

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ASSAM, BELTOLA, GUWAHATI.**

**PREFACE TO THE MANUAL
OF THE
OUTSIDE AUDIT DEPARTMENT**

This edition of the Manual of the Outside Audit Department has been compiled from the sixth Edition of the Manual published in 1990 by the erstwhile office of the Accountant General (Audit), Assam, Meghalaya, Arunachal Pradesh & Mizoram, Shillong. This compilation also includes INTOSAI- code of Ethics and Auditing Standards-2001, Auditing Standards 2nd (Revised) Edition, 2002, ASOSAI guidelines (dealing with fraud & corruption) and MSO (Audit)-2nd Edition-2002. This Manual contains instructions in regard to the work required to be done by the Outside Audit Department (Civil) of this office. All members of this office particularly those employed in the Outside Audit Duty, should familiarize themselves with these instructions, ignorance of which will not be accepted as an excuse for a departure/ deviation from the provisions of the Manual.

2. This Manual is not intended for the use of other offices and Auditors should not quote it in writing their Inspection Reports.
3. The Outside Audit Department (Headquarters Section) is responsible for the upkeep of the Manual and the Assistant Audit Officers/ Section Officers and the Sr. Auditors/ Auditors of other Sections of the office as well, should report to Outside Audit Headquarter Section for such additions and/or amendments as may be necessary from time to time.
4. For general procedure, the Outside Audit Department, like other Sections of this office, will be guided by the order in the Manual of Office Procedure.

Dated, Guwahati
The October 2007

**(SWORD VASHUM)
PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ASSAM**

CONTENTS

<u>Subject</u> <u>Pages</u>	<u>Paragraph</u>
<u>CHAPTER-1 (General)</u>	
Constitution of the Department	1.1
Personal Interest by the Pr. A.G./A.G. (Audit)	1.2
Function of Outside Audit Department	1.3
Scope of Audit	1.4
List of accountancy, frequency of audit and time allotment	1.5
Special Audit	1.6
Cost of Audit and Recovery thereof	1.7
Audit fees	1.8
Annual List Register and Audit Plan	1.9
Programmes	1.10
Programmes for Sr. Audit Officers/Audit Officers	1.11
Quarterly meeting with Pr. A.G./A.G. (Audit)	1.12
Audit Intimation	1.13
Selection of Staff for Outside Audit	1.14
Consultation with G.O. (OAD) by Inspecting Auditors/Officers and monthly D.O.	1.15
Time allowed for audit and the pattern in which the Report Should be drawn up	1.16
Time allowed for drafting of I.R. and issue thereof	1.17
Scheduled time for audit	1.18
Absence from Headquarters of Touring Officer & Auditors	1.19
Supervision of Local Audits	1.20
Diaries	1.21
Special privileges	1.22
Holidays	1.23
Casual leave	1.24
Compensatory leave	1.25
Leave during Local Audit	1.26
Communication from Auditors	1.27
Travelling Allowance Bills	1.28
Advance on account of Tour Expenses	1.29
Sanction to contingent Expenditure	1.30
Receipts for pay & allowances, etc.	1.31
Applicability of OP Manual and Establishment Manual	1.32
Relieving Inspecting AAO/SO	1.33

CHAPTER-II

RULES AND PROCEDURES - HEADQUARTERS SECTION

Main duties of the Headquarters section	2.1
Duties of the Sr. Dy.Accountant General/ Dy.Accountant General (IC)	2.2
Powers of the Sr. Dy Accountant General/ Dy.Accountant General (1-C)	2.3
Duties of the Sr. Audit Officers/Audit Officers under Sr. DAG/DAG (IC)	2.4
Duties of the Assistant Audit Officers/Section Officers (Audit) OAD (HQ)	2.5
Registers to be maintained in OAD (HQ)	2.6
Instructions to Auditors	2.7
Examination of various Administrative Reports	2.8
Register of points to be seen in Local Audit	2.9
Transmission of records to Audit Parties	2.10
Indents for stationery	2.11
Check Register of weekly tour Diaries	2.12
Progress Register of Audit of Local Accounts	2.13
Register of Audit Fees	2.14
Register of cases of non-acceptance of lowest Tenders	2.15
Contracts and Agreements	2.16
Progress Register of Local Audit	2.17
Monthly Statement on the position of Draft Inspection Reports	2.18
Passing and Issue of Inspection Reports	2.19
Register of issue of Inspection Reports	2.20
Advance Audit comments	2.21
Watching of Local Audit objection	2.22
Settlement Memo	2.23
Formation of Audit Committee for settlement of outstanding Audit objections	2.24
Replies to Inspection Reports	2.25
Issue of reminders to I.Rs	2.26
Irregularities requiring Disciplinary Actions	2.27
Processing of Draft Paragraphs and collection of DP materials	2.28
Collection of Draft Para materials by OAD (HQ) Section	2.29
Audit of P.M.ø Relief Fund set up by High Dignitaries	2.30
Audit of sanction to expenditure by Govt. of India and Sub-ordinate authorities	2.31
Receipt and disposal of letters	2.32
Issue of letters	2.33
Register of correction slips to OAD Manual	2.34
Calendar of Returns	2.35

CHAPTER-III

RULES AND PROCEDURE - INSPECTION STAFF

General Duties of the Inspection Staff	3.1
Fundamental responsibilities of an Officer-in-charge of Inspection	3.2
Diary of Audit Officer - Inspection	3.3
Strength of Local Audit Parties	3.4
AAO / SO's Note Book and office orders file	3.5
Papers to be taken for Local Audit	3.6
Interview with the Head of Office inspected	3.7
Attendance	3.8
Diaries of Auditors	3.9
Period of accounts to be covered by Local Audit	3.10
Papers and files received during audit	3.11
Demarcation of Duties for Staff in Local Audit Parties	3.12
Audit Marks	3.13
Conduct of Local Audit	3.14
General Audit Instructions	3.15
Attitude of Auditors	3.16
Defalcations and Frauds	3.17
Settlement of old objections	3.18
Inspection Notes of Departmental Officers	3.19
Preliminary Objection Statement	3.20
Results of Audit	3.21
The pattern in which reports should be drawn up	3.22
Instructions for drafting of Inspection Reports	3.23
Discussion of Draft Inspection Report	3.24
Submission of Draft Inspection Report	3.25
Introduction of Quarterly Budgeting for Central Govt. Plan Projects/Schemes	3.26
Matters dealt with by Auditors to be kept confidential	3.27
Confidential Report about Auditors	3.28

CHAPTER-IV

GENERAL PRINCIPLES OF AUDIT

Introduction	4.1
Standards with ethical significance	4.2
Auditing standards	4.3
Field Standards	
(A) Planning	4.3.1
(B) Supervision and Review	4.3.2
(C) Study and Evaluation of Internal control	4.3.3

(D) Compliance with Applicable laws and regulations	4.3.4
(E) Audit Evidence	4.3.5
(F) Analysis of Financial Statements	4.3.6
Reporting Standards	4.3.7

CHAPTER-V

PROCESS OF AUDIT

SECTION-I

Audit of Receipts

Audit Mandate	5.1
Audit Objectives & Scope	5.1.1
Audit approach and areas of scrutiny including Internal Control	5.1.2

Audit of Expenditure

Audit Mandate	5.2
Audit objectives & Scope	5.2.1
Audit against provision of funds	5.2.2
Audit of rules and orders	5.2.3
Audit of sanctions	5.2.4
Audit against propriety	5.2.5

Audit of accounts of Stores & stocks

Audit Mandate, objectives and Scope	5.3
Audit of Purchase of stores	5.3.1
Audit of custody and issue of stores	5.3.2
Audit of write off/ disposal of stores	5.3.3
Audit of store management	5.3.4
Audit of records of physical verification of stores	5.3.5

SECTION-2

Audit of receipts from Cash book	5.4.1
Audit of Demand Register	5.4.2
Audit of Receipt Book	5.4.3

SECTION-3

Cash book	5.5.1
Cash verification	5.5.2
Accounting of Non-Government money	5.5.3
Pass Book	5.5.4
Cheque Books	5.5.5
Challans	5.5.6

SECTION-4

Retention of Heavy Cash Balance/drawal of funds in advance of requirement	5.6.1
Non-reflection of Treasury Drawals in the Cash Book	5.6.2
Audit of sub-vouchers in support of DCC Bills & Payees Receipts	5.6.3
Works Accounts Bills	5.6.4
Muster Rolls	5.6.5
Tenders	5.6.6
Measurement Books	5.6.7
Register of Rations issued for animals	5.6.8
Stamp Account	5.6.9
Register of Stationery	5.6.10
Register of Forms	5.6.11
Defalcation	5.6.12
Accounts records not specifically mentioned	5.6.13
Check of correctness of Income-Tax-Deduction	5.6.14
Proposal for increase of staff	5.6.15
Check of fixation of Initial pay of Government Servant	5.6.16
Service Book and leave accounts	5.6.17
Service Books, Service Rolls and Service Sheets	5.6.18
Progress Report of check of Service Books, Leave Accounts	5.6.19

CHAPTER-VI

AUDIT OF FRAUD AND CORRUPTION

Background	6.1
Definition and correlation of fraud and corruption	6.2
Elements of fraud and corruption	6.3
Types of fraud and corruption	6.4
Identification of high risk areas	6.5
Audit evidence	6.6
Sources of evidence	6.7

CHAPTER-VII

AUDIT OF CONTINGENT EXPENDITURE

Introduction and audit approach	7.1.1
Source documents for audit	7.1.2
General checks to be exercised	7.1.3
Audit of contract contingencies	7.1.4
Audit of scale regulated contingencies	7.1.5
Audit of special contingencies	7.1.6
Audit of countersigned contingencies	

Bills countersigned after payment-audit of AC Bills	7.1.7
Bills countersigned after payment-audit of DCC Bills	7.1.8
Bills countersigned before payment	7.1.9
Audit of fully vouched contingencies	7.1.10
Contingent charges relating to wages of mazdoor and pay and allowances of staff paid from contingencies	7.1.11
Audit of sub-vouchers and payeesøreceipt	7.1.12

CHAPTER-VIII

AUDIT OF AUTONOMOUS BODIES

SECTION-1

General instructions	8.1.1
Audit under Section-14 and 15	8.1.2
Audit under Section-19 (2), 19 (3) and 20 (1)	8.1.3
Audit of Autonomous Bodies and issue of Inspection Reports	8.1.4
Maintenance of records of Autonomous Bodies in OAD (HQ) Section	8.1.5
Programme Book	8.1.6
Data Sheet on autonomous bodies	8.1.7
Audit of financial investments made by the management of Autonomous Bodies	8.1.8
Format for Separate Audit Report	8.1.9
Internal Control System in Autonomous Bodies	8.1.10
Format for issue of Audit certificate	8.1.11
Certification of Annual Accounts of Autonomous Bodies	8.1.12
Risk based audit approach for Central Autonomous Bodies	
Ranking of Central Autonomous Bodies	8.1.13
Audit planning for Central Autonomous Bodies	8.1.14

SECTION-2

AUDIT OF DISTRICT COUNCILS

Audit procedure in respect of the transaction of the District Councils	8.2.1
List of documents to be checked	8.2.2

CHAPTER-IX

AUDIT OF GRANTS IN AID

Introduction	9.1.1
Audit approach	9.1.2
Audit checks to be exercised	9.1.3
Audit of Utilisation Certificate	9.1.4

Audit of grants made for a specified object	9.1.5
Audit of grants to non- government or quasi-government bodies or institutions	9.1.6
Audit of scholarships and stipend	9.1.7

CHAPTER-X

AUDIT OF PUBLIC SECTOR BANKS

Introduction	10.1.1
Audit objective	10.1.2
Transactions to be audited	10.1.3
Duties and responsibilities of Inspection Staff	10.1.4
Audit of disbursement of pension	10.1.5
Audit of receipts of direct and indirect taxes	10.1.6
Audit of Special Deposit Scheme	10.1.7
Audit of Public Provident Fund	10.1.8
Audit of self-employment Scheme for Educated Unemployed Youth	10.1.9

CHAPTER-XI

AUDIT OF ESTABLISHMENT OF HIGH COURTS

Introduction	11.1.1
Duties and Responsibilities	11.1.2
Approval and issue of Inspection Report	11.1.3

CHAPTER-XII

AUDIT OF WORLD BANK AND OTHER EXTERNALLY ASSISTED PROJECTS

Introduction	12.1.1
Audit approach	12.1.2
Records/documents to be checked	12.1.3
Audit Planning	12.1.4
Audit of Implementing agencies	12.1.5
Drafting of Inspection Reports	12.1.6

CHAPTER-XIII

INSPECTION OF PUBLIC DEBT OFFICES

Scope of Audit	13.1.1
Guidelines for Audit	13.1.2
Communication of results of Audit	13.1.3

CHAPTER-XIV

ESTABLISHMENT AUDIT

Introduction	14.1.1
Audit approach	14.1.2
Scope of audit	14.1.3
Audit of sanction to establishment	14.1.4
Audit against sanctioned strength of staff	14.1.5
Nominal audit of pay and allowances	14.1.6
Audit of advances granted to staff	14.1.7
Audit of establishment bills	14.1.8
Audit of Service Books and Fixation of Pay	14.1.9
Check of fixation of pay	14.1.10
Audit of leave accounts	14.1.11
Prescribed percentage of check of Service Book & Leave accounts	14.1.12
Audit of Stock Registers	14.1.13
Audit of Dead Stock Register	14.1.14
Audit of allotment of residential quarters and recovery of licence fees	14.1.15

CHAPTER-XV

SYSTEM AUDIT

Introduction	15.1.1
Concept of System Audit	15.1.2
General principles of audit	15.1.3
Source documents	15.1.4
Main stages of system audit	15.1.5
Organizational analysis	15.1.6
Analysis of system of authorization and recording	15.1.7
Analysis of Accounting System	15.1.8
Examination of system of internal control	15.1.9
Evaluation of standards of quality and performance	15.1.10
Examination of system of internal audit	15.1.11
Review and evaluation of system audit	15.1.12

CHAPTER - XVI

SYSTEM BASED MANPOWER AUDIT

Introduction	16.1.1
Scope of Man-power Audit	16.1.2
Source Documents	16.1.3
System Audit of Manpower control	16.1.4
Job analysis, job description and job specification	16.2.1
Assessment of manpower requirements	16.2.2
Allocation and regulation of manpower resources	16.2.3
Norms/ standards adopted for computation of requirements	16.2.4
Control of manpower	16.2.5
Training of Manpower	16.2.6
Use of computerized data base	16.3.1
Conclusion	16.4.1

CHAPTER- XVII

RIGHT TO INFORMATION ACT 2005-AUDIT MATTERS

Introduction	17.1.1
Records/ information that may be disclosed	17.1.2
Obligation	17.1.3
Cost and Fees to be realized	17.1.4
Rates and realization of fees	17.1.5
Duties and Responsibilities	17.1.6

**MANUAL OF THE OUTSIDE AUDIT DEPARTMENT OF THE OFFICE OF
THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT, ASSAM, BELTOLA,
GUWAHATI.**

CHAPTER (GENERAL)

Constitution of the Department

1.1 The Outside Audit Department (OAD) consists of the Headquarters sections and the touring audit parties. The work of the department, both for central and state, is done under the supervision of the Sr. Deputy Accountant General (1-C) under the administrative control of Pr. Accountant General (Pr. A.G.) (Audit). An Organizational chart for section/ wingwise distribution of the work under supervising control of Branch Officer i.e. Sr. Audit Officer/ Audit Officer (Sr. A.O./ A.O. incharge is provided as under-

Pr. A.G.

Sr. DAG / D.A.G.(1-C)

Sr.AO/AO IC-1Section	Sr. AOs/AOs (Inspection) 18 parties.	Sr. AO/ AO IC-11 & Co- Ordn. Section	Sr. AO/ AO Special Cell	Sr. AOs/AOs CASS section	Sr. AOs/AOs Performance Audit & DP Cell.
---------------------------------	---	---	------------------------------------	-------------------------------------	---

Personal Interest by the Pr. Accountant General / Accountant General (Audit).

1.2 The extent of interest to be taken by the Principal Accountant General (Audit) in local audit is left to his discretion. The Comptroller and Auditor General, however, desires that the Pr. A.G./A.G (Audit) should keep himself in touch with the inspection work by seeing the reports and their disposal.

[C & AG's letter no. 739-Admn/ 68-46 dtd. 3rd July, 1946, Dy. G.I. 1215 / OA-1, 804 in OA Bdl./ OA.80 of 1946-47]

Function of the Outside Audit Department

1.3 The Department is entrusted with the local audit of the accounts of receipts (other than receipts entrusted to be checked by Revenue Audit Wing), expenditure and Stock and Stores (excluding those related to Public Works and Forest Department) for which the Comptroller and Auditor General is responsible under Article-149 of the Constitution. List/ Auditee Profile of the various local audits conducted by the Department is recorded in a Permanent Register/ kept on the system by the OAD (HQ) section, which is, however, subject to change/ amendment as and when necessary. The principles/ process of receipts audit, expenditure audit and stock & stores account audit are indicated in chapter 5.

Scope of Audit

1.4 The Auditee Profile/ list of audits conducted locally should be reviewed annually by the Pr. A.G./A.G. (Audit) to see if any item to be added or dropped from the list. The important thing is to ensure that the time available to staff is spent meaningfully and not frittered away on account of minor importance. Office incurring substantial expenditure should be audited periodically. Important changes should be reported to the Comptroller and Auditor General.

[Authority: C & A.G.ø letter N. 739-Admn./ 68-46 dtd. 3rd July, 1946, Dy. G.I. 1215/ OA-1804 in OA Bdle, 80 of 1946-47]

List of Accountancy, frequency of audit and time allotment.

1.5

A list of offices and institutions, the accounts of which are audited by the outside Audit Department, showing the frequency and number of days allotted for audit is required to be recorded in the Permanent Register and maintained in OAD (HQ) Section.

All the items of audit in the Audit list should be divided into 3 categories i.e. Annual (A), Biennial (B) and Triennial (C) on the basis of Yly. Expenditure (non-establishment) involved as below-

øAö	-do-	-do-	Rs. 1 crore and above.
øBö	-do-	-do-	Rs. 25 lakh & above but less than Rs.1 crore.
øCö	-do-	-do-	Below Rs. 25 lakh.

The time for audit for each category unit is to be allotted as below: -

øAö - Category --	8 to 10 Working days,
øBö ó Category --	6 to 8 Working days &
øCö ó Category --	3 to 6 Working days.

[Authority: Annexure II to the C& AGø letter no. 1289/ R-SCS/ 177-2002 dated 18-11-2002]

Special Audit

(a) Where a special audit for special reason such as suspected fraud and misappropriation etc. is requested/ demanded, the Pr. A.G./A.G. (Audit) should comply even though extra cost be involved. He should, however, discourage any attempt to make the Audit Department assume responsibility for Inspection, which is really the duty of departmental heads.

[Authority: - C& AGø No. 762-Admn/ 68-46, dated 3rd July 1946. Dy. G.I. 1215/ OA-1, 804 in OA if Bundle. and C & A Gø No. 762-Admn/ 164-41, dated 20th November 1941. Dy. G.I. 420/ OA-1/ 471].

(b) The Government of India has ordered that the Pr. A.G. (Audit) is to comply with the request from the State Government for occasional and special local audits, in addition to the normal inspection programme, if such requests are made when there is specific cause for seeking the assistance of the I. A. & A.D.

(c) The special audit of an office and institution may be undertaken when requested by Government if a report of fraud, misappropriation or any other serious financial irregularity is received or suspected. Such an audit usually requires more time than the ordinary test audit, as a more thorough check has to be exercised.

Cost of Audit and Recovery thereof

1.7 The cost of local and special audit and inspection of Government offices and institutions is a charge of the Central Government and debited to Central Revenues. For the audit of non-Government accounts, e.g. local funds under the administrative control of the Central Government, the cost is realized in the shape of Audit fee or otherwise on scales prescribed from time to time by the Government of India. Such fees are credited to the head 0070-Other Administrative Services.

Note-1 G.I.M.F. in consultation with the Comptroller and Auditor General has decided that audit charges in respect of audit of Grants-in-aid accounts should be adjusted as follows: -

Where the C & A.G. is the sole Auditor of a local body/ institution under any act or law made by Parliament or State Legislative Assembly or any Union Territory under Section 14 and/ or Section 20 of the C & A.G. (D.P.C.) Act, 1971, charges will be payable in full unless specifically waived by Government under Part. C-VIII of Appendix 3 of Account Code Vol. 1

Where the audit is superimposed with local body or institution having its own auditors i.e. with a view to safeguard Government interests and to ensure that the grants or loans have been utilised for the purpose for which they are given, the C & A.G. will be acting in discharge of his statutory functions, the audit will be at the cost of Government.

No audit fee is recoverable for super-imposed audit under Section-19 & 20 of the C & A.G. (D.P.C.) Act, 1971.

[Authority: G.I.M.F. O.M. No. F. 5(7) E II (A), 56, dated 14th August 1957, Dy. G.I. 2952/ OAD 2150 of 1957-58 in File No. OA. 13-31/ 52.] & C & A.G. Order no. 2- Audit-11/2005 issued under letter no. 156-Audit (AB)/ 62-9 dated 19.07.05.

Note-2 G.I.M.F. have sanctioned waiving of audit fees for the conduct of audit of accounts in respect of the Central Social Welfare Board as well as State Social Welfare Advisory Boards and Welfare Extension Projects *vide* Government of India, Ministry of Education letter No. F. 12-5/ 57-D.2/ SW.6, dated 4th August 1958 read with Government of India, Ministry of Finance endorsement No. 5216-N.G.E. III (B) 58, dated 21st August 1958.

[(C& AGø) letter No. 2215-Admn. 1/576.56.111, dated 10th September 1958, Dy. C. A. G. 635.OA-1/ 2419 of 1958-59].

Note-3 óThe account of Sailors -Soldiersø and Airmanø Board are required to be audited free of cost (*vide* Government of India Finance Department letter No. D. 1959- F/ II/ 45 dated June 1955, copy received with C & A. G.ø Memo No. 443-Admn/ 122-45 dated 9th June 1945).

Note-4- The accounts of the Assam Service Relief Fund are required to be audited free of cost (*vide* Government of India, Ministry of Finance Letter No. D. 7817-F/11/47, dated 16th January 1948, copy received with C & A.G.ø Memo No. 170-Admn/356-37, dated 23rd January 1948).

