during the period in which a vehicle is stated to be in the work shop for repairs is substantially low, (c) that consumption of petrol by the officers using the vehicles is checked by the Superintending Engineer concerned monthly with the TA Bills of officer, (d) that the average consumption of petrol is worked out regularly a prescribed and no abnormal feature is noticed there from.

8.30 Local Audit of Accounts records of Sub-Divisions.

- i) During Inspection opportunity should also be taken to see that adequate arrangements exist for the safe custody of Sub-Divisional Cash and there is no undue delay in passing claims of labour, work charged establishment and contractors.
- ii) It should be seen whether the account records, maintained in a Sub-Division have been inspected by the Divisional Officer and Divisional Accounts Officer/Divisional Accountant.

ANNEXURE – F

(Para 8.23)

List of Registers and Records to be seen in the Division

- 1) Imprest Cash Book.
- 2) Register of Pay and TA & Contingent Bills submitted to FA & CAO.
- 3) Register of Bills submitted to the FA & CAO.
- 4) Indent Note Book.
- 5) Indents.
- 6) Priced Stores Ledger.
- 7) Statement of Receipts, issues and balances of Road Metal.
- 8) Road Metal Rate Book.
- 9) Measurement Book.
- 10) G.R. Sheet (Duplicate copy).
- 11) Standard Measurement Book.
- 12) Indenture for Secured Advances.
- 13) Petty Works Requisition and Accounts.

- 14) Works Abstracts.
- 15) Details Statement of materials compared with estimated requirements.
- 16) Outturn Statement of Manufacture.
- 17) Report of value and verification of unused materials.
- 18) Register of clearance of Materials at site Account.
- 19) Work slips.
- 20) Register of works.
- 21) Register of Manufacture.
- 22) Register of rents of buildings, land, furniture and water.
- 23) Register of rent of Electricity.
- 24) Register of R/R on capital Account.
- 25) Transfer Entry orders.
- 26) T.E. Books.
- 27) Advice of Transfer Debit/Credit.
- 28) Acceptance of Transfer Debit/Credit.
- 29) Register of transfer awaited.
- 30) Register of Divisional Accounts Officer/Divisional Accountants Audit Objections.
- 31) Suspense/Deposit Register.
- 32) Register of Audit notes on initial accounts.
- 33) Register of Interest bearing securities.
- 34) Savings Bank Pass Books and other forms of Interest Bearing Securities deposited with Divisional Officers.
- 35) Annual Certificate of Balances (To be verified from the office of FA & CAO).
- 36) Register of Muster Roll forms.
- 37) Register of G.R. Sheets.
- 38) Register of M.Bs.
- 39) Detailed list of work abstracts.
- 40) Register of Miscellaneous recoveries.
- 41) Memo of Review of Registers.
- 42) Property Register.
- 43) Register of leases.
- 44) Register of check measurement.
- 45) T & P Ledger.
- 46) Register of sanctions to Fixed charges.
- 47) Register of undisbursed pay and TA.

- 48) Register of disbursement of cheques.
- 49) Acquittance Rolls for pay and TA.
- 50) Office copies of pay & TA Bills and other vouchers.
- 51) Call notices, original tenders, comparative statements and other correspondence regarding acceptance of tenders.
- 52) Register of Tenders and Purchase orders.
- 53) Circular File.
- 54) Register of Appropriations.
- 55) Register of Duplicate Keys.
- 56) Register of hire charges of Machinery & Equipments.
- 57) Register of land acquired.
- 58) Returns of Bunglow furniture of Inspection Bunglow and Rest House.
- 59) Latest Inspection Reports of Sub-divisional offices by Executive Engineer/Divisional Accounts Officer/Divisional Accountant.
- 60) Latest Inspection Report of Divisional Office by Superintending Engineer or Chief Engineer.
- 61) Latest Inspection Report of Divisional & Sub-Divisional Offices by FA & CAO.
- 62) Service Books.

ANNEXURE – G

(Para 8.23)

Register and Records to be checked in a Sub-Division

1. Permanent Imprest Cash Account.
2. Temporary Imprest Cash Account.
3. Bill Register.
4. Register of Cash Receipts.
5. Register of Muster Roll Forms.
6. Daily Labour Reports.
7. Indent Note Book/Indent for Stores.
8. Goods Return Note Book.
9. Register of invoices.
10. Register of stock receipts and issues.
11. Emergent Advance Cash Account.
12. Reports of verification of Stock.
13. Register of G.R. Sheets received from the stores.
14. Triplicate copy of G.R. Sheets (bound in Books).
15. Bin Cards.

16. Register of Railways Receipts.
17. Accounts of Receipts of Machinery and Equipment.
18. Accounts of issues of M & Es with receipted invoices and other acknowledgement.
19. Register of M.Es.
20. Statement of Receipt, issues and balances of road metal.
21. Log Book of vehicles.
22. Debit/Credit statement of Machinery.
23. Register of R/R on capital account.
24. Register of Measurement Books.
25. Register of check measurement by SDO.
26. Service Registers (Workshop sub-division only).
27. Time card.
28. Workshop Gate Pass.
29. Indent for stores.
30. Daily Report of Receipts and issue of Stores.
31. Store Ledger.
32. Register of Work Orders.
33. Work Orders of workshop.
34. Application for overtime labour.
35. Capital and Depreciation Accounts of machineries including vehicles.

Note:- Other Registers which are peculiar to certain Sub-Division/Offices may be added to the list under approval of the Competent Authority.

VI. DIRECTION AND ADMINISTRATION AUDIT

8.31 Salient points

Salient points to be borne in mind while conducting this Audit have been laid down in Chapter 3 of Section-3 of MSO (Technical) Volume-I and Para 6.25.6 of this Manual.

Besides, the following instructions should be followed.

- i) The FA & CAO is required to maintain all Registers etc. in connection with the check of pay and allowances of Non-gazeted staff and office expenses of the project excluding his office. The Registers and other documents in respect of the office of FA & CAO are maintained by the Resident Audit Office.
- ii) For the purpose of Audit the FA & CAO will furnish the vouchers relating to pay and allowances of his office staff including gazetted officers and his office expenses to the Resident Audit Officer together with a certificate of the amount booked in his accounts in the following form.

Certified that total sum of Rupees..... has been booked in the Accounts of my office for the month of on account of

pay/allowances/office expenses and that vouchers for the amount of Rs..... are sent herewith/have been sent with my letter No..... or the vouchers for the balance of Rs.....will be sent shortly.

Signature

FA & CAO

(Note 6 below Para 41 of MSO (Admn) Volume-I)

- iii) The vouchers relating to other offices of the project as well as Registers maintained by the FA & CAO in respect of other offices are scrutinised by the Resident Audit Officer to the extent prescribed.
- iv) Pre Audit of Bills :- Arrear Bills of the Direction and Administration including his office expenses etc. which require pre-audit under normal rules will require the authority of the Resident Audit Officer before payment.

CHAPTER – 9

NATIONAL HIGHWAYS

9.01 Scope

The construction and upkeep of the National Highways comes within the legislative competence of the Parliament vide Entry 23 of the Union List in the Seventh Schedule of the Constitution of India. The Director General (Roads) under the Ministry of Shipping and Transport is responsible for the construction and upkeep. The execution of the National Highway works is entrusted to the State Government concerned on agency basis under Article 258 *ibid*.

Declaration of certain Highways to be National Highways and matters connected therewith are governed by the National Highway Act, 1956 and the National Highway Rules, 1957 vide Annexure – A.

Adjustment of Expenditure of National Highways Scheme

9.02 Initially against state Balance

A) Original Works

i) On receipt of Technical Approval and Financial Sanction to the detailed estimates the State Government or other competent authority should accord necessary sanction to the estimate and inform the Government of India of the title of the estimate amount, number and date of the estimate and date of sanction and such other particulars required for identifying the work. The Government of India will intimate these and such other particulars as may be required to the Accountant General, Central Revenues and the State Accountant General.

ii) The expenditure will be incurred by the State P.W. Divisions and will initially be charged to the State Balance pending recoupment. If the actual cost of a work exceeds or is expected to exceed the sanctioned estimate, a revised estimate should be submitted by the State Government to the Government of India except for such excess as described below.

B) Maintenance and Repairs

i) No detailed estimates are ordinarily required for maintenance and repairs expenditure as formal technical approval and financial sanction for the maintenance and repairs during the financial year will be given by the Ministry of Shipping and Transport on demand estimates based on previous cost suitably weighed to allow for current increases in the Prices of labour and materials. Account will also be taken of the general scale of maintenance approved by the State Government for its own roads and the actual expenditure incurred on roads classed as National Highways in the past. The demand estimate for each P.W.D. Circle will be enlargement of the works or of specification already approved and also not to prolongation of the time spent for completion of the work (GI MS & T No.NH-1-40(10)-70 dated 28.7.1971 Dy-WAC-1-27-6-1167)

9.03 Powers of P.W. Officers

The powers of the P.W. Officers will be the same for National Highway works as for other works of the State except that reports concerning the exercising of these powers should be submitted to the Government of India as well as the State Government.

9.04 Acceptance of liabilities for expenditure

i) The Government of India have agreed to accept liability for expenditure incurred on the development of National Highways only in accordance with estimates approved by them from time to time and with effect from the date of specific sanction in each case.

[GI MT No.WI-I-(6-49 dated 26.3.1949(Dy-WM-27 6.116)]

ii) The liability of the Central Government in respect of approach roads from National Highways to large cities or towns should be restricted to the portions laying outside the Municipal limits, the State Government or the local authority being responsible for the approach roads within those limits. No National Highway work should be carried out through the agency of a local body, the Engineering Officers of which are not State Government servants and are not subject to the administrative control of the State Government.

[G.I.M.T.R.O. No.B20 (1)/51 dated.30.4.1951]

iii) The provision for special repairs made in the ordinary maintenance estimates should not ordinarily exceed 10 *per cent* of the provision for road maintenance of the circle as a whole. The entry in the estimates under this head should be sufficiently detailed to indicate the nature of the special repairs contemplated.

If, however, additional allotments are required for special repairs necessitated by serious flood damage or other conditions not provided under “Special Repairs” in the ordinary maintenance estimates on the basis of past experience, or if additional allotments are required for repairs to newly constructed road or roads previously maintained at a lower standard than is now necessitated by traffic requirements, detailed estimates should be submitted for approval by the Government of India (Ministry of Transport, Roads Organisation) except for minor works costing Rs.10,000/- or less in which case the demand need only be accompanied by a statement indicating the necessity of the works and the reasons which could not be foreseen.

(Government of India, Ministry of Transport, Roads Organisation letter No.B-30(4)/49 dated 29.7.1949 received with G.I. Ministry of S&T letter No.NH-I-40(10)-70 dated 20.7.1971 Dy-WAC-I-27-1167)

iv) On receipt of technical approval and financial sanction which will be given for demand estimate of each circle, the Superintending Engineer of the State P.W.D. will accord technical sanction to the detailed estimate by P.W. Divisions.

v) The expenditure incurred on maintenance of National Highways will be initially be debited to State balances pending reimbursement by PAO, National Highways, Ministry of Shipping and Transport.

9.05 Levy of Agency charges in respect of National Highway Works.

The rate of agency charges is 9 *per cent* vide break up given below.

1. Direction and Administration	6.5 <i>per cent</i>
2. Machinery and Equipment	2 <i>per cent</i>
3. Pension	0.5 <i>per cent</i>
Total		9 <i>per cent</i>

The above rate is effective from 1st October, 1975 on original as well as maintenance works. Payments will be regulated with reference to the figures of expenditure as reflected in the Monthly expenditure accounts schedule.

(G.I. Ministry of Shipping and Transport (RW) No-NH-III-33(13)/73 dated 29.9.1975 copy received with Accountant General letter No.Coordn-BO-Works-674 dated 1.12.1975 Dy-WM-24-14(Con)-6688 & G.O. Works Deptt. letter No. NH-IM-2/75/4549 dated 16.2.1976)

9.06 Exhibition of National Highway Transactions in Divisional Accounts.

The expenditure in State Divisions should be booked and accounted for in the Monthly Accounts of P.W. Divisions in the State Section of Accounts under the Suspense head "8658 – Suspense Accounts PAO Suspense – Transactions adjusted by PAO (NH) Ministry of Shipping and Transport". The Account of the transactions should be supported by the following schedules in respect of each P.W. Division:-

- i) Form – 62 Schedule Docket of percentage recoveries.
- ii) Form- 64 Schedule of works expenditure accompanied by Schedule Dockets and vouchers vide Para 22.4.17 of CPWA Code.
- iii) Form – 74 Classified Abstract of Expenditure separately for 3054 Roads & Bridges and 5054 Capital Outlay on Roads & Bridges.
- iv) Form – 46 Schedule of Revenue realized.

The credit for the recovery of Agency charges should, however, be taken in the relevant accounts against the State Budget.

(Based on Paras 3 & 4 of the Procedure for adjustment of N.H. expenditure prescribed under C&AG's letter No.402-AC/192-71 dated 19.3.1977 received with Accountant General, Orissa letter No.SAA (Central)-A-/A-745 dated 25.3.1977 Dy-WAC-III-NH-1851)

Note:- 1) The Government of India depreciate strongly expenditure being incurred in excess of the allotments sanctioned for the year by them, and consider that any such excess should be debited to the State Government.

(2) On the schedules of works expenditure and vouchers pertaining to National Highways sent to the Accountant General (A&E) reference should be given to the letter in which the Government of India have approved the estimates being debited to the "National Highways".

(G.O.P.W.D. No.9998 Bt IB-13/49 dated 5.7.1950)

(3) For classification of receipt and revenues from the Avenue trees and proceeds by way of sale of clipping dead trees and charges realized for ferry services, Inspection Bungalows and rest houses etc. which are maintained from the National Highways Fund see Para 6.12 of this Manual.

ANNEXURE – A

(Para 9.01)

The National Highways Act, 1958 (No. 48 of 1956)

An act to provide for the declaration of certain highways to be national highways and for matters connected there with be it enacted by Parliament in the seventh year of the Republic of India as follows:-

Short title, extent and commencement:-

- 1) (1) This act may be called the National Highways Act, 1956.
- (2) It extends to the whole of India,
- (3) It shall come into force on such date as the Central Government may by notification in the official gazette appoint.

Note :- The Central Government hereby appoints the 15th day of April 1957 as the date on which the Act will come into force.

(G.O.M.T. Notification No. SRO-1180 dated 4.4.1957 C.S. 131)

Declaration of certain highways to be National Highways.

- 2) (1) Each of the highways specified in the schedule except such parts thereof as are situated within any municipal area is hereby declared to be a national highways.
- (2) The Central Government may, by notification in the official Gazette, declare any other highway to be a national highway and on the publication of such notification such highway shall be deemed to be specified in the schedule.
- (3) The Central Government may, by like notification omit any highway from the Schedule and on the publication of such notification, the highway so omitted shall cease to be a national highway.

Definition:-

- 3) In this Act, "Municipal Area" means any municipal area with a population of twenty thousand or more the control or management of which is entrusted to a Municipal Committee, a town area committee, a town committee or any other authority.

National Highways to vest in the Union :-

- 4) All National Highways shall vest in the Union and for the purpose of this Act "Highways" include :-
 - (1) All lands appurtenant thereto, whether demarcated or not.
 - (2) All bridges, culverts, tunnels, causeways, carriageways and other structures constructed on or across such highways and
 - (3) All fences, trees, posts and boundary furlong and mile stones of such highways or any land appurtenant to such highways.
- 5) Responsibility for development and maintenance of National Highways :-

It shall be the responsibility of the Central Government to develop and maintain in proper repair all national highways but the Central Government may by notification in relation to the development or maintenance of any national highways shall subject to such conditions if any as may be specified in the notification, also be exercisable by the Government of the State within which the national highways are situated or by any officer or authority, subordinate to the Central Government or to the State Government.
- 6) Power to issue directions

The Central Government give directions to the Government of any State as to carrying out in the State of any of the provisions of this Act or of any rules, notification or order made there under.

7) Fees for services or benefits rendered on national highways

(1) The Central Government may by notification in the official Gazette, levy fees at such rates may be laid down by rules made in this behalf for services or benefits rendered in relation to the use of ferries, temporary bridges and tunnels on national highways.

(2) Any fee leviable immediately before the commencement of this Act for services or benefits rendered in relation to the use of ferries, temporary bridges and tunnels on any highways specified in the schedule shall continue to be leviable under this Act unless and until it is altered in exercise of the power conferred by subsection (1).

(3) Such fees when so levied shall be collected in accordance with the rules made under this Act.

8) Agreement with State Government or Municipalities

Notwithstanding any thing contained in this Act, the Central Government may enter into an agreement with the Government or any State or with any authority entrusted with the control or management of any municipal area in relation to the development or maintenance of the whole or any part of a national highway situated within the State or as the case may be in relation to the development or maintenance of any such part of a highway situated within a municipal area as is referred to in sub-section (1) of section 2 and any such agreement may provide for the sharing of expenditure by the respective parties thereto.

9) Power to make rules

(1) The Central Government may, by notification in the official Gazette make rules for carrying out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power such rules may provide for all or any of the following namely :-

(a) the manner in which and the conditions subject to which any function in relation to the development or maintenance of a national highway or any part thereof may be exercised by the State Government or any officer or authority subordinate to the Central Government or the State Government.

(b) the rates at which fees for services rendered in relation to the use of ferries, temporary bridges and tunnels on any national highway may be levied and the manner in which such fees shall be collected.

(c) the periodical inspection of National Highways and the submission of inspection reports to the Central Government.

(d) the reports on works carried out on National Highways,

(e) any other matter for which provision should be made under this Act.

10) Laying of notifications, rules etc. before Parliament

All notifications or agreements issued or entered into under this Act shall be laid before both House of Parliament as soon as may be after they are issued into and

all rules made under Section 9 shall be laid for not less than thirty days before both Houses of Parliament as soon as may be after they are made, and shall be subject to such modification as Parliament may make during the session in which they are so laid or the session immediately following.

NATIONAL HIGHWAYS

The Schedule (See Section 2)

Sl. No.	National Highway Number	Description of National Highways
1.	1	The Highways connecting Delhi, Ambala, Jullundhar and Amritsar and proceeding to the border between India and Pakistan
2	IA	The Highway connecting Jullundhar, Madhopur, Jammu, Banihal, Srinagar, Baramula and Uri.
3.	2	The Highway connecting Delhi, Mathura, agra, Kanpur, Allahbad, Banaras, Mohania, Parhi and Kolkata.
4.	3	The Highway Connecting Agra, Gwalior, Shivpuri, Indore, Dhulia, Nasik, Thane and Mumbai.
5.	4	The Highway starting from its junction near Thana with the Highway specified in Sl.No. 4 and connecting Pune, Belgaum, Hubli, Bengaluru, Ranipet and Chennai.
5A	4A	The Highway connecting Belgaum, Anmod, Ponda and Panaji.
6	5	The highway starting from its junction near Beharagora with the highway specified in Sl.No.7 and connecting Cuttack, Bhubaneswar, Visakhapatnam, Vijayawada and Chennai.
6A	5A	The highway starting from the junction near Baridaspur with National Highway No.5 and terminating at the Paradip Port.
7	6	The highway starting from its junction near Dhulia with the highway specified in Sl.No.4 and connecting Nagpur, Raipur, Sambalpur, Baharagora and Kolkata.
8.	7	The highway starting from its junction near Banaras with the highway specified in Sl.No.3 and connecting Mangawan, Rewa, Jabalpur, Lakhnadon, Nagpur, Hyderabad, Kurnool, Bengaluru, Krishnagiri, Salem, Dindigul, Madurai and Cape Comorin.
9	8	The highway connecting Delhi, Jaipur, Aajmer, Udaipur, Ahmedabad, Borada and Mumbai.

Sl. No.	National Highway Number	Description of National Highways
10	8A	The highway connects Ahmedabad, Limbdi, Morvi and Kandla.
11.	8B	The highway starting from its junction near Bamanbhore with the highway specified in Sl.No.10 and connecting Rajkot and Porbandar.
12	9	The highway connecting Pune, Sholapur, Hyderabad and Vijayawada.
13.	10	The highway connecting Delhi and Fazilka and proceeding to the border between India and Pakistan.
13D	21	The highway starting from its junction near Chandigarh with National Highway No.2 and connecting Rugar, Bilaspur, Mandi, Kulu and Manali.
14.	22	The highway connecting Ambala, Kalka, Simla, Narkanda, Rampur and Chini and proceeding to the border between India and Tibet near Shipkila.
15.	24	The highway connection Delhi, Bareilly and Lucknow.
16	25	The highway connecting Lucknow, Kanpur, Jhansi and Shivpuri.
17.	26	The highway connecting Jhansi and Lucknow.
18.	27	The highway connecting Allahabad with the highway specified in Sl.No. 8 near Mangawan.
19.	28	The highway starting from its junction near Baraur with the highway specified in Sl.No. 23 and connecting Muzaffarpur, Pipra, Gorakhpur and Lucknow.
20.	28A	The highway starting from its junction near Pipra with the highway specified in Sl.No. 19 and connecting Segauli and Raxaul and proceeding to the border between India and Nepal.
21..	29	The highway connecting Gorakhpur, Chasipur and Banaras.
22.	30	The highway starting from its junction near Mahania with highway specified in Sl.No. 3 and connecting Patna and Bakhtiyarpur.
23.	31	The highway starting from its junction near with the highway specified in Sl.No. 3 and connecting Bakhtiyarpur, Purnea Balakhela, Siliguri, Sivek and Cooch

Sl. No.	National Highway Number	Description of National Highways
		Behar and proceeding to its junction with the specified in Sl.No.28 near Goalpara.
24.	31A	The highway connecting Sivok and Gangtok.
25.	3	The highway starting from its junction near Barhi with the highway specified in Sl.No. 3 and connecting Ranchi and Tatanagar and proceeding to its junction with the highway specified in Sl.No. 7 near Baaharagora.
26.	34	The highway starting from its junction near Dalkhola with the highway specified in Sl.No.23 and connecting Berhampur Barasat and Kolkata.
27.	35	The highway connecting Barasat and Bangaon and proceeding to the border between India and Pakistan.
27A	36	The highway connecting Nougong, Dabaka, and Dimapur (Manipur Road).
28.	37	The highway starting from its junction near Goalpara with the highway specified in Sl.No. 23 and connecting Gauhati, Jorahat, Kamargaon,, Makum and Saikhoa Chat.
29.	38	The highway connecting Makum, Ledo and Lakhapatni.
30.	39	The highway connecting Kamargaon, Imphal and Palel and proceeding to the border between India and Burma.
31.	40	The highway connecting Jorahat and Shillong and proceeding to the border between India and Pakistan near Dawki.
32.	42	The highway starting from its junction near Sambalpur with the highway specified in Sl.No. 7 and proceeding via Angul to its junction with the highway specified in Sl.No. 6 near Cuttack.
33.	43	The highway connecting Raipur and Vizianagaram and proceeding to its junction with the highway specified in Sl.No. 6 near Vizianagaram.
33A.	44	The highway connecting Shillong, Passi, Badarpur and Agartala.
34.	45	The highway connecting Chennai, Tiruchirapalli and Dindigul.
35.	46	The highway connecting Krishnagiri and Ranipet.

Sl. No.	National Highway Number	Description of National Highways
36.	47	The highway connecting Salem, Coimbatore, Trichur, Earnakulam, Trivendrum and Cape Comorin.
37.	47A	The highway starting from its junction near Trichur with the highways specified in Sl.No. 36 and connecting with west coast border near Ghaliseri.
38.	49	The highway connecting Madurai and Dhanushkodi.
39.	50	The highway connecting Nasik with the highway specified in Sl.No. 5 near Poona.

Note:- The State Government of Orissa have been authorized to exercise the functions in relation to the execution of works pertaining to so much National Highways No.5 and 6 and No.43 as are situated within the State of Orissa and National Highway No.42 subject to the condition that the State Government shall in exercise of such functions, be found to comply with the rules for the time being in force under the Act.

(G.I.M.T.R.W. Notification SRO-1181 dt. 4.4.1957)

*Inserted under G.I.M.S. & T (RW) Notification No.3344 dt. 25.7.1971.

The National Highway Rules 1957

Government of India, Ministry of Transport Notification No. SRO-182 dt.4.4.1957.