Audit Fees

1.8 Fees for the audit of the accounts of all non-Government Funds undertaken by the IAAD under Section 20 of the C & AGø (DPC) Act, 1971 are charged at the rates prescribed from time to time by the G.I.M.F. In order to enable the Government of India to fix the rates at which recovery should be made, statements showing the calculation of daily rates be submitted to the C & AG periodically in accordance with the instructions contained in the Memorandum enclosed to the C & AGø Letter No. T. 47/ Admn. 1/ 48-37, dated 28th April 1937 and subsequent directions.

(C & AGø Letter No. T. 47-Admn. -I/ 48-27, dated the 28th April, 1937, Dy. G.I. 149/ OA in O.A. Bdle 100 of 1929-30 and C & A.G.ø Letter No. 319- Admn./440-49, dated the 30th January, 1951 Dy. G.I. 4925/ S.G. 411 in states/ 2 (8) 1/ 50-51).

N.B. - For the purpose of calculation of daily rate of audit fees, the number of working days in a year should be calculated after deducting from the number of days in a year the days required for transit and holidays (including Sunday).

[C. & A.G.ø Letter No. 1235- Admn. I/ 220-54, dated 8th July, 1954, filed in OA Bdle. 100 A of 1929-30].

Annual List Register and Audit Plan

1.9

At the end of each financial year (prior to start of 1st quarterly programme of the following year), an Annual List Register for the items due for audit during the year categorizing the items on the basis of VLC data, is to be prepared by the OAD (Hqr) Section and get it approved by the Pr. Accountant General/ Accountant General (Audit)

As per the instructions issued from time to time by the HQ Office, the Annual Audit Plan is to be prepared on the basis of available manpower/ man-days considering the Risk factors and thrust area of audit and sent to HQ office for approval. The items/ units selected/ planned fund approved for audit thus becomes the Annual Programme and are to be covered through 4 Quarterly Programmes.

Programmes

1.10 The quarterly programmes from the approved list will be drawn up in such a way as to involve the minimum of expenditure on travelling allowance and got it approved by the Sr. DAG/ DAG (1-C).

Programme for Sr. Audit Officers/ Audit Officers

1.11 The criteria for supervision of local audits by the Sr. A.O./ A.O. as fixed by the HQ Office is as below:-

AØ	Category Unit	Full Supervision
BØ	do	50%Supervision
CØ	do	Nil

According to the criteria mentioned above, the tour programme of Sr. AOs/ AOs will be drawn up for the quarter so as to fit them in the programmes of respective parties. These should mention the audits to be supervised by Sr. Audit Officer/ Audit Officer indicating- (i) the period fixed for each audit party and (ii) the dates fixed for supervision. The programmes should be so arranged that they could supervise the work of a number of audit parties working at adjacent places.

[Authority: Annexure 6II to C & AGØs letter no. 1289/ R-SCS/ 177-2002 dtd. 18.11.2002]

Note- The audit Inspection Programmes should be treated as confidential until the notice of inspection is addressed actually to the Officer-in-charge of the unit to be inspected.

[Authority: - AGØs orders in letter no. OA.226 dated Shillong the 19th May 1941]

Quarterly meeting with Pr. A.G./A.G. (Audit)

1.12 To attain the excellence in pursuit in different disciplines and to discuss various problem and constraints faced by the field parties as well as OAD (HQ) Section, a meeting of the field parties & head quarter officer with the Pr. A.G. (Audit) is to be organized at the beginning of each quarterØ programme prior to leaving of the parties for field audit.

The progress of the compliance of the instructions, decision taken in the last quarterly meeting is also to be reviewed in the meeting.

Audit Intimation

1.13 The OAD (HQ) Section must inform the Heads of the offices to be audited sufficiently in advance of the date of proposed audit. They should also be asked to keep the records of the sub-ordinate offices ready for inspection in their offices. When the stores accounts of an office are to be audited locally, a sentence should be inserted in the intimation memo requesting to keep such accounts should be kept ready for audit.

(Sectional Order no. 14(OAD) dated Shillong the 25th July, 1955)

Selection of Staff for Outside Audit.

1.14 For meaningful audit and for getting maximum value for the expenditure incurred on inspection, the inspection work should be entrusted to specially trained, competent and intelligent staff so that they can exercise not only the prescribed routine checks carefully but also examine the accounts intelligently and pay due regard to the principles of higher audit. Special attention should, therefore, be given to the selection of staff to ensure effective audit.

However, an inspection party, which visits a particular place, is not necessarily required to do all the local inspections in the station irrespective of its fitness to do so. It is of no use entrusting an audit, which demands a higher order of technical knowledge and experience to staff lacking in requisite knowledge and experience.

(C & AG's No. 539-Admn-5 REP/ 49 dt. 23rd March, 1950 and No. Confidential D.O. No. 388-Admn. I/ 55 dtd. 9th December 1955)

Consultation with the Group Officer (OAD/ HQ) by Inspecting Auditors/ Inspecting Officers/ Monthly D.O.

1.15 All the Inspecting AAO's, SO's, Officers (I.Os/I.As) selected for outside audit duties should invariably consult the concerned Group Officer (OAD/ HQ) about the functions nature and extent of activities and the magnitude of the financial transactions of the offices/ organizations to be inspected by/ before commencement of audit, this will help in improving the quality of audit. After completing audit the salient features should be discussed with the Group Officer.

(Authority: C & AG's Circular No. TA-1/ 80/11 and D.O. No. 184-TA-1/ 13-80 dated 6-3-1980).

I.O./ I.A. should send a monthly D.O. to the Group Officers indicating therein (a) important objections detected (b) subjects of reviews, (c) outstanding objections recommended for settlement (d) punctuality of personnel of the field parties and (e) other interesting subjects.

(Sectional Order No. OA I/ 27 dated Shillong, the 29th, June, 1989.)
Circular no. IC-1/ 1-80/ Qly. Meeting/ 2005-06/ 677 dt. 15th July 2005)

Time allowed for audit and the pattern in which report should be drawn up

1.16 In calculating the time allowed for audit of each individual account, an increase of one third for general examination in the case of accounts, which are not audited annually, should be made.

The Inspection Report contains 3 Parts and the following pattern should broadly be followed while drawing up the I.R.

PART-1

Introductory

Incumbency

Summary of Budget Provision and expenditure of main items and schemes for the last 3 years

Schedule of persistent irregularities

Settlement of outstanding objections of previous years

PART-11

A: - Consisting of major irregularities, which are likely to materialize into Draft paras for Audit Report

B: - Consisting of irregularities which though not major but are important enough to be brought to the notice of the higher authorities and followed up by the Pr. Accountant General/ Accountant General (Audit).

PART-III

Test Audit Note containing minor irregularities to which a schedule of items settled on the spot should be attached. The procedural irregularities in respect of which the Head of Office has held out assurance about following correct procedure in future should be noted in the schedule. Test Audit Note should be issued on the spot under the signature of the Head of the party and not to be included in the Inspection Report.

Note- The 'Introductory' section will contain a paragraph indicating the duration of the period covered by audit. The 'Incumbency' Section will contain a paragraph containing the name of the head of office and period of their charge. In the 'Budget Allotment & Expenditure' section year wise budget provision and expenditure giving break up under Plan and Non-Plan and details of only such further sub-head wise expenditure as are relevant from the Audit point of view. Authority No. OA-1/ 4 dated Shillong the 12th April 1985.

[Authority: C & AG's letter no. 817-NGE/ 102/ Admn/ 30 dated 31st March 1932, AG's letter no. OA/ 77 dated 27th April 1932, C & A G's letter no. 2583 Admn. III/ KW-268-60 dtd. 2nd January 1961 and no. 2374-Tech. Admn. I/ 367-65 dtd. 7th August 1965.]

Time allowed for drafting of audit inspection reports and issue thereof.

1.17 The Inspection Report should be dispatched to the auditee within a maximum period of one month from the date of completion of audit. The time limit for the work at several stages, fixed for the purpose is as below: -

The draft Inspection Report must reach the OAD within seven days of the completion of audit. For this purpose, the Inspecting AAO/ SO/ Sr.A.O/ Audit Officers (I) should dispatch the draft Inspection Reports to the HQ section on the working day immediately, following the date of completion of audit (excepting in the case of last audit of the quarter, when the audit party may bring draft inspection/ Audit Inspection Reports along with them).

The HQ section will put up the draft Inspection Reports after verifying the facts along with connected papers to Branch Officers, HQ within 4 (four) days and to Sr. DAG / DAG (I-C) within 7 days of its receipt.

The scrutiny and final approval of the reports may then take another week or so.

The finally approved report should then be typed and issued within 10 (Ten) days of its approval.

(O. O. No./ OA-I 12 dated January 1985 and S.O. No. OA-I/ 12 dated 1st January 1986.

&

D.G. (Audit) letter no. 125-Audit (AP)/ 109-95 dtd. 02.08.2004).

Scheduled time for audit.

- 1.18 (a) The Inspecting A.A.O/ S.O. should complete the audit within the time allotted. When serious procedural defects/ irregularities or embezzlements meriting special investigation come to notice, these should immediately be reported to HQ for extension of programme. Sr. DAG (I)/ DAG (I-C) may sanction minor deviations and in other cases orders of the A.G. (Audit) should be obtained.

Proposals for extension of time should be submitted through the supervising Officer, when there is one; and it should reach Headquarter Office before the expiry of 2/3rds of the time allotted for audit.

If the allotted time is exceeded without sanction or if the circumstances are not, in the opinion of the Sr.DAG./ D.A.G. (I-C) of a nature to justify an extension, no daily allowance will be allowed for the days by which the allotted time is exceeded.

The Inspecting A. A. O./ S.O. should complete audit within the scheduled time even if they avail casual leave (S.O. No. 14(OAD) dated 25-17-955 and Memo No. OA I/ 18-1/ 53/ 1721-044, dated 27th July 1954).

Absence from Headquarters of the touring officers and auditors.

- 1.19 To reduce hardship to touring officers due to prolonged tours the C.A.G. has instructed that the period of inspection duty away from the Headquarters should not ordinarily be extended to more than 3 months at a stretch.

(Authority: C & AG's Confidential Circular No. 8-TA-I/ 1980 issued under No. 168-TA I/ 25-80 dated 29-2-80).

Supervision of Local Audits

- 1.20 All-important local audits are to be supervised by the Sr. Audit Officer/ Audit Officers as indicated in their respective tour programmes drawn up according to the manner prescribed in para 1.11 of this chapter. The Inspecting Officers are expected to guide their staff. (2) to do original work and to (3) examine personally with reference to initial documents, all important points raised. The Inspecting Officer must perform the coordinating functions to achieve overall efficiency in performance (vide Annexure 2.9.1. of M.I.R.)

Diaries

1.21 A weekly diary should be submitted by each Inspecting Officer/ Inspecting AAO/ SO, Sr. Auditors/ Auditor in the prescribed form showing the details of each day's work. Absence on casual leave is to be entered in these diaries. They should furnish timely notice to Headquarters of changes of station so that daks to them are addressed correctly. Diaries should invariably be despatched on Mondays unless there are special reasons. The diaries of Sr. Auditors/ Auditors are required to be countersigned by the head of the party.

(Authority: S.O.No. 170 (OA-I) dated 19-5-73).

Special privileges.

1.22 Inspecting Officer/ Staff are allowed to occupy Public Works and Local Board Inspection Bungalows while conducting audit.

(O.A. Bdle 28 of 1923-24 and L.A's No. 5145 G dated 18-7-1919, Dy. C.C. 1148 and L.F. 141 of 1919-20).

Each Inspecting AAO/ SO is allowed an office Box/ Brief case for the carriage of office records. Auditors may claim carriage cost of Government records by furnishing a detailed bill. In the case of such claim in respect of Railways, Motor or Steamer freight, they must furnish the receipt from the authority concerned along with claim. In other cases they must certify that they have actually paid the amounts when vouchers cannot be obtained. Where Mazdoor hire, etc. is charged for, the approximate distance must be indicated in the bill.

(C & Accountant General's order dated 7th September 1936 in OA Bdle 75 of 1936).

Note: - The concession of the carriage of an extra office box at Government expense may be allowed to those auditors who have definitely announced their intention of appearing at the next Officer's Grade Examination.

Holidays.

1.23 Inspecting AAO/ SOs may avail Gazetted / local and other authorised holidays, if their work is not in arrears. Otherwise they must endeavour to get the office, where they are working, kept open or if this is not possible they must work at their place of stay. They can leave their stations on duty on holidays subject to the following conditions: -

Before leaving their stations of duty, the Inspecting AAO/ SO must intimate HQ the date of leaving the station and the address where they are likely to spend the holidays, and the exact period of their absence.

Neither any daily allowance for the days of absence nor any travelling allowance for the journey to or from their place of halt or elsewhere will be admissible.

Casual leave

1.24 (i) Inspecting AAO/ SOs may, when there is urgent necessity avail casual leave (if due) not exceeding 2 days at a time and leave their stations of duty, without the previous sanction of the Sr. DAG/ DAG (I-C) for his formal approval.

N. B. Sr. Auditors/ Auditors are strictly forbidden to leave their stations of duty without the permission of the Sr.DAG/ DAG(I-C). Violation of this rule, renders them liable to be treated as absent without leave.

In urgent cases when there is no sufficient time to obtain the order of Sr.DAG/ DAG (I-C) in advance, Inspecting Sr.AO/ AO is authorized to grant their Auditors/ Sr. Auditors on adequate ground, casual leave upto 5 days at a time. The application with the Inspecting AAOs/ SOs order thereon should, however, be forwarded to the Headquarters for review s and records.

Inspecting AAO/ SO is authorized to grant to their Group -Dø official at mofussil stations on adequate grounds casual leave not exceeding 5 days at a time. The Group -Dø officials, applications with Inspecting AAOs/ SOs orders thereon should however, be forwarded to the Headquarter office for reviews and records.

Compensatory leave.

1.25 Inspecting AAO/ SO who have been required to work on Sundays and holidays and not merely that they should have done so voluntarily for their own convenience may be granted compensatory leave for one day for every whole day thus spent, provided that an audit is completed before the due date owing to their having worked on the holiday.

(C & Accountant General's orders dated 11-8-1924).

Leave during local audit.

1.26 Inspecting Officers/AAO/ SO and staff while proceeding on leave during local audit should submit their leave application well in advance and get it sanctioned by the appropriate authority before proceeding on such leave.

(Sectional orders No. OA-I/ 8 dated 16-7-85)

Communication from Auditors.

1.27 All applications, suggestions, representations, etc. from the Sr. Auditors/ Auditors should be submitted through the Inspecting AAO/ SO under whom they are working for submission to the Senior Dy. Accountant General/ Deputy Accountant General (I-C) for remarks, if any.

Traveling Allowance and contingent bills of Auditors should be submitted through the Inspecting AAO/ SO and signed by him. He will be held responsible for the correctness of the halting allowance and the contingent expenses.

Travelling Allowance Bills.

1.28

- (i) Travelling Allowance Bills are prepared by the field audit parties concerned in duplicate and submitted to OAD (HQ), before the end of the first week of the month following that to which the claim relates. They are first compared with the weekly diaries and then sent to Establishment Section (Claim) for further action.
- (ii) Inspecting officers/ Inspecting AAO/ SO and Auditors are instructed to submit their T.A. claims relating to each quarter positively at the end of each quarter duly countersigned along with application for exemption from the operation of S.R. 73, regularisation of period of exemption from the operation of S.R. 73, regularization of period of forced halts etc. wherever necessary. In case of non-submission of T.A. bills within 15 days from the date of closing of the quarter which the T.A. bills relate, the Inspecting AAO/ SO, Auditors, Group-D official may be asked to state the reasons for delay in submission of bills in writing. Otherwise TA bills will not be accepted in OAD (HQ).
- (iii) Where delay in submission of bill is expected due to leave or any other reason the fact should be brought to the notice of DAG (Admn)/Sr.DAG (Admn).

In the absence of any communication satisfactorily explaining the reason for delay, advance TA on tour remaining outstanding for more than 15 days from the date of completion of tour will be recovered in full from the pay bill of the Government servant and the adjustment bills, received at a later date will be paid according to their admissibility.

(Authority:- Accountant General's order dated 15-4-86 at P/59N of file No. Estt-2/ 4-2/ TA & G.I.M.F. (Department of Expenditure) O.M.N.F. 23 (2)-E. II (A)/ 87 dated 14-5-87 circulated under Estt-2/ TA/ 4-1/ vol. III/ 305-308 dated 4-2-88).

- (iv) If an Inspecting Auditor is transferred in the middle of the programme, it will be the duty of the auditors, to get the TA bill countersigned by the Inspecting AAO/ SO up to the period of transfer of the Inspecting AAO/ SO. The Inspecting Auditors should also ensure this. He should also keep remarks in the Attendance Register of the period up to which he countersigned the bill of the party members. In no case the Inspecting AAO/ SO should countersign the TA bills of Auditors, relating to a particular period twice. While countersigning the TA bill the name of the Inspecting AAO/ SO may be indicated in block letter just below his dated signature. The field parties should also mention on the body of their respective TA bills about submission of application for exemption from the operation of S.R. 73, Forced Halts etc. if there is any. In case it is not found along with the bill, it will be presumed that they have not applied for obtaining necessary orders of OAD (HQ) and the bill will be processed accordingly.

(S.O.No. 174 (OA-I) dated 26-6-1973)

Advance on account of Tour Expenses.

1.29 Advances on account of tour expenses may be made to the Audit Parties on the proposals submitted by them on the basis of approved tour programme duly checked by the concerned O.A.D. (HQ) section. The proposals should than be forwarded to Establishment Section (Claim) for sanction, drawal and disbursement to the members of the audit parties.

Sanction to Contingent Expenditure.

1.30 The Contingent Expenditure Bills (for carrying office boxes, records and photocopying of Key documents etc.) submitted by OAD parties are to be checked in the concerned OAD (HQ) section and forwarded to Records/ Establishment section for arranging sanction and drawal. The disbursement will be made in usual manner.

N.B.- In this connection see relevant para of the Establishment Manual.

Receipts for pay and allowance, etc.

1.31 Each Inspecting AAO/ SO is required to submit to the HQs acknowledgements in the prescribed form of receipts of pay and allowances received by him and his assistant within ten days of the receipt of the amount. Disregard of this role will result in the pay and travelling allowance bill being withheld, for the next month being withheld. pending the receipt of acknowledgements.

Applicability of the office Procedure Manual, Establishment Manual.

1.32 The Office Procedure Manual, the Establishment Manual and orders of general application in other Manuals of the office apply also to the staff of the OAD except to the extent that this Manual specifically authorizes deviation from those orders.

Relieving Inspecting A.A.O./ S.O.

1.33 Relieving AAO/ SO (Audit) for Civil Audit Wing is allowed at 5 percent of total Inspection Parties vide HQs office order No. 39-TA I/ 102-80 dated 28-9-81.

CHAPTER-2

RULES AND PROCEDURES-HEADQUARTERS SECTION

Main duties of the Headquarters section.

2.1 The OAD (HQ) sections are responsible for carrying out all work of OAD except the actual local inspection and audit of accounts and the initial drafting of the audit notes/Inspection Reports. In particular, the main duties of the section are:-

- (i) to maintain permanent Audit Register containing complete list of existing/ new offices/ establishment as well as offices since abolished showing under different Head of Departments, the name of the D.D.O. along with date from which the said is functioning and its location. The OAD (HQ) will be responsible for keeping the Register up to date and its submission to the Pr.AG/ AG (Audit) in time. For this OAD (HQ) will call for the list of DDOs from Head of the Departments every year as well as collect information from CAP/ CASS.
- (ii) to prepare and maintain the Annual Register of Local Audits (Annual Programme) of the items selected from among the permanent Registers for the year.
- (iii) preparation of Annual Audit plan for Annual Programme.
- (iv) to prepare the Quarterly tour programme of the audit parties/ supervising Sr. AOs/ AOs and intimate audit programmes to the offices concerned.
- (v) to maintain the AAOs/ SOs Note Book in which should be entered all points specially marked for scrutiny during next audit of accounts under the audit.
- (vi) to keep strict watch on the progress of work done by Inspecting AAO/ SO and see that the approved programmes are closely followed by them.
- (vii) to scrutinise, if necessary, with the help of the CAP/ CASS concerned, and offer technical comments on the points raised in the draft inspection report received from the Inspecting Officers and to submit them to the Sr. DAG / DAG (I-C) as expeditiously as possible.

The draft Inspection Report received from the Inspecting AAO/ SO should be submitted to the Audit Officer (I-C), OAD (HQ) Section, after verifying the facts in the draft Audit Note by the auditor concerned for approval before issue.

- (viii) to dispose of replies to all Inspection Reports and prepare draft paragraphs for inclusion in the Audit Reports.
- (ix) to maintain a Register which will be of the nature of an objection book to watch the progress of disposal of all Audit Notes.
- (x) to dispose of all general question relating to the OAD.
- (xi) to keep this Manual of the Department up-to-date

- (xii) to check the movement of Inspecting Officers, Audit parties with reference to tour diaries and record the fact of doing so in their TA bills.
- (xiii) to prepare a detailed brief on outstanding paragraphs of the previous inspection reports and forward such briefs to the Inspection parties/ officers sufficiently in advance.

Duties of the Sr. Deputy Accountant General/ Deputy Accountant General (I-C).

2.2 The main duties of the Sr.DAG (I)/ DAG (I-C) are :

To ensure smooth working and general efficiency of the OAD.

Preparation of the annual and quarterly tour programmes which should be drawn up in the most economical manner. He should see that the programmes are drawn up with reference to locality, the nature of the institution to be audited and the periodicity of audit, the staff available, the results of previous audits etc.

Scrutiny, editing, approval and arrangement of issue of Inspection Report drafted by the Inspecting Officer, after the facts are verified by the AAO/ SO in the section. Marking of such paragraphs of these Inspection Reports and Audit Notes as are important enough to be noted in the Register of probable cases or Register of serious financial irregularities and review of this Register once a month before submission to the Pr. A.G./ A.G. (Audit).

He should do an average minimum of seven days inspection in a month (excluding days of transit,if any). He should not ordinarily be away from Headquarters for more than a month at a time, and should not leave HQ without the permission of the Pr.. A.G./ A.G. (Audit).