In exercise of the powers conferred by Section 9 of the National Highways Act, 1956 (48 of 1956) and Central Government hereby makes the following rules namely :-

- 1) Short title: - These rules may be called the National Highway Rules, 1957.
- 2) Definition :- In these rules, unless the context otherwise requires :-
 - a) 'Act' means the National Highways Act, 1956.
 - b) "Approved work" means any original work on a National Highway in respect of which the Central Government has accorded technical approval and financial sanction.
 - c) "Completion Report" means a report required to be furnished under Rule - 8.
 - d) "Executive Agency" means :-
 - i) In the case of a Union Territory the Administrator thereof to whom the functions of the Central Government in relation to the execution of works pertaining to National Highways are delegated under article 239 of the Constitution.
 - ii) In any other case the State Government to which such functions are delegated under Section 5 of the Act and
 - e) "Progress Report" means a report required to be furnished under Rule 7.
- 3) Detailed estimates of original work :-

A detailed estimate for the execution of any original work on a National Highway shall be forwarded by the Executive Agency to the Central Government in such form as the Central Government may require and that Government may accord technical approval and financial sanction to such estimate subject to any conditions it may think fit to impose.

4) Abstract of particulars of detailed estimate for maintenance of National Highways:-

(1) An abstract of the particulars of the detailed estimates for the maintenance of a National Highway during each financial year should be forwarded by the Executive Agency to the Central Government in such form as the Central Government may require not later than the 1st day of the month of May in that financial year.

Provided that the Central Government may, in any case or class of cases, require the Executive Agency to forward a detailed estimate or estimates for the maintenance of any National Highway in such form as that Government may require.

(2) The Central Government may accord approval to the abstract or the detailed estimate or estimates submitted to it under this rule subject to any conditions it may think fit to impose.

5) Revised detailed estimate:-

When the expenditure upon any original work on a National Highway to the detailed estimate of which the Central Government has accorded technical approval and financial sanction exceeds or is likely at any time to exceed the amount of such estimate by more than ten per cent thereof or by a sum of twenty five thousand Rupees*, which ever is less, the Executive Agency shall forward a revised detailed estimate for such work to the Central Government in such form as the Central Government may require, and the Central Government may accord technical approval and financial sanction to such estimate subject to any conditions it may think fit to impose.

6) Application for allotment of funds :-

An application for the allotment of funds for meeting expenditure on any original work on a national highway or on the maintenance of a National Highway during any financial year shall be made by the Executive Agency to the Central Government in such form as that Government may require and the Central Government shall communicate its decision to the Executive Agency on such application as soon as possible after such applications received.

7) Monthly Progress Report :-

The Executive Agency shall furnish to the Central Government a monthly progress report on every approved work in such form as that Government may require.

8) Completion Report :-

As early as possible after the completion of any approved work the Executive Agency shall furnish to the Central Government a full and correct report on such completion in such form as that Government may require.

9) Inspection of Work :-

The Consulting Engineer to the Government of India (Road Development) or any officer authorized by him in this behalf may inspect at any time any approved

work in progress or completed. A report of every such inspection shall be submitted to the Central Government.

(No. OL-7(4) 57-III) (C.S. No. 131 dt. 11.3.1958)

* Raised to Rs. 2,50,000/- vide G.I.M.S. & T. No.NH-1-40

(10/70 dt.20.7.1971 (Dt-WAC-1-27-6-1167))

CHAPTER – 10

CENTRAL ASSISTANCE

PROCEDURE FOR RELEASE OF CENTRAL ASSISTANCE IN RESPECT OF PLAN/NON-PAN/SPECIAL NON-PAN SCHEMES.

10.01 Introduction

Prior to 1958-59 for plan scheme Central Assistance was released to the State Governments by raising debit against the centre. From 1958-59 to 1964-65 the procedure for release of Central Assistance against Ways and Means Advance granted by the Central Government on the basis of Departmental actuals was adopted subject to final adjustment. With effect from 1965-66 the Central Assistance to states on the basis of audited expenditure figures against ways and Means Advance subject to final adjustment has been in vogue. The pattern of assistance (on percentage basis) is decided by Government of India.

[G.I.M.F.(DEA) letter No.F-2(17)-III/58 dated 12.5.1958 (OOA-2951 dated 9.2.1959) M.F.(DEA) O.M. No.F2 (17)-PII/58 dated 22.7.1958 and M.F. (DC) letter No.2(19)-p/II/60 dated 9.10.1964 and C.& A.G.'s letter No.1437-Tech-Admn.I/363/62-Vol.II dated 24.5.1965 (OOA-5172 dated 13.7.1965)]

10.02 Sanction of Schemes

State Plan schemes should be sanctioned by the State Government and no financial sanction from the centre would be issued. Centrally sponsored schemes will require specific approval of the Administrative Ministries. Government of India do not give formal approval to any of the schemes included in various plan Heads of Development and no financial sanction to individual schemes is issued from the Centre except to the extent indicated in Para 10.03. The schemes are drawn up with an agreed framework decided at the time of Annual Plan discussions. Concurrence of the Planning Commission to the proposal sent by the State Government following discussions on Annual Plan will be presumed to have been accorded except in respect of new projects/new categories of schemes, as distinct from continuing schemes.

[Based on C.& A.G.'s letter No.1437 –Tech-Admn.I/636/62-Vol.II dated 24.5.1965 (OOA-5172 dated 13.7.1956)]

10.03 Examination and Acceptance :-

- (i) Centrally sponsored schemes will require specific approval of Administrative Ministries.
- (ii) Proposals in respect of Irrigation and Power Projects are examined and accepted by Planning Commission's Advisory Committee.
- (iii) Schemes for Industrial Housing and sump clearance by M.W.H. & U.D.
- (iv) In the case of all big projects the State Government have to obtain the clearance of the Government of India for the revised cost estimate of the Project, if it involves substantial revision resulting in an increase of more than 10% of the originally approved cost estimates.
- (v) Irrigation Projects:-
 - (1) Projects costing Rs.2 crore or less :-

The schemes will be broadly examined after submission by the State Government in the prescribed proforma with reference to basic planning and

availability of water; inter-state aspect; and any other important aspect radically affecting the size and shape of the project.

(2) Projects costing more than Rs. 2 crore :-

The project should be submitted by the State Government to the Central Water & Power Commission for detailed examination with a copy to the Planning Commission. In the case of projects costing Rs. 5 crore and above, a copy of the project report should be forwarded to the Ministries of Irrigation and Power and Finance (D.C.)

(vi) Flood control, Drainage, Anti-Water logging and anti-sea erosion schemes:

(1) Schemes costing Rs.25 lakh or less:-

The schemes for raising and strengthening and retainer line of existing embankment, investigation of flood control, drainage, anti-water logging, anti-sea erosion schemes and raising of villages will be approved by the State Flood Control Board on the recommendation of the state Chief Engineer and sanctioned by the State Government.

Schemes having inter-departmental and of inter-state implications should be got examined and cleared by the Central Water and Power Commission before they are finally approved by the State Flood Control Board and sanctioned by the State Government.

Other schemes will be processed through the State Technical Advisory Committee and sanctioned by the State Government.

A list of schemes sanctioned by the State Government with the information required in the prescribed proforma will be supplied to the Irrigation & Power Division of the Planning Commission with a copy to Central Water & Power Commission.

(2) Scheme costing more than Rs.25 lakh but not exceeding Rupees one crore:

The schemes under this category are to be completed and processed by the State Government and Central Ministries will intimate their approval to State Government. The State Government is to ensure that sufficient information is made available to enable the Ministries to judge that the schemes to be implemented follow the lines approved.

Exceptions :- Such of schemes which lie in or extend to a limit of 5 miles from the border, from an inter-state river which does not flow down to any other state but whose effect may extend into the upper state, Embankment schemes in certain estuarine creeks effecting adjoining estuaries in another country,; Embankment schemes which are on river tributaries which flow down to another state; Embankment schemes on rivers flowing ultimately into another country will be examined in detail by Central Water & Power Commission.

(3) Schemes costing more than Rupees one crore :-

These will be submitted by the State Government to Central Water & Power Commission for detailed examination with copies to Planning Commission and Ministries of Irrigation & Power Department.

(vii) Power Projects :-

(1) Generating Schemes and Transmission Schemes of 33 KV and above.

All such schemes will be submitted by the State Government to the Central Water & Power Commission for detailed examination and to Planning Commission.

(2) Distribution Schemes :-

As under (1) above.

(3) Rural Electrification Scheme :-

- (a) State Governments are to forward to the Central Water & Power Commission and Planning Commission the overall project information in the prescribed proforma (either on annual, biennial or on five year basis).
- (b) Since Agricultural production has been assigned the highest priority, rural electrification should be oriented to sub-serve the agricultural needs and should therefore, aim at energising wells and not merely electrification of villages.

10.04 Modification and Revision of Project Estimate (Irrigation Flood Control & Power Project) on account of change in their scope and/or estimated cost.

- (1) In respect of a project whose revised cost is more than Rs. 2 crore and/or which involves Inter-State aspects (including share of the states in the availability of water), if the scope of the project approved by the Planning Commission requires modification/revision resulting in an increase in the cost of more than 10 *per cent* or Rs.1 crore, which ever is less, such modification would have to be intimated by the State Government to the Planning Commission and the Central Water and Power Commission for review by the Advisory Committee on Irrigation Flood Control and Power Project.
- (2) If the revised cost of a project is Rs. 2 crore or less, irrespective of the percentage increase in cost, only the increase in the cost and change in the scope of the project, if any need be intimated. For a project whose revised cost is more than Rs. 2 crore, the revised estimate should be sent to Planning Commission and Central Water and Power Commission, if the increase in cost is more than 10 *per cent* or Rs. 2 crore, which ever is less.

Note : (1) No work on any Irrigation, Flood Control and Power Project should be undertaken by the State Government unless the schemes are approved in accordance with the procedure laid down above.

[G.I. Planning & Coordination letter No.Plan-5/2/57 dated 12.5.1958, C & A.G's letter No.1437-Tech-Admn.I/636/62-Vol.II dated 24.5.65, M.F. (DC) letter No.2(47)-P/64 dated 17.2.1966, Government of India, P&C letter No.111-1(1)165-IP dated 25.7.1966 and C & A.G's letter No.4382-Tech.Admn.I/30-66 dated 14-12-1966 (Dy-WM-CAG-77)]

- (2) For inclusion in the State Plan of all Projects involving outlays of Rs. 5 crore and above including cases where the estimated cost of the project after revision exceeds Rs. 5 crore, state Governments should obtain prior clearance from the Central Government (Administrative Ministries concerned) before any commitments are made or expenditure incurred. No clearance would be given to any new project of the order of Rs. 5 crore and above except in consultation with the Ministry of Finance (DC).

In view of large escalation in the cost of few major schemes with consequent strain on financial resources resulting in substantial reduction of outlays on other important programmes in the state Plan and delays in execution in several cases without proper phasing of expenditure in the light of availability of resources, it is necessary to ensure that the schemes involving very large outlays are prepared and executed in such a manner as to reduce to the minimum, the time-lag between their completion and accrual of benefits after detailed scrutiny in the initial stages.

[Based on G.I. M.F. (DC) Planning Branch letter No.F.2(47)-p64-8-4-65 dated 18.9.1965 received with C & A.G. letter No.4533-TA-130-66 dated 7.1.1967 (Dy-WM-CAG-83)]

10.05 Furnishing of Audit Certificate

It has been decided by the C. & A.G. that the due dates for verification of expenditure figures (on plan schemes) and furnishing of Audit Certificates (Form 6) to the Government of India would be

- | | |
|--|---|
| (i) Completion of verification of expenditure figures | By end of November of the succeeding year (e.g. by end of 11/66 in respect of accounts for 65-66) |
| (ii) Submission of Audit Certificates to the Government of India | By the end of September of second succeeding year (e.g. by the end of 65-66) |

Accordingly the Audit Certificate must be furnished to the CASS-IA of Main Office by the end of August of the succeeding Financial year at the latest.

(Based on OOA-5380 of 65-66)

Note: The Accountant General (A&E) has to furnish the statement of expenditure duly reconciled to Accountant General (Audit), for Audit Certification. If however any amount has been kept under objection pending receipt of D.C. Bills etc. Accountant General (A&E) shall intimate that figures also. Accountant General (Audit) will issue the certificate direct to concerned authorities.

(Based on C&A.G's letter No.561-TA.I-199-83/TM dated 16.5.1984)

10.06 Submission of Registers

The Register of Audit Certificates maintained by CAS Section should be submitted to the Branch Officers on 5th of every month and to the Senior Deputy Accountant General (Works Audit & Projects) quarterly on 10th of March, June, September and December).

(Based on OOB-10 dated 3.9.1984 of A.G.(Audit), Orissa)

II. PROCEDURE FOR SANCTION AND PAYMENT OF GRANTS-IN-AID TO STATE GOVERNMENT TOWARDS EXPENDITURE ON DISPLACED PERSONS ETC.

10.07 Approval of Scheme

The State Governments will not be eligible to any grants-in-aid towards expenditure incurred on any such scheme unless the approval of the Government of India, Ministry of Labour, Employment and Rehabilitation (Department of Rehabilitation), prescribing, if necessary, the authorized scales at which, and the conditions, if any, under which expenditure will be incurred is secured before

implementing any such schemes from the Budgets of the State concerned against the appropriate sanctions as the State Government may issue. Such approvals will continue to remain in force until specifically withdrawn by the Government of India.

10.08 Periodical Reports on Progress of Expenditure

State Governments claiming payment of Grants-in-aid from the Government of India (Department of Rehabilitation) should send periodical reports in Form in Annexure 'A' giving the progress of expenditure actually incurred as per records of State Government during the quarter "April to June", "July to September", "October to December" so as to reach the Government of India by end of July, October and January respectively.

In addition, for the last quarter, i.e. January to March, the State Governments should send an estimate of the relevant expenditure likely to be incurred during the quarter so as to reach the Department of Rehabilitation positively by the first week of February, followed in a report the form Annexure 'A' for that quarter by end of April next year.

10.09 Sanctions of Grants-in-aid by the Central Government

On receipt of the reports referred to above, the Department of Rehabilitation will after satisfying themselves about the eligibility of the State Government to the payment of Grants-in-aid and taking into account short or excess payments, if any, for earlier periods including those disclosed as per para 10.11 of this Manual, communicate to the Accountant General concerned, sanction of the President to the payment of the amount specified therein as Grants-in-aid to the State Government for the relevant quarter. The amount of the arrear payment or recovery of the excess payment, if any, in respect of earlier period will also be specified in the sanctions.

10.10 Payments of Grants-in-aid

On receipt of the sanctions for payment, the Accountant General (A&E) of the State concerned will forthwith place the entire amount so sanctioned to the credit of the account for the State Government under intimation to state Government as well as to sanctioning authority, without intervention of the Pay and Accounts Officer of the Ministry concerned. The debits for the payments will finally be adjusted in the accounts of the Central Government under the head, unit of appropriation etc. indicated in the relevant sanction for payment.

10.11 Audited figure of expenditure

The State Governments will take prompt and effective steps to get the figures of expenditure reconciled with the figures actually booked by the Accountant General (A&E) concerned and also duly audited by Accountant General (Audit) within a period of six months after the month in which expenditure was incurred. Thereafter, the State Government will furnish to the Government of India two statements each duly certified by the Accountant General (Audit) showing audited figures of expenditure incurred in first and second six months of each financial year and also Grants-in-aid actually received from the Government of India in respect of the relevant half year, so that statements for first and second six month of financial year reach the Government of India by end of April and October respectively of the following financial year. The excess payment or short payment, if any, disclosed by audited figures of expenditure will be adjusted either separately or in the sanctions for payment of Grants-in-aid to be issued as per Para 10.09 supra.

(G.I. Ministry of Labour, Employment and Rehabilitation (Department of Rehabilitation) letter No.21/4/67-BUD dated 19.7.1969 (Dy-WM-46-16-GI-37)]

Note:- The Central Accounting Section intimate the amount of Grants if any, received on behalf of the State Government on account of Grants-in-aid schemes. In case audit of the scheme is conducted by another Audit Officer, the particulars of the objections raised by the former should be called for before issue of the Audit Certificate by the Senior Deputy accountant General (Works Audit & Projects) for incorporation in the Audit certificate.

(Based on extracts of Accountant General's Orders dated 1.4.1976 in connection with issue of Audit Certificates for Potteru Irrigation Scheme)

ANNEXURE – A

(Para 10.08)

(Grants - in - aid to State Government)

Claims for payment of Grant-in-aid towards the expenditure (Departmental) incurred by the Government of on relief and rehabilitation of displaced persons from Pakistan, repatriates from other countries etc. during the quarter April – June, 19..... July – September, October – December , January – March.

Particulars of items schemed	No. & date of Govt. of India's approval	Expenditure incurred during the current financial year		
		Till the end of the previous quarter ending	During the quarter ending	Total

Displaced persons from

(Rehabilitation) (Item wise)

II-old migrants from East Pakistan

(Displaced persons who migrated to India prior to)

(a) Rehabilitation (Plan)
(Item wise)

Total

(b) Rehabilitation (Non-Plan)
(Item wise)

Total

I. New Migrants from East Pakistan

Displaces persons who migrated to India after)

(a) Relief

(i) Establishments

(ii) Feeding Cash doles

(iii) Works

(iv) Miscellaneous

(v) P.L. Home

(vi) Discretionary grant

Total

(b) Rehabilitation (Plan)

(Item wise)

- Total
- (c) Rehabilitation (Non-Plan)
 - (Item wise)
 - Total
- Total new migrants.
- II.** conflict
 - (Item wise)
 - Total
- III.** Repatriates
 - (a) Relief
 - (Item wise)
 - Total
 - (b) Rehabilitation (Plan)
 - (Item wise)
 - Total
 - (c) Rehabilitation (Non-plan)
 - (Item wise)
 - Total
 - TotalRepatriates.
- IV** Repatriates
 - (a) Relief
 - (Item wise)
 - Total
 - (b) Rehabilitation (Plan)
 - (Item wise)
 - Total
 - (c) Rehabilitation (Non-plan)
 - (Item wise)
 - Total
 - Total Repatriates.
- V.** Miscellaneous, if any
 - (With details)

CHAPTER-11

Section - I

11.01 Audit of Projects financed by World Bank/I.D.A.

The agreements 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 developmental projects to be implemented by departments of the Central Government, Government of States, Public sector Undertakings and Autonomous Bodies, etc. include specific covenants for Accounts and Audit. These covenants inter alia provide that the Government or the Project entity shall 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 and the Bank has accepted the Comptroller and Auditor General 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.

11.02 Auditing Requirements as per guideline issued by World Bank.

Auditing of projects financed by world Bank needs to be conducted in the following directions: -

- A. Audit of Executing Agency's Financial Statement.
- B. Audit of Project's Financial Statement.
- C. Audit of Statement of Expenditure (SoE).
- D. Audit of Special Accounts.

A. Audit of Executing Agency's Financial statement

Overall objective:

The overall objective of audit of financial statement is to determine whether the statement is fairly presented in conformity with international accounting standards or generally accepted accounting principles applied on a basis consistent with that of the preceding year. It should be seen whether the financial statement is fairly presented by accumulating audit evidence in a thorough and conscientious manner.

Audit Process:

Audit conclusions about whether financial statement is fairly presented are not reached in a precisely defined manner. Instead, evidence is obtained and conclusions are reached throughout the course of an audit. The results of previous audits should be looked into.

Considering Internal accounting control

As part of an audit of financial statement the auditor is required to consider the related entity's system of internal accounting control for the purpose of assessing its ability to generate reliable financial information. If the auditor is convinced the entity has an excellent system, which includes controls for providing reliable data and for safeguarding assets and records, the amount of audit evidence to be accumulated can be significantly less than if the system is not adequate. However, the auditor must test the effectiveness of the control. His review of internal control is intended primarily to determine the extent of testing he will do in his subsequent examination of account balances.

B. Audit of Project Financial Statement

Overall objective:

The overall objective of audit of Project Financial Statement is to determine whether the Statement fairly present cash receipts and disbursements for a specified period, as well as cumulatively for the project and that the reported disbursements were made in accordance with loan legal agreements. A borrower should prepare a periodic Statement of Project receipts and disbursements for each bank financed projects.

Audit Process:

The auditor is expected to rely heavily on an inspection of valid supporting documentation and to perform other steps, where practical, to substantiate the validity of the expenditure in accordance with the loan legal agreements.

Where a borrower uses the Statement of Expenditure procedure in claiming loan withdrawal, the disbursements reported in a Project's Statement of receipts and disbursements will also include those expenditure included in the Statement of Expenditure. Where this is the case, any audit of project financial statement should be closely coordinated with audit performed on the individual Statement of Expenditure to avoid duplication of audit efforts.

Considering Internal accounting control

As part of an audit of Project Statement of receipts and disbursements the auditor should review and evaluate controls surrounding financial activity to determine the nature and extent of audit procedures to be performed. As with audit of Executing Agency Financial Statement, where the auditor identifies effective control he is entitled to rely on this control to enhance the reliability of financial information. However, to justify this reliance, the auditor must test the effectiveness of the control.

Reporting.

Project financial statements are generally prepared on the cash basis of accounting, not in conformity with International Accounting Standards, which require the accrual basis of accounting. Accordingly, the fact should be disclosed in the auditor's report and in the accounting policies footnote to the Statement.

C. Audit of Statement of Expenditure

Primary objective:

The primary objective of the audit of Statement of Expenditure is to ascertain that the individual expenditure which comprise the SOE totals are fully supported, properly authorised and eligible under the loan agreement, and appropriately accounted for.

Audit Procedure:

- I Obtain a copy of the loan agreements and Staff Appraisal Report (SAR).
- II Through discussion with borrower Staff, obtain an understanding and document (or update previous documentation of) the process and related controls by which expenditures are committed, renewed, approved, paid and identified for inclusion in loan withdrawals application.

- III Consider the effectiveness of the following controls and documents and instance where controls are lacking or are considered in the need of strengthening :
- (a) Appropriate levels of review and approval are in place and followed for each stage of the expenditure process.
 - (b) Procedures and responsibilities are clearly defined and are adequately documented.
 - (c) Adequate segregation of duties exists between the initiation, authorisation, disbursement and recording functions.
 - (d) Authorisation and approval is obtained prior to incurring of the expenditure.
 - (e) Documentation is maintained for an adequate period of time for purposes of fulfilling audit requirements as well as review by Bank Staff.
 - (f) Commitments are made after applicable procedures have been followed.
- IV Select all SoEs submitted during the period under audit and have borrower staff retrieve the supporting documentation for the expenditure.
- V For each expenditure perform the following:
- A. Evaluate the adequacy of the supporting documentation which should normally include on or more of the following.
 - 1. Procurement documents (bid documents, invitation, evaluation, award);
 - 2. purchase contract;
 - 3. purchase order;
 - 4. letter of credit;
 - 5. supplier's invoice and certificate of origin;
 - 6. shipping of import documents and inspection certificates;
 - 7. contractor's invoice or certificates;
 - 8. other evidence or receipt of goods or services;
 - 9. force account records;
 - 10. recurrent cost records;
 - 11. authorization for payment;
 - 12. evidence of payment/Bank Statements;
 - 13. accounting records of approvals, disbursements, and balances available;
 - 14. evidence that refunds have been made by suppliers and corresponding adjustments made in subsequent applications in instances where goods have been returned.
 - B. Ascertain that expenditure was properly authorized and approved.
 - C. Verify that the expenditure is eligible for bank disbursement under loan legal agreements. Ineligible expenditure would include:
 - i) duplicate invoice;

- ii) payments made in advance of receipt of goods or delivery of services. Unless these payments are consistent with contract provisions and are established commercial practice;
 - iii) payments that should have been made under normal disbursement procedures with full documentation (e.g. payments against contracts subject to Bank's prior review, or payments against contracts with values exceeding defined SOE limits), and
 - iv) payments of items that are not procured in accordance with the loan legal agreements, such as
 - (a) payments for items from countries that are not eligible under Bank's Procurement Guidelines;
 - (b) payments for items not specified in the procurement;
 - (c) payments made prior to loan signing or before the eligible date specified for retroactive financing;
 - (d) payments for items on the negative list or not on the positive list (for adjustment operation lending).
- D. Verify the mathematical accuracy of the SOE.
- E. Agree percentage used to determine the Bank's share of the total disbursements to loan legal agreement. Verify that proper amount was requested for reimbursement.
- F. Summarise the results of the work performed on a Summary Form.
- G. Notify borrower of all instance of negative findings.
- H. Submit summary forms and audit opinion to appropriate officials who should forward these documents to Bank Staff.

The appropriate workpapers which support the work performed and conclusions reached should maintained for a minimum period of three years. Such work should made available to Bank Staff, if requested.

D. Audit of Special Accounts

Objective:

Where Special Accounts (SAs) are established, annual audit may be required. The primary objective of such audit is to verify that SA statement is fairly presented and that disbursement from SA is proper and in accordance with the respective loan legal agreement.

Audit Process:

While performing audit of SA activity, the auditor should be particularly contingent of the risk that funds may be used, even on a temporary basis, for purposes not expressly authorized in the loan agreement. The auditor should also review and evaluate control surrounding SA activity to determine the nature and extent of audit procedure to be performed.

[Authority: Guideline on Financial Reporting and Auditing of Projects financed by World Bank for East Asia and Pacific Region and South Asia Region enclosed with C&AG's General Circular No.11-Audit II, No.711 Audit II/93-86 dt.12.5.87.]

11.03 Issue of audit certificate in respect of World Bank Assisted Projects

The Annual Accounts to be certified will be the annual expenditure statement related to Government accounts in respect of Projects executed by Govt. 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 World Bank, these are to be furnished by the project authorities. While certifying SoEs, which are limited to reimbursement of expenditure by Bank without documentation, each Application number and amount have to be indicated. The audit certificate should be issued in the proper printed letterhead and signed by an officer not below the rank of DAG. (model format given in Appendix-I). The name and designation of the signatory should be legibly typed below the signature. In cases where for some valid reasons it is not possible to certify together the Accounts and the SoEs within 9 months of the close of the year, the SoEs should be certified separately adopting suitably the relevant portion of the form of the Certificate, in time. In rare cases where undue delay is anticipated in certifying the Accounts, the reasons will have to be intimated to the C&AG and the Ministry of Finance Department of Economic Affairs in advance for enabling the latter to take up with the World Bank.

2. The integrated Audit Certificate is considered adequate for the purpose of World Bank and it would not be necessary for the Bank to await the all inclusive Audit Report of the C&AG submitted to the respective legislature. At present irregularities noticed in audit that are likely to figure in an Audit Report to be presented to the Legislature, are not generally disclosed in the Audit Certificate meant for World Bank. As the Audit Certificate is not to be published and is in the nature of document exchanged between the clients and the Bank, the certificate should indicate in brief the amount held under objection in relation to vouchers, DC Bills, sanctions etc. and misclassification, defalcation, overpayments, etc. that come to notice.

3. The local audit of World Bank aided projects should be given priority. The irregularities noticed in Central Audit as well as in Local Audit in relation to these projects should be distinctly recorded and separate files for certification and issue of audit certificate in respect of each project maintained.

4. The Ministry of Finance has issued instructions to State Government prescribing a time limit of 4 months from the close of the year to render the accounts and statements of expenditure for audit. Cases of undue delay in the receipt of accounts/SoEs from the Project Authorities maybe reported to the State Government and the Ministry of Finance, Department of Economic Affairs, New Delhi for necessary action.

5. The audit certificates are to be issued to the concerned Project Authorities under intimation to Ministry of Finance, Department of Economic Affairs, New Delhi.[Annexure –I]

6. The annual return indicating the position of issue of audit certificate in respect of these projects should be furnished in the enclosed proforma (Annexure -2) so as to reach C&AG's office by 20th January each year.

[Authority: C&AG's General Circular No.11-AuditII, No.711 Audit II/93-86 dated 12.5.87.]

7. The Standardised Terms of Reference (TOR) for audit of World Bank Assisted Projects in the State has been approved by the Comptroller and auditor General of India as per D.O No.102-Audit (E &AP)/1-2007 dated 05-03-2008 of D.G (Audit) and circulated to all concerned in the Head Quarters circular No. 02-Audit (E

A P)1-2009 dated 28.04.2009 has been appended as Appendix-XIV for reference and guidance. The new formats Viz, statement of sources and Application of fund in Annexure-1, Reconciliation of claims to Total Application of Fund in Annexure-2 and Management Assertion Letter in Annexure-3 prescribed by the world bank are included as Annexure-3,4 & 5 for reference.

[Authority: C&AG's Circular No.02-audit (EAP)/1-2009 dated. 28.4.2009.]

11.04 Time for submission of Audit Report

During project preparation, the Bank and borrower agree on the required timing for submission of financial statements and audit reports. Where required, audited annual financial statements of executing agencies should normally be submitted within three to six months following the fiscal year end of the agency. Audit Reports for Project Financial Statements, SoEs and Special Accounts Statements should be submitted within three to six months of the close of an agreed twelve month period (which will not necessarily coincide with executing agency's fiscal year end).

Section – II

Defalcations and losses of public money and property

11.05 Report of losses

(a) With the exception noted below, any loss of public money, departmental revenue or receipts, stamps, opium, stores or other property held by or on behalf of Government, caused by defalcation or otherwise, which is discovered in a treasury or office or department, should be immediately reported by the officer concerned to his immediate superior officer as well as to the Accountant General even when such loss has been made good by the party responsible for it. Such reports must be submitted as soon as suspicion arises that there has been a loss, they must not be delayed while detailed enquiries are made. When the matter has been fully investigated, a further and complete report should be submitted of the nature and extent of the loss showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting a recovery.

(b) If the irregularity be detected by audit in the first instance, the Accountant General will report it immediately to the administrative authority concerned, and if he considers necessary to Government as well.

Exception: Petty cases, that is, cases involving losses not exceeding Rs.500 each need not be reported to the Accountant General, unless there are, in any case, important features which merit detailed investigation and consideration.

The officer receiving a report submitted to him must forward it forthwith to Government through usual channel with such comments as maybe considered necessary. He should also submit a detailed report, after completing such departmental investigation as may be necessary or expedient, on the causes or circumstances which led to the defalcation or loss, the steps taken to prevent its recurrence and the disciplinary or any other action proposed as regards the persons responsible.

Any serious loss of immovable property, such as building, communication or other works, caused by fire, flood, cyclone, earthquake or any other natural cause, should be reported at once by the departmental officer to the head of the department and by the latter to Government. When a full enquiry as to the cause and extent of the loss has been made, the detailed report should be sent by the departmental officer

concerned to the head of the department, a copy of the report or an abstract there of being simultaneously forwarded to the Accountant General.

11.06 Responsibility for losses etc.

Every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

11.07 Auditorial function on receipt of the report of losses

(a) On receipt of a report on defalcation or loss of public money or property the Accountant General (Audit), should call for such further information as he may require on the subject, and carefully examine the case and ascertain whether the defalcation or loss was rendered possible by any defect in the rules or whether it was due to neglect of rules or want of supervisions on part of the treasury or other authorities. He should then report the result of such examination to the authority competent to sanction the write off of the loss unless he considers, for any special reasons, that the Government concerned should also be informed., The sanction for the write off when issued by the competent authority will be acted upon by the Pr. Accountant General (A&E) in consultation with the Accountant General (Audit).

[Authority: Paragraph 7.1.8 of C&AG’s MSO (Audit) - 2nd Edition]

(b) Whenever any case of loss in which there is possibility of the Reserve Bank of India being made liable to Government either in respect of operation on Government account conducted by itself or by its agents or otherwise comes to his notice, the Accountant General (Audit) should call for such information as he may require on the subject. On receipt of this information which must be obtained without delay, he should at once make a report of the case to the Finance Ministry or Department of the Government concerned for such action as it may deem fit.

[Authority : Paragraph 7.1.9 of C&AG’s MSO (Audit)- 2nd Edition]

ANNEXURE -1

[vide Paragraph 11.03 (5)]

Model format of Audit Certificate and Audit Observation as circulated vide C&AG’s No.895-Audit II/51-91 dated 25th July 1991. Modified vide C&AG’s Circular No.02-Audit-(EAP)/1-2009 dated 28.04.2009

Format of Audit Certificate

[To be in the proper letter head and to be signed by an officer not below the rank of D.A.G./Dy. Director (Audit)]

OFFICE OF THE.....

No.....

AUDIT CERTIFICATE

We have audited the accompanying financial statements of the _____ Project financed under World bank Loan No. __/ IDA, which comprise the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of funds for the year ended _____. These statements are the responsibility of the Project’s

management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines, on a test basis, evidence supporting the amount and disclosures in the financial statement. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of ___ Projects for the year ended ____ in accordance with Government of India accounting standards.

In addition, in our opinion, (a) with respect to SoEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditure incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, SoEs/FMRs (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 Loan/Credit Agreement

This report is issued without prejudice to CAG's right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament/State or UT Legislature.

[Auditor's Signature]

[Auditor's Address]

[Date]

[Authority: MSO (Audit), CAG's circular No.02-Audit (EAP)/1-2009 dated 28.04.2009]

AUDIT OBSERVATIONS

(To be annexed with SoE and Audit Certificate vide para 11.03)

The audit observations are based on test check of records.....

1. Preference of reimbursement claims in excess of the actual expenditure incurred on the project; Rs.....

According to the books of the Sr. Deputy Accountant General (A&E)/Deputy Accountant General (A&E) theincurred an expenditure of Rs.....(duly reconciled with the department) on theduringwhereas the department preferred reimbursement claims totaling Rs.....during..... Thus the department preferred claims in excess of the actual expenditure incurred duringby Rs..... No reason was advanced by the department for this excess claim.

2. Inclusion of Non-Plan expenditure in the reimbursement claims Rs.....

Non-Plan expenditure does not qualify for reimbursement by donor agencies. In the Statement of expenditure pertaining to the office ofan amount of Rs.....in respect of Representing Salary, Medical Allowance and Training Allowance of the Staff were included in the reimbursement claims.

3. Unauthorised Reimbursement of expenditure on office expenses and other charges: Rs..... As per provisions contained in Agreement, expenditure incurred on account of office expenses and other charges, etc. is not be reimbursement by the Donor Agencies i.e. IDA/World Bank/.....While comparing figures of expenditure booked in the office of the Sr.Deputy/Deputy Accountant General (A&E) with those of the reimbursement claim lodged with the Donor Agencies it was noticed that Rs..... expended and classified in the books of the Sr.Deputy/Deputy Accountant General (A&E) as office expenses (including rent, rates and taxes) and other charges respectively during were included in the reimbursement claims by amalgamating the amounts in reimburseable components such as.....

4. Unauthorised reimbursement of expenditure on taxes and duties : Rs.....

Under the provisions of Sectionsof the Agreement the expenditure incurred on account of taxes is not reimburseable. In the following divisions/cases, however, a sum of Rs..... on account of payment of Sales Tax/Surcharge and Central Excise Duties on the purchase of materials, etc. was included in the Statement of Expenditure.

5. Diversion of Project funds to Departmental Schemes : Rs.....

Test check of the accounts revealed that funds amounting to Rs..... provided for were utilised on other departmental schemes not covered under the project.

6. Non-accountal of materials worth Rs.....

7. Irregular purchase of materials Rs.....

The State Financial Rules stipulate that no purchase should be made unless the sanction of the competent authority has been obtained for incurring the expenditure. During test check it was noticed that materials worth as detailed below, was purchased without obtaining sanction of the competent authority.

8. Non-execution of agreements with individuals/Committees/Village Panchayets/Bodies, etc.

As per conditions laid down in project papers the participating beneficiaries in the sub-schemes..... are required to sign agreement with the department setting out respective responsibilities as well as distribution benefits. Test check of the accounts the however, revealed that though expenditure under these sub-schemes was incurred yet the agreements with the participating beneficiaries had not been executed.

[Authority: C&AG's General Circular No.11-Audit-II/91, No.895-Audit-II/51-91 dated 25th July 1991]

Annexure – 2

(Referred to in para 11.03 (5))

Annual Report of the issue of the Audit Certificates in respect of World Bank/IDA assisted projects for the year.....

Sl	Name of the project with loan agreement number	Period for which audit certificate were due to be issued during the year	Due date for issue of audit certificate	Letter No. and date of the audit certificate issued to the project executing authority		
				Composite Certificate	Annual Accounts Audit certificate	SoE audit certificate
Period for which issue of audit certificate is in arrears				Reasons for the delay, Steps taken and expected date by which the audit certificate will be issued		
Composite audit certificate	Annual Accounts audit certificate	SoE audit certificate				

Annexure-3

Statement of Sources and Application of Funds (projects implemented by core government department)

Name of the Project

Loan/Credit/Grant No.

Statement of Sources and Application of Funds

Report for the year ended _____

Particulars	Current Year	Previous Year	Project to date
Opening Balance, (if cash balances are controlled by the entity) (A)			
Receipts			
Funds received from Government through Budget (These will include external assistance received by Government for the project.)			
Funds received directly by Project Implementing Authority through external assistance.			
Beneficiary Contribution (if any)			
Total Receipts (B)			
Total Sources (C = A + B)			
Expenditures by Component			
A.			
B.			
C.			

Total Expenditure (D)			
Closing Balance, (if cash balances are controlled by the entity) (C – D)			

Notes :

1. Information about the basis of preparation of the financial statements with regard to the Financial Rules and Codes applicable.
2. The above figures will be based on monthly/quarterly abstract account prepared by the accounts compiling offices, duly reconciled by the respective DDOs, with details of unreconciled amounts to be furnished.
3. Names of accounting units whose financial statements are aggregated to prepare the consolidated accounts.
4. Any other project specific Note.

Annexure-4

Name of the Project

Loan/Credit/Grant No.

Reconciliation of Claims to Total Application of funds

Report for the year ended _____

	Schedules	Amount (Rs. '0000		
		Current Year	Previous Year	Project to date
Bank Funds claimed during the year (A)	I			
Total Expenditure made during the year (B)				
Less : Outstanding AC Bills (C)	II			
Ineligible expenditures (D)	III			
Expenditures not claimed (E)	IV			
Total Eligible Expenditures Claimed (F) = (B) – (C) – (D) – (E)				
World Bank Share @ x% of (F) above (G)				

CFAO

Project Director

Date

Date

Notes :

1. Total expenditure made during the year (B above) must be the same as the Total Expenditure shown on the Statement of Sources and Applications of Funds (D on the Statement of Sources and Applications of Funds)
2. Outstanding AC Bills (C above) reflect funds drawn against AC bills that have been booked as expenditure but not settled by the end of the year (ie, unsettled

advances). The project should show in Schedule II the opening balance of unsettled AC bills, AC bills drawn during the year, AC bills settled during the year, and AC bills unsettled at the end of the year.

3. Expenditures not claimed (E above) may reflect timing differences for eligible expenditure incurred during the year but claimed after the year end.
4. Amounts A and G above must be equal.

Annexure-5

Management Assertion Letter⁷

(Project Letterhead)

(To Auditor)

(Date)

This assertion letter is provided in connection with your audit of the financial statements of the _____ Project for the year ended _____. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Government of India, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Loan/Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in control or that could have a material effect on the project financial statements.
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement, the Project Appraisal Document, the Minutes of Negotiations, and the Borrower's Project Implementation Plan.

(Senior Executive Officer)

(Senior Financial Officer)

⁷ This sample management assertion letter is based on ISA 580, "Management Representations" Handbook of International Auditing, Assurance and Ethics Pronouncements, International Federation of Accountants, 2007.

CHAPTER – 12

12.01 Manpower Audit

The scope of man-power audit has hitherto been basically limited to checking of drawals from the point of view of regularity and compliance. As a result of execution of large number of development programmes and schemes through successive Five-year plans, government expenditure has increased tremendously both in size and complexity. In the changed situation emphasis should be placed more on examination of man-power control systems in the offices of the cadre controlling authorities rather than individual drawals in the various disbursing offices.

The concept of system audit is that if, on an in depth analysis of the mechanics of the system, is found to be designed with appropriate controls, checks and balances to safeguard against errors, frauds etc. Audit can reasonably assume that the results produced by the system would be fairly accurate without the necessity of conducting a detailed examination of the individual or transactions. Evaluation of the efficiency and effectiveness of any system will, however, require sample testing of its actual working. An essential part of system audit is the analysis of deficiencies and identification of directions of improvement. System audit, thus, serves as an effective aid to management.

Responsibility for devising and following sound system for determination of man-power requirements, their regulation and their efficient and effective utilization rests primarily with cadre controlling authorities. Audit aim should, therefore, be to ascertain whether the existing systems are adequate and whether they effectively function. In discharging this function, audit should not only indicate the deficiencies and directions of improvement but also make definite suggestions, as far as possible.

12.02 System audit of man-power controls will involve examination of a number of aspects but mainly the following:

- i) the job analysis, job description and job specification for various categories of posts;
- ii) the methods and principles adopted for assessment of man-power requirements;
- iii) the allocation and actual deployment of man-power;
- iv) the norms/standards adopted for computation of man-power requirements;
- v) the control systems available for monitoring the efficient and effective utilization of man-power;

The scope of these aspects and the type of examination that could be carried out are discussed in detail in the succeeding paragraphs.

Job Analysis, Job Description & Job Specification

Job analysis is an analysis examination of a work assignment. It is the process of collecting information about analysing the duties and responsibilities and the conditions of work involved in the job, its inter relationship with other work assignments and the qualifications necessary for performing it. Based on the job analysis, a written statement of the specific duties, responsibilities and organizational relationship that constitute a given job and the conditions of work involved in and the qualification necessary for performing it is then prepared. Such written statement is

called job description. Job specification is the third step after analysis and job description. It is prepared primarily for the purpose of emphasising and detailing the personal characteristics required for satisfactory performance of the job.

Efficient personnel management requires that an organisation's current and future manpower needs should be determined in terms of both quantity and quality. While the quantitative requirements are assessed through the various methods of work measurement in the context of perspective organisational planning, the performance requirements and personal qualifications are assessed through job analysis and recorded in job description and job specification. Job analysis and job descriptions are the essential pre-requisites for job evaluation for comparing the relative worth of the factors of a job with those of other jobs in the same organisation and similar jobs in other organisation.

A job description can provide a good checklist for performance appraisal. Without such a guide for realistic thinking supervisors tend to substitute subjective judgments for verifiable observations of fact. Job descriptions can also be used to stimulate and direct self-appraisal and self development.

The techniques of job analysis, job description and job specification are extensively used in manpower planning and development for specifying the nature and requirements of a job or a group of jobs, in selection and placement of the right man for the right job and for job evaluation. These techniques are also very useful in identifying and assessing the training needs of different categories of personnel and in formulating the objectives and design of a training programme. They are helpful in setting standards of performance and orienting and motivating employees towards achievement of such standards.

It is thus imperative that proper system should exist for maintenance of job descriptions and job specifications for the various categories of posts in each department based on an analytical examination of each category.

Audit should examine that:

- i) the arrangements for applying these techniques are sound and efficiently managed;
- ii) the job description and job specifications are kept up-to-date, they correspond accurately to current job requirements and periodical review is conducted of all jobs for revision of their descriptions and specifications in line with the change in the objectives of the organization, job content or job context;
- iii) the job descriptions and job specifications are precise and clear so as not to give room for any ambiguity or misconstruction therein; and
- iv) there is no overlapping of duties and responsibilities assigned to different jobs.

12.03 Assessment of man-power requirements

There are many methods of forecasting the requirements of man-power. It can be based on the informal opinion of different supervisory or controlling officers within the Department. The second method is to base it on the idea of projecting the past trends by statistical techniques like extrapolation, regression, co-relation, etc. In the third the results of work study, job description, specification etc. and the standard formulae devised with reference to those results form the basis of forecasts. Lastly, and in many circumstances the most difficult to apply, forecasts are based on measures of productivity. In conditions, peculiar to Government, the third alternative

is generally followed. Where there is no standard formula, the past experience and trend as also other ad-hoc principles are taken as the bases, in preparing man-power estimates. The man-power estimates take into account not only the current needs of the Department but also the expansion programmes, the demands of which are given fully supported by substantive evidence of need. One other important factor in man-power estimates is translation thereof into cash estimates. Procedures for this purpose are generally prescribed for guidance of estimating authorities. The estimates prepared in this manner are forwarded by individual controlling officers within the Department to the cadre controlling authorities concerned, who closely scrutinise them so as to be satisfied about their correctness before according approval. These estimates form the basis for issue of formal sanctions and for regulation and control of man-power.

In auditing the system of man-power forecasts, the points for examination are :

- i) Whether the projects of man-power requirements correspond to the number, level and skills required for the objectives set forth and the workload based on those objectives;
- ii) Whether the objectives in question continue to be relevant and appropriate for the Department. If not, whether appropriate reductions are reflected in the man-power forecasts. Similarly, if there be any change in the organizational pattern of the Department or changes in policy, corresponding changes in man-power estimate are reflected;
- iii) Whether the man-power forecast are supported by evidence such as work-load at current level, additional posts for future expansion programme, etc. Whether the standard formula prescribed for different processes of work are applied for computation of man-power and where there is no standard formula, the principle adopted for computation is reasonable and fair;
- iv) Are there standard departmental procedures and standard formula for man-power forecasts and whether they are adequate;
- v) When was the standard formula for computation of man-power needs devised whether its accuracy/adequacy periodically reviewed, through an independent agency like Staff Inspection Unit and whether follow-up action for revision of the formula where necessary is promptly taken;
- vi) Whether the procedures prescribed for translating manpower estimates into cash estimates are sound ; and
- vii) If responsibility for approving man-power forecasts is assigned to specific officers whether the estimates have actually been approved by them.

12.04 Allocation and regulation of man-power

The next stage after scrutiny and approval of man-power forecasts, is allocation and regulation of man-power. Here two aspects have a vital role to play first supply forecasting and second financial constraints. In calculating the actual availability against the demand, the man-power available in the beginning of the year, losses through various wastage elements viz. normal retirement, natural wastage, discharges, resignations, transfers and promotions as also the new recruitment during the year taken into account. The broad principle of calculating different wastage elements are:

- (a) Normal Retirement: Normal retirement is a natural wastage which depends on the Government policy,. This can be estimated for the forecast period through the personnel records and through an analysis of the age distribution of employees.
- (b) Natural wastage: Natural wastage can be defined as losses of staff due to death, illness or disability. This can be computed through the past experience and the age structure and general health of the employees.
- (c) Discharge : This refers to loss of personnel as a result of discharge or dismissals. Again, previous experience should provide the guidelines.
- (d) Voluntary Wastage : This is another constituent of the wastage, that is loss of personnel through 'voluntary wastage' of resignations, wastage for reasons such as conditions of work morale, job satisfaction, opportunities in the Department and else where will vary widely from Department to Department and between Departments. Here, again the past experience and future trends in the Department will provide the guidelines.
- (e) Transfer and Promotions : An allowance which must be allowed when arriving at an overall estimate of wastage, will be the extent to which particular occupational and hierarchy group is lost to other occupations as a result of lateral transfer or to higher hierarchy group as a result of promotion. Given a careful analysis like succession system analysis, transfer analysis, etc .it will be very easy to predict the proportion of employees in particular categories who are likely to be promoted or transferred between departments in the future.

A comparison of the final figure with the demand as found justified will indicate shortfall, if any, in man-power supply. Sometimes due to financial constraints it may not be possible to provide man-power to the extent of the demand found justified. In such cases, the cadre controlling authority may have to apply appropriate cuts before formal allocation of man-power to different units by issue of sanction. In certain other cases, retention of some reserve to meet possible unforeseen requirements may be considered necessary. Here also, cuts may have to be made.

In analyzing the system of allocation and regulation of man-power, the following points should be examined:

- i) While distributing man-power , allocation, have changes in work load that may have taken place since preparation of original estimates been taken into account;
- ii) In distributing the man-power , whether the demand and supply aspects are properly integrated;
- iii) Where the supply of man-power is insufficient to meet the demands, is it due to absence of or deficiency in the system of supply forecasting and lack of proper policy and planning of the various means of supply like recruitment and promotion, leading to adverse effects on work;
- iv) Whether reductions/cuts made in man-power estimates are correspondingly adjusted in cash estimates and vice-versa;
- v) In case man-power substitutes (like casuals, over-time, honorarium) have been permitted to tide over the shortfall in manpower, whether sound procedures therefore have been laid down;

- vi) Whether the cuts/reductions made are on a proper basis and take care of the priorities laid down for regulation of man-power allocations;
- vii) Where some reserve is kept in distributing the man-power allocations, how is it ultimately utilised ; and
- viii) How the actual deployment of manpower compares with the allocations made.

12.05 Norms/standards adopted for calculation of man-power requirements

Work measurement is a vital need for the efficient functioning of any department or organisation. Without measurement the department or organisation will be in the dark. It will have no basis for comparison or control and no way of knowing its capacity, efficiency, economy or relative accomplishment. Work measurement involves the following broad steps;

- (a) Selecting a specific work for study.
- (b) Recording relevant information regarding working conditions, nature of work and worker, sequence of actual performance of the various items of the total range of work and individual elements in item of work.
- (c) Examining the recorded work break down critically to see what would be the best method of doing it, after unnecessary and avoidable nonproductive elements of work and motions have been separated;
- (d) Examining with reference to the most appropriate technique for the situation, the time involved in each necessary element;
- (e) Determining time allowances to cover relaxation, personal need, contingencies etc, and
- (f) Compiling the standard time for each operation which will include measured time and permissible time allowances.