Supervision of local audits as and when considered necessary, especially important Offices including those, the accounts of which appeared in the Audit Reports. He should personally visit the place where the Schemes/ Review Programmes are being carried. Apart from providing first hand knowledge and information, such visits would facilitate clear understanding of the scope of the scheme and a better appreciation of the methods of execution. He should also do some original work in local audit to improve the quality of audit.

He should hold briefing sessions periodically with the Inspecting Officers, Inspecting AAO/ SO and staff before they proceed on tour so as to emphasize on more important aspects of work and to the work done during the previous quarter. During such briefings, the Group officer-in-charge of CASS/ CAP may also be invited to participate, after giving him in advance, copies of the next/ quarterly programmes so that he may alert them on sufficient points and indicate the lines of specific investigation, wherever necessary.

He should also hold periodical meetings with each Head of the Department, at least once a year, to discuss the outstanding paragraphs for expediting settlement. Before such discussions take place the outstanding Inspection Reports be analyzed properly and action to be taken at the departmental level, pin-pointed.

(C& AG's letter No. 528-O&M/ 7-81 V dated 10-6-82 and 738-T.A. II/ 120-52 dated 7-7-82 and No. 79-Audit (Aud. Plg)/ 9-96 dated 1st February 1996 (circular no. 2 of 1996).

When an inspection reveals an embezzlement of serious financial irregularity, the Pr. Accountant General/ Accountant General (Audit) should be informed so that he may also personally inspect the accounts. On completion he may again report to the Pr. Accountant General/ Accountant General (Audit) fully explaining the case, pointing out the faults in the system of accounts which led to the defalcation and suggesting remedies to prevent its recurrence.

He scrutinizes the progress Register of Inspection Report once in a month to ensure proper issue and disposal of Inspection Reports.

He should do monthly reviews of state of work to see if there are any arrears and take necessary steps to overtake arrears.

When he is relieved whether temporarily or permanently of his office, he will draw a memorandum showing the general state of works in his department and suggest remedies. He should also detail the important irregularities noticed in audit. The memorandum should be handed over to the relieving officer with copy to the Pr. A.G./ A.G.(Audit).

Before going out on tour, he should submit his tour programme to the Pr. A.G./ A.G. (Audit) for approval.

He should keep a diary of the progress of his tour and of the work done by him and it should ordinarily be sent every Saturday to the Pr.A.G./ A.G. (Audit). It should contain only the brief summary of events, but in case of any special circumstances of note should be fully explained. All proposed changes in the date of programme should be noted in the diary.

The character reports of the Inspecting Officer will be written by the Group Officer (OAD) personally in time and submitted to the Pr.A.G./ A.G. (Audit) for endorsement or for the remarks, if any.

Powers of the Sr. D.A.G./D.A.G. (I-C).

2.3

They can grant casual leave/ other kinds of leave as provided in the Establishment Manual.

They can waive objections upto a limit of specified in para-808 of MSO (Tech.) Vol.-I where there are no grounds for supposing that the losses were due to fraud, theft, arson or gross carelessness of any individual.

to transfer them, when necessary.

Duties of the Sr. Audit Officer/ Audit Officers under Sr. DAG/ DAG (I-C).

2.4 Attention of all Sr. Audit Officers/ Audit Officers on inspection duty is drawn to the instructions contained in chapter 3 of this Manual. They should actually inspect some of the more important Registers and accounts during local inspection, supervise the work of the audit party, scrutinize the auditors report and verify important objections contained therein. The Inspecting Officer should co-ordinate functions to achieve efficiency in performance. They should discuss the report with the head of the office, if for any reason, this is not possible, the circumstances should be intimated to the Pr. A.G/ A.G.(Audit) with their remarks on the Auditor's reports. The Inspecting Officer may also advise the departmental Officers on any matter relating to the accounts etc. if assistance is sought for in this regard.

The Sr. Audit Officer/ Audit Officer who will be at the Head quarters when the Sr. D.A.G./ D.A.G. (I-C) on tour will carry on day-to-day office work during his absence.

Duties of the Assistant Audit Officer/Section Officer (Audit) O.A.D. (HQ).

2.5

In addition to the general duties imposed on AAO/ SO of a section by the Office Procedure Manual, the AAO/ SO, OAD (HQ) is primarily responsible for the duties mentioned in para 2.1 of this Chapter. He should bring to the notice of the Group Officer cases in which the Inspecting AAO/ SO shows a tendency to fall behind the approved programme. He should also see that the records of the office are properly filed, neatly arranged and are readily available and that the various registers are properly maintained. He will be held responsible for accumulation of any arrears of work unless he brings these to the notice of the Group Officer (OAD).

He is responsible for submitting periodical returns in regard to receipt of draft Inspection Reports and their expeditious issues after editing. He will make internal arrangements for leave vacancies, if any, so that processing of draft Inspection Report is not delayed. The draft inspection report should be submitted to Audit Officer (HQ) within 4 days of its receipt, and to Group Officer, through Audit Officer within 7 days of its receipt in OAD (HQ) section. The Inspection Reports shall be finally issued to all concerned within 10 days of their approval, vide S.O.No. OA-I/ 12 dated 1-1-1986.

He is also responsible for preparation of Annual Audit Plan of the wing (I-C) and to watch over the progress of coverage of Audit of the units planned for.

In addition, the A.A.O./ S.O. should arrange for efficient discharge of the following duties by any Senior Auditor/ Auditor under him:

- (i) Preparation of draft tour programmes of Audit Parties and Inspecting Officers and their distribution, after approval.
- (ii) Miscellaneous urgent matters (viz. Leave, transfer, advance T.A. etc.) relating to Audit parties.
- (iii) Important cases of general nature which have not been allotted to any dealing Auditor vide sectional Order No. 2 (OAD) of 1954-55.

Registers to be maintained in OAD (HQ).

2.6 In addition to the Registers, etc. usually required for an ordinary Department under the Office Procedure Manual, the following registers are also to be maintained in the headquarters section:

- (a) Register of Local Audit (Annual Register).
- (b) Register of important points to be looked into in local audit.
- (c) Register of cases of non-acceptance of lowest tenders.
- (d) Register of cases of watching recovery of audit fees.
- (e) Register of digest of important and interesting cases.
- (f) Dictionary of References.
- (g) Register of TA bills of audit parties (including advance TA Register).
- (h) Sectional Order Book.
- (i) Programme Register (List of audit).
- (j) Check Register of Weekly diaries.
- (k) Progress Register for watching check of Service Books and Leave Accounts.
- (l) Progress Register of local Audit Reports.
- (m) Register of issue of Inspection Notes/ Test Audit Notes.
- (n) Objection Book.
- (o) Register of Probable Draft Paragraphs for Audit Reports.
- (p) Audit Fee Register.
- (q) Register of correction slips to OAD Manual.

(Sectional Order No. 2 (OAD) of 1954-55 and No. 11 (OAD) dated 13th June 1955).

Instructions to Auditors.

2.7 The AAO/ SO, OAFD (HQ) issues instructions to the Inspecting AAO/ SO regarding their work, only at the instance of the Group Officer (OAD) or after obtaining his order in each case. Copies of all general orders affecting the Department issued by the G.O.I., the Pr. A.G./ A.G. (Audit), C.A.G. are issued to each Auditor for information and guidance.

Examination of various Administrative Reports.

2.8 The AAO/ SO should personally examine the various administrative reports received from other Sections in connection with the activities of the Department, consider their utility in local inspection and the feasibility of applying a local check through inspection parties on the points of interest and then submit them to the Group Officer (OAD) with suggestions, if any. He will also, if necessary, furnish extract from the report to the inspection parties for their information and guidance.

(Office order No. 450, dated 21st December 1940).

Register of points to be seen in local audit.

2.9 The OAD (HQ) should maintain a Register in the following form in which special points to be looked into during the course of local audit will be noted. All Cases will also be maintained in a similar Register and intimate such points directly to Audit Parties. The register maintained will include only such points which are known to OAD from various letters, reports etc. The CASS may also communicate important points of special nature to OAD (HQ) which may also be incorporated in this Register for final disposal. The Inspecting AAO/ SO/ Inspecting Officers may be advised to investigate such points and furnish necessary comments/ report, which should be pursued.

Register of important points for investigations in local audit.

Name of the Office	Date of last Audit	When next audit due	Gist of points (if confidential reference to file No.)	By whom referred to	Date of audit fixed
1	2	3	4	5	6
Name of I.A./ I.O.	Reference to forwarding letter	Date of receipt of replies	Dated initial of auditor and A.A.O./ S.O.	How disposed of	Remarks
7	8	9	10	11	12

The Register should be submitted to the Group Officer (OAD) fortnightly.

Transmission of records to Audit Parties.

2.10 The OAD (HQ) will separately dispatch its records to local audit parties. This will, *inter alia*, include the following records: -

All previous pending Inspection Reports, and if all reports are settled, the last audit Inspection Report.

Extracts of contracts, etc. endorsed by CASS.

Copies of sanctions, etc. endorsed by CASS for scrutiny.

Other special points, if any including those referred to OAD (HQ) by CASS.

Other records connected with the local audit will be sent to the parties by the CASS directly.

Indents for Stationery.

2.11 Inspecting A.A.O./ S.O. may send the indents once a quarter before proceeding on tour for stationery, which they will require for the ensuing quarter. The indents are sent to the record section through OAD (HQ) for compliance. As soon as, the indents have been received, the article will be issued by the Record section

Check Register of weekly tour Diaries.

2.12 The weekly diaries of Auditors in Form No. Sy. 324, when received, are checked with reference to approved programmes and previous orders. The check register of Weekly diaries in form No. 325 should be posted from these diaries on each Wednesday morning and put up to the Sr.A.O./ A.O. (HQ) with a memo of submission along with weekly diaries duly scrutinized, indicating any abnormal feature, waste of time whether in regular audit or in transit. While submitting the diaries, a certificate should be recorded on them to the effect that they have been checked.

(Sectional order No. 11 (OAD), dated Shillong the 13th June, 1955.)

Progress register of Audit of Local Accounts.

2.13 A progress Register of Audit of Local Accounts is maintained in form No. Sy. 336, to show, among other particulars, the names of the accounts audited in a station during the year, the dates of commencement and completion of audit, and the time occupied in audit. The Register should be submitted to the Group Officer (OAD) on the 4th of each month and quarterly to the Pr. A.G./Accountant General (Audit).

(Accountant General's order dated Shillong the 17th May, 1934 and Sectional order No. 11 (OAD) dated Shillong the 13th June 1995).

Register of Audit Fees.

2.14 A Register in form Sy. 338 is maintained to watch the realisation of audit fees. The amount of audit fee calculated on the basis of rates prevalent during the period, during which the audit is conducted, is entered in the register in column 1-11, when the audit note relating to the institution from which the fee is recoverable is received. When the intimation of credit is received either from the Treasury Officer or the Administrator concerned the fact is noted in the Register in the remaining columns. A report of the amounts of audit fee outstanding at the end of each month should be prepared and submitted to the Branch Officer on the 10th of each following month.

On receipt of the relevant Audit Note or test note, a demand note for realisation of audit fee according to the rates prescribed by the CAG from year to year should be prepared and sent to the Administrator of the fund or institution.

(Sectional order No. 11 (OAD), dated Shillong the 13th June, 1955.)

Register of cases of non-acceptance of lowest tenders.

2.15 Where there is any abuse, on the part of a local Officer, on the exercise of his discretion to accept other than the lowest tenders, the percentage of such cases in relation to the total number of cases investigated by audit and the approximate proportion of the cases selected for test audit should be incorporated in Audit Report in addition to definite reasons for consideration that the accepting officer has improperly exercised his discretion (vide CAG's letter No. 275-Rep/ K.W. 38-32, dated 14th December, 1932). The above particulars will be furnished by the Inspecting A.A.O./ S.O. through their Inspection Reports. Such cases should be entered in the 'Register of cases of non-acceptance of lowest tenders' maintained in the OAD (HQ) section. The Register should be submitted to the Group Officer (O.A.D.) on the 20th of each following month and sent to the Performance Audit by the 15th September, every year.

(Authority as under para 2.14)

Contracts and agreements.

2.16 The Contracts and agreements executed by the Departmental Authorities for purchase of stores, execution of works, etc. should be scrutinized in CASS as well as Local Audit. The quantum of check to be exercised in local audit has been prescribed by the Accountant General in secret circular No. TM/ 3976 dated 5th August 1960. The CASS are required to send complete extract of the Register of Contracts to O.A.D. (HQ) half-yearly on 15th May and 15th November each year and O.A.D.(HQ) is required to furnish the data to the respective parties when audit is undertaken. The receipt of the particulars from the CASS should be watched through a note in the Sectional Calendar of Return.

(C& AG Secret Circular No. TM/ 3976 dated 5th August 1960).

Progress Register of Local Audit.

2.17 The Register for watching the receipt and issue of Inspection Reports will be maintained in the following form: -

Serial No.	Name of office inspected	Name of I.O.I.A. and staff	Date up to which the account is now audited	Date of Audit		Date of receipt of draft report
				From	To	
1.	2.	3.	4.	5.		6.

Date of Submission to A.O./ D.A.G.	Date of approval	Date on which sent for type	Date of return from type	Date of issue	Reference to Progress Register	Remarks
7.	8.	9.	10	11.	12.	13.

*(C & AG No. 1656-Admn. III/ 152-60 dated 16th August 1960).

Note- (i) The memo of submission to the Branch Officer (O.A.D.) will be as follows:-
Report for the month of í í í í í í í .. 2000.

- (1) Total number of Audit done upto 20th: -
- (2) (a) Total number of Audit Note received upto 20th
- (b) Total number of Audit Note received after 20th

Total number of Audit Note not received from the Inspecting Officers/ Auditors.

Details of item 2(a).

- Disposed of:-
- In Type:-
- In hand (upto 20th):-
- Total:-
- Details of item 3 above:-

Name of I. A. of I. O. Serial No. Name of Office Number of Audit Note

It should be submitted to the Group Officer, O.A.D. on the 4th of the following month and quarterly to the Pr.AG/ AG (Audit) with a summary of over due Reports showing the stages at which delay is occurring.

Note (ii) It is to be ensured that a Draft Inspection Report (I.R.) is submitted to B.O., OAD (HQs) and to the Group Officer (OAD) through B.O., O.A.D. (HQs) within 7 days of its receipt in O.A.D. HQ sections. The I.R. shall be finally issued to all concerned within 10 days of their approval (Vide Sectional Order No. OA 1/ 12, dated 1-1-1986).

Monthly Statement on the Position of Draft Inspection Reports.

2.18 Inspecting AAO/ SO will submit to OAD (HQs) on the 1st working day of each month, a statement in the following form, showing the position of the Draft I.R. in respect of the local audits, completed by them on or before the 15th of the preceding month.

Statement on the position of Draft I.R. completed on or before the last day of the month

Name of offices audited	Period taken		Name of the Supervising Audit Officer
	From	To	
1	2	3	4

Date of Submission of the Draft Inspection Report to Headquarters	Reason for delay, if any, in submission of the report
5	6

Each monthly statement should also include the outstanding I.R. from the previous month's statement. The receipt of these statements should be watched by the headquarters section through the Calendar of Returns.

(Sectional Order No. 11 (OAD) dated 13th June 1955).

Passing and Issue of Inspection Reports.

2.19 On receipt of draft I.R. from the field parties, AAO/ SO, of O.A.D. (Hqrs) will mark the draft I.R. to the dealing Sr. Auditors/ Auditors who shall exercise preliminary checks on these draft I.R. after it is diarised, in the section. Each dealing Sr. Auditor/ Auditor will see, *inter alia*, whether the draft Audit Notes have been drawn as per sectional orders issued from time to time, whether title sheets are duly filled in, whether paragraphs of the draft I.R. have been suitably referenced to relevant Audit Memos and other key documents, whether statistical and other information given in the draft I.R. corresponds to authenticated key documents, etc. The dealing Sr. Auditors/ Auditors will also ensure that if any audit objection in the latest draft I.R. updates/ supersedes/ repeats old audit objection (s), only latest objection should be retained in the objection book and earlier audit objections removed after observing normal procedure. The field parties may also be given separate suitable instruction in this regard.

It is to be ensured that a draft I.R. is submitted to Branch Officer O.A.D. (HQ) within 4 days of its receipt, and to the Group Officer (O.A.D.) within 7th days of its receipt in the OAD HQ section. The I.R. shall be finally issued to all concerned within 10th days of their approval.

Major irregularities which are likely to materialize into draft para for the Audit Report should be included in part II A of the I.R.

The draft I.Rs that have draft para materials in them shall be marked by the Branch Officer OAD (HQ) and noted in the RPC/ PDP Register with the approval of the Sr. DAG/ DAG (I-C). After issue of the I.R. the AAO/ SO (OAD, HQ) shall send the I.R. along with key Document file, if any, to the AAO/ SO-DP Cell who shall process the draft para(s) along with a memorandum of additional points to be collected. The process of collection of materials is discussed in para-2.28 and 2.29 of this chapter. Thereafter, the approved Draft Paragraphs (by Sr. DAG/ DAG (I-C) along with all relevant KDs shall be sent to Report Section for scrutiny, approval of the Pr. Accountant General/ Accountant General (Audit) and issue to the concerned department/ Government as well as to the Headquarter office. The AAO/ SO-DP Cell shall ensure that processing of draft paras, their submission to Report Section are done under time bound framework.

The Branch Officer OAD (HQ) will also report to the Group Officer (OAD) on all such draft I.Rs. which are found wanting in presentation/ development of subject-matter, especially with reference to sectional orders issued periodically. The Group Officer will bring these shortcomings to the notice of I.O.s and AAOs/ SOs at the time of quarterly meeting.

(Sectional orders No. OA-I/ 12 dated Shillong the 1-1-1986).

Note: - I.R. drafted by Inspecting Officers should be submitted to the Group Officer (OAD) for approval and I.R.s drafted by Inspecting AAO/ SO should be submitted to Branch Officer OAD (HQ) for approval.

Register of issue of Inspection Reports.

2.20 The approved I.R.s are numbered before issue in a separate Outward Register for issue of I.R. A similar watch over I.R. is carried out by means of the progress Register of I.R. This Register should be submitted to the Group Officer OAD on the 5th of each month.

Advance Audit Comments.

2.21 The A.A.O./ S.O./ Auditor should, in course of scrutiny of draft Audit Notes point out items of objections if any, which should be brought at once (i.e. in advance of the ordinary report) to the notice of higher authorities, provided the irregularities are so serious to justify the course. In such cases, special letters should be issued to the authorities concerned.

Watching of Local Audit objection.

2.22 (a) All objections on expenditure raised in local inspection should be entered in objection Books maintained by the Auditors concerned in O.A.D.(HQ) sections before I.R. is issued. Overdrawals on account of personal claims detected in course of local audit should also be recorded in the Objection Book, objections more than a year old should be reported to the Government for orders. Losses recoverable from individual officers should also be noted in the Objection Book for watching recovery.

(b) Important financial irregularities should be watched through the Register of Financial Irregularities/ Register of probable cases for the Audit Report maintained in the O.A.D. sections.

(a) Objections, which cannot be expressed in money value, need not be entered in the objection book.

(b) If an audit objection in the latest draft Inspection Report updates/ supersedes/ repeats old audit objection(s) only latest objection should be retained in the objection book and earlier audit objection removed after observing normal procedure, vide S.O. No. O.A. I/ 12 dated 1.1.1986.

In the pursuance of objection raised during central or local audit a very close attention should be paid to see that no objections required to be noted in them are omitted, that prompt and vigorous action is taken to settle outstanding items at the appropriate level that all relevant rules and orders for maintenance of objection Book and pursuit of objection are followed thoroughly and carefully.

(DAG's Orders No. 537 Î dated 14th October, 1953 and CAG's letter No. 1839 Admn-369-50 dated 31-8-50.)

A list of Paras outstanding in the I.Rs. for over one year which brings out serious irregularities or otherwise important enough to be brought to the special notice of Government half yearly with a brief synopsis of irregularities included in the list and

the implications of their non-settlement are brought out clearly so that expeditious action may be taken by the authorities concerned in dealing with those Cases.

(C & A.G's letter 2559-Tech-Admn. I/ 165-Rep/ 65, dated 20-9-66).

The Objection Book should be closed on the 29th of every month and submitted to the Group Officer (OAD) for scrutiny after noting action taken on the various items.

N. B. - A doubt was expressed whether the money value of the following categories of objections should be entered in the objection book and whether their recovery write-off or adjustments should be watched. The CAG had decided that such categories of objections should also be entered in the objection books maintained by OAD headquarters.

(i) Outstanding dues to Government on account of credit sales amounts due to Government, which are more than one year old, should be taken in the Objection Books of OAD. The total up-to-date amount outstanding with year wise analysis should be mentioned in the I.R together with the comments on the maintenance of accounts and action taken by the departmental authorities for recovery of the outstanding dues. Recoverable amounts as well as under assessment of dues which have not been entered in the departmental records for watching recovery should also be commented upon in the I.R and would be watched through the Objection Book.

The above procedure should be followed *mutatis mutandis* in the case of other outstanding dues to the Governments in respect of which detailed accounts are kept by departments.

(ii) Advance including loans made by departmental agencies, pending recovery.

In cases where the advances are not debited to a Debt Deposit or Advance head of account the procedure as indicated in Item (I) above should be followed in respect of outstanding amount.

[C & A.G's letter No. 1047-Tech Admn. I/ 687-64 dated 7-4 65 and No. 2665 Admn. I/ 365-60, dated 25.8.60].

Settlement Memo.

2.23 The dealing auditors in the OAD (HQ) section shall make a half margin memorandum called Settlement memo (S.M.), as prescribed in the annexure of pending audit objections in respect of the offices allotted to them and hand them over to the field parties concerned at the start of each audit quarter. This will follow an up-to-date review by dealing Auditors of all live I.R.s with them. The field parties would give their Self contained remarks on the S.M.s after reviewing the pending objections on the spot with a view to settle them. The return of these S.M. by field parties will be watched by concerned dealing auditors and processed by them subsequently. Separate instructions should be issued to audit parties to return settlement memo duly filled in along with the draft I.R. immediately after completion of an audit.

(Sectional Order No. OA I/12 dated 1-1-1986).

Note: - The field audit parties are impressed upon to complete the review year wise (in the Settlement Memo) even if additional time is found to be absolutely necessary. The Sr. A.O./ A.O./ A.A.O./ S.O. heading the party may submit a proposal for allowing one or two working days for the completion of work. But in no case review of outstanding paras should be left incomplete vide S.O. No. O.A-1/ SM/ 86/ 87/ 24, dated 10/ 87.

Formation of Audit Committee for Settlement of outstanding Audit Objections:

2.24 For expeditious settlement of outstanding audit objections and Inspection Reports, in the Headquarters, (Circular No. 29-TA-I/ 82 (982-TA-I/ 45-82 Vol II) dated 2nd August, 1982), it was desired that the State Government may be persuaded to constitute -Audit Committees consisting of Secretary to the State Government in the Administrative Department concerned, a Senior Officer from the Finance Department and a representative of the Pr. A.G./ A.G. (Audit) for examination of the list of outstanding objections/ I.Rs which could not be settled through discussion at the lower levels. The Pr.A.G/A.Goil (Audit) representative should not be below the rank of D.A.G. vide HQ Officer Circular No. 37-Audit-II/ 1985 (1667-Audit II/ 2-85 KW, dated 25-10-1985).

[C & A.G's Circular No. 6 complaints / 1984 (4355-76/ C/ 84, dt. 15-12-84].

Note: - Correspondence in regard to formation of Audit committees may be undertaken by the Secretary to the Accountant General (Audit) with the Chief Secretaries/ Secretaries from A.G.'s level as and when necessary. Follow-up actions will be done by the concerned wing. As regards Assam, Sr.DAG/DAG(I-C) would continue to with state Govt. as is being done now.

(AG's Orders dated 27-12-85 at P/ 42N-43N of file No. OA I/ GEN-5/ 1/ 78-80/ vol. II).

Replies to Inspection Reports.

2.25 The heads of office are required to furnish reply against each paragraph of the I.R. These replies will be furnished through the Head of the Departments who will transmit them to the Pr.AG/ AG (Audit) with necessary remarks thereon.

Issue of reminders to I. R.s.

2.26 The first reminder to I. R.s. should be issued if no reply is received within two months of issue thereof. Subsequent reminders should be issued after a month of issue of 1st reminder.

Irregularities requiring disciplinary actions.

2.27 When the following types of irregularities are mentioned in the I.R. the facts should be brought to the notice of Government in a special letter and correspondence pursued so as to ascertain whether any disciplinary action has been taken by them in this regard.

Attempts to evade financial rules by manipulation of accounts and vouchers.

Avoidance of lapses in grant by withdrawing funds from the Treasury before the money is actually required for expenditure.

Avoidance of necessity of higher sanction by splitting up one scheme of expenditure into a number of component parts.

Persistent neglect to comply with audit requirements.

Processing of draft para & collection of Draft Para materials.

2.28 On the basis of one PDP Register maintained by them, the DP Cell should call for the concerned Inspection Reports along with Key-Document file from Headquarters Sections (IC-I, IC-II and SPI. CELL) and examine the paras noted in the PDP Register for processing draft paragraphs. For any additional or wanting information/ KDs etc., the cell may contract the head of the auditee/ department through correspondence. If no reply is received within the specified time, D.O. reminder under the signature of the Group Officer (OAD) should be issued to the Head of the department/ Government concerned for furnishing the required material. In cases of failure, the same may be forwarded to the OAD (HQ) Section (IC_I) for collection through field parties.

Collection of Draft Para materials by OAD (HQ) Section.

2.29 OAD (HQ) section is responsible for speedy collection of any wanting factual information and necessary comments or views etc. required by DP Cell/ Report Section in connection with finalisation of proposed Draft paragraph(s) for inclusion in the Audit Report. The OAD (HQ) section may get the job done by direct contact with the Head of the auditee/ department through local audit parties or even by deputing an official from the office for collecting the wanting facts from departmental records.

The Inspecting officer who conducted the audit and failed to obtain the required KDs for the Probable Draft Paragraph may also be asked/ utilised for collection of the same.

[Authority: Office order No. Rep/ 75 & 76 dated Shillong the 15th Oct. 1964 and Pr. AG's order no. Pr. A.G. (Audit)/ Sectt: -3/ 2004-05 dated Guwahati the 7th March 2005].

Audit of P.M.'s Relief Fund set-up by high dignitaries.

2.30 The Ministry of Law have held the view that it is not obligatory to keep the Prime Minister's Relief Fund in the Public Account and this position has been accepted by the C&A.G.

The matter regarding the Relief Funds set-up in the States may not be pursued with the State Governments, in case their Governments insist on keeping moneys received in such funds outside the Public Account.

(C & AG's Circular No. 32-TAI/ 1983 issued under No. 1510-TAI/ 20-78, dated 9th November, 1983).

Audit of Sanctions to expenditure issued by Government of India and Subordinate authorities.

2.31 In terms of A.G. (Audit) Orders communicated under O.O. No. OA 1/ 1, dated Shillong the 4th November, 1984, the audit of all sanctions issued by the various departments of Central Government and subordinate authorities in so far as they relate to expenditure audited by this office is to be conducted in the OAD (HQs) section. The audit of sanction will be conducted, *mutatis mutandis*, according to the instructions contained in paras 2.2.34 to 2.2.45 of M.S.O. (Audit) *et seq.* Some of the important points which should receive attention during audit of sanctions are indicated in the Annexure -A to Chapter 2.

The following detailed instructions will be followed for receipt, scrutiny and custody of Sanctions and for replying the results of audit to the local audit parties concerned: -

- (i) A separate Diary Register will be maintained for diarising the sanctions.
- (ii) The dealing Sr. Auditor/ Auditor, receiving the sanctions, will keep them in separate files opened in respect of each D.D.O., which will be indexed under a separate series.
- (iii) The dealing Sr. Auditor/ Auditor, after scrutiny of the sanctions in the light of instructions cited above, will submit them to the AAO/ SO (Audit) with a brief note on his findings, AAO/ SO (Audit) after further scrutiny will finally deal all sanctions up to Rs. 50,000/-. The sanctions exceeding Rs. 50,000/- and those of general nature relating to entitlements will be submitted to the Branch Officer for final Orders. In important unusual cases, B.O. will obtain order of the Group Officer.

Note: - Government of India sanctions for plan schemes including those issued by N.E.C. for assistance to the States/ U.Ts will be scrutinised in E.C.P.A. section.(now Performance Audit Section).

- (iv) The objections arising out of audit of sanctions irrespective of whether these involve any money value or not will be registered in the Register of Insufficient or Irregular sanctions prescribed in para 834 of M.S.O. (Tech.) in form 121. The objections will be communicated to the Sanctioning Authority in the form of an Audit Memo as prescribed in Annexure -B and copies enclosed to the D.D.O. concerned and the local Audit parties visiting either the office of the sanctioning authority or of the D.D.O. for further scrutiny on the spot and inclusion of the findings in the Inspection Report if necessary.
- (v) O.A.D. (HQs) will ensure that copies of such Audit Memos, along with replies, if any, are given to the parties auditing central offices, in the beginning of the quarterly inspection programme.
- (vi) The Register of insufficient and irregular sanctions will be submitted on the 5th of each month to the Branch Officer and quarterly to the Group Officer, on the 5th of April, July, October and January. The submission will be watched through the sectional calendar of Returns.

(Sectional Order No. OA/I/5, dated Shillong the 24th May, 1985).

Annexure 'A'.

(Para 2.31 of Chapter 2 of this Manual).

Important points to be looked into during audit of sanctions: -

- (1) Whether the authority according the sanctions is competent to do so by virtue of power vested in it by the provisions of the Constitution and of Laws, Rules or orders made there under or by the rules of delegation of financial authority made by a competent authority.
 - (2) That the sanction is definite and thus needs no reference either to sanctioning authority or to any higher authority.
 - (3) That the criteria and scales prescribed for any class of expenditure have been observed.
- (4) That the estimated cost of a scheme/ work is not split up to avoid sanction of a higher authority.

That the expenditure sanctioned is a legitimate charge on the provision from which it is proposed to be met.

That the expenditure conforms to the statutory provisions as well as relevant financial rules, regulations and orders.

That the sanction fulfils the standard of financial propriety.

Whether in the case of sanctions to new schemes of expenditure, a satisfactory accounts procedure has been evolved and the details of cost and time schedule, physical targets and other objectives of the expenditure have been laid down by the sanctioning authority.

That the sanctioning orders have been signed by an authorized Gazetted officer according to the Rules of Business of the Government concerned.

Annexure -Bø(para 2.31 (iv) of chapter 2.

‘Audit Memo’

(In regard to the sanctions of expenditure issued by Government of India and subordinate authorities).

To be returned in original with replies.

The under mentioned sanctioning order has not been accepted by audit for reasons stated against Item 3

Reply of the department.

1. Reference to Sanction

- (i) Authority
- (ii) No. and date
- (iii) Amount (in Rs.)

2. Brief particulars of Sanction

3. Reasons for objection.

Memo No.

*Forwarded to

For necessary action and early return with replies.

To sanctioning Authority:

Memo No

Audit Officer/Sr. Audit Officer

Assistant Audit Officer/S.O.

** (1) Copy forwarded to for information and necessary action.

Audit Officer/Sr. Audit Officer

Assistant Audit Officer./S.O.

** to D.D.O.

(2) Copy to Audit Officer/ Assistant Audit Officer i/c C.P. No , for further scrutiny on the spot and inclusion of the findings in the Audit Note. If necessary, the memo should be returned immediately after completion of audit indicating action taken in this regard.

Reply of the AO/ AAO in charge of C.P.
No

Audit Officer/Sr. Audit
Officer

Assistant Audit
Officer./S.O.

Receipt and disposal of Letters.

2.32 Some letters relating to the OAD are received in the Record Section of the Main Office, and others from the field parties are received direct in the OAD. (HQs), the covers being opened by the AAO/ S.O. In the former case, the letters are transferred to the OAD. All letters received, before being diarised are submitted to the Group Officer through Audit Officer, OAD (HQs) for perusal and he will affix his dated initials to each letter and if required give remarks for early or immediate disposal or pass order or indicate the lines on which a reply should be given. The Dak is then sent back to OAD (HQs) sections for diary and distribution among Auditors by the Reference Clerk.

Issue of Letters:

2.33 Draft letter, Inspection Reports etc. after approval by Group Officer or the Pr.AG/ A.G. (Audit) are sent to the typing pool of the Record Section. The typed fair copies are then, compared in the section, and got signed by the Gazetted Officer concerned, the letters are issued after entry in the 'Register of Letters Dispatched', maintained in the section and office copy filed.

Register of correction slips to OAD Manual.

2.34 The AAO/ SO, OAD (Hqrs) is responsible for keeping this manual up-to-date. He will propose draft corrections as and when rules or orders necessitating an amendment come to his notice. The inspection parties should also scrutinise the relevant portion of the Manual to see whether it requires amendment in any respect and make suggestions. One copy of each correction slip is pasted in a Register serially and this Register is submitted to the Branch Officer on the 4th of each month with a memo of submission.

(Sectional Order No. 11 (OAD) dated, 13.6.55).

Calendar of Returns.

2.35 A Calendar of Returns shall be maintained by the AAO/ SO O.A.D. (HQ) Section in order to observe the due dates prescribed for the various items of work. The actual date on which the work is completed should be filled in by the AAO/ SO in each case and the Calendar of Returns submitted to the Branch Officer every Monday and to the Group Officer on the 5th of each month along with the monthly report on the state of work of the section.

CHAPTER-3

RULES AND PROCEDURE-INSPECTION STAFF

General Duties of the Inspection Staff.

3.1 Generally the Inspection party is responsible only for carrying out the actual audits and drawing up the draft audit reports, all the remaining work of the Departmental being carried out by the Headquarters Section. The Inspection party should, also keep Headquarters informed of changes required in the Manual Para 2.34.

Inspecting Officers and Staff should keep in mind instructions contained in C& A.G.'s Secret Memorandum of Audit and Accountant General's secret Memorandum of Supplementary Instructions thereto in addition to the instructions contained in this Manual.

Fundamental responsibilities of an Officer-in Charge of Inspection.

3.2 The Inspecting Officer must acquaint himself with the system of finance, accounts, receipts and expenditure of the institution inspected. He must then make up his mind roughly what system of accounts is necessary for these receipts and expenditure, what registers are necessary for internal check purposes and how far the existing system conforms to this standard. An Inspecting Officer if responsible for the audit of receipts, should make it his duty to correlate all the accounts documents so that he may direct his staff how to check that, all money due is received and all money received is brought to accounts.

[C& A.G. No. T. 962-Admn/ 74-40 dated 25.9.1940.]

An Inspecting Audit Officer should not merely confine himself to the routine audit and inspection work. He should also render assistance to the Departmental Officers and Accountants in matters affecting accounts budget, etc. or the financial regularity of transactions. He may offer suggestions for economy of public money, and measure to reduce superfluous clerical work connected with accounts and audit. There are various directions in which an intelligent Inspecting Officer can find scope for his enquiries. In cases of a Public Health Engineering Division, he may notice chronic delays either in measuring work done or in making payments after measurements have been taken, and it may reasonably be presumed that such delays result in enhancement of rates. He may observe that no attempt was made to invite competitive rates, and other defects in tendering which would suggest that the Government is possibly not receiving full value for payment made. An examination of the Schedules of Rates, or a comparative study of them, may show that the date on which the estimates of the cost of works are framed for sanction of competent authority are not so satisfactory as to secure economical results. He may observe any peculiar features of the revenue receipts or expenditure of the division, which may suggest possible leakage of revenue, realisation of untapped sources of revenues, or of want of attention to economical considerations. An Inspecting Officer must, however keep prominently in his mind that he is concerned primarily with the accuracy of accounts and regularity of financial procedure and not with administration. Suggestions, which affect financial or departmental administration, should not be included in the Inspection Report unless discussed with the Departmental Officer.

The Inspecting Officer should make it a point to call on the head of the office and ascertain if he has any suggestions for investigations either of any portion of the initial accounts, about which he entertains any doubt/ irregularity or of the processes of these accounts for reducing clerical or accounts work. The Inspecting Officer will examine such suggestions and also any other matters which come to his notice. On conclusion of the inspection he should personally discuss matters with the head of the office and then embody them in a note two copies of which will be submitted to the Group Officer. One copy of this note will, after it is edited, in the central office by the Group officer be submitted to the Pr. A.G./ A.G (Audit) with a draft forwarding note to the head of the office for necessary action and the other copy retained in office for exercising a watch over disposal. He should also prepare draft paragraph for Audit Report on all important cases of financial irregularities in the Inspection Reports passed by him which appear to be fit for inclusion in the Audit Report and submit it to the Group Officer for approval.

Diary of Audit Officer-Inspection.

3.3 Each Sr.A.O./ Audit Officer conducting inspection is required to keep a daily diary of the progress of his tour and the work done by him. It should ordinarily be sent every Saturday to the Group Officer (OAD). It should contain only a brief summary of events. However, special points of importance should be fully explained for the information of the Pr. A.G./ A.G.(Audit).

Strength of Local Audit parties.

3.4 The following pattern of deployment of personnel to each party, for audit of all category of units should be followed: -

For audit of 'A' category unit	1 Sr.AO/ AO & 2 AAOs/ SOs.
For audit of 'B' category unit	1Sr.AO/ AO (50% supervision), 2 AAOs/ SOs & 1 Sr.Ar/ Ar.
For audit of 'C' category unit	1 SO & 2 Sr.Ar/ Ar.

A.A.O./ S.O.s Note Book and Office Orders File.

3.5 Inspecting AAOs/ SOs should maintain a notebook containing all circulars and orders sent by HQ in a tabulated form, and properly indexed. When a copy of an Inspection Note is circulated to them, they should go through it carefully and note any important or unusual items in the Notebook to the Inspecting Officer for inspection each time they meet him. When an Inspecting AAO/ SO proceeds on leave or is transferred to the main office, he should hand over this note book/ office orders file in the complete form to his successor. Handing over/ taking over should be recorded in their diaries.

Papers to be taken for Local audit.

3.6 Inspecting AAO/ SO should before take up an audit, call for from the Headquarters the following files and documents: -

- (i) The files containing the last Inspection Report and its connected correspondence.
- (ii) Paid vouchers, if any, selected for special investigation.
- (iii) One-month treasury vouchers for detail check if selected/ ordered to be checked by the Group Officer.
- (iv) List of outstanding objections (Settlement memo) for settlement on the spot.
- (v) Document and Depreciation Fund Account of the press.
- (vi) Paper/ press clippings for special emphasis, if provided by the HQ section.

Failure to obtain these documents in time will be treated as negligence of duty and will be dealt with accordingly.

Interview with the Head of Office inspected.

3.7 The Inspecting Officer/ AAO/ SO should first seek interview with the head of the office, to be audited. Advantage should be taken of this interview to invite any suggestions, which the head of the office may like to offer on the general conditions of the accounts of his office or regarding any part of it, which requires close inspection. He should also see the head of office as often as is necessary with a view to discuss with him the matters of importance and should also discuss the result of audit.

Attendance.

3.8 (a) All members of local audit party should be punctual and must attend the office that they inspect during its regular office hours.

(b) Each local audit party should maintain an Attendance Register and all should mark their attendance. The Attendance Register should be closed as per instructions laid down in the Office Procedure Manual. The Attendance Register should be submitted to the Inspecting Officer during his visits to supervise the work. He will give daily initials during his stay.

The Inspecting AAO/ SO/ Inspecting Officers should send a list of absentees, if any, as shown in the Attendance Register to O.A.D (HQ) The list will be checked in O.A.D. (HQ) with tour diaries and final T.A. bills of the party members. The Inspecting AAO/ SO will submit the Attendance Register to OAD (HQ) on return from tour every quarter for checking with tour diaries, leave applications etc., as well as for preservation.

(Authority: - S.O. No. OA.I/ 91, dated March 1971 read with S.O. No. 170/ OA-I, dated 19-5-73).

Diaries of Auditors.

3.9 Each Audit Party is to maintain register, in which the daily work done by the auditors should be noted, each person noting his part of audit work on a separate page. Once

a week (on Saturday afternoon) the week's entry should be copied in form No. SY 324 and each member of the party should submit a separate diary to OAD (HQ). The diary of the auditors should be submitted through Inspecting AAO/ SO, to the O.A.D. (HQ). The Inspecting A.A.O./ S.O. should make suitable remarks on the work of Auditors and also record any special feature of audit for information of the Group Officer.

Note: - When the audit is supervised by the Sr. Audit Officer/ Audit Officer, the weekly diaries of the members of the party should be submitted to the headquarters section through him.

Period of accounts to be covered by Local Audit.

3.10 All items of audit under Section 14, 15, 19 & 20 of the C & AG's DPC Act, 1971, should be audited up to the end of the last financial year. All other accounts should be audited up to the end of the month preceding the month in which inspection takes place.

Papers and files received during Audit.

3.11 Inspecting AAO/ SO must call for in writing all registers and accounts required for audit purposes. It should be seen that the accounts of all subordinate offices, other than those, which are audited separately, have been produced to audit. If an Auditor states that he asked for papers but they could not be produced, then requisition should be seen. If any record cannot be produced, the Inspecting AAO/ SO. must bring such failure to the notice of the head of the office. The production of these records, at the following audit, should also be insisted upon.

Papers and files of the offices inspected by the Auditors should be returned in the same condition in which they are received. On no account should these be re-arranged, combined or broken into smaller files in any case.

Demarcation of duties for staff in Local Audit Parties.

3.12 Normally, auditors should be able to issue inspection memos and put up notes. Separate reports would have to be submitted by each Auditor, A.A.O./ S.O. in the inspection party in the form of material for inclusion in the Inspection Report based on the actual work done and inspection memos issued by them taking into account the replies from the departments thereto. The inspection staff should be involved in clearly defined areas of work, so that their accountability and identification of their contribution in terms of quality and quantity can be ensured.

Mentioned below are responsibilities and duties of various categories of staff in Local Audit of Civil Offices (Except Treasury Inspection).

1. (A) Sr. Audit Officer/ Audit Officer

As per para 1.20 of Chapter I of this Manual.

(B) Asstt. Audit Officer/ Section Officer:

Audit of the accounts of receipts;

Audit of the accounts of stores;

Examination of the Cashbook, Bill register and Contingency Register etc.;

Examination of vouchers for the selected months which were submitted to Central Audit and made available to the party by the headquarters with original records, contract documents etc.;

Audit of all vouchers.

Verification of drawls and deposits into treasury with reference to treasury records;

Examination of the Special points marked for special investigation by central audit;

Audit of works expenditure;

Accounts of stores, requirements etc. received under various foreign aid programmes;

Departmental inspection reports;

Examination of records called for as per press clippings;

Examination of record of Budget Allocation & Expenditure.

(C) Senior of the two auditors/ Sr. Auditors:

(i) Examination of service books, service rolls and Leave a/cs including checking of sanctioned strength of staff and men-in-position;

(ii) Obtaining files containing important rules/ orders issued by Government in respect of the institutions under local audit and matters dealt with by it with a view to study them and also take notes from the Dictionary of References maintained;

(iii) Check of disposal of previous Inspection Reports;

(iv) Establishment pay bills;

(v) Travelling allowance bill;

(vi) Register of undisbursed pay and allowances;

(vii) Register of advances;

(viii) Property accounts i.e. immovable property accounts like land building and other assets

(D) Junior of the two Auditors/ Sr. Auditors:

Dead stocks register;

Register of empties;

Stamp account;

Register of deposits;

Log books and diaries of Govt. Vehicles;

Register of stationery;

Register of uniforms;

Register of books and periodicals;

(Authority: Annexure 2.9.1 of M.I.R.)

In regard to the duties and responsibilities of staff in Local Audit Parties, the following further decision are communicated *vide* C & A G's Circular No. 25 Audit-11/1985, issued under No. 954-Audit II/ 123-TAI/ 84. Dated 18.6.1985.

According to para 2.9 of M.I.R. and para 2.5 of MICA, normally Auditors should be able to finalize audit memos and put up notes on their own. The provision was intended to encourage Auditors to assume responsibility and act on their own subject to general supervision by the head of the party. However, the head of the party remains responsible for the audit as a whole. The Inspecting officer must guide the Auditors by general inspections and always keep himself posted with the progress of the work to the extent determined by him. He 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 judgement, he may permit individual members to issue draft memos themselves. He should however, see the memos after issue. The head of the party should keep himself posted with the progress of audit and the observations that have been communicated to the inspected office.