Time estimates or work norms are devised for various elements, operations or jobs in a department or organisation by applying the techniques of time study, synthetic data, analytical estimating, activity or work sampling etc. Time study is conducted by detailing the various steps involved in a job together with the different elements in each of them and measuring each element usually by a stop watch. The effective speed of the operation of the worker is assessed in relation to the observer's concept of the rate corresponding to the standard pace of working or what may be called a normal speed of working which he develops through long practice. Generally, each element is rated during its performance before time is recorded without regard to previous or succeeding elements. The observed times are then converted into 'basic times'. Allowances for relaxation, personal needs and contingencies are then added as a percentage of basic times since precise measurement thereof would be uneconomical because of their infrequent or irregular occurrences. The standard times for different elements operations or jobs are thus arrived at. The second is the technique of synthesis of elemental standard times. This is applied to jobs or parts thereof, comprising elements which frequency recur in other jobs and have been correctly measured under identical conditions from direct time studies. The technique of analytical estimating is used for measurement of work comprising wholly or partly non-repetitive elements. A detailed job break down is prepared and each element is assigned a time value based on standard performance which in the case of repetitive elements may carry time value from fresh time study data or available synthetic data and in the absence of such data, estimated times may be developed on the basis of

accepted practice. Activity or work sampling is the principle of drawing inferences and establishing frames of references from a random sample of the total activity of machines or man observed during a period of time. It is a process of drawing inferences or general conclusions about a mass or aggregate of similar items, based upon the careful study of smaller number of items called sample drawn from the mass. The assumption here is that what is true of the sample is true of the whole.

Individual department or organization have to select appropriate work measurement techniques and lay down time estimates or work norms for different types of jobs. An independent agency called Staff Inspection Unit is generally constituted not only to lay down norms but also periodically review the actual functioning of offices to ensure that;

- (a) man-power sanctioned for a particular purpose is utilised for that very purpose;
- (b) redundant and profitless activities are eliminated; and
- (c) work is simplified so as to effect economy in manpower without sacrificing efficiency.

In auditing the system relating to work norms and the working of staff Inspection Unit, the questions that are relevant for examination are:

- i. Whether techniques followed in formulating the time estimates are appropriate to the work environments and conditions obtaining in the particular Department ?
- ii. When were these estimates formulated, whether there have been any material variations in the job content or the estimates have otherwise become old necessitating revision, if so, whether timely action was taken?
- iii. Where adhoc methods have been adopted, whether they are really such as cannot be subjected to work measurement?
- iv. Is staff inspection independent from control byline management?
- v. Are the staff inspectors selected from a wide enough field to have a mix of both executive and technical officers?
- vi. Whether the Staff Inspection programmes take account of views expressed by the manpower branch, O&M and other review bodies?
- vii. Does it follow a cyclical pattern to cover all important units over a particular period?
- viii. What sections/branches/grades of staff are not inspected and whether their omissions are in order?
- ix. Is the planned cycle of inspection achieved?
- x. For Departments having an extensive local office structure, are all individual officers inspected or is the inspection confined to a sample of offices?
- xi. Can the sample be justified statistically?
- xii. What arrangements exist for monitoring the implementation of staff inspection recommendations?
- xiii. Where there is conflict between staff inspection and management is the matter referred to a senior level for an objective decision?

- xiv. Is a reasonable schedule of implementation agreed with management?
- xv. Is failure to implement reported to senior management?

12.06 Control of man-power

The various systems enumerated about are required to be properly coordinated and controlled to achieve maximum efficiency and effectiveness in the working of the Department or Organisation. With this end in view there should be a separate branch or section under each cadre controlling authority for coordinating and controlling departmental man-power. The role and duties of this branch should be clearly defined and it should, as far as possible, be independent from line management, with a direct reporting responsibility to the cadre controlling authority itself. The function of control and co-ordination can be exercised in different ways. One method is through management information system for which appropriate returns have to be prescribed.

Another method is by means of administrative inspection of the different offices under the jurisdiction of the cadre controlling authority. In certain situations a combination of both these methods may be called for.

In auditing man-power control system the main points for examination are:

- i) Whether there exists a separate branch or section for coordinating and controlling departmental man-power with a clear demarcation of its role and responsibility?
- ii) What are the returns prescribed for obtaining information on various aspects concerning man-power, whether they are adequate to the needs and whether they are properly made use of?
- iii) Whether the man-power branch critically examines all manpower bids taking into account the work norms, the recommendations or Organisations and methods unit, Staff Inspection etc?
- iv) Is there a sound system of evaluating requests for additional man-power after approval of the original bids?
- v) Is the utilization of man-power monitored?
- vi) Are work procedures examined by O&M unit with a view to streamlining and bringing them in tune with the changing circumstances?
- vii) Are there adequate arrangements for monitoring performance and whether they are adequate?
- viii) Have steps been taken to provide training so as to enrich the staff with latest information and techniques relevant for their job requirements? and
- ix) What arrangements exist to co-relate man-power with the achievement to targets/goals?

12.07 Conclusion

The above guidelines are aimed at carrying out man-power audit in government departments with a view to streamlining the systems and procedures regulating manpower control and bring about suitable reforms, where necessary. The spirit behind the systems audit of manpower is to suggest positive measures for the optimum utilization of available man-power and to bring about organizational efficiency.

[Authority : Audit Guide Series No.8 issued by the C&AG of India]

CHAPTER – 13

System audit

13.01 Definitions

A system is an orderly arrangement of separate but interdependent and interacting activities and related procedure which implements and facilitates the performance of a major activity of an Organisation.

A policy is a basic precept which guides administrative action and defines the authority and respective relationships required to accomplish the Organisation's objectives.

A procedure is a series of logical steps by which all repetitive action is initiated, performed, controlled and finalised. A procedure establishes what action is required, who is required to act and when the action is to take place. Its essence is chronological sequence and its implementation is translated into results or actions.

13.02 System Audit

The concept behind the system audit is that if, on an in depth analysis of the mechanics of the system, it is found to be designed with appropriate controls, checks and balances to safeguard against errors, frauds, etc. Audit can reasonably assume that the results produced by the system would be fairly accurate without the necessity of conducting a detailed examination of the individual events or transactions. But the actual working of the system has to be sample tested to evaluate its efficiency and effectiveness. The system audit can serve as an effective aid to management.

Main stages of system audit.

These are:

- i) organisational analysis
- ii) authorisation and recording
- iii) accounting
- iv) internal control
- v) standards of quality and performance
- vi) internal Audit
- vii) review and evaluation

13.03 Processes of a system audit of an entity in the Government:

A. Organisational Analysis:

- i) Find out the basic objective or activity of the entity.
- ii) Study the organizational pattern of the entity as given in the organizational chart and procedural manuals. Satisfy yourself that there is a clear and logical plan of organisational functions which establishes clear lines or authority and responsibility for financial and operational activities.
- iii) Keeping in view the basic objective or activity of the entity, prepare a flow chart and examine whether

- (a) the units are functionally segregated to ensure professional, functional and/or technical specialisation and to achieve functional independence for purposes of internal management control.
- (b) proper distribution and clear demarcation of functional responsibilities exist among the personnel working in the entity.
- (c) the staff pattern of the entity conforms to norms or standards prescribed for the purpose and carries the approval of the competent authority.
- (d) the financial functions are separated from other administrative functions.
- (e) within the financial unit, the employees responsible for the custody of financial or material resources are separate from those who record transaction, maintain records and prepare financial reports.
- (f) the financial powers of each authority, of the unit and its responsibilities have been clearly defined and are updated to depict the correct position at any point of time.
- (g) checks and balances have been integrated into transactions processing flow in such manner as to ensure added reliability without increasing costs or creating new positions or new operating units.
- (h) there is an effective system of follow up to determine whether assignments are properly carried out.
- (i) the organisational units are designed to obtain maximum effectiveness at minimum cost.

B. System of authorization and recording:

- i) Examine the system of authorisation of transactions and operations and the related procedure and records prescribed for the purposes;
- ii) Verify whether authority for the initiation of operations and transactions; their approval and execution are clearly delegated in writing by the competent authority;
- iii) Check whether adequate system with necessary checks and balances exists to ensure that delegated duties are handled satisfactorily;
- iv) Ensure that forms and procedures provide for the review and authorisation of transactions prior to according entry and that the design of forms and procedures includes provision for proper authorisation of all operations and transactions with the record of the authorisation serving to establish accountability for the action taken;
- v) Verify that the system provides for procedures to ensure that all approved transaction documents serve as source documents for accounting entries.

C. Accounting System

- i) Study the departmental accounts manual including policies procedures and prepare a flow chart showing the stages right from initiation of claim to the final accounting of transactions.

- ii) Examine whether the accounts records provide for compilation of transactions as per budgetary classifications.
- iii) Check up whether there exists an effective method of budgetary control including prompt reporting and analysis of variations between expenditure figures and budgetary allotments.
- iv) Examine whether the accounting system provides for well designed documents and forms control purposes as also for conducting operations.
- v) Examine whether the accounting records maintained for resources and operations are informative, clear and generally adequate.
- vi) Examine whether controls exists to safeguard against errors and irregularities in operational and financial data.
- vii) Satisfy yourself that the accounting system is adequate, conforms to the generally accounting principles and includes such forms and records as are absolutely necessary to provide sound accounting and financial reporting.

D. General

- a) Check the chain of movements in each procedure forming part of the operational or financial activity.
- b) As long chains of movement cause delay, analyse the necessity for such a long chain and list out unnecessary links.
- c) Identify procedures which have in built delays but can be streamlined.
- d) List out forced departures from the prescribed procedures or special relaxation of procedures and analyse the causes of departures. The analysis will indicate were the system and its linkages are getting extended or overloaded and how to eliminate these strains.
- e) Verify whether initiation of action on important points starts at a sufficiently higher level for quick decisions.
- f) Identify procedures and/or records which appear redundant or superfluous.

E. System of internal control

Examine whether each organisational unit in the entity is adopting sound practices to ensure proper internal control. These include locked store rooms with access restricted to authorized persons, surprise physical verification of cash, bank reconciliation by independent persons, payments after pre check, institution of checks to see that transactions are properly authorised, dual custody of valuable negotiable assets, independent periodic verification of the existence of recorded material resources, etc.

F. Standards of quality and performance

Study of performance budgets, work plans, technical manuals etc. List of standards of quality and performance established by entity management. Examine whether proper system exists for evaluating the quality and performance with the standards prescribed for the purposes.

G. System of internal audit:

Find out whether internal audit system has been introduced in the entity. Check whether the internal audit unit is completely independent of the operating unit.

Examine whether the system of internal audit provides for an objective, systematic and professional examination of financial, administrative and other operations subsequent to their execution for the purpose of evaluating and verifying them.

- a) Examine whether the system prescribed prompt and adequate follow up corrective action on the reports of internal audit units containing comments, conclusions and recommendations.

H. Review and evaluation of the system by audit :

- a) Do not base your review and evaluation upon replies to audit observations, procedures, manuals or flow charts prepared by the entity.
- b) Determine personally how operation and transactions are actually processed.
- c) Test by actual observation or “Walkthrough” a very small number of selected representative transactions or operations.
- d) Identify strengths and weaknesses in key control points.
- e) Evaluate tentatively the effectiveness of the procedure and controls in operation.
- f) In areas of weakness, confirm the tentative evaluation by means of testing additional operations and transactions.
- g) Review procedural manuals for areas confirmed as weak in order to determine whether procedures are adequate but are not being properly applied or whether they are inadequate.
- h) Test through discussions with persons who strike you as knowledgeable, competent and dedicated the various suggestions for improvement of the systems and procedures which you may contemplate including in your report.
- i) Select detailed audit procedures and determine the scope of tests to be applied in areas.
- j) Determine what recommendations should be made for strengthening control in weak areas.
- k) Prepare the report in an objective and constructive manner so that government entity management takes corrective action to remove the deficiencies or distortions in the system or in their components and the total system mobilized for efficient, effective and economic utilization of manpower and material resources.
- l) Lastly, do the study and write your report in such a manner that the authorities and personnel of the entity feel happy that you have made a study of their working.

13.04 Systems Audit Report should follow the main course of investigation. As in the case of every other report, the objectives of the study should be clearly mentioned at the outset. Only so much detail of the system or sub-system studied will have to be

given will be relevant for the audit observations. At almost every point, such as when commenting weak points, cause of failures, functioning of control sub-system, system cost, etc. appropriate suggestions including alternative should be given.

A properly conducted system audit and a properly written system audit report will be of great aid to the management in ensuring that the system functions at a high level efficiency.

[Authority: Audit Guide Series No.5 issued by C&AG of India]

CHAPTER – 14

CONTINGENCY FUND

14.01 Preamble

The rules regarding the Orissa Contingency Fund set under Article 267(2) of the Constitution of India, Accounts and Audit procedure relating thereto are described in Chapter-IX of the Manual of Book Section. The same principles will apply mutadis mutandis, to the Contingency Fund of India established under Article 267(i) *ibid*. The special procedure for the Public Works Department is given in the succeeding paras.

14.02 Receipts and Disposal of sanction orders

All orders sanctioning advances from the Contingency Fund so far as they relate to Public Works (excluding establishment) will be received from Government in Central Audit Supporting Section. All those orders be noted in the Contingency Fund Register maintained by Central Audit Supporting Section and copies thereof will be furnished to WAC. I and WAC III Sections of A&E Office and Resident Audit Officers (if copies are not already endorsed by Government to them).

[Based on OOA(Br)-50 dated 15.7.1953 and OOA(Br)-1 dated 24.12.1971]

Note: A statement in the prescribed form showing the advances sanctioned from the Contingency Fund of India during the Vote on Account period for expenditure on “New Service” Items for which necessary provision has been made in the Budget Estimate of that year, will be laid on the Table of the Lok Sabha by the Ministry of Finance before the Appropriation Bill for the year is introduced in that Sabha. This statement will form part of the budget/documents to be sent to audit and other authorities..

[Based on CAG’s letter No.424-AC/168-86 dated 14.5.1968 Circulated under Memo No.OE(Br)-16-36-AC/542 dated 6/68]

14.03 Audit Procedure

The audit comprises (i) audit of orders sanctioning advances from the Contingency Fund, (ii) of expenditure met out of advances from the Contingency Fund and (iii) appropriation audit,

(i) Audit of orders sanctioning advances from the Contingency Fund :-

All orders sanctioning advances from the Contingency Fund should be subject to the usual check laid down in Paragraph 41 of MSO (T) Vol.I. It should particularly be seen by the Central Audit Supporting Section/Resident Audit Office that (a) all advances have been sanctioned in accordance with the Orissa Contingency Fund Act/the Contingency Fund Act of India and the rules made there under, and for meeting urgent and unforeseen expenditure not provided for in the Budget and (b) each sanction order specifies the amount, Grant of Appropriation to which it relates and particulars by subheads and units of Appropriation of the expenditure to be met. All orders sanctioning advances should be put up to the Branch Officer for acceptance in audit and recorded in a separate file.

Note: The advances are made towards urgent and unforeseen expenditure only and not to cover excesses under subheads of grants. It is, however not the intention that the sanctions for the grant of advances from the Contingency Fund issued after an excess had occurred under a subhead of grant should be deemed to be invalid. Such sanctions may be accepted and acted upon, if otherwise in order, but they should be

scrutinized to see whether it was not possible for a supplementary vote or an advance from the Contingency Fund to be taken before the expenditure was actually incurred in excess of the budget provision. If the examination shows that either a supplementary vote or an advance from the Contingency Fund could have been obtained by following the normal procedure for control over expenditure before the excess was actually incurred, the matter should be taken up with the Government and considered for inclusion of a suitable comment in the Audit Report.

(Based on CAG's letter No.1088-AC/170-61 dated 7.10.1961 OO No.B-904 dated 16.11.1961)

(ii) **Audit of expenditure met out of advances from the Contingency Fund**

The audit of expenditure should be conducted in accordance with the relevant instructions in the MSO (Technical). As the actual expenditure will be ultimately transferred to the Consolidated Fund (i.e. the major head to which the expenditure is passes), the audit of expenditure including examination of powers of drawing and sanctioning authorities and classification of the vouchers should be conducted in the Central Audit Parties/Resident Audit Offices dealing with the major heads.

(iii) **Appropriation Audit**

It should be seen that the monthly and progressive expenditure does not exceed the amount of advances as noted in the Works Register maintained in A&E Office and Contingency Fund Register. Objections should be raised in cases where the progressive expenditure exceeds the advance sanctioned. The recouplement of the advances should also be watched in Audit.

Note: 1) An advance from the Contingency Fund becomes necessary if, either the provisions for a particular service in the budget is found insufficient and can not be met by re-appropriation from savings within the grant, or there is need to incur expenditure upon some new service not contemplated in the budget. No portion of expenditure on a New Service can be met out of the Consolidated Fund until it is authorized by law under Articles 204 (3) and 266(3) of the constitution and consequently such additional expenditure has to be fully met from the Contingency Fund in the first instance. There can, thus, be no case of token advance from the Contingency Fund for any purpose.

(Based on CAG's letter No.767-AC/67-63 dated 4.8.1965, Page-37 of File WM-55-Orders of 1952 to 1972)

(2) If, in course of review of the Register, it is noticed that the sanctioned advance is not being operated on, the matter should be taken up with the Controlling Officers at once to ascertain whether any expenditure has been incurred against the advance and if so, to furnish the details of expenditure. On receipt of details, the Section/Offices should take steps to re-adjust the expenditure.

(Vide OO No-A-1729 dated 6.8.1955)

14.04 Maintenance of Contingency Fund Register

The Register should be maintained by Central Audit Supporting Section and Resident Audit Offices in the Form.7 of this Manual to watch effectively the expenditure incurred against the advance made from the Contingency Fund and its recouplement. The register should be submitted to the Branch Officer/Resident Audit Officer on 5th of each month and to Senior Deputy Accountant General (Works Audit & Projects) in each quarter 5th August, November, February and May. During the last

quarter the register should be submitted to the Branch Office/Resident Audit Officer on every Monday.

[Based on OO No.A (Br)-1 dated 24.12.1971]

Note:- Central Audit supporting Section should after review of the Register, remind the concerned Section/Office for action awaiting, if any.

CHAPTER – 15

RESULTS OF AUDIT

I. OBJECTION BOOK

15.01 General

The procedure to be followed for communication, registration pursuance and clearance of objections on P.W. transactions by the Works Audit Department are prescribed in Chapter-4 of Section IV of the Manual of Standing Orders (A) 2nd edition which should be scrupulously followed.

15.02 Preparation and issue of Audit Note (Form No.MSO-118-A)

Audit Note on the monthly account of a Division should be prepared in two parts. Part-I records cases of want of or excess over sanctioned estimates, allotments where regularisation has been delayed for over 6 months, want of or excess over administrative approval and objections regarding want of or excess over financial sanction and Part-II deals with all other objections whether relating to substance of the Accounts on the score of deviation from financial rules or of standards of financial propriety or miscellaneous remarks, observations and enquiries or minor matters and objections to the form of the Accounts and the vouchers etc.

(Paras 4.4.3 and 4.4.4 of MSO (A) 2nd edition)

Note:- For cases constituting serious Treasury Irregularities, see Appendix 18 of OTC Vol-II and Para 848 of the Orissa Audit & Accounts Manual.

15.03 Disposal of Audit Notes

On receipt back of an Audit Note with replies it should be disposed of within 14 days. Should further action be necessary in regard to any of the items noticed in it, this will be done by a re-joinder. After two re-joinders special letters will have to be issued. All re-joinders and special letters in connection with the audit notes should be filed with the audit notes and objection statements concerned. It should be the duty of each Auditor to see that every item noticed in the audit note is either fully explained or finally disposed of and they are marked as such in the audit note itself. Audit notes should be filed under the orders of the Branch Officer vide Para 4.4.15 of MSO (A) 2nd edition. Any item requiring action during inspection of Division will be entered in the register of notes for inspecting officer after the approval of the Branch Officer.

It is not enough to rest, content with repeating the same remark, month after month, for the removal of any irregularity. If the irregularity is not at once stopped or the objection removed, a special letter should be written to the Officer concerned and as a rule, the matter should receive the personal attention of the Branch Officer.

15.04 Progress Register on receipt and disposal of Audit Notes and objection statements

The prompt receipt and disposal of the Audit Note should be watched through a Register in Form SY.207 in the Central Audit Supporting Section for each Division. The Assistant Audit Officer should review this Register weekly vide Para 4.4.17 of MSO (A) 2nd edition and take any action that may be necessary. The Register should be submitted to the Branch Officer on 3rd of each moth.

15.05 Objection relating to insufficient or irregular sanctions

Separate Register should be maintained by Central Audit Supporting Section in form MSO (A) -7 for recording insufficient or irregular sanctions accorded by (i) Government (ii) other authorities higher than the Divisional Officer.

These registers should be submitted to the Branch Officer on the 3rd of each month and reviewed periodically. The instructions given in Para -7.2.3 of MSO (A) 2nd edition regarding the procedure for communication of objection or retrenchment orders arising out of insufficient or irregular sanctions and the removal of objections should be strictly followed.

15.06 Persistent disregard of Rules

Any persistent disregard of rules especially if it seems to indicate any fraud or is likely to lead to one, as also omissions to follow the directions already given by this office should be brought to the notice of the higher authority concerned by means of special reports instead of including them in the Audit Notes. In order to enforce the responsibility for the accuracy and regularity of the accounts the following procedure should be followed.

When ordinary inaccuracies or carelessness in the preparation of bills etc. are noticed, the Auditor, in addition to following up and disposing of the objection should note, the office which is particularly careless and which pays no attention to directions or repeats mistakes and draw the attention of the head of the office to the state of affairs by a special letter by citing evidences. If, however, no effect was produced by such a letter, then the matter should be taken up with higher authorities.

15.07 Maintenance of Objection Book (Form NO.MSO.118-B)

Instructions regarding maintenance of objection book have been laid down in Paras 4.4.7 to 4.4.22 of MSO (A) 2nd edition. The following detailed procedure should be followed.

(1) An index should be written up on the first page to indicate the pages in which each category of objection under each major head is recorded. The objection book is also provided in the inside of the outer cover with a Tabular Statement in Form SY.316 for the initials with dates of Auditor/Assistant Audit Officer/Branch Officer in token of the posting should be set apart at the end for preparing a general abstract vide Para 4.4.20 of MSO (A) 2nd edition in Form No.8 of this Manual.

(2) Year-wise details of the outstanding and clearance under each category of objections should also be furnished in the objection book in Form No.9 of this Manual in addition to the abstract so as to facilitate easy collection of statistics from time to time. Separate folios should be set apart for this purpose.

(3) Auditors and Assistant Audit Officers are responsible for accuracy and correctness in the balances of objection book vide Para 4.4.14 of MSO (A) 2nd edition.

Note :- 1) When an objection is erroneously raised and then withdrawn or cleared before despatch of the audit note, it should be shown as minus entry under "Amount placed under objection".

2) A write-back or reduction of expenditure placed under objection (made either to correct a previous misclassification or to bring to account sale proceeds of surplus materials sold) should be shown as a plus figure in the column "Amount cleared" and not as a minus figure under "Amount placed under objection".

3) The Audit Report generally incorporates the following objections :-

- (a) those raised on grounds of propriety, and
- (b) those relating to insufficiency or want of sanctions or some other reasons, sums due to Government awaiting recovery or write off, those requiring regularisation by a competent authority.

So far as Paras in Audit Report falling in category (a) which do not require any regularisation are concerned, no further action would be necessary after the cases were reported to the Legislature through the Audit Report and they are examined by the Public Accounts Committee. As regards cases falling in category (b), the objections will have to be pursued as usual for regularization, recovery etc. vide Para 7.1.4 of MSO (A) 2nd edition.

[Based on D.O. No.1898-Tech. Admn.I/388-67 dated 12.6.1967 from Deputy Director, Office of the Comptroller and Auditor General to Financial Advisor and Chief Accounts Officer, Dandakaranya Project-(Dy-WM-24-1K-Conf-2312)]

(4) Mention in the Audit Report of waiver of wanting vouchers/documents :-

The amount held under objection for want of relevant vouchers or documents but subsequently waived by the competent authorities will be briefly mentioned on the following lines in the draft para regarding outstanding audit objections included in the Audit Report.

“A sum of Rs..... relating to the following Departments held under objection for want of relevant vouchers and documents has been waived

Name of Department

Amount

[CAG's letter No.2309-Rep/253-60 dated 15.10.1960 (Dy-WM-8-(State)-4808 Page-37)]

(5) Exclusion of items of Audit objections from the Audit Report relating to disputes in Supreme Court/High Court/Lower Courts :-

The Government of India, Ministry of Finance in consultation with Comptroller and Auditor General have decided that the Administrative Ministries/Departments shall conduct a review of the outstanding Audit Objections and Inspection Reports every year and intimate the particulars of the objections relating to cases pending in the Supreme Court, High Courts and Lower Courts to the Accountant General sufficiently in advance of the finalisation of the Audit Reports so that such items can be excluded from the omnibus Audit Para on outstanding Audit Objections and Inspection Reports. Similar procedure is required to be followed by the Department of Government/Heads of Departments of the Government of Orissa.

[G.I.M.F. O.M. No.F.12-IIE-Coor-67 dated 9.6.1967 and No.F-12-IIE-Coor-67 dated 16.1.1968 (DY-WM-28-DA-Genl-6997 File 1967-68 and G.O.W.& T. Department No.6800 dated 8.4.1968)]

15.08 Power of waiver delegated to Audit Officers

(a) The powers of the Audit Officers in respect of waiver of objections in respect of Central and State transactions for irregular expenditure/insufficient sanction/proof of payment, irrecoverable expenditure and over payment are laid down in Para 7.1.16 of MSO (A) 2nd edition.

The monetary limits indicated therein apply mutatis mutandis to over payments discovered during local audit and non-recovery of Government dues in cases where it is the duty of Audit to watch recovery vide Para 7.1.16 of MSO (A) 2nd edition.

(OOA-5804 dated 25.9.1967 and OOA-5827 dated 2.11.1967)

(b) Central Audit Supporting Sections should furnish to OE(Br) Section on 5th of each month a Statement of review of objection Book items, which have been waived under Para 7.1.17 of MSO(A) 2nd edition in the form No-10 of this Manual for onward transmission to Coordination Section Viz. CASS-IA of Main Office. In the case of 'Nil' Reports a certificate to the effect that no item which can be waived by the Branch Officers and the Group Officer under the power delegated to them under sub-para (a) above are outstanding in the objection Book during the period under report should be furnished through the respective Branch Officers.

15.09 Special Reports

When an irregular or excess outlay of a serious nature is discovered in the course of audit of the monthly accounts, the Auditor should without waiting for the issue of the Audit Note., initiate immediate action so that a special report of such items may be made by letter vide Para 7.1.6 of MSO(A) 2nd edition. All special reports should be submitted to the Group Officer for approval. The essential requisite for a special report, is the unique or important nature of the point taken up as distinguished from the ordinary entries in the periodical reports and the promptness with which it is taken up. The Section Officer should bear this in mind in passing on such documents to the Branch Officer who will likewise exercise his judgment as to their fitness for being taken up in a special report. If he does not pass the report he will record his reasons on it whereupon the same may be included in Audit Note as usual.

15.10 Half-yearly report on the details of outstanding objection items to Administrative Departments to Government etc

(i) Statement of audit objections should be sent to the Administrative Departments of Government half yearly on 15th of May and November each year. The report due on 15th May should embrace all items outstanding for more than six months by March previous (i.e. outstanding upto previous September) and that due on 15th November should include all outstanding items pertaining to the period upto previous March and not settled by September.

(ii) In the report due on 15th November, an exhaustive list of all objections outstanding upto previous March must invariably be furnished in the Form No.11 of this Manual, whereas in the report due on 15th May, the list of items added since the previous report should be enclosed, giving Statement of clearance in Form No.12 of this Manual.

(iii) In order to enable the Controlling Officer/Departments of Governments to know the extent to which various offices under them are defaulter and whether any progress has been achieved by them since the last report, sections should enclose the abstract of clearance in the Form referred to above invariably in their reports.

(iv) Copies of the letters addressed to Government with copies of abstract (but excluding the details) should be furnished to CASS-IA of Main Office with a completed report of all objections having been reported to concerned quarters

attached to the last report. These figures should be correlated with the materials for Draft Paras which are given to the Report Section.

(Based on OOB-1234 dated 17.8.1968., OBB-1092 dated 3.8.1965 read with OBB-914 dated 29.12.1961)

15.11 Maintenance of Index Register of Financial Irregularities

Every item of Financial Irregularity noticed in Central and Local Audit should be classified under the headings given in Annexure-A and noted in the Index Register of Financial Irregularities maintained in Central Audit Supporting Section in respect of offices of the Chief Engineer, Superintending Engineer and Group having FA & CAO without Resident Audit System. The purpose of maintaining this register is to have a collective account of the various irregularities occurring in the Divisions and the register will serve as a source for Audit Reports, for conducting the Annual Review of the working of P.W. Divisions and for the guidance of Inspecting Officers.

(ii) The detailed procedure for the proper maintenance of this register is indicated below:-

- (a) an index of the model should be opened and separate pages allotted for each type of irregularities.
- (b) Three vertical columns should be provided on each page for recording entries for three consecutive years.
- (c) The materials to be entered in the register should be collected from IR, TAN monthly AN etc.
- (d) Attention should be paid to make each entry in the register comprehensive and where possible the money value should be indicated. The latest action taken in respect of important irregularities should also be indicated in the register. Reference to Para No. of IR , SDT No. & Vr. No. and date should invariably be furnished.
- (e) To enable the I.O., to have knowledge of the special points which he should pursue at the time of Inspection in addition to usual checks, extracts should be supplied from this register also, where necessary.
- (f) The register should be submitted to Branch Officer on the 1st of every month and quarterly to Senior Deputy Accountant General (Works Audit & Projects) on the 10th April, July, October and January with a review note and half yearly to Accountant General on 1st May and November.

[Based on CAG's No.967-Admn./164-49 dated 20.5.1949 (Dy-WM-24-14-764)]

Note: A register of items of expenditure and other items of Financial Irregularities for inclusion in the Audit Report in SY.Form.286-A should be maintained by Central Audit Supporting Section/Resident Audit Officers and submitted to the Branch Officer/Group Officer on the last working day of the month. It should be ensured that vigilant action is taken to pursue the matter and the materials finalised for inclusion in the Audit Report.

(Correction Slip No.372 dated 27.12.1976 to the Book of Accounts Forms-Dy-WM-986/31976-77)

II. DRAFT PARAGRAPHS

15.12 Scope

The points on which the Report of the Comptroller and Auditor General draws attention are described in Para 2.2.18 of MSO (A) 2nd edition.

15.13 Selection of Materials

Points to be kept in view in selection of materials for comment in the report are laid down in Para 2.2.27 of MSO (A) 2nd edition.

15.14 Procedure for dealing with cases of Draft Paras

(i) All cases of financial irregularities, defective sanctions involving infructuous or avoidable expenditure etc. as they come to notice in the course of Central Audit, Local Inspection or otherwise and likely to develop into Draft Paras should be brought to the notice of Group Officer by the Assistant Audit Officer of Central Audit Supporting Section/Resident Audit Offices/Inspection through the Branch Officer/Inspecting Officer/Resident Audit Officers. The following procedures should be observed in processing the materials for potential Draft Paras.

(ii) A register of potential Draft Para cases should be maintained in the concerned Section/Resident Audit Offices in the following proforma.

Register of Draft Para cases

Sl. No	Office to which the case relates and source	Description of the case in brief	Amount involved	Information/particulars wanting, giving reference in which they were called for	Remarks indicating the developments of the case
1	2	3	4	5	6

In column 6, development of the cases in each stage should be entered quoting reference to correspondence/reminders etc. in Column 5. The Assistant Audit Officer and Branch Officer should personally ensure that the cases are handled intelligently and expeditiously.

(iii) The Register should be put up monthly to the Group Officer/Resident Audit Officer on 5th of every month (reserving few pages at the end) showing inter alia the opening balance, the No. of items included during the month, the number of cases finalized and the balance outstanding.

[O.M. No.WM-28-GI-5331(5) dated 9.2.1968]

(iv) While collecting materials for the Draft Paras the concerned section/Resident Audit Officer should also collect the NO. & Date of the letter which the case was first reported to the heads of the Department/Government and append the same as a key to the Draft Note. The Draft Note should thereafter be submitted to the Accountant General (Audit) for his orders. The cases may be submitted to the Accountant General during the periodical visit to this office. After Accountant General has passed orders in the case, the Draft Note should be sent to the concerned Department of the Government. Simultaneously the Draft Note with the orders and along with 4 sets of keys should also be sent to Report Section for further action. Copies of the replies received from the heads of the Department and Government to the note should

immediately be endorsed to Report Section with specific remarks on each point raised thereon. Otherwise, the Report Section will act as the coordinating Section.

(Authority: OOA-5966 dated 11.7.1968 OOB-1304 dated 27.5.1970)

(v) Procedure to be followed in the case of projects of the Central Government Companies and Corporations entrusted to the State Government for execution :-

- (1) This office, as the Audit Officer, will send the Audit Comments to the Government of Orissa and ascertain their reaction first.
- (2) Thereafter it should be considered whether the Audit Comments should be included in the Central Government Audit Report (Commercial).
- (3) Then the Audit Comments will be sent to the concerned Ministry of Government of India and Companies/Corporation and their comments obtained. A copy along with briefs should also be sent to the Comptroller and Auditor General's Office.
- (4) The comments of the Ministry and the Company will be examined and the Draft Para finalised. Then final Draft Para with Ministry's/Company's reply should be sent to the Comptroller and Auditor General office for approval and inclusion in the Central Government Audit Report (C) copies of the Draft Para will also be endorsed to the Director of Commercial Audit, New Delhi for information.

All this work has to be done in close coordination with Report Section at every stage.

(Based on CAG's Confidential letter No.166 CA/96-E Admn.II/66 dated 17.2.1967 to D.C.A. Copy received with Chief Auditor Commercial Accounts, Bangalore letter No.RAP/HAL/AR-41/69-70 dated 3.5.1969 Dy.WM-28-SR-GI-1227)

(vi) Procedure of processing Draft Paragraphs for Central (Civil) Report is as follows :

The matter in respect of which a Draft Paragraph is proposed for inclusion in the Comptroller and Auditor General report for Government of India should be discussed first by the Group Officer, Deputy Accountant General with a Senior Officer of the concerned institution before the Draft Para is proposed and put up to the Accountant General for finalization in the Report Section and onward transmission to the Central Accountants General

In no circumstances any paras, or the material for inclusion in the Central Report should be sent by the Sections to the Central Accountants General direct.

[Based on CAG's D.O. No.589-Rep/39-71 dated 22.3.1971 and Accountants General, Orissa letter No.Rep-1-3/71-72/3047 dated 3.4.1971 (Dy.WM-52-GI-374)]

III. REVIEW OF IMPORTANT GOVERNMENT SCHEMES

15.15 Object

As the scope of Government activities have radically expanded, expenditure on public and welfare activities have increased manifold. A critical appreciation by Audit of all such important schemes as a whole has become necessary with a view to evaluating whether these are being performed economically and efficiently. With this end in view, it is considered that a "Review" on the working of the various Government schemes should be included in the Audit Report. The review should

generally bring out the following aspects as laid down in Paras 3.8.1, 3.8.2 and 3.8.3 of MSO (A) 2nd edition.

- (a) Amount of original estimates and targets anticipated.
 - (b) Revision of estimates and reasons for such revision, if the revision is not due to revision targets.
 - (c) Completion of the projects and schemes according to time schedule.
 - (d) A critical examination of the total expenditure as compared to estimates.
 - (e) In the case of Irrigation Projects, availability of Water and Power as estimated and their utilization to the extent anticipated.
 - (f) Fulfillment of the objects of the schemes.
 - (g) Return on the scheme as anticipated.
 - (h) Whether the cost per unit or on the scheme as a whole varies substantially from the cost initially estimated or that incurred on other similar schemes.
- (ii) While a study of the scheme should be made with reference to the different aspects mentioned above, it is not necessary that each Draft Paragraph should contain detailed information on all these points. The Draft Paragraph should, in the usual way, point out specific lapses e.g. Lack of planning or coordination avoidable delay, extravagance etc. which could be definitely established from the records and on the basis of further correspondence with the State Government, giving such information as strictly relevant to the issue proposed to be raised.
- (iii) In case of projects whose completion will take a number of years, it will be necessary periodically to review the growth of expenditure as compared to the estimates, and the quantity of work executed. In that case, regular submission of Report on the financial stock taking of the concerned projects should be insisted upon.

(Based on OO No-A-3951 dated 24.7.1961)

- (iv) In respect of development scheme undertaken with the expectation of earning substantial revenue or where the expenditure on the schemes would be largely offset by the revenue derived therefrom, it would be the function of Audit in such cases to verify that the expectations are fulfilled and to comment where the schemes fall short of expectations. In the cases of schemes the receipts under which are not expected to be negligible separate distinct detailed heads of receipts are required to be opened.

(CAG's No.2963-Admn.I/307-62 dated 2.11.1961 OOA-4433 dated 4.12.1961)

15.16 Selection of schemes for review

A complete list of schemes taken up for execution should be sent by Central Audit Supporting Section to ECPA Section annually by 16th August with the following information for submission to Accountant General (Audit) for selection.

- i) Estimated cost of construction/administrative approval in respect of each schemes.
- ii) Date of sanction, year of commencement.
- iii) Upto date expenditure incurred.
- iv) Expected date of completion as per latest anticipation.

After the schemes are selected by the Accountant General, Central Audit Supporting Section/Resident Audit Officers should collect the relevant materials required in connection with review of the selected schemes. Till the review is finalised, a report on the progress made in collection of materials and review etc. should be sent by Central Audit Supporting Section fortnightly to ECPA Section i.e. on 1st and 5th of every month for information of Accountant General.

15.17 (1) Procedure

The Central Audit Supporting Section/Resident Audit Sections concerned should ascertain at the beginning of each year of plan period from the Government Heads of Department the particulars of schemes taken up for execution and keep a note of these schemes in the Register named as "Register of Review of Schemes" to be maintained in Form No.13, separate set of pages should be allotted for the schemes falling under each of the classes and in the order mentioned below :-

- i Plan Schemes (State Sector)
- ii Plan Schemes (Central Sector)
- iii Non Plan Schemes

Separate pages should also be used for each scheme. The Plan Schemes should be noted in the order of Code numbers assigned to them in the Budget Plan link. In respect of non-plan schemes only such schemes coming to the notice during the course of audit should be noted.

In case, the lists of schemes are not received within a reasonable time (say one month), the name of the schemes may be taken from the "Annual Budget Estimates" or any other booklets issued by the State Government and the Register completed after obtaining full particulars of the schemes from the authorities concerned. In case, the information is not forthcoming the same should be collected by the local Inspection parties.

The register should be reviewed and submitted to the Branch Officer monthly on 10th of each month and to Accountant General quarterly.

(Based on OOA-5825 dated 31.10.1967)

After finalisation of Review, the Review Reports duly completed and approved by the Group Officer should be sent to ECPA Section as and when finalised, latest batch being sent by the end of September every year.

[A.G. Orissa letter No.EAD-12-5-Selection (B.O)-30 dated 17.4.1968 and Rep-1-3-968-69-10 dated 5.4.1968 vide (WM-28-SR-GI-Vol-III)]

(2) Review

The Reviews of programmes should not contain a mechanical comparison of targets and achievements or comparison of the estimated expenditure with the actuals of expenditure. Such a comparison by itself does not throw any light on the Social efficacy of a programme, rather it is a comment of the estimating accuracy. If actual accomplishment has been substantially less than the level of staff and facilities provided, this could possibly be matter for comment, even in making this comment it is to be made sure that with the level of staff and facilities provided, much more could have been accomplished, had care been taken of certain matters which it was possible to take care of. It is only from this angle that, in the Reviews, there could be a comparison between the targets and achievements.

In the present day concept of raising the level of common man and social efficacy, reviews of at least a few selected significant programmes, major projects or Departments should be attempted to assess how effectively money and resources provided have been utilized and finally to find out the reasons for shortcomings, if any, the basic ideas are, of course, inherent in the concept of Review. What is needed is an expansion of scope of review, a deeper or more extensive examination and finally a better presentation. It is not that, individual irregularities of a sufficiently important nature are not to be included in the Reports. They would have their own place therein, but if they and not the Review, are the major or most significant parts thereof, perspective would be lost. That has to be avoided.

[Based on extracts of Instructions of the CAG on review of Schemes and Re-orientation of paragraphs for the Audit Report as amplified under A.G. Orissa Memo No.Rep-1-3-(73-74)-1024 dated 3.11.1973]

IV. CONVENTIONAL DRAFT PARAS

15.18 Scope

The following conventional Draft Paras are prepared every year by Central Audit Supporting Section for inclusion in the Audit Reports after obtaining materials from Central Audit Parties, Inspection Parties, Resident Audit Officers and Departmental Officers.

- i) Para on Stores and Stock Accounts;
- ii) Para on Review of Works Expenditure;
- iii) Para on Rush of Expenditure;
- iv) Para on Fictitious adjustment of Stock;
- v) Paras indicating outstanding Audit objections and outstanding paras of Inspection Reports;

Note:- A synopsis of important objections particularly losses/recoveries outstanding for more than ten years should be attempted.

[Authority : A.G. Orissa OM No.Rep-1-3-(74-75)-146 dated 3.5.1974]

- (vi) Paras on losses and defalcations with notes on specific cases;
- (vii) Para on Financial Results of working of Irrigation and Power Projects;
- (viii) Paras on other common types of financial Irregularities.

15.19 Annual certificates of Balances (Form-91) and store and Stock Account

For completion of stores and stock accounts, Central Audit Supporting Section will call the following returns on 20th May of each year from the Public Works Divisions/F.A. & C.A.Os in accordance with Para 22.4.20 C.P.W.A. Code.

- (a) Annual certificate of balances (CPWA-91)
- (b) Stores and Stock Accounts as per Annexure-B duly completed.
- (c) Questionnaire on maintenance of Tools and Plant Accounts and physical verification report thereon as per Annexure-B to this Para.

The last date of submission of the returns by the Divisions is 30th June. In the case of Divisions rendering accounts to the Financial Advisor and Chief Accounts Officers and Resident Audit Officers, the last date of submission of the returns is 20th

June, so as to enable them to consolidate and transmit the return to this office after necessary check by 30th June at the latest. A register of shortages and discrepancies as per Annexure-BB should be maintained with a view to keep an effective watch on action taken by the Executive on the items reported while conducting physical verification of Stock materials/Machinery Equipments by Stores verification Party or by the Departmental Officers. The maintenance of such register would also facilitate review of upto date position including items reported in the past years. Central Audit Supporting Section/Resident Audit Offices should, therefore, maintain the Register and submission to concerned Branch Officer on 15th of every month indicating upto date position in respect of each of the items mentioned therein.

(Circular No.WM-29-DA-4612 dated 1.12.1976)

Note:-1) Central Audit Supporting Section will transmit Form 91 to the Inspection Parties for verification of correctness of certificates No.4 and 5 as per Para 4.3.28 of MSO (A) 2nd edition.

[Based on No.WM-1-29-5208(6) dated 26.3.1966]

2) Central Audit Supporting Section should watch the receipt of the returns in a separate Register. The non-receipt of the returns should be pursued demi-officially.

(Based on Memo No.WM-29-1116 dated 11.5.1968)

3) Resident Audit Officers should check the returns after obtaining them from the FA & CAO/Divisions and transmit the same with their remarks to Central Audit Supporting Section for further action positively within due dates.

15.20 Audit Points

(1) The following points should be borne in mind in checking annual Certificate of Balance (Form 91) by Central Audit Supporting Section/Resident Audit Offices in addition to the points to be seen during Local Audit vide Para 4.3.28 of MSO (A) 2nd edition.

- i) The balances under Stock, Purchase, M.W. Advances, Workshop suspense and Deposits including Cash settlement Suspense Accounts balances should be verified with the balances in the March Final Schedules as also with the balances worked out in works Register and Broad sheets maintained in A&E Office.
- ii) Any discrepancy noticed should be got reconciled by reference to concerned Divisions and, if necessary, revised returns obtained.
- iii) Sanctioned amount of Reserve Stock limit fixed by Government is not exceeded for any month in the year for which it is sanctioned.

(2) Stores and Stock Accounts :-

It should be verified by Central Audit Supporting Section/Resident Audit Section

- i) that the opening balance, Receipt, Issue and the closing balances are correct as per Works Register maintained in A&E Office.
- ii) That the Questionnaire as per Annexure-B has been duly complied with by concerned Divisions.
- iii) The checked account will form the basis of materials for Draft Para in Audit Report/Annual Review.

Note:- For Audit of Accounts of furniture in the residences of High Officials, see Paras 2.4.11 of MSO (A) 2nd edition and 4.1.7 and 4.1.8 of OPWD Code Vol.I.

(3) Machineries and Equipment Account:-

- i) In Central Audit the Account should be checked to ensure that all the points required in the Questionnaire-B have been duly complied with;
- ii) The points of irregularities, if any, should be marked for incorporation in Audit Report/Annual Review.

15.21 Collection of Materials

Materials on the following items shall be collected by Central Audit Supporting Section from Inspection Reports and Resident Audit Offices every year by 15th July, for inclusion in the Para on Stores and Stock Accounts.

- i) Non-receipt of Stores and Stock Accounts in Audit Offices indicating the value of Stores held by the Divisions at the end of the year;
- ii) Position regarding non receipt of the reports of physical verification of stock conducted by Stores Verification Party/Departmental Officers.
- iii) Cases where Reserve Stock Limits have not been fixed in the Divisions at the end of the year;
- iv) Minus balance in Stock Accounts;
- v) Position regarding non receipt of Annual Certificate of balances of Stock and other Suspense Accounts at the end of the year;
- vi) Shortage, discrepancies and losses in Stores detected in course of physical verification
- vii) Issue of stock materials to the works in excess of actual requirements
- viii) Purchase of Stock materials in excess of actual requirement in advance resulting in blocking of Government funds and involving a risk of deterioration due to long storage;
- ix) Cases of loss of stores, either in transit, or from stores, or from work site, including loss by theft, misappropriation of stock materials and action taken to recount the loss and fix the responsibility;
- x) Stores transferred by Divisions/Sub-Divisions which were not accounted for in the receiving Divisions/Sub-Divisions;
- xi) Stores purchased but not accounted for in the stock account and site account;
- xii) Irregular adjustment of the cost of stock materials.
- xiii) Cases of surplus and unserviceable stock and T&P articles and idle machineries;
- xiv) Irregular issue of stock materials to private parties indicating the names of the parties, date of issue, particulars of materials and amounts etc;
- xv) Other peculiar and irregular cases, if any.

15.22 Para on Review of Works Expenditure

For processing a Para on review of works expenditure, the following information should be collected from Inspection Reports and Resident Audit Offices by Central Audit Supporting Section by 15th July every year.

-
- (1) Expenditure incurred on works without sanctioned estimates :-
 Name of Department/Chief Engineer/Division
 Name of work
 Expenditure during the year
 Expenditure to end of the year
- (2) Expenditure incurred over 5 *per cent* of the sanctioned estimates :-
 Name of Department/Chief Engineer/Division
 Name of work
 Estimated cost
 Expenditure incurred over sanctioned estimate during the year
 Expenditure incurred over sanctioned estimate to end of the year
- (3) Expenditure incurred without Administrative Approval :-
 Name of the Department/Chief Engineer/Division
 Name of work
 Expenditure during the year
 Expenditure to end of the year

Note;- Regarding Review of expenditure relating to contracts sanctioned by higher authorities, Para 6.47 of the Manual may be seen.

15.23 Para on rush of expenditure

- (1) Collection of materials :-

The following information should be obtained by Central Audit Supporting Section from Resident Audit Officers and Inspecting Reports by 15th July every year.

- (a) Name of the Department/Division
 - (b) Name of work involved
 - (c) Allotment for the year
 - (d) Expenditure upto February
 - (e) Expenditure during March
 - i) By issue of Stock materials
 - ii) Other works expenditure
 - (f) Total expenditure during the year
 - (g) Other Financial Irregularities
- (2) March expenditure :-

The irregularities which often accompany exceptionally heavy expenditure in March can usually be detected only at local inspections by the Inspecting Officers. As, however, a rush of expenditure in March is common irregularity requiring closer scrutiny as per provisions of Para 22.4.19 of CPWA Code, the Auditors should pay particular attention to the following matters :-

- i) Payments made before the works are done or services are rendered for which they are due i.e. payment for Stores not actually received.
- ii) Unreal payments :- Payments charges off in the accounts by transfer to the Deposit Account to gain unintended benefits i.,e. feeding allotments, obtaining assistance of Plan/Non-Plan Schemes etc. from the Government of India;

All such cases should be carefully scrutinised and reported to Central Audit Supporting Section for processing Draft Paras.

(3) Mode of Scrutiny:-

The explanations furnished by the Divisional Officer for heavy expenditure in March must be specially scrutinised. A fundamental principle to be kept in view is that the work done in March should be measured and paid for in the same way as work done in any other month i.e. it should not ordinarily be paid for till April. Work completed in the early part of March may, however be measured and paid for before the end of the month, or in that month itself. That should be the normal course in other months. There must therefore, be a distinct evidence of rush of expenditure to justify audit taking special action and this can only be judged from the number of heavy payments made during the last days of March which would normally have been made in the following month i.e.