According to annexure 2.9.1 of MIR, the work relating to verification and disposal of previous Inspection Reports is assigned to the senior of the two Auditors in the case of Civil Inspections and to the AAO in the case of Public Works Divisions. Here again, the head of the party has over all responsibility. How far the Auditor may be allowed to act on his own has to be decided in each case by the head of the party.

According to para 1 (b) of annexure 2.9.1 of MIR the examination of Cash Book and verification of drawals and deposits into treasury with reference to treasury records is required to be done by Inspecting AAO/ SO. In cases where close supervision of the items in (i) and (ii) above are needed routine checking of receipt and payments, the assistance of the Auditors may be availed of for these items of work, of course, the overall responsibility and supervision rests with the Inspecting AAO/ SO.

The relevant provisions of MIR and MICA may be treated as modified to the extent indicated above.

Audit Marks.

3.13 In auditing accounts, all entries checked are to be ticked or cross ticked by the auditor and all register, documents, leave accounts vouchers and challans checked are initialed by them. For this purpose special brown chalk pencil are used and these must be kept carefully in their personal custody. In the absence of tick marks, the Inspecting Officer will presume that the necessary, checks have not been applied.

When comparing an entry in an original account or voucher with an account register and Auditor finds that the later does not agree, he should mark it with a cross (x) with his audit pencil. When however the objection is removed, the entry should be ticked off otherwise the objection should be pursued, through the objection statement.

Note: - Auditor should not make corrections or remarks in any of the register or any of the documents of the office, which they are auditing. These should be as clean and tidy after audit as before.

Conduct of Local Audit.

3.14 Before taking up the audit of a Government Office or Body/ authority, the Inspecting Officer/ A.A.O./ S.O. should: -

Study the documents in OAD (HQ) relating to the office and make themselves conversant with its set-up i.e., if a Government office, whether it is an attached or subordinate office and if a body or authority whether it has been set up under an Act of Parliament or a Registered Society, etc. its Governing body the functions entrusted to it and the system of finance obtaining in the office i.e., what makes up its receipts and how its money is expended, what system of accounts is being followed, what accounts books are prescribed and what are the details of its budget etc. The Act of Parliament, Memorandum and Article of Association, Regulations Rules, etc. relating to the body or authority, the Annual Administrative Reports, the Departmental Manuals, Delegation of Financial Powers relating to the office or any other publications or Evaluation Reports should also be examined in addition to Inspection Reports of previous years.

Study the C & A. G's Secret Memorandum of Instruction wherein some of the important matters to which attention should be given by the local audit party and the Inspecting Officers are indicated.

(Para 773 of C & A.G.'s Manual of Standing Orders (Tech.) vol-I)

Ensure that the records which are required to be received from OAD (HQ)/ CASS concerned have been received.

Call on the Head of the Office, the accounts of which are about to be audited, at the very commencement of audit and seek his assistance in settlement of old objection, supply of records and information for the current audit and provision of office accommodation and facilities for the conduct of audit. The officials directly concerned with audit namely, Drawing and disbursing Officer, Administrative Officer, Accounts Officer etc. should also be met.

Obtaining in writing from the Head of the office, an exhaustive list of various fields of activities and the records maintained so as to ensure that all fields of activities of the office inspected and all financial records maintained in the office are covered during local audit.

Ensure that distribution of work among the members of the local audit party has been made. It should also be ensured that full details regarding the nature of work allocated to each member of the party attached to the Inspection Report.

(C & AG's Letter No. 3010/ Admn. 1/ 463/ 60, dated 2nd November, 1962.)

Note: - The auditors in the course of their audits should not express independent opinions on their own authority connected with the interpretation of various Act or rule nor give rulings on doubtful points or procedure etc.

General Audit Instructions.

3.15 (a) For an intelligent and efficient audit or inspection of accounts it is necessary that the Auditors should have an intimate acquaintance with the various Acts, Codes and Manuals relating thereto, and they should also be conversant with the subsidiary rules and orders issued from time to time. Auditors will be supplied with copies of all Acts, Codes and Manuals required and they should also keep a note book (vide para 3.5) in which they should record briefly important decision contained in Govt. Orders and in the orders issued from the Department or in the papers sent for circulations. The formal rules of audit should be strictly complied with. Many of these rules represent in concise form, the experience of many years and their value cannot be overlooked. Only they must not be applied in a rigid spirit or considered as all sufficing under circumstances where they are obviously inadequate. But when anything less is done than is laid down in them, the Auditors must bring the fact to the Audit Officer's notice. Ordinarily, they must be taken as the minimum of a good audit.

The value of an audit depends largely on the intelligence and thoroughness with which the work is done. Sometimes some informality, some irregular payment or some slight discrepancy is detected in the course of audit. The tendency is to embody this in a formal objection statement and treat it as a matter of routine. But that is where it should not end, as small circumstances like these, if taken up, may lead to the detection of larger irregularities or a defect of system liable to lead to fraud, and their value as such must be borne in mind. The Inspecting AAO/ SO/ Inspecting Officer should look at every thing in a fresh and original way, and when he realizes that he has touched on a matter, which may repay investigation, he should go into it with an exhaustiveness, which will leave no detail undiscovered. He must take nothing for granted. It is, however, not the function of an Auditor, except under special orders to undertake such duties as enquiry into alleged oppression, the taking down the statement of witness, the examination of books of trader, the taking or checking of stock. If there are suspicious circumstances in the accounts, the Auditors should report the fact to the Group Officer (O.A.D.). it is not the business of the Auditor but that of the executive to undertake an enquiry.

As the object of the accounts is to present a true financial picture, intelligent and proper audit requires the visualizing of all financial transactions in their proper perspective as a whole and merely the examination of the details of the transactions which work to the final result. The Auditors should, therefore prior to taking up the audit of the accounts of any particular institution, consult the printed administrative report or any other Government Publications where the accounts of income and expenditure of the institution appear, so that they may obtain a correct perspective of the financial side of the institution and make their audit both intelligent and useful.

(Authority: - CAG's Letter No. 57/ Admn. I/ 135/ 34 dated 28-1-1935).

It is most undesirable in local inspections that the check of initial records, such as the Cash Books, should be neglected in favour of material which may provide cases for 'Higher

Auditö. The primary duty of the IA & AD is to secure the correctness of accounts and not criticism of a higher audit character of the executive work of a department.

(Authority: - C& AGø Letter No. 31/ Admn. 1/ 205/ 36 of 15-1-1937).

Attitude of Auditors.

3.16

The Auditors should ensure no grounds are afforded for complaint from local authority against the manner in which inspection and audits are conducted or in regard to the tone or substance of their Inspection Reports. Audit should be conducted with tact and discretion and in a manner to avoid, as far as possible, all irritation to the local officer. They should also bear in mind that unnecessary meticulous or badly expressed objections not only bring discredit to audit, giving rise to reasonable irritation but also increase work both for audit and local offices.

Auditors while not deviating in any manner from their duty, should avoid any misunderstanding or friction with the Local Officers. Their attitude should be that of one who has come to assist, and not, merely to criticise. They will invariably meet with full co-operation from the Local Officers, if they avoid frivolous objections and convince the executive by the manner in which they go about their work that they are there not to complicate the procedure but to simplify it. They should assist the local authorities with advice and may also show how account registers should be posted, and how a proper check is exercised to avoid future mistakes or omission due to ignorance on the part of the local officials. It is much better to prevent mistakes in procedure than to discover such mistake after they have been committed.

The Inspection staff is strictly prohibited from being in any way under the obligation of any member of an office whose accounts are being or will be inspected, and should not ask for or obtain free supply or service which has a definite financial implication. In the matter of accommodation, out side help may be enlisted, but it should be strictly on payment of rent and other charges. The use of the transport for private purpose is prohibited. The reputation of the office regarding honesty and efficiency depends to a large extent on the behaviours of the inspecting staff. Any breach of these instructions should be confidentially reported to the Group Officer (O.A.D.).

Defalcations and Frauds.

3.17

(a) In the event of Auditors finding anything likely to lead to the discovery of a defalcation or fraud or any serious irregularity, the same should be reported to the Group Officer (O.A.D.) at once and daily reports should be sent of the progress made in the investigations. Such reports must not be postponed to the following day. When defalcation is of an important nature and in the Auditorø mind beyond doubt, the Group Officer (O.A.D.) should be informed over phone/ by fax.

(b) In cases where frauds are suspected during the course of local audit, the Audit Party should take note of the detailed particulars of the documents on the basis on which the fraud is likely to be established and O.A.D. (HQ) intimated immediately by means of a special D.O. Letter with a copy to the Head of the Office. O.A.D. (HQ) should bring them to the notice of the next superior authority/ Head of the Department. It would not be necessary for

inspection parties to bring the documents to the Headquarters for taking photostat copies. O.A.D. (HQ) should maintain a register in this behalf where details of the cases are kept on record and action taken by departmental offices are watched in the usual manner. This register should be put-up to the Group Officer (O.A.D.) on the 10th of every month.

(C & AG's secret D.O. No. 684-TA-I/ 164-75, dated 2nd August 1976).

Note: - The details of elements, types of fraud and defalcation and gathering of evidence etc. are discussed in chapte-6 of this manual.

Settlement of Old Objections.

3.18 Settlement of outstanding paras of the earlier Inspection Reports is one of the important duties of the Inspecting staff and should be given priority. The Inspecting Officer/ Parties will hold discussion with the departmental officer during audit for settling objections on the spot. HQ Section will prepare a detailed brief on outstanding paragraphs of previous Inspection Reports for the Inspection Officers. The Inspection Officers/ Inspecting AAO/ SO will after discussions with departmental officer send results/ recommendations to HQs.

(Authority: - C& AG's Letter No. 528-O&M/ 7-81 V, dated 10th June, 1982).

Note: - Inspection parties are also directed to take necessary action for expeditious settlement of outstanding paras in the form of 'Settlement Memo' vide para 2.25 of Chapter II of this Manual.

Inspection Notes of Departmental Officers.

3.19 The Auditors should go through all Inspection Reports (included Internal Audit Report) recorded by the Head of Departments or other officers during the period covered by audit. These sources may hint some valuable points, which require special attention during audit.

Preliminary Objection Statement.

3.20

The Inspecting AAO/ SO should jot down all objections and queries in half fullscap paper, which should be preserved and submitted to the Head of the Office along with the draft inspection report. They will discuss all objections in the first instance with the office staff, if necessary, and there after with the head of the office and settle by verbal discussion as many objections as possible. All unsettled items should then be entered in the prescribed form of preliminary objection statement, a copy being kept by carbon process on a blank sheet of paper. As audit progresses, the Inspecting AAO/ SO should issue daily preliminary objection statements to the head of the office. He should take all possible care to see that ultimately there remain only important items for written replies.

The Government of Assam have issued orders to the effect that the preliminary objection statements should be returned with reply by heads of offices to Inspecting AAO/ SO periodically while audit is in progress and definitely by the close of audit, unless there are very special reasons in any particular case for not doing so. The heads of offices have been

directed to be present at their headquarters for a few days towards the close of audit, to discuss the objections with the Inspecting AAO/ SO on the spot, and to return the preliminary objection statement with replies by the time of completion of the audit. In case for special reasons, the head of office cannot be present, he should direct a responsible officer (Gazetted Officer if there be any or the head clerk of his office) to discuss the objections and to return the preliminary objection statements after verifying the facts mentioned therein. The replies to the preliminary objection statements should be carefully verified with reference to the initial records, correspondence, etc.

The above instructions apply also to the objections arising out of the check of leave accounts and service books.

(L.G's Memo No. 512-F (a), dated 10th February, 1936 in O.A. Bundle No. 43 of 1933-34 and Comptroller's orders, dated 11th December, 1936 in O.A. Bundle 109 of 1936-37).

Results of Audit.

3.21 The results of audit by the inspection staff are communicated through draft Inspection Reports and Test Audit Notes in form SY 203. The draft Inspection Reports should include only important point and cases of serious financial irregularities. Test Audit Notes should contain minor irregularities to which should be attached a schedule of items settled on the spot. The procedural irregularities in respect of which the head of office has held out assurances about following the correct procedure in future should be noted in the schedule.

(C & A.G.'s Letter No. 1647-Admn. III/268-60, dated 16th August, 1960).

The pattern in which reports should be drawn up.

3.22 The draft I.R. should be drawn up in the pattern set forth in Para 1.16 of Chapter-1.

It should be submitted under the signature of the Inspecting Officer supervising the party, and in other cases, over the signature of the Inspecting A.A.O./ S.O. If audit is not supervised by the Inspecting Officer, the Test Audit Note may be issued over the signature of the Inspecting A.A.O./ S.O. A copy of the Test Audit Note should be sent to HQ's along with Part-I and II of the Draft Inspection Report.

Note: - The compliance of objections included in the Test Audit Note should be verified at the time of next audit. If during subsequent local audit, it is noticed that in the case of some objections, though important enough, no action has been initiated by the Department, they may be included in the main I.R. and further compliance watched.(Para 774 of MSO-Tech.)

(Authority: - C & AG's Letter No. 870-TA 11/ 455-68, dated 9-7-71 at P/195 of file No. OA I/10-31/ 69-70).

Instructions for drafting of Inspection Reports.

3.23

(i) When an Inspecting Officer supervises the Inspection, he should draw up the I.R. himself. In other cases the report should be written by the Inspecting AAO/ SO. In no case should the Inspecting AAO/ SO entrust any of his assistants with the task of drawing up the I.R.

(ii) The draft I.R. should be written in a legible hand prepared on one side of the paper only and in half margin with sufficient space for corrections. The pages must be serially numbered. All paragraphs should be given a caption on top.

(iii) The draft I.R. should be self contained, brief and to the point so that, whenever occasion arises paras could be incorporated in the Audit Report with only a little editing of form. For this purpose, it will help if the audit parties go through old Audit Reports. The paras of the draft I.R. should be invariably referenced to the Key Notes in the following manner: -

(a) All Inspection Memos/ Preliminary objections statements, replies given by the Government Offices, extracts of the Government/ Office orders, with their relevant numbers and dates, and all other papers which are created/ collected during the spade work by the party in the Office, audited should be collected and kept together in a Key Note File (KNF)/ Key Document File (KDF). All the contents of the KNF/ KDF should be numbered.

(b) Paragraphs of the draft I.R. should be cross-referenced not only to the relevant inspection memos/ P.O.S., but also to all such other papers in KNF/ KDF, which have a bearing on, the observation made in a particular para.

(iv) In view of the necessity of treating the percentage audit in case of statutory audit as secret, it is sufficient to state in the opening paragraph that a test audit was conducted without specifying the months for which the accounts were subjected to detailed check or other quantum of audit checks applied. In the Title sheet, however, a note should be kept as to the months accounts, which were subjected to detailed check.

(v) Each paragraph should first explain the transaction objected, while narrating the facts in order of their occurrence, next the rules or orders infringed and then the nature of the irregularity with its likely results and lastly the action suggested/ required to be taken for removing the objection.

(vi) The Inspecting Officer/ Inspecting A.A.O./ S.O. should ensure that the paras which merit inclusion in the C& AG's Report are fully supported by attested copies of all the documents referred to the paras, the views of the Department on the paras and other relevant facts and arguments so that there is no difficulty in the OAD (HQ) in processing and finalisation of the paras of Audit Report.

(vii) The full financial implications of each objection or approximate value thereof, calculated from the data in hand should be brought out in the I.R. to stress the significance and gravity of the audit objection.

(viii) Mention of the names of officials should be avoided except in case of personal claims, etc. However, the names of the officials responsible for the irregularities should be kept on record in the Rough Notes in all cases of serious irregularities.

(ix) No suppositions, assumption or allegations should be included in the I.R. Only facts should be mentioned and inevitable conclusions drawn.

(x) No abbreviations should be used. If a set of words for which an abbreviation is commonly used in the office audited occurs repeatedly in the Inspection Report, the words in full should be used on the first occasion, with the abbreviation in brackets, and thereafter only the abbreviation may be written.

(xi) Just as statement of facts and of the action to be taken (including sanctioning authority) must always be definite, statement of inference from these facts should always be problematic. Thus even when the evidence of an embezzlement is very strong the facts should be stated distinctly, but the inference like 'it appears to be or may turn out to be a case of embezzlement' should be omitted.

(xii) When sanction of higher authority for any charge or practice is called for, the rule under which the authority sanctioning the charge in the first instance is not competent must be distinctly stated and the authority whose sanction is necessary specifically mentioned. Terms like 'this appears to require higher sanction' or 'the sanction of competent authority is needed' only show the inefficiency of the Auditor.

(xiii) Where proposals have been accepted, on remarks need be made, where they have been rejected, the local officer's arguments should be criticized, if they cannot be accepted.

(xiv) The I.Rs. are liable to be misunderstood and thus miscarry the inclusion of an audit objection, if they are not precisely worded. The language and tone of an audit objection should, therefore, be such as would achieve the objection without causing any bitterness to the officers concerned. It should be a detached and dispassionate financial criticism of the accounts couched in courteous and inoffensive language. Particular care should be taken in attaching a charge either explicitly or implicitly in the draft paragraphs of the I.R. of deliberate dishonesty or misrepresentation which is usually so hard, to substantiate and which is so much resented by the local officer. It is often but a matter of fact, that drafting and the use of phrase as 'it appears', 'it seems', 'possibly' or 'it may be likely' often dilutes the unpleasantness in such cases and at any rate leaves the way open for a reasonable answer.

Paras in the draft I.R. should be self-contained and written in simple language, so that it is intelligible to one not familiar with the detailed working of the office audited and not fully conversant with Audit language.

(xv) As a rule, trifling matters, which can be and have been set right on the spot or are of no consequence to the finances of Government need not be mentioned in the I.R.

(xvi) It is desirable that statements and figures in relation to any defects or irregularities discovered should be based on clear documentary evidence. It is not sufficient to quote the rule or the order violated, the actual or possible effect of such deviation on the financial interest of Government should be explained clearly.

(xvii) In writing I.R. the Inspecting AAO/ SO should not suggest the opening of additional register not prescribed in the rules. If the introduction of a new register be considered necessary by the auditor, the matter should be dealt with in a general way and in a note submitted to the Group Officer for orders separately.

Discussion of Draft Inspection Report.

3.24 The draft I.R. should be discussed with the head of the office inspected on the last day of audit. A minutes of discussion on the paras/ POS where the acceptance, difference of opinion and reasons for not accepting the views of the Head of office to be recorded against the relevant paras, should be prepared and got signed by both the Inspecting officer and the head of the office with whom, the discussion held.

After discussion, the Head of the office should be requested to record on the draft I.R. "Seen, discussed and facts verified" over his dated signature in token of acceptance of the facts.

If the final draft I.R. is not completely ready on the last day of audit, the discussion with the head of the office should be done on the copies of the P.O.S. at least and the fact recorded on the P.O.S. The signature of the head of the office should also be obtained. Genuine efforts should be made to get the final draft of the I.R. ready so as to enable the same to be seen and discussed by the Head of the Office on the last day of the audit. The draft I.R. should then, be dispatched to O.A.D. (HQ) on the following day.

Note: - The Audit parties should ensure observance of the following instruction while conducting inspection: -

Probable date of discussion should be fixed in advance by the party in consultation with the Head of the office.

If, despite notice, the Heads of Offices inspected are not available for discussion, mention should be made in the draft IR.

Wherever discussion takes place, the replies of the Heads of Offices must also be reflected in the IR.

(Authority: - SO NO OA I/ 10 dated Shillong the 15-5-81 and Sr. DAG (M&C)'s orders dated Shillong the 5-5-81 at P/21 of file No. OA I/ Gen/ 1-12/ 80-81).

Submission of Draft Inspection Report.

3.25

In submitting the draft IR to the head quarters the Inspecting Officer/ Inspecting AAO/ SO should attach a title sheet as shown in Appendix -C. The title sheet should be scrupulously filled in with all required information/ particulars and signed by the Inspecting Officer and Inspecting AAO/ SO.

Important paragraphs of a draft IR, which are considered by an Inspecting AAO/ SO or Inspecting Officer likely to fit for inclusion in the Audit Report should be indicated in the

Title Sheet. A separate note in form of a proposed draft para should be attached to the draft IR giving clearly the name and designation of the personnel of the field party contributing the draft para (Sectional Order No. A.O.-I/ 4 dated 12-4-85).

Inspecting AAO/ SO and Inspecting Officers should, before submission of the IR take particular care to see that the accounts audited and their supporting statements and documents e.g. store accounts, proforma accounts, income and expenditure accounts etc. are complete in all respects and they should invariably initial and sign these documents wherever required on the spot and send them duly completed along with I.R. for necessary action.

Introduction of quarterly budgeting for Central Government Plan Projects/ Schemes.

3.26 The Local Audit Parties auditing Central Government transactions may examine whether the instructions contained in the Government of India, Ministry of Finance, Department of Economic Affairs, New Delhi, office Memorandum No. F.II (8) óW&M/ 86 dated 30-5-86 regarding introduction of the quarterly budgeting for Central Government Plan Projects/ Schemes, with effect from April, 1986 are being followed by the Central Government establishments and point out the cases of non-observance.

(Authority: - Sectional Order No. OA-I/ 18-dated Shillong 13-4-87 at P/ 285C of file No. OA I/ Gen/ 1-12/ 80-81).

Matters dealt with by Auditors to be kept confidential.

3.37 The Inspecting Officers, Inspecting AAO/ SO and (Sr). Auditors should note that matters with which they have to deal are confidential. The audit is intended to be for the assistance of local officers hence shortcomings noticed are not to be made public.

Confidential Report about Auditors.

3.28 Inspecting AAOs/ SOs must on the 1st April each year, forward to the Deputy Accountant General (Admn) through proper channel under a sealed cover the Confidential reports on the working of the Auditors attached to them.

APPENDIX 'C'

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT), ASSAM.
TITLE SHEET OF THE INSPECTION REPORT.

(See chapter para-3.25)

General

Name of the Office Inspected

Period of Accounts

Description of Accounts.

Personel of the party

I.O.

I.A.

A.A.

A.A.

Part-1 Current Inspection - Period of Inspection

from í

to í (working days).

6. I.R. Drawn up by í í í í í í í í í í í í .. I.O./ I.A.(I.R. and P.O.S. to be cross referenced).

7. Dates of issue of P.O.S & number of P.O.S issued on each day
í ..
í ..
(if no P.O.S was issued then the omission may be adequately explained).

8. Date of receipt replies to P.O.S. (no replies were received reasons should be recorded why no reply could be obtained).