- (a) heavy payments on account of works done but not measured when the previous bills for the same work show that measurements were made also in March for work done;
- (b) heavy advances for materials on account of work sanctioned in March.

An explanation frequently put forward for heavy payments, is that funds were provided very late. If the amounts involved are very large, enquiries should be made as to why funds could not have been provided earlier, and if the explanations are not satisfactory the facts should be brought to the notice of the next higher authority.

Note: Central Audit Parties should pick up with reference to March Accounts cases in which such rush of expenditure has occurred and investigation into financial irregularities, if any, resulted thereby.

15.24 Fictitious Stock Adjustments (as defined in Para 7.1.3 of CPWA Code)

For processing a Para on fictitious stock adjustments, the following points should be noted with regard to assessment of fictitious Stock Adjustments :-

- (a) the year of all allotment and the year of stock adjustment.
- (b) The month's Stock accounts adjusted in March Supplementary accounts to ascertain whether the value of materials issued previously were adjusted.
- (c) Whether funds were not available for the work on which the materials were intended to be utilised.
- (d) Whether the adjustments made against works in which the materials were not utilised were subsequently reversed (debits withdrawn).
- (e) In cases where debits afforded during previous year were withdrawn/written back, it may be verified whether the materials were not required to be used on the works to which these materials were issued initially.

- (f) Expenditure incurred on transportation of the materials to and from the site of the work/work or stock etc. to ascertain whether the materials were actually transported to work site.
- (g) Authority for carrying out the irregular adjustments.

[Based on letter No.Rep-4-6-(67-68)/2198 dated 28.12.1967 (Dy-WM-28-Genl-5681) circulated in No.WM-28-Genl-5877 dated 21.3.1968]

Fictitious Adjustments i.e. malafide transfers of value of materials from one work to another without being supported by carriage and other incidental charges (required to be incurred thereon at the time of their actual transfer) should be kept in view. While furnishing information on the subject Central Audit Parties/Resident Audit Officers/Inspection Parties should furnish the information on the following lines to Central Audit supporting Section by 15th July every year.

- (1) Name of Department/Division
- (2) Name of work involved
- (3) Allotment for the year
- (4) Total expenditure during the year
- (5) Month in which materials were debited to work
- (6) Value of materials debited in the month of March
- (7) Month in which the materials were withdrawn to Stock/Other work (to be shown separately)
- (8) Cost of materials withdrawn
- (9) Amount retained
- (10) Remarks if any

15.25 Para on Financial Results of working of Irrigation and Power Projects

The following materials will be collected by Central Audit Supporting Section from records maintained in the office and the Departmental officers.

- i) What were the major and medium and other commercial projects undertaken by the Government to end of the year?
- ii) How many of the them have been become revenue earning and how many are under construction ?
- iii) What were the investments made on different categories of Projects/Schemes during and to end of the year ?
- iv) What are the Irrigation Projects on which capital of, Rupees one crore or more has been invested ?
- v) Details of the Irrigation Projects in the following proforma should be collected :-

Sl. No.	Name of the Project	Estimated cost as administratively approved by the Govt./Direct Capital outlay	Year of commencement Year of completion	Date when water was let out for Irrigation	Irrigation Potential created during the year both for Kharif and Rabi	Extent to which the created potential has been utilized during the year both for Kharif and Rabi	District in which irrigated land situated	Principal crops grown on irrigated land
1	2	3	4	5	6	7	8	9

(vi) How many of the Schemes were opened for service by end of the year. The following information for the year and the two preceding years to show the working results should also be collected :-

Gross Revenue	Working expenses	Net Revenue (+)/ Loss (-) before charging interest	Interest on Capital	Net revenue (+)/ Loss(-) after charging interest
1	2	3	4	5

After collection of the information, the material duly processed should be sent to Report Section.

(vii) In case of the Power Projects (a) how the assets transferred to Orissa State Electricity Board were valued (b) settled (c) what is the investment made by the Government, with mode of investment etc.

15.26 Vetting of the Notes called upon by the Public Accounts Committee/ Committee on Public Undertakings

Various departments are sometimes called upon by the Public Accounts Committee/Committee on Public Undertaking to submit notes, memoranda etc. in pursuance of action taken on the recommendation of the committee clarification may be called for by the Committee. These are sent to the Accountant General for vetting of the facts and figures stated therein before they are submitted to the Committee for consideration. The convention is that the departments should send the vetted notes within 15 days of their call. Hence all the processing of preparation of notes by the department, sending to this office, vetting by this office after elucidating further clarifications etc. if necessary, preparation of revised notes and submission to the Committee by the Department are to be completed within this period.

The notes etc. received by the Report Section are sometimes sent to concerned sections of Main Office, Senior Deputy Accountant General, Puri etc. for scrutiny of the facts and figure stated therein with reference to remarks of Audit after which the Report Section is to vet the note or seek further clarification.

It is necessary that the correspondence in the matter should receive "top priority" at all stages. The sections receiving Government letters etc. from Report Section should therefore immediately attend to this correspondence, carefully examine the facts and figures stated with reference to our records and return the Government letters with their remarks duly approved by the Deputy Accountant General within 3 days so that Report Section may take further action to vet the notes promptly.

(Based on OBB-1311 dated 4.7.1970)

V. ANNUAL REVIEW OF THE WORKING OF PUBLIC WORKS DIVISIONS

15.27 Object

This review is conducted to focus attention on the several defects in the working of the Public Works Divisions noticed during the course of Central and Local Audit but not included in the Audit Report and to enable both the Audit Department and State Government to take appropriate action so as to remedy the defects. The irregularities that are to be included in this review are categorised in Annexure- C.

15.28 Preparation and Collection of materials

The review will be prepared by A&E Office. For Audit portion necessary materials will be supplied by Audit Office to A&E Office for incorporation in the review. Materials will be collected by Central Audit Supporting Section from Inspection Reports and Resident Audit Offices as mentioned in Annexure-D. To enable the A&E Office to undertake review in the beginning of August every year, it should be ensured that the requisite materials for Audit portion should be furnished by 31st July every year to A&E Office.

[Based on CAG's circular No. 33-TA I/1984 received in letter No.1343-TA.I/199-83-KW dated 20-10-1984 (Apendix-7 of MICA)]

15.29 Review

The materials/information received from various sources will be consolidated under different paragraphs heading by WM Section of A&E Office with suitable observations. The work should be completed and the review report forwarded to the Government by the 31st October of the year following the year to which the accounts relate.

Note :-1) No specific reply to points included in Annual Review need be sent by Divisional Officers to Audit. It is for the Administrative Department/Head of Department to ensure that individual objections raised in audit from time to time are settled by Divisional Officers. Copies of instructions issued by them to the Divisional Officers etc. in compliance with suggestions should however, be received in WM Section of A&E Office.

- 2) In order to improve the working of the State P.W. Divisions and to minimise the irregularities, a procedure for dealing with "Review of working of P.W. Divisions, brought out annually by the Accountant General" has been laid down by the State Government. According to this procedure the Chief Engineers will maintain a register in which important irregularities mentioned in the review should be noted Division wise and their compliance by the Divisional Officers watched. It will be the specific responsibility of the Accounts Officer attached to the Chief Engineer's Offices to ensure these. Similarly at the Government level, a watch will be kept on serious irregularities e.g. loss to Government, over payments and short recoveries and irregularities relating to tenders and contracts etc.

[Based on GOW&T Department letter No.IO.24/69-20-65(5)/A dated 18.9.1969 (DY-WM-52-GI/AR-4126) Audit Bulletin of March, 70]

VI. DISPOSAL OF INSPECTION REPORTS

15.30 Watch over transmission of Draft Inspection Reports

In order to avoid delay in dispatch of Inspection Reports within 24 days from the date of completion of Inspection, the Section dealing with the Inspection Reports should be attached to the Draft Inspection Report, a proforma as per Annexure-D and should ensure that the time schedule prescribed in Annexure-E is strictly adhered to. A separate Inward Register for receipt of Draft Inspection Reports should be maintained by Record. To guard against delay in typing of reports in Record Section, a separate Outward Register with appropriate columns should be maintained by the Section dealing with Inspection Reports to watch the date of sending the Inspection Reports to Record Section for typing and the return for comparison as also the date of despatch by Record Section. The Outward Register should put up to the Senior Deputy Accountant General (Works Audit & Projects) through the Branch Officer on the 10th of each month.

(Based on CAG's letter No.19/TA I/83)

Note:- To avoid delay in processing Draft Para cases reported through Part-II of the Draft Inspection advance copies of these paras supported by keys and relevant documents should be sent by the Inspecting Officer after discussion with the Divisional Officer of the Draft Inspection Report along with his Inspection and D.O. letter to the Senior Deputy Accountant General (Works Audit & Projects) for transmission to D.P. Cell.

(Inspection Bulletin No.I of April 1973 and circular No.WM-20-4787 dated 24.12.1976 to all Inspecting Officers/WAD Sections)

15.31 Vetting of Draft Inspection Reports

After receipt of Draft Inspection Report, the dealing Section should go through the same and correct typographical mistakes and other prima facie and point out in the margin of the para concerned if the point was taken up in earlier inspection or in Central Audit. It will also be checked up to see whether there is any violation of Rules/Orders, in which case, the same should be indicated in the margin itself. It should be left to the Branch Officer to recommend whether a certain para should be dropped or modified or considered for a Draft Para or grouping of paras should be re-arranged by giving crisp marginal comments. If, however, in a rare case where a detailed noting is avoidable, it should be done in separate sheets for orders of the Senior Deputy Accountant General. The Auditor in the Inspection Report seat will arrange action as per directions given including noting the old paras dropped by the Inspecting Officers in the register concerned and compare the fair copy with the help of unit Auditor concerned.

Note:- The work relating to the Inspection Reports should be entrusted to an experienced Auditor. He will also be responsible for reviewing the old Inspection Reports and taking up important irregularities with higher authorities and Government. The draft para Register should also be maintained by him and the case entered therein pursued closely.

It should be ensured that the disposal of Inspection Reports is given top priority at all levels. (Based on O.M.No.WM-20-GI-519-20 dated 12.05.1971 and O.M. No.WM-20-GI-3082 dated 03.09.1968).

Note:- As a safe guard against several omissions and commissions in Draft Inspection Reports by Field Parties, despite repeated instructions issued to them e.g.

arithmetical inaccuracies etc. as also to record the gist of all important objections detected by them, a Register in the Proforma vide Annexure-F should be maintained by the dealing Section.

The registers should be kept in the safe custody of the Assistant Audit Officer and put up to Branch Officer/Senior Deputy Accountant General monthly.

(O.M.No.WA3-Genl-895 25 dated 25.10.1972)

15.32 Procedure regarding routing of replies to Inspection Reports through Superintending Engineers

Consequent upon introduction of an exception in Note below 4.5.2 of C.P.W.A Code, the following procedure is prescribed.

- (i) This office will issue the report in duplicate one to the Executive Engineer and the other to the Superintending Engineer.
- (ii) The Executive Engineer will send his first reply direct to this office with a copy thereof to his Superintending Engineer.
- (iii) Further remarks of Audit on the first reply received from the Executive Engineer will be sent to him and Superintending Engineer, indicating to the latter cases where his specific comments are necessary.
- (iv) The reply of the Executive Engineer to further remarks of Audit will be sent through the Superintending Engineer as usual. The Superintending Engineer on receipt of reply from the Executive Engineer shall examine and offer his remarks, if any, on each case, but his specific comments on cases marked by audit inviting his attention should be offered invariably.
- (v) Further rejoinders upto finality of the report shall be replied to through the Superintending Engineer as usual. (Based on letter No.24-14-Simp-4749 dated 27.08.1969 to all Executive Engineers)

Note:- Time limit for disposal of Inspection Reports etc. in the P.W. Offices is as follows:-

Divisional Officers	(1) Marginal remarks	1 day
	(2) Disposal of extracts	4 days
	(3) Complete reply to the report	2 months
Circle Officer	Complete reply to the Inspection Report	1 month

As per orders of the State Government issued to P.W. Division/Offices the correspondence in connection with these Reports should be treated as urgent in all stages and dealt with promptly vide G.O.W.D. No.4016(5) A/VIIIR-24-40 dated 29.04.1941.

15.33 Measures for prompt settlement of outstanding Audit objections and Inspection Reports

- (i) Government of India have issued in 1962 a standing Guard file on speedy settlement of audit objections/Inspection Reports and timely disposal of draft audit paras. The file containing the relevant instructions and orders corrected from time to time contemplates maintenance of a register of audit objection by Drawing and disbursing officers to watch expeditious and final disposal subject to monthly review

by the head of the office to ensure that prompt action is taken to clear the objections within the prescribed time limit.

Note:- During local inspection of the Administrative Ministries, attached and subordinate offices, the Inspecting Officers should specifically watch compliance of the instructions and bring to the notice of the Head Office, when necessary, the instructions issued by the Government of India. It should particularly be seen whether instruction relating to the maintenance of Control Register in the Administrative Ministries, the Drawing and Disbursing Offices controlling offices etc. to watch the prompt settlement of audit objections raised in Central Audit as well as in local inspection, periodical review of this register action to be taken on the half yearly lists outstanding audit objections, paras etc., furnished by the Accountant General, the maintenance of a Register to watch the disposal of Draft Audit Paras in the Administrative Ministries as well as the Associated Finance Divisions etc. have been complied in the Inspection Reports and in the case of Administrative Ministries brought to the notice of Secretary of the Ministry, where necessary.

(Based on G.I.M.F.(OE) O.M.No.F. 12(39)-E (Coord)/68 dated 05.04.1969 and C.A.G. letter No.576-Tech Admn.I/363-68 dated 03.05.69 (Dy-WM-24-14(CAG)-15), M.F. letter No.F.12(39)-E-(Coord)/68 dated 08.01.1971 and CAG No.275-TA-I/363-68(II) dated 18.02.1971 (Dy-WM-241-4-CAG-94) and No.WM-24-14-6959 to 6960 dated 16.04.1971).

(ii) In pursuance of recommendation made by the State P.A.C. to have smaller committees with the representatives of the Administrative Department, Finance Department and Accountant General for expeditious finalization of audit objections, Government of Orissa in Works, Irrigation and Forest Departments hold Triangular Committee Meetings periodically. In these meetings the outstanding audit objections and Inspection Reports relating to a few Offices/Divisions are discussed at a time and such discussions have salutary effects on the settlement of objections.

(Audit Bulletin for September, 1968)

Note:- (1) In pursuance of decision in the Triangular Committee Meeting convened by the Works & Transport Department to ensure expeditious clearance of outstanding Audit Objections in each Division and Sub-Division under it through a suitable Register, two registers-one for watching disposal of Inspection Reports and the other for watching disposal of Audit objections with monthly abstracts under instruction to review the same monthly by Executive Engineer/Sub-Divisional Officers have been prescribed.

(G.O.W.& T Department Memo No.5077 dated 13.03.1968 (Dy-WM-7029) & Works Department letter No.FA-II-M-62/75-29495 dated 23.10.1976 with copy to I.&P. Department concurred in by F.D. (DY-WM-1-7732).

(2) While stressing the need for holding Triangular Committee Meetings, submission of prescribed Quarterly Progress Reports with all particulars necessary, check and review by Heads of Offices and Controlling Officers of the Registers of outstanding Audit objections and paras of Inspection Reports and clearance thereof regularly, the following further Instructions have been issued by the State Government in the matter:-

- (a) Objections including paras should be cleared within the Scheduled period.
- (b) Objections outstanding for want of documents / information should be settled by personal contract, if not by correspondence.

- (c) Necessary co-operation should be rendered to Audit Parties of Accountant General at the time of Local Audit for settling outstanding audit objections and paras. The records and documents should be kept ready on receipt of intimation from audit.
- (d) In case of negligence of duty in this regard, disciplinary action should be taken and adverse entries in C.C.Rs made.
- (e) The plea of inadequacy of staff for clearance of objections should not normally be entertained.

(Based on Chief Secretary to Government of Orissa letter No.AA-II-47/70 7391-93/F dated 27.02.1970 issued from Finance Department to Secretaries of all Departments of with copies to all Departments of Government/All Heads of Departments (Dy-WM-8-State-7164).

ANNEXURE – A

(Para 15.11)

Index of Irregularities

- | | | |
|------|---------------|---|
| I. | Accounts | Defects in preparation. |
| II. | Appropriation | Irregularities connected with re-appropriation. Irregularities connected with expenditure against appropriation. |
| III. | Adjustments | Irregularities in adjustments. Fictitious adjustments. |
| IV. | Cash | Withdrawal and custody of cash, remittance into Treasury. Grant of imprest and temporary advance. Irregularities including delay in rendering accounts of Imprest and Temporary Advance. Irregularities in maintenance of cash book and verification of cash. |
| V. | Cheques | Irregular drawal of cheques to prevent lapse of grant. Rush of expenditure in March. |
| VI. | Contracts | <p>(i) Settlement of contract by negotiation instead of competitive tenders. Acceptance of tenders other than lowest. Publicity for tenders. Peculiarities in contracts including special conditions and incomplete specifications.</p> <p>(ii) Extension of time granted to contractors Note separately 3 months, 6 months, one year, two years or more. In case of over 1 year, the name of work should also be noted.</p> <p>(iii) Cases of Waiver/Relaxation of terms of agreement executed by contractors. If the amount involved is over Rs.1,000/- note separately giving the authority who waived/amount involved/clause relaxed.</p> |

VII.	Contractors Ledger	Irregularities in maintenance. Delays in posting of debits and recoveries of dues. Other irregularities such as incompleteness.
VIII.	Delays	In receipt of accounts, schedules etc. vouchers and stamped receipts. Sanctions to estimates and other sanctions by officers higher than the Divisional Officers. Replies to Audit notes and Inspection Reports, Completion Reports.
IX.	Deposits	Delay on non-recovery of securities from sub-ordinate and contractors. Defects in the custody of Interest Bearing Securities due to delay in realization of interest, acknowledgement of individuals either for safe custody or return, etc. Bonds. Incomplete submission of schedules. Defects in the Register. Delay in clearance of minus balances etc. Delay in clearance of balance and defects in lapsed deposits.
X.	Embezzlement and Frauds	Defects in procedure/rules leading to embezzlements/frauds occasioned by neglect etc.
XI.	Estimates for Works	Starting work without estimates. Splitting up of estimates. Revised sanction to estimates. Defective estimates. Officers responsible/other cause.
XII.	Infractions/Avoidable Expenditure	In each case amount should be specified.
XIII.	Log Books	Defects in maintenance. Vehicles, Plant and Machinery, Fuel, Recovery of hire charges etc.
XIV.	Losses	Cash, Stores, Machineries and Equipments etc. Irregular payment leading to loss.
XV.	Measurement Books	Defects in maintenance. Delay in measurement and check-measurement. Cases of payments unsupported by detailed measurements. Discrepancies between dates of measurements recorded in M.B. and those in T.A. Journals.
XVI.	Muster Rolls	Defects in maintenance, Test check other irregularities.
XVII.	Materials at Site Account	Account not maintained. Not checked properly, other irregularities.
XVIII.	Manufacture Account	Defects in maintenance. Delay in unadjusted balances.
XIX.	March expenditure	Irregular in payments such as payments charged off in the accounts not actually made and payments made for

		work or service not done. Rush of expenditure.
XX.	Non-inspection	Divisional Offices by SE, Sub-Divisional Offices by EE/DA.
XXI.	Non-receipt	Of Accounts>Returns from Divisions.
XXII.	Project works	Financial stock taking not done. Allocation of R/M and depreciation charges of Special Tools and Plant, Maintenance of capital and Depreciation accounts of Special Tools & Plant not done.
XXIII.	Pay and Allowance	Irregular entertainment-Irregular drawal.
XXIV.	Powers	Splitting up of estimates. Splitting up of contracts. Improper use of Stores. Unauthorised aid to contractors. Abuse of powers.
XXV.	Records	Non-production of records during inspection due to i) Non maintenance and Withholding information/materials from Audit.
XXVI.	Register of works abstracts	Irregularity in maintenance. Delay in closing of accounts and unsettled liabilities.
XXVII.	Register of Revenue	i) Arrears in rent and other receipts. ii) Residential buildings remaining unoccupied or unauthorisedly occupied. iii) Non-assessment or short assessment. iv) Delay in realisation of revenue. v) Whether prompt assessment of recovery is done in respect of all sources of revenue such as canals, ferries, lands leased out etc.
XXVIII.	Remittance balance	Outstanding balances (under Head I Head II and Head III(b) and T.D. etc.) with year wise breakup.
XXIX.	Road Metal Rate Book	Whether maintained up to date.
XXX.	Road Metal Account	Irregular maintenance periodical verification unutilised balances.
XXXI.	Recoverable amounts	Overpayments/short recoveries.
XXXII.	Schedule of Rates	Irregularities in revision.

XXXIII.	Stock	Reserve limit, unnecessary accumulation, Revision of issue Rates. Excess issue of materials to works/Contractors than required. Irregular or fictitious issue to utilise funds etc. Physical verification. Excess/shortage how regularised. Defects in maintenance of accounts. Delay in non/incomplete submission of schedules to audit. Non-disposal of surplus stocks.
XXXIV.	Suspense Accounts	Defects in maintenance. Irregularities in transactions. Non-clearance of outstanding balances.
XXXV.	Settlement of Remittances	Defects in procedure and transactions. Delay in unadjusted balances.
XXXVI.	Sub-Divisional Accounts	Irregularities in maintenance. Delay in submitting returns.
XXXVII.	Machineries & Equipments	Irregularities in maintenance. Periodical & physical verification, Excess/shortage how regularised. Hire charges of machineries and equipments. Unutilised M&E & other irregularities.
XXXVIII.	Unusual charges	Expenditure diverted to objects outside the ordinary work of administration.
XXXIX.	Work charged establishment	Defects in maintenance of fixed charges register.

ANNEXURE – B

(Para 15.19)

QUESTIONNAIRE

Stores and Stock Accounts for the year.....

Head of Account under which stock transactions are operated:

1. Sub head wise balance in the following proforma :-

Sl. No	Sub-head Balance	Opening	Receipt	Issue	Closing Balance	Reserve Stock Limit sanctioned	Remarks	
						Amount Govt. letter No.& date		
1	2	3	4	5	6	7	8	9

Note:- (a) The Division where stock is not maintained sub-head wise, total amount only should be furnished indicating reasons for not maintaining sub-head wise account.

(b) In case where the opening balance or closing balance is a minus figure, the reasons for such minus balances should be furnished indicating number of items for which balances are minus and the name of the month from which minus balance is persisting.

- (c) Whether the expenditure on storage charges is shown distinctly under the detailed head "Storage subordinate to concerned P.W. Major/Minor head of Account and adjustment carried out to reduce the charges to nil as per the prescribed Accounting Procedure (C.S. 59 to Para 7.2.23 C.P. W.D. Code) If not, why
- (d) Reason for not opening the sub-head handling charges or leaving balance under this sub-head in contravention of Para 7.2.24 (C.S. 63) of C.P.W.A. Code should be furnished.
2. A statement showing the month wise details of receipt and issues (not sub-head wise) during the year should be furnished in duplicate. It should be ensured that total figures of receipts and issues under item I above tally with the total of the details of receipts and issues required here.

QUATIONNAIRE ON "STOCK"

1. Whether the issue Rates of various articles were fixed at the beginning of the year (vide Para 7.2.21 of CPWA Code). If not, when Issue Rates were last fixed and reasons for not fixing the same at the beginning of the year.
2. Whether Stock Account is maintained according to new procedure. If the account is not maintained accordingly the reasons thereof.
3. Whether Stock Account is maintained according to the old procedure, it may be maintained, if the stock register for half year ending 31st March has been completed and reviewed by the Executive Engineer. If not, the reasons for the arrears in closing of Stock Register indicating the half year ending to which it relates may be stated.
4. Where Stock Account is maintained according to new procedure it may be indicated if the ledger has been closed to end of March. If not the reason for arrear in closing the ledger and period of arrear should be stated.
5. Whether the physical verification of stores have been conducted by the Sub-Divisional Officer/Executive Engineer/Stores verification Party, if so :-
 - (a) Agency employed for such verification and revaluation and the dates on which stock verification was stated and completed. The particular year to which the verification relates and the designation of the officer may please be clearly indicated.
 - (b) Results of verification and revaluation i.e. Profit and Loss and how and where it was adjusted.
 - (c) If the value of stores found short or excess has been adjusted as required under Para 7.2.37 of C.P.W.A. Code.
 - (d) In case, where shortages, discrepancies and losses in value of Stock were noticed detailed breakup under these categories should be furnished in each indicating steps taken to get the losses regularized.
6. A list of unserviceable/obsolete stores with year of their purchase and value.

Signature of Divisional Accounts Officer/
Divisional Accountant

Signature of
Executive Engineer.

MACHINERIES AND EQUIPMENTS

1. Whether the new procedure has been followed in maintaining the Machineries and Equipment Accounts, if not the reasons thereof.
2. Whether the Machineries and Equipment ledger/has been closed for the period ending September. If not, the reasons for arrears, indicating the year from which the Ledger has not been closed.
3. Whether physical verification of Machineries and Equipment has been conducted by the Sub-Divisional Officer/Executive Engineer/Stores Verification Party during April to March, Agency employed for such verification and the dates on which verification of tools and plants was started and completed. The particular year to which verification relates, the designation of the officer.
4. Rules of verification and whether surplus or deficiencies were adjusted as per Para 7.3.17 of C.P.W.A. Code.
5. (a) Whether capital and Depreciation Accounts of all special Machineries and Equipments have been maintained as per Government of Orissa, Works Department letter No.17984 dated 28.5.1962. If not why ?
(b) What are the number of special Machineries and Equipments maintained by your Division ?
6. Whether Depreciation charges of all Special Machineries and Equipments to end of March have been worked out and allocated to works/sub-head concerned. If not why ?
7. Whether operation and maintenance charges of Machineries and Equipments (Special) of the year ending March have not been apportioned as per rules, . If not why ?

Signature of Divisional Accounts
Officer/Divisional Accountant

Signature of Executive Engineer
(Divisional Officer)

ANNEXURE – B B

(Para 15.19)

Name of Division	Details of materials found short to date	Amount with Item No.	Period of physical verification	Authority conducting physical verification (i.e. physical verification party or Departmental Officers)
1	2	3	4	5

Details of shortage and discrepancies noticed due to		Reference to Para of IR in which reported/schedule or voucher No. and date in which detected	Reference to para and year of CAG's report in which the irregularity has been included	Action taken by the executive to regularize the shortages and discrepancies	Upto date and latest position	Remarks
Physical verification	Other factors					
6	7	8	9	10	11	12

ANNEXURE – C

(Para 15.27)

Proforma indicating lines on which information is to be collected for compilation of Annual Review :-

I. General :-

1. No. of Divisions under each wing at the close of the year WM Section
2. No. of Divisions newly opened and abolished during the year WM Section
3. Departmental Inspection of Division not conducted by Superintending Engineer and Inspection of Sub-Division not conducted by Executive during the year WM Section/CASS
RA Office

II. Defects in monthly accounts :-

1. Delay in submission of monthly Accounts. WAC I&II
Name of the Division No. of occasions Accounts received late.
2. Form 51

Divisions not sending the Schedule by the end of the year indicating the months wanting Name of the Divisions habitually late in submission and No. of occasions WAC II
RA Office
3. Cases of frequent misclassification in Accounts (Name of Division/No. of cases) R.A.O.
WAC I
4. Inadequate details found in schedule of work expenditure CASS
- 5 (a) No. of vouchers not received with Accounts -do- WAC I & II
Name of Division Nos. Amount

	(b) List of vouchers wanting at the end of the year	-do-	-do-
6.	Schedule of Deposit Works		
	(i) Divisions not submitting at all		CASS/WAC I&II
	(ii) No. of occasions received late	-do-	
7.	C.S.S. Accounts :- Debits outstanding at the end of the year (Division wise)		WAC II
8.	Stock:- Minus balances under stock at the close of the year.		CASS/Vetting R.A.O.
9.	Final Bills not accompanied by materials statements Name of the Divisions and No. of Bills		CASS
III.	Irregular maintenance or non-maintenance of important registers and Accounts Records		
1.	Cash Book and Imprest Accounts	Major defects pointed out with name of Division	Vetting R.A.O.
2.	Register of works and works abstracts	-do-	-do-
3.	Materials at site Account	-do-	-do-
4.	Stock Account	-do-	-do-
5.	T & P Account		
	(i) Imprest defects	-do-	-do-
	(ii) Non-submission of special T&P returns		
6.	Other miscellaneous registers like		
	(a) Register of Land & Buildings	Major defects pointed out with name of Division	
	(b) Register of sanction to fixed charges		
	(c) Log books of vehicles		

(d)	Revenue Register	
7.	Non-maintenance of Registers	R.A.O.
8.	Non-preparation of annual proforma accounts by the Divisions and Non-submission to audit in respect of Divisions operating “Workshop suspense and manufacture Accounts”.	CASS RAOs
IV.	Contracts and Tenders :-	
1.	Works done on supplies made without calling for tenders/quotations	Vetting Section R.A.O.
2.	Irregularities in calling for tenders such as insufficient time allowed for submission of tenders etc.	Vetting R.A.Os
3.	Irregularities in acceptance of tenders such as rejection of the lowest without proper justification	Vetting R.A.Os
4.	Splitting up of works to avoid sanction of proper authority.	-do-
5.	Starting of works before execution of agreement	-do-
6.	Irregularities in execution of agreement indicating omissions, existence of vague conditions, ambiguous clauses etc.	-do-
7.	Irregularities in getting the work executed such as extension of time without justification, post facto extension etc.	-do-
8.	Admission of claim cases of contractors due to non-observations of code rules and procedural defects or other wise.	-do-
9.	Arbitration cases :-	CASS/Vetting R.A.O.
(i)	Name of the Division	
(ii)	Name of the contractor	
(iii)	Agreement Number	
(iv)	Amount under dispute	
10.	Non-receipt of contract documents in audit	CASS/R.A.O.

11. Irregular refund of security deposit	Vetting/CASS RAOs
12. Defective maintenance of contractors ledger- Important defects pointed out.	Vetting RAOs
13. Deposit work executed without getting deposit amount or in excess of the amount deposited.	CASS/Vetting RAOs
14. Test check of measurement and review of measurement books not done.	Vetting RAOS
15. Rates allowed in excess of schedule of rates without sanction of higher authority.	CASS/Vetting RAOs
16. Payments inordinately delayed	CASS/Vetting RAOs
17. Non-recovery or less recovery of security deposits from Running Account Bill	-do-
V. Miscellaneous :-	
1. Heavy Cash Balance	WAC I&II RAOS
2. Non-production of records to Inspection Parties	Vetting/RAOS
3. Security deposit not taken from sub-ordinates handling cash/stock.	-do-
4. Local purchase of stock in excess of limit	CASS/Vetting RAOs
5. Comments, if any, challenging continuance of Division without adequate work load/expenditure with full particulars.	-do-
6. Payments not covered by adequate sanctions.	-do-
7. Over-payments and short recoveries.	-do-
8. Non-revision of schedule of Rates.	-do-
9. Outstanding balances at the end of the year under Head I, Head II and Head III(b) and T.D. against each Division.	WAC II

10. Outstanding balances at the end of the year under purchase, MWA in respect of each Division.	CASS RAOs
11. Amount of revenue outstanding at the end of the year.	Vetting RAOS
12. Cases of delay in audit of land acquisition payments with reasons.	CASS RAOs
13. Encashment of cheques drawn in previous year.	WAC II
14. Avoidable/Irregular/Infructuous expenditure not included in Audit Report.	Vetting RAOs
15. Other important and interesting cases	-do-

ANNEXURE – D

(Para 15.30)

Proforma to accompany the Draft Inspection Report submitted to Senior Deputy Accountant General (Works Audit & Projects)

1. Name of the Division/Office.
2. Period of Inspection.
3. (a) Date of despatch of report by the Inspection Officer.
(b) Date of receipt of Report in the Section.
4. Date of completion of scrutiny of Assistant Audit Officer.
5. Date of completion of review by Branch Officer.
6. Date of approval by the Senior Deputy Accountant General (Works Audit & Projects).
7. Date of sending the Report to Typing Section.
8. Date of return of Fair copy.
9. Date of submission of Fair Copy to Branch Officer for approval.
10. Date of Despatch.

Note: Dates should be noted in Red Ink, in cases where the time has exceed the prescribed limit.

ANNEXURE – E

(Para 15.30)

Disposal of Draft Inspection Report

<u>Particulars of movement</u>	<u>No. of days within which D.I.R. will be sent</u>
1. Despatch of Report by the Inspecting Officer.	6 working days from the date of completion of Inspection.

2. Postal transit
3. Editing by the Section
 - (a) Auditor
 - (b) A.A.O/Section Officer 5 days
4. Scrutiny and approval by Branch Officer 4 days
5. Scrutiny and approval by Senior Deputy Accountant General 3 days
6. Typing 6 days
7. Comparing
8. Fair Copy and dispatch
24 days

[Authority: CAG's Circular No.19-TA I/83]

ANNEXURE – F

(Note below Para 13.31)

Sl. No.	Reference to the Inspection Party No.	Name of the Division inspected	Name of the SO/ Inspecting Officer	Reference to Inspection Report/ Para No.	List of Important objections detected	Nature of defect/ Omissions	No. & date of reference made for defect/ Omission	Remarks
1	2	3	4	5	6	7	8	9

CHAPTER – 16

Miscellaneous

16.01 Work load norms of various Divisions

Composition of Circles under Works, Irrigation, Power, Rural Development and Urban Development etc.

(A) The following yard-sticks have been prescribed for determining the work load norms in the Division from time to time. The work load norm will include the sum total of

- (a) Allotment available for original works
- (b) Repair grants
- (c) Average expenditure of preceding three years in respect of Deposit works
- (d) 75 *per cent* of the average expenditure during the preceding three years in respect of restoration works.

Note :- 1) The average expenditure during preceding 3 years on repair works minus the average expenditure during this period on work charged staff shall first be calculated and then be multiplied by three. To this amount one and half times the average expenditure on work charged staff should be added.

- (2) The maintenance and repair grants received for Irrigation works should be excluded while determining the work load.

(B) The following constitute norms for yearly work load of different Divisions.

(i)	R&B Divisions	Rs.120 lakh
(ii)	N.H. and Project Divisions	Rs.120 lakh
(iii)	Irrigation Divisions (including Irrigation Maintenance divisions)	Rs.120 lakh
(iv)	Minor Irrigation Divisions	Rs.120 lakh
(v)	P.H. Divisions	Rs.85 lakh
(vi)	G.P.H. Divisions	Rs.30 lakh
(vii)	G.E. Divisions	Rs.30 lakh
(viii)	Mechanical Division on the basis of cost of Machinery and Equipment	Rs.1.80 lakh
(ix)	Investigation Divisions	
(a)	(Under R&B, NH, PH)	Rs. 150 lakh
(b)	Under Irrigation and Electrical on non-yard stick basis	

Note: 1) The estimated cost of the project and the period during which the investigation is to be completed will form the basis for determining the work load norm of the Investigation Division.

- (2) In case of Project works with concentrated work load, the Divisions should handle work load in excess of the norms as fixed above.

(x) Arbitration and claim cases :-

One Division each for Works Department, Water Resources Department and half a Division each for Rural Development and Urban Development/Development on non-yard stick basis.

(xi) The number of Divisions determined on the basis of work load norms fixed for different departments be increased by 5 *per cent* in respect of each organisation under the respective administrative department to attend to multifarious miscellaneous works.

(xii) The total expenditure under entertainment of staff will be such the overall establishment expenditure from the level of Division Office to the level of Circle Offices, Chief Engineer Office and designed organisation within the prescribed prorata percentage of works outlay as worked out from time to time.

(C) Creation of Circle : A Circle may normally comprise of four to six Divisions

(D) Creation of post of Chief Engineer :-

There may be normally one Chief Engineer for each branch of Engineering as its functional head and he may be assisted by such number of additional Chief Engineer's depending on the work load.

(E) Composition of Division :-

Normally one Division may comprise of four Sub-Divisions and a Sub-Division will comprise of four sections.

Note:- The work load norms should be reviewed quarterly or at such time as may be decided by the Government to effect the revision of yard-stick.

[Government of Orissa, Works Department letter No. IE-60/76-14072 dated 12.5.1976 and IE-102/78-18157 dated 16.6.1978 (Dy-WM-1-461) addressed to Secretary, Irrigation, Power/Rural Development/Urban Development and G.O, Works Department letter No.IF-6/81-5114 dated 25.2.1981 and EI-6/81-24326 dated 30.10.1981]

16.02 Fixation of yard stick for creation of various categories of Posts under "Regular work-charged Establishment" of P.W.D. has been appended vide Appendix No.XV.

16.03 Archaeological Works

(i) The Archaeological works in Orissa are divided into two distinct groups for which separate lists as embodied in Appendix-XVI to this Chapter are maintained. The monuments which have been declared to be protected under the Ancient Monuments Preservation Act, 1904 are maintained from Central Revenue. Those possessing Historical or Archaeological interest, which have not been declared as protected and are born on the books of the Public Works Department, are maintained from the Revenue of the State.

(ii) Approach Roads :- The cost of providing and maintaining approach roads to ancient monuments under the Ancient Monuments Preservation Act, should be a charge of the State.

(G.I. Department of E.& H No.124 dated 6.4.1922)

(iii) Administrative Approval :- When estimates for conservation of ancient monuments have been countersigned by the Archaeological Superintendent (or where necessary by the Director General of Archaeological in India) Administrative Approval to them may be given by the state Government on behalf of Government India.

16.04 Military Engineering Service Works, Indian Air Force Works etc.

These works are entrusted to the State P.W. Division for execution as a standing arrangement vide Para 22.4.6(a) of C.P.W.A. Code.

Note:- The Accountant General Acts only as a Sub-Accounts Officer of the Defence Accounts Officer or any other Departmental Accounts Officer and as a Sub-Audit Officer only on behalf of Director of Audit, Defence Service or the Audit Officer of the Department concerned. The certificate of Audit in Form No. MSO(T) 113 A as contemplated in Para 3.16.14 of MSO (A) 2nd edition will be sent by WAC Section after collection from WAD Section concerned along with Form SY-22 to the Account Current Section for onward transmission of the monthly outward settlement Account supported by the certificate of Audit. The vouchers in respect of the charges will, however, be retained in the monthly Account for audit etc.

[Based on CAG's ,letter No.2426-Tech-Admn.I-211-66 dated 25.12.1967 copy received with M.O. letter No.TM-I-77-1475 dated 4.11.1967 (Dy-WM-24-14-4654) and No.1039-I-Admn.II/49-70 dated 12.6.1970 copy received with M.O. No.TM-I-77-630 dated 7.7.1970 (DY-WM-24-14-2114) Arts. 135 and 159 of Account Code volume-IV (as amended by C.S. No.656 dated 10.10.1971)]

16.05 Attestation of corrections in quantities and amounts in Contractor's bills and M.Bs

It is a fundamental principle that all corrections to quantities and amounts in contractor's bills should be attested by a responsible person, vide S.R. 89(IV) of the Orissa Treasury Code Volume-I. The following procedure for attestation of corrections in Contractor's Supplier's bills has been laid down by State Government :-

1. As the Measurement Book is the basis of payment to contractors and suppliers, all corrections in detailed measurements and rates made in the Measurement Book will be attested by the officer making the correction in accordance with instructions given in the Measurement Books. Agreed rates can not be increased, save in exceptional circumstances and under orders of competent authority. If for valid reasons the agreed rate is reduced, the reason for such reduction should be recorded in the Measurement Books under the signature of the officer who records the reasons.

2. Corrections in quantities and amounts in the abstract measurement in the Measurement Book are necessitated owing to corrections in detailed measurements and rates in the Measurement Book.

If the corrections in detailed measurements and rates in Measurement Book were made before preparation of the bill by the Sectional Officer, the calculations of quantities in detailed measurements and in the abstract will necessarily be made by

him in the Measurement Book and he should attest them. When the next bill is prepared, the Sectional Officer-in-charge may check the previous corrections of the checking clerk and record a certificate in the Measurement Book to the effect that the previous corrections have been checked and are correct.

In the case of a final bill where there is no question of a next bill, corrections in the final bill will have to be certified by the officer preparing the bill before the final bill is paid.

3. As the contents of a bill in the proper form are nothing but exact copy of the abstract recorded in the Measurement Book, all corrections in the bills, whether of detailed measurements rates, quantities or amounts which were made by the person preparing the bill may be made in black ink and attested by him at the time of making corrections and all corrections made by the person checking the bill should be made in red ink under his dated initial.

Any corrections in the amount passed for payment and the pay order should be attested by the officer passing and giving pay order on the bill.

[Based on letter No. A-VIIIIR-27-52-6, dated 12.2.1954 received with Memo No.3668/F dated 27.2.1954 (Dy-WM-II-5396) and No.2A-VIIIIR-27/52-8 dated 29.3.1954 (DY-WM-II-6063)]

16.06 Rules for condemnation and disposal of Government Vehicles

The rules relating to condemnation and disposal of the State and Central Government's Vehicles are given in Appendix XXXII of O.P.W.D. Code Vol.II and Appendix-XVII of this Manual respectively.

16.07 (a) Formation of centralised Stores verification party, Improvement of stores –Management

In order to have an independent verification of stores in addition to the periodical verification done at Public Works divisional level and to examine the adequacy of arrangements for handling stores etc, the State Government formed a stores verification party in the year 1953 under the direct administrative control of W & T. Department. This party headed by an Executive Engineer conducts physical verification of stores of selected Divisions every year and reports the irregularities including discrepancies to the government direct for initiating necessary action under intimation to audit.

Periodical meetings are held by the State Government, inviting an audit representative to review the position regarding the implementation of the various suggestions for improving the system of procurement, custody, verification and accounting of stores.

[Based on G.O.F.D. letter No. Codes 27565 (Pt.IV)/3636(3) dated 25.10.1965 (Audit Bulletin, March 1969)]

(b) The officer responsible for the loss/discrepancy/shortages of stock materials and Machineries and Equipments as pointed out by the stores verification party should carry out the reconciliation within 3 months from the date of receipt of the notice from the EE, SVP, failing which the Divisional Officer, under whom he is working, should recover the amount from his pay in suitable instalments which will not impair the future efficiency of the Government servants as provided in Para 5 of Appendix-2 of OGFR Volume-II and SR 182 and 183 of OTC Volume-I. In case of Gazetted Officer the Accountant General, on receipt of intimation from Divisional Officer will

issue retrenchment slips to the Divisional Officer to recover the amount specified from the concerned officer and in cases where the officers are under Foreign Service, the foreign Employer will recover the amount from the persons concerned and classify them under IIIB-items adjustable by P.W.D.

[G.O. W&T Department letter NO.F-98/68-21762 dated 21.11.1968 received with A.G.O. Memo No.TM-1-37-1418 dated 14.2.1969 circulated in WM-12-6570 dated 28.3.1969 (Dy-WM-12-5986)]

16.08 Inspection facilities by Inspection Wing of D.G.S.& D.

Inspection Wing of the D.G.S.& D. through its Regional Inspectorates carries inspection of stores ordered by the D.G.S & D. on behalf of the various Central Government Departments and such other indentors as may like to utilise its services. The Wing also under takes inspections of stores which are purchased by the Central Government Departments, undertakings, quasi-public bodies etc. under their own arrangements.

The D.G.S.& D. being a service department, no charge is made for services, purchases or inspection rendered to the non commercial civil departments of the Central Government. A charge of 0.5 *per cent* of the total contract price of the stores purchased is however, levied for inspection of stores on behalf of the commercial department of the Central Government defence and the public undertakings

[Based on Min. of supply O.M. No.13(1)/70-P.III dated 12.3.1970, CAG endt. No. 955-TAI-422 dated 7.4.1970 (Dy-WM-24-17-CAG-9-Volumn-VIII)]

Note :- Consignees have the right of rejection of stores notwithstanding the approval which the Inspector may have given, if the stores are not in all respects in conformity with the terms and conditions of contract. The consignee should have 45 days after actual delivery at the place of destination in the case of general stores governed by General conditions of contract in Form No. D.G.S.& D. 68 (Revised) and 90 days, for stores which are subject to the condition of contract incorporated in forms No. D.G.S.& D. 72 and 73 from the date of receipt of complete equipment with spares and accessories as ordered. The D.G.S.& D is to incorporate the conditions in the Indian Trade Journal as also in all tender enquiries to be issued from 1.10.1970.

[M.F.U.O. No.F-1088/70 dated 27.7.1970 and Min. of Law U.O. No.12123/70 ADV(A) dated 22.4.1970, Min. of Supply OM No. P.III-8(3)/68 dated 12.8.1970, CAG No.2981-TAI(A) 199-67 dated 18.9.1970 circulated in MO No.TM-8-194-1334 dated 11/70 (Dy-WM-24-17-4828)]

16.09 Encouraging measures for development of Labour Co-operatives Societies to undertake P.W.D. Works

A. Labour Co-operative Societies

1. Enlistment

In the matter of enlistment, the labour cooperative may straight way be under class 'C'.

II. Earnest Money and Security Deposit

The labour cooperatives should not be required to pay an earnest money or security deposit except that a performance security of 1 *per cent* should be deducted from running bills refundable forthwith after payment of final bill in case of earth work and in other cases within three months.

III. Call of Tenders

(1) Without calling for tenders labour cooperatives may be awarded works upto Rs.50,000/- each at the prevailing market rate in the locality and (2) works upto Rupees one lakh each may be awarded to labour cooperatives provided their tender is within 5 *per cent* of the lowest valid tender.

IV. Payment

Fortnightly payment should be made instead of monthly. Advance payments upto 25 *per cent* of the tender value recoverable in suitable installments from running bills before final payment may be made to labour co-operatives for preliminary arrangements. Evidently, in the beginning only simple works such as earth work, metal collection etc. may be taken up by the co-operative Societies. In the towns, the labour co-operatives may also take up building repair works etc. Gradually with the increase in their competency and availability of technical assistance, the scope of such co-operatives would be widened.

[Based on G.O, W&T Department Resoln. Nos.9185 dated 20.3.1962 (Dy-WM-12-46-1307) and 3347/A dated 11.12.1962 (page-144-File WM-I-12-46 of 1963)]

Note:- (1) There is no bar to enlistment of labour co-operatives straightway in 'B' or higher classes provided the organization and the finance of such co-operatives considered to be satisfactory. The recommendation of the Assistant Registrar of Co-operative Society on the basis of their past performances may be taken as the criterion.

(2) Since by splitting up of the work into several parts or reaches it will be cheaper and quicker too to get the work done through the labour co-operatives, in the light of provision in Para 125 of O.P.W.D. Code it would be in the interest of work to split up the same and the Chief Engineer and Superintending Engineer, would not need any special powers to split up the work accordingly within the scope of their respective limits. In the case of earth work the same should be split up for allocation to Labour Co-operatives if this would result in reducing the cost. Where skilled works include large components of unskilled works, the works may also be split up and the labour co-operatives may be suitably engaged in unskilled portion of the work. In case of the works costing Rs.10 lakh or more recommendation for such splitting up would be quickly submitted to Government for orders.

(3) The advance payment should be booked under M.W. Advances in the first instance and subsequently charged to work.

(4) The payment of advances upto 25 *per cent* of contract, the value of which does not exceed Rs.1 lakh, has been specially authorised by Government to Executive Engineer, Ordinarily permission of higher authority is not necessary. But in cases of doubt, the Executive Engineers may consult their higher authorities.

[Based on G.O. I&P. Department letter No.IIT-6/63-17823/A dated 19.8.1963(P)/142, File WM-1-12-46 of 1963-Volume-6]

B District Level Unions of Labour Co-operative Societies.

I. Enlistment

The District Co-operative Labour Contract Unions may straightway be enlisted under class 'A'.

II. Earnest Money and Security Deposit

The District Level Unions of Labour Co-operatives should not be required to pay any earnest money or security deposit except that performance security of 3 *per cent* should be deducted from running bills refundable forthwith after payments of final bill in the case of earth work and in other cases within 3 months after payment of the final bill.

III. Call of Tenders

Without calling for tenders, the contract unions may be awarded works upto Rs.one lakh at the current schedule of rates subject to further review.

IV. Advance

Advance payment not exceeding 25 *per cent* of the value of the work shall be made to the D.L.U.L.C. subject to a maximum of Rs.50, 000/- in each case, recoverable in suitable instalments from the running bills before final payment subsequent advance in respect of a particular work will not be paid unless the advance paid has been fully recovered. The advance will bear interest @ 7 ¼ *per cent* per annum.

(Based on G.O. W&T. Department Resn. No.IIIM-10/65-4794/A dated 20.3.1965 DY-WM-I-12-46-410 Volume-VII)

Note:- The above resolution dated 20.3.1965 has the concurrence of Finance Department and Irrigation and Power Department.

([Based on G.O. I&P Department letter No.II.T-67/64-8565/Acts, dated 12.4.1965 (Dy-!M-1-12-46-344, Volume-VII)]

16.10 Providing facilities to the Graduate Engineers and Diploma Holders to work as Contractors

The following facilities should be given to the graduate engineers and diploma holders to work as contractors.