9. No. and date of issue of part-III (TAN) of the I.R. (Copy of TAN to be enclosed to the I.R.).

10. Total cash recoveries effected.
Paragraph in which cash recovery suggested.

11. Total wasteful expenditure avoided at the Instance of audit.

12. (i) Month(s) for which accounts checked in detail í í í í í í í í í í í í ...
(ii) Remittances checked with treasury accounts í í í í í í í í í í í í ..

13. Whether stores and stock accounts checked as per S.O. No. OA-1/ 27, dated Sept./ 66

14. Leave accounts (i) total No. of employees & leave accounts
(ii) No. due to retire in next two years.

(iii) No. checked (list to be attached).

Documents accompanying the Reports

- (i)
- (ii)
- (iii)

Paragraphs in which any embezzlement detected by audit.

List of outstanding I.R. reviewed. If any outstanding I.R. is not reviewed then reasons for the omission may be stated.

Whether draft I.R. was discussed with the head of office Inspected ? (if not state reasons).

Whether time allowed for audit is adequate/ inadequate or excessive? (Record reasons for reply).

Whether periodicity of this audit required to be changed.

Serial number of paras requiring any action in Headquarters (other than OAD) & particulars of such action.

Serial number of paras requiring attention in subsequent local audit.

Are there any points of general nature or special importance, which in the opinion of the IA/ IO requires to be taken up with any higher authority or other department? If so, give separate notes on such points for considerations of OAD (HQ).

Are there any aspects, which may be of interest of ECPA. If so indicate the relevant paras.

Whether copies of annexure/ statements required in accordance with the total number of endorsed submitted.

(a) Whether authenticate statement of LOC/ FOC checked and conservation if any made.

(b) Whether the expenditure confirmed to the LOC issued to DDOs is written the approved budget allocation.

Whether statement of allocation of fund showing the refraction under salary (both plan & Non plan) collected and incorporated in the DIR with audit comments, if any.

(a) Whether KDs required with reference to para have been collected if so, list of KDs should be furnished. If no, reasoned should be stated.

(b) Whether page numbering and cross references of POS/ KDs in the DIR done.

(c) Nos. of POS issued.

(d) Nos. of POS developed.

(e) Nos. of POS dropped.

Whether un audited period of accounts due to seizer of documents accounts etc. indicated and list of seizing documents furnished along with the DIR.

Whether for a new unit the audit of which is taken up for the first time, the copies of Govt. notification for creations of the unit, date of opening the cash book, cash balance etc. mentioned in the introductory portion of DIR.

Reasons for gap period of incumbency suitably stand.

Objective/ function of the organization.

Whether treasury transit register in support of Treasury drawal has been verified.

- (a) Date of completion of audit.
- (b) Date of submission of DIR.
- (c) Reasons for delay.

Whether budget allotment/ expenditure (plan & non plan) for 3 complete financial years incorporated in the DIR.

Criteria for selection of months for detail check.

Name of important project & Schemes.

Whether the points of allegation made in the news paper (press clipping) was examined and verified and audit findings incorporated in the I.R.

Whether any enquiry undertaken by state vigilance, director of economic offence, CBI or any other agency during the period covered by audit and cases of suspension/ dismissal/ Deptt. Proceedings, if any against any officer/ staff if so furnished brief particulars.

Certificate by IA/ IO that on study of the system it was found that the treasury Rules/ AFR. GFR. CAR has been satisfactorily adhered to.

Misc. 1. Remarks of IA about performance of A & separate sheet as annexure to the title sheet.

- i. í
- ii. í

2. Remarks of I.O. about performance of IA & AAø (to be filled in by IO in cases supervised items)

- Part-II allocation of duties (Separate list to be attached).
- Part-III list of records checked.
- Part-IV performance of duties remarks I.O.
- Part-V for use at headquarters.

For approval and issue of the Inspection Report.

CHAPTER 4

GENERAL PRINCIPLES OF AUDIT

Introduction:

This chapter deals with the general principles and practices as envisaged in the Standards with Ethical Significance and Auditing Standards to be observed/ adopted by an auditor while conducting Government accounting. It is of considerable importance that the audit checks prescribed should be observed in spirit and not merely in letter. The directions provided in the standards are primarily intended to be applied in relation to the accounts of the Union, of the States or of the Union territories. They apply *mutatis-mutandis* to the accounts of other authorities, the audit of which is undertaken by or on behalf of the C& A.G.

Standards with ethical significance.

The standards with ethical significance apply to individual auditor, head of the Supreme Audit Institution (SAI), executive officers and all individual working for on behalf of the SAI. The SAI has the responsibility to ensure that all auditors acquaint themselves with the values and principles contained in conduct Rules for Govt. servants and they act accordingly. The following audit standards have ethical significance-

The auditors should be independent and impartial and should avoid conflicts of interest with the audited entity on matters that may impair their independence materially.

The auditors must possess the required competence i.e. they must know and follow applicable auditing, accounting and financial management standards, policies, procedures and practices.

The auditors must exercise due care and concern in complying with auditing standards.

The auditors should at all times maintain absolute integrity and devotion to duty.

Auditors should not disclose information obtained in the process of audit to third parties, either orally or in writing, which may provide unfair/ unreasonable advantage to other individual or organization and cause harm to others.

Auditing Standards

Auditing Standards *inter-alia* includes Field Standards and Reporting Standards, which the auditors are expected to follow for conducting audit and for preparation of Reports.

Field Standards:

The field standards (applicable to all types of audit) are-

(A) Planning

4.3.1 - The auditor should plan the audit in such a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner. In planning of an audit of specific auditees, the auditor should -

- (i) Identify important aspects of the environment in which the audited entity operates.

- (ii) Develop an understanding of the accountability relationship.
- (iii) Consider the form, content and users of audit opinions, conclusions or reports.
- (iv) Specify the audit objective and the tests necessary to meet them.
- (v) Identify key management systems and controls and carry out a preliminary assessment to identify both their strengths and weaknesses.
- (vi) Determine the materiality of matters to be considered.
- (vii) Review the internal audit of the audited entity and its work programme.
- (viii) Assess the extent of reliance that might be placed on other auditors, for example, internal audit.
- (ix) Determine the most efficient and effective audit approach.
- (x) Provide for a review to determine whether appropriate action has been taken on previously reported audit findings and recommendations and
- (xi) Provide for appropriate documentation of the audit plan and for the proposed fieldwork.

(B) Supervision and Review

4.3.2 - The work of the audit staff at each level and audit phase should be properly supervised during the audit and a senior member of the audit staff should review the documented work to ensure the fulfilment of audit objectives and maintenance of the quality of audit work. Supervision should be directed both to the substance and to the method of auditing. It involve ensuring that-

The members of the audit team have a clear and consistent understanding of the audit plan.

The audit is carried out in accordance with the auditing standards and practices of the the SAI.

The audit plan and action steps specified in that plan are followed unless a variation is authorised.

The working papers contain evidence adequately supporting all conclusions, recommendations and opinions.

The auditor achieves the stated audit objectives and

The audit report includes audit conclusions, recommendations and opinions, as appropriate.

This standard emphasises the importance of involvement of each higher level of supervision and does not in any way absolve the lower level of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

(C) Study and Evaluation of Internal Control

4.3.3 The auditor, in determining the extent and scope of audit, should study and evaluate the reliability of Internal Control.

The study and evaluation of internal control should be carried out according to the type of audit undertaken. In the case of a regularity (financial) audit, study and evaluation are made mainly on control that assist in safeguarding assets and resources and assure the accuracy and completeness of accounting records. In the case regularity (compliance) audit, study and evaluation are made mainly on controls that assist management in complying with laws and regulations.

The extent of study and evaluation of internal control depends on the objectives of the audit and on the degree of reliance intended.

Where accounting or other information systems are computerised, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

(D) Compliance with applicable laws and regulations

4.3.4 In conducting regularity (financial) audit, a test should be made of compliance with applicable laws and regulations. The auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities and illegal acts and could have a direct and material effect on the financial statement amounts or the results of regularity audits. The auditor also should be aware of the possibility of illegal acts that could have an indirect and material effect on financial statements or results of regularity audits.

The regularity audit is an essential aspect of government auditing. One important objective is that this type of audit assigns to make sure, by all the means put at its disposal, that the State budget and accounts are complete and valid. This will provide Parliament and other users of the audit report with assurance about the size and development of the financial obligations of the state.

(E) Audit Evidence

4.3.5 The auditor should gather competent, relevant and reasonable evidence to support his judgement and conclusion regarding the organization, programme, activity or function under audit. Adequate documentation is important for several reasons. It will-

Confirm and support the auditor's opinions and reports.

Increase the efficiency and effectiveness of the audit.

Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.

Serve as evidence of the auditor's compliance with Auditing Standards.

Facilitate planning and supervision.

Help the auditor's professional development.

Help to ensure that delegated work has been satisfactorily performed and

Provide evidence of work done for future reference.

The following paragraphs explain audit evidence as audit standards-

The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

Auditors should have a sound understanding of techniques and procedures such as inspection, observation, enquiry and confirmation to collect audit evidence. The SAI should ensure that the techniques employed are sufficient to directly detect all quantitatively material errors and irregularities.

In choosing approaches and procedures, consideration should be given to the quality of evidence i.e. the evidence should be competent, relevant, reasonable and as direct as possible so as to reduce the need for inferences to be made.

Auditors should adequately document the audit evidence in working papers including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor's proficiency, experience and knowledge. Working papers should be sufficiently complete and detailed to enable an experienced auditor having

no previous connection with the audit subsequently to ascertain from them what work was performed to support the conclusions.

(F) Analysis of Financial Statements

The auditor should analyze the financial statement in case of regularity (financial) audit, and in other types of audit when applicable. Analysis of the financial statements should be performed to such a degree that a rational basis is obtained to express an opinion on financial statements. The following paragraphs explain analysis of financial statements as an auditing standards-

Financial statement analysis aims at ascertaining the existence of the expected relationship within and between the various elements of the financial statements ,identifying any unexpected relationships and any unusual trends.

The auditor should therefore analyse the financial statements thoroughly and ascertain whether:

Financial Statements are prepared in accordance with acceptable accounting standards.

Financial statements are presented with due consideration to the circumstances of the audited entity.

Sufficient disclosures are presented about various element of financial statements and

The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit and on the knowledge and judgement of the auditor.

Where it is required to report on the execution of budgetary laws, the audit should include for expenditure accounts, verifying credits to assist budgets, adjustment laws and for carryovers, the previous year's financial statements.

Reporting Standards:

4.3.7 The audit reporting process begins with submission of an Inspection Report to the head of any Office or Department, which has been audited with a request to submit replies and clarifications/ comments on the audit observations. Depending on the veracity and relevance of replies/ clarifications received and the materiality of the observations in the Inspections Reports, these are further processed for reporting in the Audit Report for placement in the concerned legislature. The following standards apply to this reports-

- (a) On completion of each audit assignment, the auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

- (b) With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, *modus operandi* of the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud/serious financial irregularity.
- (c) With regard to regularity audits, the auditor should prepare a written report which may either be a part of the report on the financial statements or the Value for Money Audit or a separate report on the tests of compliance of applicable laws and regulations. The report should contain a statement on the results of the tests to indicate the nature of assurance.

Reporting standards constitute the framework of the audit organization and the Auditor to report the results of audit of regularity or Performance Audit or expressing his opinion on a set of financial statements. These standards are to assist and not supercede the prudent judgement of the Auditor in making audit observations, conclusions and report.

[Authority: ÅAuditing Standards, Auditing Standards-2001 and 2002 and MSO (Audit)-2002 (2nd edition).

CHAPTER-5
PROCES OF AUDIT
Section-1

The following are the three main categories of Civil Audit-

- (i) Audit of Receipts,
- (ii) Audit of Expenditure,
- (iii) Audit of Store & Stock.

Audit of Receipts:

5.1 Section-16 of the C & A.G.Ø DPC Act, 1971 enjoins upon the C&AG, the duty of auditing all receipts, which are payable into Consolidated Fund of the Union and of each State and Union Territory having a Legislative Assembly.

Audit of receipt embraces the audit of all tax and non-tax receipts of the Central and State Governments and Union Territories. It also requires the C&A.G. to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on assessment, collection and proper allocation of revenues and are being duty observed and to make, for this purpose, such examination of the a/cs as he thinks fit and report there on. Audit should also see that the departmental machinery is sufficiently safeguarded against error and fraud.

Whereas the audit of tax receipts is, in most cases, taken up separately, other departmental receipts are generally audited along with the audit of the expenditure of the department or schemes concerned. The most important function of audit and the area of audit concern in relation to assessments and refunds is to satisfy itself by such test checks as it may consider necessary, that the internal procedures adequately provide for and actually ensure:

- (a) the collection and utilisation of data necessary for computation of the demand or refund under law;
- (b) the computation and realisation of various taxes, fees, rents, royalties etc. are in accordance with the applicable tax laws;
- (c) the prompt raising of demands on tax payers in the manner required by law;
- (d) the regular accounting of demands, collection and refunds;
- (e) the correct accounting and allocations of collections and their credit to the Consolidated Fund.
- (f) that the relevant and requisite records are being maintained properly;
- (g) that adequate control and monitoring mechanisms have been devised to prevent loss or leakage of revenue;

- (h) that there has not been any loss or leakage of revenue on account of lacunae or loopholes in the rules framed for the purpose or on account of avoidable delays in the issue of necessary notifications & orders;
- (i) that double refunds, fraudulent or forged refund orders or other losses of revenue through fraud, default or errors are promptly brought to light and investigated;
- (j) the estimates of revenue have been realized at the end of the financial year. In cases of shortfall, audit should ascertain if this was attributable to negligence in collection or the original estimates were erroneous or unreliable;
- (k) that measures have been taken by the department to realise the outstanding dues. Audit should review the matter carefully and suggest to the departmental authorities any feasible means for their recovery. Whenever any dues appear to be irrecoverable, orders for their waiver and adjustments should be sought.

Audit of Expenditure:

Under the provisions of Section-13 of the C& A.G. & DPC, Act, 1971, it is the duty of the C&A.G. to audit all expenditure incurred from the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly. (Para -2.2.1 of M.S.O.(Au))

The primary objective of audit of expenditure are to check whether-

- (i) funds have been authorized by the competent authority prescribing the limits within which expenditure can be incurred.
- (ii) the expenditure conforms to the relevant provisions of the Act and the constitution and of the laws made thereunder and is also in accordance with the financial rules and regulations framed by the competent authority.
- (iii) either a special or general sanction of the competent authority authorising the expenditure, is available and
- (iv) all financial transactions have been correctly recorded in the accounts under examination and have been allocated to the appropriate head of accounts.
(Para 2.2.2 of M.S.O. (Au)).

This provision of the Act implies the condition that the expenditure should be incurred with due regard to the broad and general principles of financial property. Any cases involving a breach of these principles and thus resulting in improper expenditure or waste of public money, should be treated by Audit in the same manner as cases of irregular or unauthorised expenditure. (Para 2.2.3 of M.S.O. (Au))

The Constitution of India enjoins (under Article-266 (3)) that no moneys out of the Consolidated Fund of India or of the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in the

Constitution under Article-112 to 116 and 202 to 206. Audit should exercise its check as per the provision of the Constitution and make suitable comments.

As per the provisions of the constitution (Article-114 to 116 & 204-206), no expenditure can be met from the respective Consolidated Fund on or after April 1st of a financial year unless an Annual Budget is prepared and an Appropriation Act authorising withdrawal of funds from the Consolidated Fund to the extent of the provisions in the Annual budget is passed. All disbursement from the Consolidated Fund during a Financial year, which are not within the sums authorised by an Appropriation Act passed by the appropriate Legislature before the close of the year, will therefore be challenged by Audit as an unauthorised expenditure under the provision of Section-13 (a) of the C&A.G.Ø DPC Act, 1971, until regularized by an Appropriation Act/ Section 48 of the Govt. of U/T, Act, 1963. Under article-267 of the Constitution, advances from Contingency Fund of India or of a State or of a Union Territory can be drawn for meeting unforeseen expenditure pending authorization of such expenditure by the Parliament/ Legislature concerned. On such authorisation the advances drawn will be recouped to the Contingency Fund.

Audit against provision of funds should be directed primarily towards ascertaining that the moneys expended have been applied to the services and purposes for which the Grants and Appropriation Act is passed under Article 114 or 204 of the Constitution or Section 29 of the Govt. of U/ T , Act 1963 were intended and that the expenditure against each Grant or Appropriation does not exceed the amount included in the schedule.

The system in force for budget formulation and expenditure control are required to be audited so as to ensure that the estimates presented to the Parliament/ Legislature are prepared in accordance with established procedure and that the executive has a mechanism in place to monitor expenditure *vis-à-vis* the budget to ensure that the Grants and Appropriations are not exceeded. Audit scrutiny would be specially focused on the following aspects-

Existence of proper and adequate systems in the ministries and departments for budgetary control with duly defined accountability centres for securing the preparation of realistic estimates of both receipts and expenditure.

Availability with the Union, State and Union Territory Governments of a Budget Manual describing the rules and regulations governing budget formulation and the processes relating to preparation of receipts and expenditure estimates, their examination by the heads of departments and the controlling officers and provision of all relevant and of essential information and explanation.

Adherence to all procedures prescribed in the Budget Manuals of the respective governments.

Extent of association and involvement of functionaries at all levels from the DDOs, to the heads of the ministries and departments with the formulation of budget estimates,

Adequacy of monitoring mechanism to safeguard against excesses over allotments to the DDOs and over the overall grants and appropriations.

Audit has to satisfy it self that the expenditure, which is being audited, falls within the scope of a Grant or an Appropriation Act and that, it is within that Grant or Appropriation.

Expenditure in excess of a Grant or Appropriation as well as expenditure not falling within its scope or intention, as specified in the schedule to an Appropriation Acts unless regularised by an Appropriation Act, should be treated as unauthorised expenditure within the meaning of Article 114(3) or 204(3) of the constitution or Section 29(3) of the Govt. of U/T Act., 1963 as the case may be.

The responsibility for watching the progress of expenditure against a Grant or Appropriation devolves on the Executive who is ultimately responsible for keeping the expenditure within the Grant or Appropriation. Audit should, however, render all legitimate and constructive advice to the Executive in this matter and see that suitable and adequate arrangements exist in all departments of Govt. for the control of expenditure.

A Grant or Appropriation is intended to cover all the charges including the liabilities of past years to be paid during the financial year or to be adjusted in the accounts of that year. It remains operative till the close of that year. Audit should see that unspent balances lapsed and not utilised in the following year.

In relation to audit of expenditure against regularity, it is the duty of Audit to examine all financial rules and orders issued by the Executive authorities affecting expenditure and other transactions subjected to audit to see that the rules and orders are themselves intra-vires and to ensure that the transactions to which they relate may be effectively audited. In scrutinizing rules and orders, it should be seen that:

they are not inconsistent with any provisions of the Constitution or of any laws made there under;

they are consistent with the essential requirements of audit and accounts as determined by the C&A.G.

they do not conflict with the orders of, or rules made by any higher authority; and

the authority issuing rules that have not been separately approved by the competent authority is vested with the necessary powers to frame them.

Audit should see that the discretion vested in authorities empowered to make rules is not fettered unnecessarily merely because difficulties may arise in the application of necessary audit check. If Audit has reason to believe that undue advantage been taken of the provisions of any order under which the rule is issued, the case may be brought to the notice of the proper authority.

All orders of delegation of financial authority should be scrutinized carefully because audit of sanction as well as of expenditure or other transactions may be conducted against these orders for an indefinite length of time once these have been admitted or accepted.

Audit may, on their own initiative accept rules, orders, object etc. that are to be scrutinized by them, object to them or request that they be amended. However, the C & A.G. should be consulted in all cases of doubt and difference of opinion for his specific concurrence.

Audit of sanctions and orders of the Union and State Governments and those accorded by sub-ordinate authorities of the Government is an important area of audit of expenditure.

While conducting audit of sanction audit has not only to see that the expenditure is covered by sanction (either general or special) but also to satisfy itself that-

the authority sanctioning it is competent to do so by virtue of the power vested in it by the provisions of the Constitution and of the laws, rules or orders made there under or by the rules governing the delegation of financial power framed by a competent authority; and

the sanction is definite and therefore needs no reference either to the sanctioning authority itself or to any higher authority.

In the audit of sanctions to expenditure from the point of view of competency of the sanctioning authority, it should be seen that if the authority is vested with powers that may be exercised only after paying due regard to certain criteria expressed in a general form, sanctions accorded under those powers could be challenged by Audit

- (a) if the disregard of the criteria is considered to be so serious as to make the sanction perverse; or
- (b) if the facts of the case are such as to make the Audit confident that one or more of the criteria have been disregarded.

Utmost care and attention should be devoted to work connected with the audit of sanctions to expenditure because once a sanction has been accepted in audit, expenditure there against may have to be admitted for an indefinite period. Sanctions having a long period of currency as well as sanctions of a permanent nature, require to be reviewed periodically so that, if there is any reason to believe that the administrative authority concerned should be requested to review the sanction, such action may be taken.

In the case of Union Government, all financial sanctions and orders issued by a ministry or department of that Govt. within its own financial powers and communicated to Audit, should contain an indication that the concurrence of the Internal/ Integrated Financial Advisor has been obtained. All other sanctions issued with the concurrence of the Ministry of Finance should also be communicated direct to Audit with an indication that the concurrence of the Ministry of Finance has been obtained.

Note: - Sanctions and orders which have been issued with the Comptroller and Auditor General require no further audit scrutiny.

In audit against propriety, it should not only be seen that sundry rules and orders of a competent authority have been observed but also to be seen that broad principles of orthodox finance are borne in mind by the disbursing officers/ sanctioning authorities.

The Inspecting officers in the performance of their duties while conducting audit of expenditure should apply the following general principles that have long been recognized as standards of financial propriety:

the expenditure should not prima-facie be more than what the occasion demands.
Every public officer is expected to exercise the same vigilance in respect of

expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

no authority should exercise its powers of sanctioning expenditure to pass an order that will be, directly or indirectly, to its own advantage.

public moneys should not be utilised for the benefit of a particular individual or section of the community unless (a) the expenditure involved is insignificant, or (b) a claim for the amount could be enforced in a court of law or (c) the expenditure is in pursuance of a recognized policy or custom.

The amount of allowances, such as travelling allowances granted to meet expenditure of a particular type, should be so regulated that the allowances are not, on the whole, sources of profit to the recipients.