- (i) A Diploma holder may be registered as 'D' Class contractor without production of Solvency certificate.
- (ii) A degree holder may be registered as 'C' Class contractor without production of solvency certificate.
- (iii) Such classes of contractors are exempted from payment of earnest money and one *per cent* security deposit.
- (iv) Such contractors may be allowed preference of 5 *per cent* in their tendered rates. This concession, however, should be allowed only in respect of two works in a financial year.
- (v) Such contractors may be given secured advance on the security of materials.

(Government of Orissa, W&T Department letter No.FA/101/69-19078 dated 2.9.1969 Circulated in WM-Circular-12-5A-5943 dated 13.11.1969)

16.11 Payment of commission charges to Railway Administration – Issue of Credit Notes

Payment of Railway freight may be made in cash provided the amount involved in each case is less than Rs.120/-. In all other cases the payment of the freight should be made by Credit Notes.

[Based on G.I. M.F.(DEA) OM No.F-10(49)B/65 dated 19.11.1966 and CAG's No.4474-Tech.Admn.I/353-65 dated 27.12.1966 Audit Bulletin, March 1967]

16.12 Remedial Measures for eradication of corruption

The study team constituted by the Government of India for eradication of corruption in the C.P.W.S. recommended certain remedial measures. The G.O. W.& T. in consultation with I&P and P&S (Vigilance Departments) have adopted the same as under:-

- (i) The existing Government Order to the effect, that no officer should remain posted at a station for more than 3 years should be strictly enforced. Monopoly of officers to hold regular divisions should not be allowed and all eligible officers should be given a chance to hold charge of regular divisions.
- (ii) The existing rule regarding release of security deposit should be enforced strictly.
- (iii) A time limit of 15 days should be fixed for payment of running bills from the date the bill is received in the office where payment is made.
- (iv) According to the present practice when any defect in any work is noticed, the responsibility is generally fixed on officers upto the rank of the Executive Engineers only. Although the Chief Engineers and the Superintending Engineers might have inspected the defects, they escape the responsibility to fix responsibility on senior officers, the C.P.W.D. on the recommendation of the Santhanam Committee have prescribed that the Superintending Engineer and the Chief Engineer should inspect the work, the tender for which have been accepted by them and give a certificate that the work has been executed according to the specification and that there are no noticeable defects. This practice should be strictly followed.

[Based on G.O. W&T. Department letter No.FA-97/69-1543(6) dated 21.1.1970 copy received with that Department letter No.26135 dated 28.11.1970 (Dy-WM-12-46-4818)]

Note:- The responsibility for inspection and certification in respect of the works, the tenders for which are accepted at Government level (Contract Committee) devolves on the Chief Engineer concerned.

[Based on W&T Department letter No.FA-61/70-3691 dated 2.3.1971 (Dy-WM-12-46-6516)]

16.13 Watch of receipt of documents sent to police and other authorities.

Vouchers and other documents requisitioned by Police, S.P.E. Anti-corruption Department, Vigilance Commission and Law Courts should invariably be produced by Audit to concerned authorities. The C.& A.G. has emphasized that suitable steps should be taken to ensure observance of a proper system of filing of vouchers/documents as prescribed in Para 100 of MSO (Admn.)Vol-I. When any requisitioned voucher is found missing, a thorough investigation should be conducted

with a view to seeing whether any malafides are involved. The responsibility for loss should be fixed.

Consequent on issue of orders of C.& A.G. for maintenance of a consolidated Register in the prescribed form to ensure uniformity for watching supply of requisitioned documents, the consolidated register in Form No.30 of this Manual should be maintained by the Liason Officer as well as the R.A.Os and all concerned Sections, setting apart separate folios for different requisitioning authorities. Registers maintained by the Liason Officer and Sections should be submitted to the Senior Deputy Accountant General (Works Audit & Projects) on 5th of each month through respective Branch Officers. The registers maintained by the Liason Officer should also be submitted to the Accountant General during his periodical visit to this office. The registers maintained in offices of Resident Audit Officers should be reviewed by him on 5th of each month.

The half yearly verification of the existence of the Photostat copies of the vouchers etc. sent to police and other authorities should be conducted by the Liason Officer on 15th April and 15th October each year. The O.E. Section should arrange to get this verification done and get a suitable certificate to that effect recorded in the Register.

Note:- (1) The Branch Officer in charge of O.E. Section shall function as Liason Officer in so far as the Puri Branch including the Resident Audit Offices are concerned.

- (2) The requisitions for vouchers/documents from Police and other authorities shall initially be received in the O.E. Section and the concerned Section/Office asked to obtain the orders of the Accountant General in respect of the documents required for production. Thereafter the documents will be called for from the Section/Resident Audit Officer concerned. Before transmission of the documents to the concerned authorities Photostat copies thereof will have to be kept with the Liason Officer.
- (3) Summons received from a Court of Law for production of documents/vouchers should invariably be received direct by the concerned sections and disposal of in the light of the above instruction by that Section. If the original documents/vouchers are retained by the Court pending finalization of the case the Photostat copies of documents including vouchers will have to be transferred to the Liason Officer together with relevant details for safe custody and pursuit (both by the Liason Officer and the concerned Section).
- (4) Regarding claiming privilege for production of documents see Para 96 of MSO (Admn.) Volume-I as corrected by C.S. NO-6 dated March 1971.

16.14 Special Audit in respect of suspected cases of defalcation Misappropriation/forgery etc.

No special audit should be undertaken unless a request for the same is received from the Finance Department and the orders of the Accountant General taken for the same.

The Group Officers should send their proposals for special audit to Co-ordination Section of Main Office which will deal with them and submit to the Accountant General for necessary action. The Co-ordination Section should open

separate files for each subject and deal with proposals received from Group Officers promptly.

Whenever special audits are undertaken the Group Officers should draw out suitable programme and issue specific guide lines directing attention to any particular aspect or type of transactions. Copies of the programme and the guide line issued should be endorsed to the Co-ordination Section indicating the names of the Inspection Officers/Assistant Audit Officers to whom the work has been entrusted.

(OOA -7257 dated 27.3.1975 and OOA-7381 dated 6.11.1975)

Note:- After departmentalization of Accounts of Central Government for the procedure to be followed for undertaking special audit by Indian Audit & Accounts Department as decided by the Comptroller and Auditor General is as follows.

In the case of Central Ministries/Departments whenever request for special audit investigation of frauds etc. are received, the Ministry/Department concerned should be advised to approach the Pay & Accounts Officer concerned first for arranging the investigation as a part of internal audit. If in any case the Pay & Accounts Officer requires the assistance of audit, only then Indian Audit & Accounts Department may undertake special audit. All cases of fraud, embezzlements and other serious irregularities which came to the notice during audit should, however, be reviewed critically to ensure the results and effectiveness of Internal Audit investigation. The Indian Audit & Accounts Department has a right to take up its own initiative, the special audit of any office in which fraud etc. had taken place after obtaining approval of Comptroller and Auditor General whenever necessary.

[Based on CAG's letter No.TA.I/110-77 dated 18.4.1978. Copy received with Main Office letter No.TM-2-Con-19-74(6) dated 10.5.1978 Dy-WM-Spl.Audit-1219]

16.15 Payment of fees of Government pleaders and other Law charges in case of Deposit Works.

The fees of advance to Pleadors for attending Civil Courts, Court of Arbitration, Sales Tax Cases, Court of Assistant Labour Commissioner and any Labour Officer and also to meet the expenses on Court fees and any other legal expenses relating to a 'Deposit Work' are to be charged to works contingency of the Deposit work concerned. While incurring the expenditure concurrence of the Legal Remembrance should be obtained.

[Government of Orissa, R.D. Department Memo No.16585 dated 29.7.1975 circulated in WM-II-2045(16) dated 5.9.1975]

16.16 Workshop Accounts.

The procedure for maintenance of workshop accounts has been laid down in Chapter 14 of C.P.W.A. Code. The rules for the accounts of the Jobra Workshop are given in Appendix-XX of the O.P.W.D. Code Volume-II.

16.17 Incidence of cost of printing and publication.

The general principle in regard to incidence of the cost of printing and publication is that the Government which initially used the forms etc. should bear the cost accordingly.

(i) State Government will bear the cost of the Account forms etc. used in Treasuries, Public Works and other Departmental offices and (ii) the Central

Government will bear the cost of forms etc. used in Central Government Offices including Audit Offices.

Note: (1) The procedure for printing work has been laid down in Paras 239 to 249 and Appendix 'G' of the Manual of General Procedure.

(2) Budgeting relating to expenditure on the work of printing and publications has been decentralized and the Indian Audit and Accounts Department has been declared as a paying department with effect from 1.4.1969 necessary provision for printing of forms and publications including the cost of paper is made in the budget under the head "2016 Audit and Accounts Offices expenditure on printing and publication" under the grant "Audit".

No separate order for printing of forms are necessary since the forms once standardized in consultation with the Chief Controller of Printing and stationery, continue to be printed and supplied by him for which indents are to be placed.

[Based on G.I.M.F (DEA) OM No.F3(113)B/68 dated 6.1.1969 and CAG's letter No.489-NGEI/253-68 dated 3/69, copies received with MO No. Admn-Bt-68 dated 22.4.1969 (Dy-Rec-Br-13-95)]

Financial and Administrative powers of the Comptroller and Auditor General and Accountants General for printing and binding are given against Serial No.18 (VIII) and (IX) under section A of MSO (Administrative) Volume-II.

CHAPTER – 17

Efficiency-cum-Performance Audit

Section-A

17.01 Introduction

Efficiency-cum-performance Audit is a technique of audit adopted to assess and evaluate the economy, efficiency and effectiveness of developmental schemes/projects/organization. (1) Economy means operation at the lowest possible cost (2) Efficiency is effective output without unnecessary waste of resources including adherence to time schedule and (3) Effectiveness is achieving programmed objectives and goals and ensuring that intended benefits arise in real terms. The Auditor has to review the working of the projects/schemes/organizations in their entirety in terms of their goals, objectives etc. to see how far the expected results have been achieved from the use of available resources of money, men and materials. The audit embraces both financial and social aspects. The financial aspects would be to see that (1) the agency maintains an effective control over its income, expenditure, assets and obligations (2) the agency is responsible for its resources, obligations and operation and (3) that the agency reports include specific, true and useful data. The social aspects to be seen are how far (1) the goals/targets set have been achieved and (2) the intended benefits to the community/area have accrued. In view of its all embracing nature this type of audit is also known as Economy, Efficiency and Effectiveness audit.

17.02 Nature of Audit

The audit envisages a comprehensive review of the project/scheme/activity to ascertain :

- i) how far the physical and financial targets have been achieved,
- ii) how far the social and economic objectives have been realized,
- iii) whether the operations are conducted economically,
- iv) whether there are any case of overpayments, loss, extravagance, avoidable excess or infructuous expenditure due to improper planning, delays in completion of projects, over staffing, over capitalization, unsound pricing policy, etc.

The review should also bring to light cases where the utilisation of resources is found to be far below the outlays and the reasons therefor.

17.03 Planning the review

The selection of the projects/schemes for review is done with utmost care after making a preliminary study taking into account various factors apart from the financial outlay involved.

The review of the selected projects/scheme is to be planned well and carried out in an effective manner.

Active co-operation of the concerned departments and their proper appreciation of the task taken up by audit is essential for meaningful review. As such a pre-review discussion is held with the departmental authorities soliciting suggestions regarding areas/aspects to be taken up for study and assistance in making available the records and data.

17.04 Processes of Review

The various phases of the scheme reviews can be broadly categorized as:

- i) Preliminary study of the selected projects/schemes.
- ii) Development of Audit Plan
- iii) Review Proper.
- iv) Drafting of the Review Report.

Review Process

Planning

Understanding the topic to be reviewed.
 Planning and conducting the preliminary survey.
 Identifying important points for investigation.
 Preparing the background notes, the guidelines and questionnaires for reviews.
 Clearance from Headquarters along with suggestion for conducting review.

Execution

Preparing detailed audit plan and audit programmes.
 Conducting tests and obtaining audit evidences and issue of audit notes to the Heads of Office inspected.
 Preparing point from report.
 Finalising draft report.

Reporting

Reporting-first draft to A.G.
 -AG's draft para to Government
 -AG's draft para to Headquarters.
 Revision of Report by HQs/AG
 Finally approved report for inclusion in the Audit Report.

17.05 Preliminary Study of Selected Schemes

Preliminary study of schemes is an essential part of the review. The objective is to have a comprehensive insight into the broad picture obtained at the time of initial selection to locate areas/aspects requiring an indepth examination. Acts, rules and regulations, budget and plan documents, performance budget of the department, progress reports, administrative reports, periodical appraisals, reports by the departmental officers and external nominated agencies, if any, like working/study groups of Planning Commission, Public Accounts Committee, Estimates Committee, Bureau of Public Enterprises reports, special initial audit reports etc. would provide the necessary background material for carrying out this study. This will help in understanding the idea of the scheme, its aims and objectives, financial targets and actual expenditure, the agencies executing the scheme, etc. If the review section has done its homework properly in a regular and systematic manner and guided at every important stage of work, the selection of the schemes or topics for review, preliminary studies, preparation of guidelines, identification of areas for study, issue of questionnaires, programme of audit, conducting test audit and collection of evidence,

involvement of the heads of offices inspected while conducting the review, obtaining confirmation/acceptance at appropriate level during the course of review, etc. become easy and capable of being executed within the allotted time.

While conducting review of a project, it is necessary to understand the nature of the project right from the stage it is conceived. It is to be seen during the preliminary study:

- i) Whether adequate surveys have been made before launching the projects,
- ii) Whether proper feasibility reports were prepared,
- iii) Whether there is a detailed project report and if there are any deviation, why these deviations have taken place.
- iv) Whether the specification/performance of the various items of equipment are properly matched leaving large idle capacity in any one of them. Whether there are proper procedure for inventory control and management i.e. whether there is effective system of material management,
- v) What contracting systems have been laid down.
- vi) What are the operational problems and how they are got over.
- vii) Whether the project is functioning as it should be.

17.06 Development of Audit Plan

A specific plan of audit is 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 allotment for completing the review Necessary format and questionnaires are also prepared for collection of important data relating to the various aspects of the scheme not only from offices of units proposed to be visited but also from other units for being made use of for consolidation and processing while framing the review, Man-power planning for carrying out the detailed review is equally important.

17.07 Review Proper

The approach of audit should be systematic, methodical, logical and rational. The review always commencing with an in-depth study of the files in the office of the concerned Administrative Department and other Heads of Department. While scrutinising the records, it has to be seen whether;

- i) Objectives of the project/scheme/organization 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 for deficiencies with utmost speed.

- iv) Proper built-in control mechanisms in the prescribed system exist to have an effective control over various areas of implementation to check leakages, losses, avoidable and wasteful expenditure, etc.
- v) Specific performance indicators exists, (if not, the procedure followed or yardstick/norm prescribed to assess the performance of the project/scheme have to be ascertained and their validity determined).

In short, the approach is to conduct systems audit. These factors will give necessary idea and guidance for further study/probe in the field units. On the basis of these studies the format and questionnaire prepared for collection of detailed information from base level offices should be reviewed and modified, if necessary. The next stage is carrying out the studies and collecting information from the selected field units. The examination and audit scrutiny of selected samples of transactions and study should be thorough and complete without the need for a second visit to the same offices. In order to have reasonably reliable audit findings, it is necessary that sample size taken up for detailed check in audit is adequate and is fairly representative of the whole. It should be ensured that the prescribed system is being followed as intended. Copies of full reference should be taken wherever necessary. To elicit maximum information, it is useful to discuss details of the project/scheme with the officers of the institutions visited.

The review work, thus, involves in-depth study of project programmes, organizational set up, managerial process including system checks and controls, research and development, personnel, policies and management, material management, budgets and accounts work etc. The efficiency evaluation is a complex and multifaceted problem which need not only technical skill but also a high degree of developed and abundant common sense.

17.08 Drafting of the Review Report.

This is the final stage of the review. The data collected or obtained from departmental offices and unit offices are consolidated and collected for interpretation and detailed analysis by careful, detailed and analytical dissection of the findings of investigations made during review, the consolidated data collected and the results of preliminary study taking into account mid-course review of the programmes and the remedial measures taken, if any, the review is drafted for approval.

Undoubtedly, there are always some plus points in favour of the project authorities, but audit does find serious irregularities. These can be non-realisation of social and economic objectives, non-observance of time schedule and cost estimates, over capitalisation, large over-head expenditure, overstaffing, idle personnel, work backlogs, delay in construction of projects resulting in increase in expenditure, absence of trained man-power, plants operating below rated capacity, excessive inventories, absence of sound pricing policy, unauthorised occupation of government lands, idle plant and equipment, leakage of revenue, over payments, losses due to pilferages or non-observance of proper procedures, improper, avoidable or infructuous expenditure, etc.

In attempting the review, the emphasis should be on quality rather than on lengthy narration. More stress should be on analysis of strength and weaknesses of the organization. In short the performance review should encompass efficiency, effectiveness and economy of the project or scheme.

After the review report is written up, it is to be forwarded to the Head of the Department and on receipt of reply, their comments/replies are embodied in the review or the review is revised wherever found necessary in the light of the reply. To expedite replies, it is desirable that self-contained parts of the reviews are issued immediately after drafting and the materials discussed with the departmental authorities at appropriate level.

Lay-out for a review can be :

- i) Introduction description of the organization/scheme/project.
- ii) Finance resources, expenditure.
- iii) Targets-physical, financial.
- iv) Use of financial assistance/resources.
- v) Utilization of materials/equipment.
- vi) Utilization of man-power.
- vii) Components of scheme-goals, achievement, shortfalls.
- viii) Inventory.
- ix) Operational costs-variable, fixed.
- x) Assets-targets fixed.
- xi) Social objectives how far met.
- xii) Summary of findings.

17.09 Overall Appraisal

On the basis of the results of efficiency audit of individual big projects and schemes, an attempt is made at the end of each year to make an overall appraisal of progress and efficiency of plan expenditure upto the end of the year with reference to the total plan targets and anticipations. A mention of this appraisal is made in the Audit Report of the Government.

[Authority: Audit Guide Series No.3 issued by the C&AG of India in 1983.]

Section – B

17.10 Standard of Field Investigation in Efficiency-cum-Performance Audit

Regularity audit and propriety audit which are generally applied to individual transactions are alone not adequate for assessment of the performance of a plan, project, programme, scheme or organisation in terms of its goals and objectives. The approach of audit has therefore been re-oriented and comprehensive review of the working of the projects, organization etc. in terms of their goals, objective and programmes is conducted to see how far the results have been achieved from the use of available resources of men, materials and money. This method of audit is known as Efficiency-cum-performance Audit or Economy, Efficiency and Effectiveness Audit. The meaning of the three Es viz. economy, efficiency and effectiveness are explained below.

Economy is the practical systematic management of the affairs of a public entity, project or enterprise which assures minimum operating costs for carrying out legislative or assigned functions and responsibilities.

Efficiency is the accomplishment of assigned goals, production targets or other specific programme objectives in a systematic manner which contributes to minimum in operating costs without detracting from the level, quality or timing of the services to be provided by the public entity, project or enterprise.

Effectiveness is the adoption of a course of action which assures achievement of the clearly defined predetermined plans, objectives or goals (benefit) of public entities, projects or enterprises at the lowest reasonable costs (economy) and in a practical manner within an established or agreed upon time frame (efficiency).

The methodology and techniques generally adopted in conducting comprehensive reviews have been detailed in the Audit Guide Series number 3 on Efficiency-cum-performance Audit.

17.11 Scope and Standards of Field Investigation

It is neither practicable nor desirable to conduct efficiency audit on certain predetermined lines as schemes differ in their concepts, techniques of performance, nature of the objectives, etc. Information available for analysis will also differ.

17.11.2 It is only after a detailed preliminary and exploratory study that the schemes are selected for review. At that time the areas of investigation at each level are identified and the lines of possible further investigation determined. After approval of the selection of the schemes for review an Audit Programme is chalked out for each scheme indicating the lines of investigation, the offices/units to be visited and overall strategy for collecting relevant data. Detailed guidelines indicating the further lines of investigation are drawn up and got approved by Headquarters. In respect of All India Reviews selected by the Headquarters, the detailed guidelines in respect of each review are issued by the Headquarters itself.

In-depth study is a sine qua non of the comprehensive review. The reviews on schemes/projects should be prepared after intensive study of the schemes/projects and they should be audit based covering both financial and social aspects.

A review is essentially a vertical study. Unlike the audit of the regular inspection parties, the review parties should visit all the important offices/units connected with the scheme right from the secretariat down to the field formations and should get a comprehensive and balanced picture.

E.C.P.A. is directed to examination of the systems, procedures, planning implementation and operational performance of programmes, activities etc. and bringing out among other things weaknesses and deficiencies as also lapses of various types including those relating to individual transactions for appropriate action.

Some of the broad guidelines depicting standards of investigation are listed below:

- (1) Identify the objectives and the targets fixed – physical as well as financial.
- (2) Check 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, Identify weaknesses/lapses, if any.
- (3) Co-relate achievement with targets prescribed under the scheme-ascertain extent to which the physical targets have been achieved within the estimated time span.

- (4) Whenever the performance prima facie appears to be less than efficient, ascertain the reasons therefore not in a mechanical way but with an analytical eye; consult the concerned departmental authorities, if probing is found necessary. Where performance indicators or efficiency norms are available compare the performance with those to evaluate the efficiency.
- (5) See whether technical estimates, detailed programmes and cost schedules are being framed and whether the same are adhered to by the executing departments-if not, whether there are adequate reasons for the excesses, delays etc. or whether these are occasioned by inefficient handling, wastes etc. or whether these are due to indifferent or inadequate preparation of the original estimates of the scheme.
- (6) See whether there have been any serious avoidable delays in the progress of work resulting in increase in the total cost of the scheme or any loss of revenue due to delayed execution or holding up of other connected schemes.
- (7) Analyse the reasons for delay in execution of projects and identify the bottlenecks, if any.
- (8) Ensure that the sample size taken up for detailed check is adequate and fairly representative of the whole so that the audit findings are reasonably reliable.
- (9) Find out whether there has been any wasteful expenditure including that arising out of lack of co-ordination among the several agencies of the scheme.
- (10) See whether the performance cost compares well with the results obtained in respect of similar schemes in other fields.
- (11) See whether techniques like PERT Programme, Evaluation and Review Technique) etc. at the project implementation stage exist. Also whether guidelines for holding of inventories, yardsticks in respect of inputs and outputs, review of utilization of plant capacity and manpower, delegation of powers and the like exist and are put to use.
- (12) See whether the anticipated returns are actually accruing the benefits realized in the scheme should be evaluated comparing the actual cost benefit ratio with the projections made at the sanctioning stage.
- (13) Assess the extent of achievement of social objective-where a scheme provides for subsidy to start industries in backward areas, the achievement of the 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.
- (14) Collect copies of all key documents essential to support facts and findings.
- (15) Before completing the studies ensure that all the requisite data have been collected.

17.12 Also Note

- (1) In respect of expenditure and receipts figures, adopt invariably the accounts figures, where however, they are not ascertainable from accounts departmental figures have to be adopted, the opposition should be suitably explained in the review report.
- (2) Avoid detailed examination of non-issues, unrelated works, minor points and collecting too much general data.
- (3) Ensure furnishing of information regarding number of units test checked and out of how many, in how many particular defects or weaknesses have been noticed so that the comment in the review is appreciated by the P.A.C. in the proper perspective.
- (4) Whether statistical data regarding coverage, yield etc. are to be collected, adopt the figures published by the Statistics Department. If there is any substantial difference between these figures and those of the administrative departments concerned, ensure that both the sets of figures are got reconciled so that the reasons adduced by the executive departments for better performance/shortfall in achieving targets etc. could be relied upon. Cross check the information on achievements collected from departmental offices/records with the supporting data available in other records to ensure its correctness.
- (5) Go through the whole range of financial and accounting records and study the reports on achievements, progress of expenditure, receipts, evaluation reports etc. Whenever reasons for shortfall in achievements or major deviations in the implementation of the programmes/schemes etc. are not on record, elicit information on such important aspects in writing from the respective units/offices so that conclusion can be drawn in an authentic manner.
- (6) Lay emphasis more on collection and analysis of facts rather than on raising questions.
- (7) The material avoidable in administrative reports can only supplement and not supplant the audit findings. The review report should contain significant evidence of audit. As such avoid leaning heavily on departmental reports and just copying from it.
- (8) Report should be balanced in the sense that among other things, points from financial audit as well as achievements of social objectives/aspects of the scheme are highlighted.

[Authority: Audit Guide Series No.4 issued by the C&AG of India in 1983]