Audit of accounts of Stores & Stock

5.3 The stores and stock accounts form part of the initial and subsidiary accounts of the departments and audit thereof is consequently conducted locally as per the provision of the Constitution. The audit of the accounts of the stores and stock shall be directed towards ascertaining that the departmental regulations governing purchase, receipt and issue, custody, condemnation, sale and stock verification of stores are well devised and implemented. Audit should bring to the notice of the Govt. any important deficiencies in quantities of stores held or any grave defects in the system of control.

5.3.1 The following aspects relating to purchases of stores should be examined in audit-

purchases should have been properly sanctioned and made in the most economical manner in accordance with the rules, regulations and orders issued by the Government. It is also to be seen that the stores procured are of approved quality and specifications. The system of open competitive tender should be adopted for purchases from contractors or suppliers, the purchase being made only from the lowest tenderer unless there are recorded reasons for not doing so.

the rates paid should correspond to those of approved price list or those agreed to in the relevant contracts or agreements.

the Government servants responsible for approving and receiving purchases should furnish a certificate of quality and quantity before payments are made.

purchase orders should not have been split up so as to avoid the necessity of obtaining the requisite sanction of higher authorities.

Necessary precautions should have been taken to safeguard Govt. interests in cases of advance payments for supply of stores in terms of contract the provisions Govt. orders. It is also to be seen whether purchases have been received within stipulated period and the advance payments adjusted.

5.3.2 As regards custody and issue of stores, it has to be seen in audit whether:

- (i) a particular official has been responsible for the custody of stores for prolonged periods and, if so, whether the stores have been physically verified regularly to guard against any loss, pilferage, etc.,
- (ii) discrepancies, if any, between the book balances and the ground balances have been reconciled promptly,
- (iii) appropriate and effective follow-up action has been taken on reports of physical verification of stores for making good any losses, shortages, etc. and to fix responsibility therefor,
- (iv) adequate precautionary measures have been taken to prevent misuses of materials issued to contractors for use in works,

- (v) adequate storage facilities are available and precautionary measures have been taken to protect stores from damage and undue deterioration,
- (vi) efforts have been made to transfer surplus stores to other works, divisions or departments where these could be utilised,
- (vii) a report on surplus stores that could not be so transferred as well as on obsolete and unserviceable stores, specifying the reasons for so declaring them, has been promptly sent to the competent authority for facilitating their disposal,
- (viii) all issues of stores are supported by proper indents and have been approved by the competent authority and acknowledged by the intended recipients, and
- (ix) officers entrusted with custody of stores or holding charge of stores have furnished the security prescribed in terms of the instructions issued from time to time by the competent authority.

Note: Only such materials as are provided in the agreement should have been issued to contractors in a phased manner based on its use within a reasonable period. Where Government or any other authority has prescribed a scale for issue of stores of any particular kind, the scale should not have been exceeded.

5.3.3 Irregularities in the disposal of public stores are equivalent to illegal appropriation of public funds, and an audit of moneys expended on purchase of stores cannot, by itself, be complete unless the disposal of the stores is also audited in order to ascertain the final application of the moneys. In auditing the disposal or write-off of stores, the following should be kept in view:

The competent authority should have accorded sanctions for write-off of stores. Any deficiencies in the systems requiring attention should be brought to Government's notice.

Maintenance and accountal of unserviceable stores that cannot be utilised by the department responsible for their custody involve waste of labour and space. Retention of stores in excess of probable requirements in the immediate future may also result in loss through deterioration. It should, therefore, be seen that measures are taken to survey and segregate surplus, unserviceable and obsolete stores and to consider their disposal in accordance with the procedures prescribed by Government in this regard.

Stores are generally procured by departments/divisions for their own use and not for sale. However, when it becomes necessary to sell some surplus stores, this is generally done on receipt of payments in advance against proforma invoices, though sales on credit may be unavoidable occasionally. In such cases, the sale proceeds should have been promptly realised. Instances of proceeds against credit sales remaining unrealized for considerable periods should, therefore, be analyzed and commented upon.

Stores in many cases result in capital remaining locked up for long periods; this may not be justified unless essential. In order to ensure this and effect economies, appropriate stock limits for different categories of stores should have been fixed by Government. Audit may, therefore, see that this has been done and that balances in stock do not exceed the prescribed limits. Audit should also scrutinise cases of purchase of stores without actual need or in excess of requirement, resulting in accumulation of idle stock and consequential loss to the Government. Similarly, Audit may look out for cases of purchases less than the actual requirement that might have affected adversely the progress of works and resulted in subsequent procurement at additional cost. It may also be examined whether there has been rush of expenditure on procurement at the close of the financial year or fictitious booking merely with a view to utilising the budget grants.

It is an important function of Audit to ascertain that stores materials are counted periodically and otherwise examined to verify the accuracy of the quantity balances reflected in the books. Audit shall not, except when specifically authorised to do so, assume responsibility for physical verification of stores, it, however, has the right to investigate stores balances and highlight discrepancies. Audit has to see that (a) a certificate of verification of stores is recorded periodically by a responsible authority, (b) the system adopted by the executive for verification is adequate and proper, (c) discrepancies found on stock verification are properly investigated and reconciled, and (d) the staff responsible for stock verification are, wherever possible, independent of those responsible for the physical custody of stores or for maintaining the accounts. It should also be seen that stock verifiers work, wherever practicable, directly under the control of the Government and not under the heads of the individual departments concerned.

[Authority: MSO (Audit)-2nd Edition-2002]

SECTION-2

Audit of Receipts from the Cash Book.

5.4.1 It is not necessary to undertake complete check of the arithmetical accuracy of the Cash Book in full and also 50 percent of the entries relating to receipts. Presently one month's account is selected for detailed check. The test audit of the accounts of the selected month would include the checking of the entries in the cashbook relating to receipts and its arithmetical accuracy in addition to the verification of the remittances into Treasury/ Bank during the month selected for detailed check. Further, in addition to the detailed check of the accounts for one month, the arithmetical accuracy of the Cash Book should be checked for one more month selected at random. This should also include checking of the opening balance for proper carry forward from the closing balance of the previous month and that of closing balances of the month selected for scrutiny to the next month. In the cases of biennial or triennial audits, checking of arithmetical accuracy may be confined to any two months.

(Authority: C & A.G.'s D.O. No. 770-TA-I/ 171/ 74, dated 7-9-74).

Audit of Demand Register

5.4.2 It should be seen that the names of all persons from whom fees or other revenues are due have been noted in the Demand Register. The Register should, therefore, be checked with any other register, roll or other records maintained showing their names. It should also be seen whether the closing balances of the previous demands have been correctly brought forward and all amounts shown in the counterfoil of receipts granted to the parties have been noted in the Demand Register and credited in the Cashbook.

Audit of Receipt Book

5.4.3 The stock Accounts of Receipt Books should be examined to see that: -

- the number of Receipt Books received agrees with the indent or requisition and that all such receipt books are kept under lock and key by a responsible officer;
- only one book is issued to an individual officer on receipt of the previous used up book;
- the number of receipt forms contained in each is recorded on the covering page under the initial of a responsible officer and all the forms are machine numbered;
- the issue of a receipt book and the return of a used up book are duly recorded and acknowledged;
- for cancelled receipt forms, there should be both the original and the duplicate in the receipt book; and
- the closing balance in the stock account is verified by the Head of the office periodically and certificate recorded to that effect.

SECTION-3

Cash Book.

5.5.1

- (a) A general examination of the receipts side of the Cash Book will indicate the nature and sources of receipts. The Inspecting AAO/ SO should critically examine the various items of receipt as he proceeds with the general examination of the Cash Book. Amounts drawn from the Treasury/ Bank through Pay, Travelling Allowance and Contingent Bills are common to all accounts. He should see that the amount drawn as per office copies of bills and the Contingent Registers are accounted for in the Receipt side of the Cash Books. Apart from these, each department has its own particular receipts e.g. the Cash Book of a Commandant's offices will show the credit of hire of transport animals, realisation on account of negligent damage to clothings receipt on account of sale proceeds of old and unserviceable stores, recovery on account of security deposits, etc. The Auditor should, therefore, check each kind of receipt and the corresponding receipts traced in to the Cash book.
- (b) In regard to expenditure, it should be seen that acquittance are forthcoming for the disbursement of amount drawn from the Treasury/ Bank on account of pay, travelling allowances, etc. that there are challans in support of each remittance into the Treasury/ Bank.
- (c) The primary duty of Audit is to secure the correctness of accounts and the Inspecting AAO/ SO, should, therefore, be very particular in seeing that the amounts realised by grant of receipts are traceable in the Cash Book and amounts creditable into the Treasury/ Bank have actually been credited and that there are authenticated challans in support of all such remittances. (C & A.G.Ø letter No. 31-Admn. I/ 205, dated 15th January, 1937)

Note:- Inspecting AAO/ SO should see how the news papers, periodicals etc., if any, subscribed from Government funds are disposed of and whether the sale proceeds are credited to Government.

(Sectional Order No. 4 (OAD) dated Shillong the 15-6-54).

The totals and balances of the Cash Book should be checked and it should be seen whether: -

all cash transactions are entered as soon as they occur;

the cash Book is closed regularly and the procedure for its maintenance and verification of cash balance laid down by Government is scrupulously followed:

the expenditure shown in the permanent advance column justifies the retention of the full amount of the advance; and

expenditure has not been incurred in excess of the permanent advance by spending irregularly from the departmental receipts and the cash balance in hands of the

cashier is sufficiently covered by the security deposits and that the security furnished by the cashier is adequate.

(C & A.G.ø letter No. 707-Admn. I/ 197-51, dated 6th May, 1952).

Cash Verification

5.5.2 The statutory audit should never undertake physical verification of Cash. This is to be done by the Officer-in-charge of the Cash at least once on the last working day of each month and a Certificate to this effect recorded in the cashbook. Audit is only to check the entries in the Cash Book up to the date of verification by the Officer-in-charge and to see that differences, if any, between the book balances arrived at after check and the balances as certified in Cash Book are reconciled.

(C & A.G.ø No. 523-Admn./244-50, dated 10th February, 1951).

Accounting of Non-Government Money

5.5.3 Where under special sanction, a Government servant deals with both Government and non-government money in his official capacity, the Government money should be kept in cash box and be separated from non-government money and the transactions relating to the latter should be accounted for in a separate set of books and kept entirely out of Government accounts.

Pass Book.

5.5.4 The Controller of the Emigrant Labour Fund Banks with the State Bank of India, the transactions being recorded in the Bankø monthly statement of accounts. Transactions of the Jails and of the Mental Hospital at Tezpur are reported in the Treasury Pass Book.

It should be seen that: -

The statement of accounts and the Pass Books are written up by the Bank or the Treasury employees only as the case may be and that each entry in the Pass Book is authenticated;

The totals of the receipts and repayment sides are correct and written in words as well as in figures; and

The receipt and payment sides of the cash book agree with the credit and debit sides of Bankø statement of accounts or the Treasury Pass Book as the case may be.

Cheque Books.

5.5.5 It should be seen that: -

the cheque books are obtained only from the Treasury/ Bank;

each bound book contains a specified number of cheques certified by the Head of the office;

the books are kept in the personal custody of the Drawing Officer;

cheques are not drawn for sums below Rs. 10/-;

the amount of cheques are written in words as well as in figures on the counterfoils and that the counterfoils are initiated by the person authorized to sign the cheque;

the cheques are not signed unless required for immediate encasement or delivery to the person concerned; and

all cancelled cheques are enfaced or stamped "cancelled" over the initials of the Drawing Officer and are preserved for scrutiny by audit.

Challans

5.5.6 It should be seen that: -

every challan has been stamped with the Treasury or the Bank seal and that has been initialed by the Treasury Accountant or the Bank Authority as the case may be; and

the challans for sums of Rs. 500 and over have been signed by the Treasury Officer.

SECTION-4

Retention of heavy Cash balance/ Drawal of funds in advance of requirement

According to Financial Rules, money should not be drawn from the treasury unless required for immediate disbursement and any unspent amount should be refunded into the treasury promptly.

(2) It has been observed that in many cases money is drawn from the treasury by the Drawing and Disbursing Officers (DDO) particularly at the close of the financial year in advance of requirement. The local audit parties are required to collect, *interalia*, the following information, without fail, in the offices where instances of such irregularities come to notice: -

- (a) particulars of the Drawing and Disbursing Officer;
- (b) particulars of sanctioning authority and letter No./ date of sanction;
- (c) amount(s) drawn and date(s) of drawal;
- (d) purpose(s) for which drawn;
- (e) manner in which amount(s) retained, i.e., in the form of Cash, Bank drafts, Deposit-at-Call etc. (with date of deposit or of obtaining bank draft).
- (f) when the cash retained in the form Deposits-at-Call/ bank draft, etc., the following points should be specifically examined and described in the draft I.R.;

when the amount was first drawn;

what was the stated purpose for/ withdrawing cash and keeping it as Deposit-at-Call/ Bank draft?

whether and when were the Deposit-at-Call receipts revalidated?

correlation between revalidation of Bank Draft for a prolonged time and the audit observation of retention/ withdrawal of money much in advance of requirement should be clearly established;

- (g) if drawn for payment of supplies-date of placing supply orders;
- (h) date and particulars of payments actually made;
- (i) whether full or part of the amount drawn was refunded, if so when?
- (j) reasons for delay in payment(s) and non-refund in time; and
- (k) if drawn for payment of services; whether drawal preceded the utilisation/ availability of services?

(3) Some D.D.O.s with-draw large sums and keep them as current account with banks. Such practice is unauthorised and is normally done without sanction from the Government. The audit parties have to *interalia* see whether: -

- (a) Any authorisation has been issued by the Government to the DDO? If so, was it done with the concurrence of Finance Department?
- (b) Whether such authorisation was issued in conformity with State/U.T. Financial Rules
- (c) Whether any periodic bank reconciliation is done?
- (d) What is the period, over which the amounts drawn in lump for specific purpose and kept with the bank are spent by the D.D.O. (the manner in which such expenditure is incurred should be closely scrutinised).
- (e) Does the Superior Officer/ Government know of this practice prevailing in the field office concerned?

The local audit parties should examine thoroughly as to whether the amount could not be spent either due to non-implementation, or part-implementation of work or due to non-implementation or part-implementation of the project or scheme or due to non-finalization of the Estimates or want of administrative approval/ technical sanction against such work, project or scheme. This is necessary so as to see that such advance drawals of funds from treasury, apart from avoiding lapse of budget grants, do not lead to unnecessary blockade of Government fund for which draft para can be attempted in Headquarters.

(Authority: S.O. No. OA-I/ 6, dated Shillong the 12th July, 1985 and S.O. No. OA-I/ 25, dated Shillong the 17th May 1988).

Non-reflection of Treasury drawals in the Cash book.

5.6.2 While checking the Treasury drawals in the Cash Book, the following points should be borne in mind:

- (a) whether the bills for the amounts not found in the Cash Book, were actually prepared and presented at the treasury by the D.D.O. concerned for payment, as per bill register and Treasury Remittance Register;
- (b) in case the bills for such amounts are found to have been prepared and presented at the Treasury for payment, whether these particular bill were endorsed to parties. If so, whether A.P.R. was obtained from the payees.
- (c) whether the amounts drawn but not reflected in the cash book were disbursed and APRs/ Acquittance in support of disbursement of the amounts are on record.
- (d) whether the drawals are supported by the vouchers (Office copy)

- (e) whether the D.D.O. conducted physical verification of cash balance as worked out in the Cash Book without accounting for the missing drawals and certified to be correct.

The para may be drafted after examining all the above aspects so that this gives a clear picture as to the correctness of the records of the Treasury Officer and the nature of the irregularities on the part of DDO.

(Authority: Sectional Order No. OA-I/16, dated Shillong the 20th February, 1987).

Audit of sub-vouchers in support of D.C.C. bills and payees receipt.

5.6.3 It has been decided that (i) the 'Payee's Receipt' in all cases should be retained by the D.D.O. and will not be sent to the Accountant General (A &E), (ii) while detailed contingent bills their present form should continue to be sent to the A.G. (A & E), the Payees Receipts and sub-vouchers accompanying the D.D.O. bills will not be sent to the A.G. (A & E).

Consequent upon implementation of these decisions, the 'Payee's Receipts' in all cases and sub-vouchers in support of D.C.C. bills will not, therefore, be available for central audit. Hence, the following instructions are to be followed in respect of audit check of sub-vouchers in support of D.C.C. bills and Payee's Receipts.

Audit should satisfy itself that the amount drawn out of the State Exchequer has been paid to the correct payee and DDO has the payee's receipts as proof of payment. While checking cash book, it should be seen that the relevant stamped payees, receipts have been received and properly retained by the Department.

As the payee's receipts and sub-vouchers in support of the detailed Contingent Bills will be retained by the D.D.O.s concerned, audit should test check the vouchers during local audit of the offices concerned.

For this purpose D.C.C. Bills received in any two months in a year should be selected by OAD (HQ) and after obtaining them from the A.G. (A & E) they should be supplied to the local audit parties.

(Authority: O.O. Co-ordn/ 7-18/ 85-86/ 412, dated Shillong the 29th October, 1985 and A.G.'s orders, dated 8th October, 1985 at P/8n of file No. Coordn/ 7-8/ 85-86).

Works Accounts Bill.

5.6.4 It should be seen that: -

an estimate is prepared and sanctioned for all works except petty ones;

the bills and measurement books are carefully examined before payment;

a completion certificate is attached to the final bill; and

no amount provided in the Estimate as contingencies is paid to the contractor as a matter of course.

Muster Rolls.

5.6.5 It should be seen that: -

the name of the work and the dates are clearly entered at the top;

it is not prepared in duplicate and that all payments are made on the original and no rough forms or pieces of paper are used;

the Disbursing Officer's certificate is recorded on the roll in every case, where each payment is not initialed and dated; and

rules and procedure laid down by Government are observed scrupulously;

Tenders.

5.6.6 It should be seen that: -

(a) tenders bear the dated initials of the officer entitled to receive them;

(b) specific rates have been quoted in the tender form for all items of work or supplies. Acceptance of tenders as estimated rates is objectionable;

(c) the lowest tender is accepted or the reason for non-acceptance of the lowest tender is recorded. If the reason for not accepting the lowest tender be not convincing the matter should be brought to the notice of the head of the Department or Office.

Measurement Books

5.6.7 It should be seen that: -

the book is bound and that the pages are numbered;

measurements are promptly recorded and attested under the dated initials of the officer taking measurements;

pencil entries, if any, in the measurement books have not been inked over;

the entries in the area or contents columns have been filled in by the officer who took the measurement;

blank pages, or portions of pages left blank have invariably been crossed out and cancelled over the signatures of the holder of the measurement book to avoid the possibility of fraudulent entries at some later date;

in a word the rules and procedure laid down by Government are observed scrupulously.

(C & A.G. No. 707-Admn/ 197-51 dated the 6th May 1952).

Register of Rations issued for Animals.

It should be seen that: -

- (a) all purchases of fodder, etc. are entered on the receipt side of the stock book;
- (b) issues are made to the prescribed scale. The scales of issue often vary according to circumstances, as for instance, transport animals of Assam Rifles, elephants of Forest Department, and plough bullocks get rations at an increased rates while at work. Similarly cows in milk are allowed more fodder than those which have become dry.

Stamp Account:

5.6.9

- (i) Trace all purchases of stamp into the Register;
- (ii) Check totals and closing balances.

Stationery Register:

5.6.10

- (i) Trace all purchases of stationery as shown in the indent with the receipt entries of this register;
- (ii) Check totals and closing balances;
- (iii) See as far as possible that all issues are bonafide.

Register of Forms:

5.6.11

Check the receipt entries with the indents;

Check the issues as far as possible;

Check total and closing balances;

The receipt and issue of saleable forms, licence forms or the receipts forms should be very carefully checked.

Defalcation:

5.6.12 A common trick resorted to by persons who defalcate money is to set aside a receipt book and to misappropriate money, realised by grant of receipts from that particular book. Inspecting AAO/ S.O. should, therefore, check these forms very carefully and see that books shown as issued are traceable from the receipt entries in the cash books and that the

Head of the Office certifies that the balances of the book of receipt forms as shown by the Stock Book are actually in stock.

Accounts records not specifically mentioned.

5.6.13 It should be seen that: -

they are maintained in accordance with the prescribed rules and are up-to-date;

they are periodically reviewed by a responsible officer.

Check of correctness of Income Tax deduction.

5.6.14 Although the primary responsibility for correct deductions of Income Tax from salaries, is that of the D.D.O., but in the present context after the audit of Income Tax receipts has been taken by I.A. and A.D., the Auditor need not undertake any specific responsibility for correct deductions of Income Tax from salaries, except what it already has in the capacity of disbursing officer in pre-audit cases, but arrangement should be made to see during inspections of treasuries and other disbursement office, that they have adequate arrangement and safeguards to satisfy themselves about the correctness of Tax deduction from salaries which they disburse.

The Inspecting Officer/ A.A.O./ S.O. should, therefore, see that the deductions of Income tax are correctly made by the disbursing officers from the pay bills on taxable income and that the amount of Income tax deductions as shown in the Income tax returns sent by the disbursing officers to the Income Tax Officers, agree with the actual collection of Income Tax from the pay bills.

(C & A.G.'s letter No. 3372-Admn. I/ 107-60 dated 31st October 1960).

CHAPTER-VI

AUDIT OF FRAUD AND CORRUPTION.

Background:

6.1 Fraud and corruption have increasingly become important concern for countries around the world. The role of audit in addressing this has come under critical scrutiny. There is an increasing expectation that audit should, through concerted action play an effective role in promoting a culture that values honesty, responsibility and accountability in exercise of authority and utilisation of national resources.

Definition and Correlation of fraud & corruption.

6.2 Fraud involve deliberate misrepresentation of facts and/or significant information to obtain undue or illegal financial advantage where as corruption involve effort to influence and/or the abuse of public authority through the giving or acceptance of inducement or illegal reward for undue personal or private advantage.

Fraud is most likely to involve misrepresentation of information that is recorded and summarized by an entity; its impact can be compared to an accounting error and would involve issues like measurement, occurrence and disclosure. Fraud poses a serious problem from an audit perspective because it is normally accompanied by efforts to cover/falsify/misdirect entity records and reporting. The efforts to misrepresent may involve the management itself- an aspect that has received considerable attention in the wake of a major corporate failures, when management gets involved in the preparation of fraud, the activity assumes the proportion or additional bearing of corruption. Fraud and corruption are therefore interlinked, although certain types of fraud do not necessarily qualify for being viewed as corruption and can be prepared by an individual or a small group. The problem which corruption poses for audit is that it links as a concept with the acts of bribery. In many instances corruption does not necessarily result into transactions that are recorded and reported by the entity. This especially applies to situations where a position of authority or discretion available under rules is enmeshed by an official in public sector. Such corruption which because of it widespread prevalence, may be most responsible for determining the social fabric and the credibility and functioning of state institutions, does not normally get reflected in information that comes in the purview of audit.

Elements of Fraud and corruption

6.3 The basic elements of fraud can be summarised as below: -

There must be at least two parties to the fraud, namely the perpetrator and the party who was or could have been harmed by the fraud, otherwise known as the victim:

A material omission or false representation must be made knowingly by the perpetrator;

There must be intent by the perpetrator that the false representation be acted upon by the victim;

The victim must have legal right to rely on the representation;

There must be either actual injury or a risk of injury to the victim as a result of reliance;

There may be an attempt to camouflage and

Fraud involves betrayal of trust.

An act of corruption would comprise one or more of the following elements:

There must be at least two parties to an act of corruption, namely the person who offers the reward or inducement and the party accepting it;

There must be misuse of office or position of authority for private gain;

There is either an offer and/ or acceptance of inducement;

An attempt to solicit an offer of inducement or reward as benefit for performance of an official act;

Any act through which public or entity property is dishonestly misappropriated;

There may be an attempt to camouflage; and

Corruption involves breach of trust.

TYPES OF FRAUD AND CORRUPTION

6.4 Some of the most typical fraud and corruption are as follows:

Bribery is the giving, receiving offering or soliciting of any thing of value in order to influence a person in the performance of, or failure to perform, his/her duties.

False Statements and False Claims occur whenever a person knowingly and willfully falsifies a material fact or makes a false or fictitious representation or files a false or fictitious claim that results in economic or financial loss to the person to whom the false representation has been made.

Embezzlement is the fraudulent conversion for personal property by a person in possession of that property where the possession was obtained pursuant to a trust relationship. Examples of means to conceal embezzlement are the use of kiting or lapping scheme.

Kiting occur when a person withdraws cash from a bank on checks deposited by a person for which the cash has not yet been collected by the bank. To conceal the fraud, the person continuously writes checks against non-existent account balances (kites checks from bank to bank).

Lapping occurs when a person steals cash from payment of accounts receivable, and continuously uses cash from other payments of accounts receivable to conceal the initial theft (ölapsö two consecutive accounts).

Conflict of Interest occurs when a person has an undisclosed economic or personal interest in a transaction that adversely affects that person's employer.

Phantom Contractor is a non-existent company whose invoice is submitted for payment by a person involved in the purchase process.

Purchases for personal Use. A person may purchase items intended for personal use or may make excess purchases of items needed, some of which are then diverted to personal use.

Split Purchases, Contracts are split into two or more segments to circumvent the procurement authority limitations, and thus to avoid competitive bidding. They may involve bribery from the contractor to a person of the other party.

Collusive Bidding Price Fixing or Bid Rigging. Groups of prospective contractors for a contract form an agreement or arrangement, to eliminate or limit competition. This agreement may also involve bribery.

Progress Payment Fraud. The contractor requests progress payments based on falsified information submitted to the other party.

Over or under invoicing. Occurs when there is deliberate mis-statement of the invoice value as compared with goods or services received or supplied.

Extortion is the use of authority to secure unlawful pecuniary gain or advantage.

Nepotism and Favoritism unlawful use of public office to favour relatives and friends.

Loss of Revenue on account of tax or duty evasion can include different situations where revenue due to the government is not received or paid.

Unfair Recruitment favoritism exercised in the process of recruitment for unlawful gain.

Computer Fraud is any fraudulent behaviour connected with computerisation by which a person intends to gain a dishonest advantage. For instance, salami-slicing is a computer fraud where fractions of interest calculations are transferred to a personal account.

Note: -ötypes of fraud and corruption in contractsö and öwarning signs of possible fraud and corruption in contractsö are shown in Annexure-I & Annexure-II respectively.

IDENTIFICATION OF HIGH RISK AREAS

6.5 An understanding of the audited entity should enable the auditor to identify potential high-risk areas and suitably modify audit procedures and techniques. Some of the commonly perceived high risk areas are:

- Contracts of service/ procurement;
- Inventory management;
- Sanctions/ clearances;
- Program management;
- Revenue receipt;
- Cash management;
- General expenditure; and
- Other area with public interface.

The auditors would have to, based on experience and perceptions, identify such risk areas while planning audits.

AUDIT EVIDENCE

6.6 In searching for the evidence of fraud and corruption the auditor must:

- Always search for the strongest possible evidence;
- Investigate without delay, as evidence can be destroyed, lost or forgotten;
- Not ignore small clues or leads;
- Look for facts that confirm or refute suspicions;
- Concentrate on the weakest point in the fraud and corruption;
- Identify and summarize the evidence indicating that fraud and corruption may have been committed;
- Identify the possible scenario of fraud and/or corruption;
- Summarize and explain the accounting and control systems involved, the paper trail involved in the transaction, and the deviations from the systems;
- Explain patterns used in covering up the fraud corruption;
- Identify the possible extent of the fraud and corruption; and
- Consider the possibility of collusion.

6.7 Sources of Evidence.

Documents from the auditee: During the course of examination of books of accounts, auditors investigate various documents that serve as evidence for the audit. These documents may be originals or photocopies depending upon their importance.

Report of Internal Auditor: The internal auditor may have identified instances of deviation from normal procedure.

Interviews: Auditors can obtain important information from various government employees. Since they may have noticed internal control failure made by managers and fraudulent activities perpetrated by other employees, interviews may be useful in detecting material misstatements caused by fraud and corruption.

Inspection/ Observation: Auditors can notice possibility of fraud and corruption through the examination of inspection/ observation/ physical verification reports (e.g. forged document, inventory not in existence or inferior quality). Where any auditor relies on physical observation for an audit conclusion this would need to be supported with properly documented evidence.

Questionnaires: Auditors may gather important and helpful information by using questionnaires.

Confirmation with other related parties: Auditors sometimes obtain information directly from other related parties (e.g. bank balance confirmation from the bank, Debtors balance confirmation from individual debtors etc.). If the figures provided by these agencies do not tally with the books of account, they should check in detail to find out the reason for discrepancy.

Results of Analytical Review: Auditors analyse both financial and non-financial information, which can indicate abnormal trends. In that case, auditors need to concentrate on particular areas.

Expert Opinion: Auditors may seek expert opinion about a suspicious case. The expert's opinion becomes evidence if auditors can rely on that opinion in assessing fraud and corruption.

[Authority: ASOSAI guidelines for dealing with fraud and corruption]

**TYPES OF FRAUD AND CORRUPTION
IN CONTRACTS**

The following types of fraud and corruption have been reported in contracting for goods and services:

Bribery and Kickbacks - Money or other form of favour is exchanged between a public functionary and a provider of goods and services in order to obtain some benefit e.g. acceptance of substandard goods or obtaining unauthorized information.

Changes in Original Contracts - Changes are made in the original contract requiring flow of additional funds from the government to the contractor, which may affect the basis on which the contract was awarded to the contractor in the first instance. This may also involve front-loading of contract in the hope of increasing the price of the original contract through change orders or subsequent modifications to the contract.

Duplicate Payments - The contractor claims and receives payment for the same service or work done or goods supplied under the same or different contracts.

Collusive or Cartel Bidding - Contractors form cartels to artificially high prices for goods and services supplied by them.

Conflicts of Interest- Contracts are awarded on the basis of vested interests of the decision makers.

Defective Pricing- The contractor submits inflated invoices.

False Invoices- The contractor submits invoices for goods that have not been delivered or do not properly represent the quantity or quality of goods and services supplied or work done as per contracted specifications.

False Representations - The contractor falsifies the goods specifications or his ability to provide certain service.

Splitting of Purchases - The purchases of goods and services are split either to avoid open competition or having to seek the approval of higher authority.

Phantom Contractor - Purchases are made from a fake supplier or contractor.

Pilferages of Public Assets - Public funds are used to acquire goods for personal use or public assets pilfered by officials.

Tailored specifications - Specifications and time limits are manipulated to favour a certain contractor or supplier.

**WARNING SIGNS OF POSSIBLE FRAUD AND CORRUPTION IN
CONTRACTS**

Procurement and contracting of goods and services present different opportunities for fraud and corruption in different stages of the procurement and contracting processes. The auditor would be well advised to look out for warning signs corresponding to each stage. These warning stages indicate the increased risk factor in contracts and serve as red flags for the auditor.

- Requirements defining stage

- Inadequate needs analysis
- Inadequate information about potential suppliers
- Inadequate review of existing and required inventory
- Unduly short supply period
- Needs analysis is product rather than needs oriented
- Someone other than the user defines the user requirements
- Unwarranted involvement of senior officials

Bidding and selection stage

- The specifications are not clearly defined
- A very limited number of offers is received
- Documentation indicates unusual involvement of an official
- Suspicion about conflict of interest
- Evidence of early receipt of information by some contractors
- Request for proposal is not properly advertised
- Unusual handling of the bidding process
- Evaluation criteria is not consistent for different offerors
- Exceptions to the tender deadlines
- Changes in the bids made after their formal receipt
- Lowest responsive bidder is not selected
- Contractor submits unrealistic bid indicating collusion or bid rotation
- Unusual withdrawal of bids
- Re-bid results identical to original bids

Successful contractors use competitions as sub-contractors

Justification for single source procurement is inadequate

Contract performance and evaluation stage

- Changes in a contract result in the large increase in the cost of goods and services
- Changes made without adequate explanations
- Unwarranted contract extension
- Complaints about the quality of goods and services received
- Inadequate inspections and quality assurance of goods and services received
- Evidence of over charging and duplicate billings
- Dubious invoices
- Insufficient pre-audit of contractor payments
- Contracts repeatedly awarded to one contractor
- Unduly high labor payments

CHAPTER-7

AUDIT OF CONTINGENT EXPENDITURE

Introduction and audit approach

7.1.1 The instructions contained in this chapter govern the audit not only of contingent charges proper, but also of other expenditure, which according to the rules of financial procedure made by Government is to be treated in the same manner as contingencies. The term contingent charges or contingencies used in this chapter covers all such charges.

The responsibility for the effective control of contingent expenditure rests primarily upon the heads of the offices and departments. The Audit office merely examines the fulfillment of that responsibility by auditing such expenditure, the extent of which varies greatly with the different categories of contingent charges. The responsibility is the least in the case of contract contingencies. It is somewhat greater in respect of Scale Regulated and Special Contingencies because Audit has to satisfy itself in the former case that the charges incurred are in accordance with the scale that governs them and watch the expenditure against the necessary sanction of the superior authority in the latter case. Apart from certain defence responsibilities to be discharged by Audit, the counter signing authorities exercise the major portion of the control of the countersigned contingencies. The responsibility is the greatest in the case of Fully Vouched contingencies. For all categories of contingent charges alike, other than contract contingencies, these responsibilities should be discharged only in so far as the rules relating to those contingencies permit.

Source documents for audit

7.1.2 The following are the source documents necessary for conducting audit:

Documents containing details of Grants/ Appropriations provided by the Government and funds allotted by the Head of the Department.

Sanctions accorded by Government and other competent authorities.

Vouchers and Sub-Vouchers of contingent bills.

List of Abstract Contingent (A.C.) Bills received from A & E office.

VLC accounts and packages maintained in the A & E office and relevant nodes supplied to audit office.

General Checks to be exercised

7.1.3 The Audit has following minimum responsibilities in respect of all contingent bills audited. It must be seen-

- (i) that each class of expenditure
 - (a) is a proper charge against the Grant or Appropriation concerned

- (b) has received such sanction as is necessary; and
 - (c) has been incurred by a Government servant competent to incur it.
-
- (ii) that such vouchers as are required by Audit have been submitted;
 - (iii) that any certificates required under the financial rules of the Government concerned have been provided;
 - (iv) that the rates are apparently not extravagant and that standards of financial propriety have been properly observed;
 - (v) that the bill is in proper form and the classification is correctly recorded thereon;
 - (vi) that unusually large incidence of expenditure in the month of March does not lead to irregularities; and
 - (vii) that stores not immediately required or in excess of requirement have not been procured merely to avoid lapse of budget grant and remain unutilised.

In addition, the control system in the offices of the drawing and countersigning officers should be checked in local audit to ensure that adequate arrangements exist to prevent more than one drawal against a single sanction or a double payment of a recurring charge.

Audit of Contract Contingencies

7.1.4 Rules governing Contract Contingencies differ from Government to Government, the principal variations being in the types of expenditure brought under the contract system and in the department to which the system has been extended. In some cases, the contracts are entered into directly with the disbursing officers, while in others the contract grants are placed at the disposal of controlling officers, who distribute them annually among their subordinates, reserving a small portion for subsequent allotment in cases of need. In spite of these and other minor variations, the essential features of the system are common to all Governments. No details of the expenditure beyond such totals of the various contract items as may be required for purposes of classification, need to be furnished in the bills. Disbursing officers are held personally responsible for any expenditure in excess of the contract grant until the excess is regularised by sanction of the competent authority.

Audit of Scale Regulated Contingencies

7.1.5 Contingencies regulated by scale will include such charges as cost of liveries, rewards for destruction of wild animals, *batta* to witnesses and the like. The authority prescribing the scale will also lay down the conditions precedent for its applicability in each case, making it clear whether the special sanction of a superior authority is necessary, whether bills must be countersigned before or after payment, and what certificates should support the bills. According to the conditions laid down, charges regulated by scale may become Special, Contract, Countersigned or Fully Vouched Contingencies. These should be audited under the

rules applicable to the particular category within which they fall. In addition, the Audit should satisfy itself that the charges incurred are in accordance with the scale governing them.

Audit of Special Contingencies

7.1.6 The principal duty of the Audit in respect of Special Contingencies is to watch the expenditure against the necessary sanction of the superior authority. When an order or sanction contains no indication of the amount or ceiling of expenditure sanctioned, enquiry should be made from the issuing authority, and the charges should not be admitted in audit until complete sanction is received. When expenditure against a lump sum sanction is incurred in instalments, it should be verified in local audit that arrangements exist in the drawing and countersigning offices to watch the progressive outlay against the sanctioned total.

Audit of Countersigned Contingencies.

Bills Countersigned after payment.

7.1.7 In the case of bills countersigned after payment, the money is actually drawn on an abstract bill, and the approval of the superior authority as indicated by its countersignature is subsequently received by the Accountant General (A & E)/ Pay and Accounts Officer on the monthly detailed countersigned bill. Both the abstract bill and the detailed monthly bill require scrutiny in audit.

Scrutiny of the abstract bill is limited to seeing that an authorised officer has drawn the bill, the necessary grant or appropriation is available, prescribed certificates have been furnished, the summations are correct and that the bills contains no extraordinary or unusual features. Receipt of a detailed bill in respect of each abstract bill drawn is watched by the Accountant General (A & E)/ Pay and Accounts Officer. The Accountant General (A&E) shall arrange regular transmission of Drawing Officer-wise lists of abstract contingent bills along with the vouchers to the Audit Officer for audit. The detailed bills received by him should be checked in audit with reference to the principles laid down in paragraph 7.1.4 *supra*.

7.1.8 In addition, it should be verified during the audit of detailed bills that:

- (i) the bills are duly countersigned;
- (ii) the charges included in the bills cover the amounts drawn on abstract bills and are classified as in the abstract bills; and
- (iii) complete details of the charges are given where necessary.

If any special or scale regulated contingencies included in the bills, the checks prescribed elsewhere in this chapter in this regard to should also be exercised.

Except to the extent indicated above, objections may not be raised on items included in a countersigned bill which are within the powers of the countersigning officer. The attention of the countersigning officer should, however, be drawn to any expenditure which

seems questionable or excessive in regard to rates, prices or quantum in relation to similar charges incurred elsewhere. If considered advisable, this should also be specifically reported to Government.

Bills countersigned before payment.

7.1.9 When countersignature is required before payment, there will be no abstract bill and payment is made on a detailed bill. These bills should be audited in the same manner as detailed bills pertaining to amounts drawn initially on abstract bills.

Audit of Fully Vouched Contingencies.

7.1.10 Payments of Fully Vouched Contingencies are made on detailed bills. The audit of these payments should be conducted as in the case of amounts drawn on bills countersigned before payment. It is the duty of Audit to challenge extravagant rates, prices or amounts in charges not otherwise objectionable in character and to refer for orders of the competent authority any item of expenditure which is positively objectionable or even of doubtful propriety. A charge should not, however, be held to require the special sanction of Government merely because it is unusual in the sense that it does not occur at frequent intervals.

Contingent charges relating to wages of mazdoors and pay and allowances of staff paid from contingencies.

7.1.11 Contingent charges on account of wages of mazdoors engaged on manual labour and paid at daily or monthly rates should be passed in Central Audit on the authority of a certificate signed by the disbursing officer to the effect that the mazdoors were actually entertained and paid. Contingent charges on account of pay and allowances of all other staff paid from contingencies should be admitted in Central Audit on the authority of the certificates regarding entertainment, disbursement, etc. prescribed in the Treasury Rules. In all cases, a test check of the paid muster rolls, acquittance rolls and payees' receipts should be undertaken during local audit. Names of officers in which coolies on daily or monthly wages are employed regularly, which come to notice in Central Audit, should be advised to the local audit wing to enable that wing to arrange for local audit in cases where these offices have not been included in the regular programme of local audit.

Audit of sub-vouchers and payees' receipts.

7.1.12 The financial rules of Government prescribe the monetary limits of sub-vouchers and payees' receipts relating to different categories of contingencies, which are to be retained by the drawing and disbursing officer and the countersigning officer. Other sub-vouchers and payees' receipts are to be attached to the contingent bills presented at the treasuries or forwarded to the Accountant General (A&E)/ Pay and Accounts Officer. The supporting sub-vouchers contain details of the charges included in the contingent bill and they have to be checked in audit to establish that the amounts drawn in the bills are in order. The payees' receipt is the proof of payment, which enables Audit to satisfy itself that the amount drawn from the exchequer has been paid to the correct person. These documents which are not received in the offices of the Accountant General (A&E)/ Pay and Accounts Officer along with the contingent bills, should be test checked during local audit of the offices of the drawing and disbursing or countersigning officers concerned.

CHAPTER-8
AUDIT OF AUTONOMOUS BODIES

SECTION-I

Procedure for taking up audit

General Instruction

8.1.1 The general Instructions for Audit of Autonomous Bodies as contained in the C& A.G. Manual of Instructions and the instructions issued from Headquarter office from time to time, should be followed for audit of Autonomous Bodies.

Audit under Section 14 and 15:

8.1.2 (a) Identification and listing of bodies and authorities:

In order to ensure complete identification and listing of all bodies and authorities which are within audit jurisdiction of this office and are recipient of grants/ loans from the State/ Union Territory Governments, Central Government and other State Governments for the purpose of audit under section 14 and 15 of the C & A.G. (DPC) Act, 1971, the following procedures should be followed by O.A.D. Headquarters sections:-

- (i) In April each year, various departments of State/ Union Territory Governments should be requested to furnish lists indicating the bodies or authorities to which grants or loans were paid by them (including grants or loans paid by offices subordinate to them) during the preceding financial year.
- (ii) They should also be requested to mention against each body or authority in the list, the amount of grants or loans paid to it during the relevant financial year and also the amount of carried forward unutilised balances of grants/ loans paid in earlier years, if any.
- (iii) In case of inordinate delay in receipt of the information, the matter may be taken up with the Finance Department of the respective State Governments.

(a) Maintenance of Registers:

- (i) On receipt of the lists of grantees or loanees from the various departments of the State/ Governments OAD (HQ) sections should prepare separate registers for each state. From the lists received, entries in the register should be made institution-wise keeping an alphabetic index for the purpose. The amounts of grants or loans paid to each institution by the State during the financial year and the unutilised balances of earlier year which have not been surrendered, should be recorded in the register.
- (ii) In April each year OAD (HQ) section should also obtain from the Central Government units, lists of bodies or authorities which were paid grants or loans by them in the preceding financial year along with the amounts paid and unspent balances of earlier years retained till that year. The particulars when

received should be recorded in the registers mentioned in (ii) above. The registers should also incorporate the details communicated in lists of grantees or loanees received from DACR/ DACWM or other Pr.Accountants General/ Accountants General.

- (iii) The bodies or authorities which are included in the lists thus obtained (as sub-para (a) above) but are situated outside the audit control of this office, OAD (HQ) sections will then prepare and send statements (state-wise) showing the names of institution together with the amounts of grants or loans paid to each of them in the preceding financial year by the end of June every year to the Pr.Accountant General/ Accountant General within whose audit jurisdiction the bodies and authorities are situated.
- (iv) From the register incorporating the information thus collected from the departments of State Governments and DACR/ DACWM, other Accountant General, etc. OAD (HQ) section should extract from time to time, the names of bodies and authorities receiving grants and loans totalling Rs. 25 lakhs or more and record them in a register called "Section 14 Register" separately for each State in the proforma below: -

SLNo.	Name of Institution	Amount of grant/ loan paid during the year with details	Amount of unutilised balance of earlier year
1	2	3	4

Total Amount of Grant/ Loan (Total of Cols. 3 & 4)	Total expenditure of the body/ authority during the year	Remarks A-Auditable B-Not auditable
5	6	7

This register should also be maintained institution-wise keeping a proper index. As soon as the name of the body/ authority is entered in the separate register, a file should be opened in respect of the body/ authority and concerned Departments of Central/ State Governments should be requested to send the annual accounts of the body/ authority for the relevant financial year to this office. From such accounts received, the column 6 of the Section 14 Register showing the total annual expenditure of the body/ authority should be filled in.

- (v) The section 14 Register should be periodically reviewed to select the bodies or authorities for audit under Section 14 of the Act. Thereafter the concerned Ministry/ Department of the Central/ State government should be requested to notify those bodies or authorities that their accounts would be audited by this office under Section 14 and for this purpose books of accounts should be made available and necessary facilities provided for audit.

(vi) *Section 15 Register:*

From the lists mentioned in b (i) and (ii) above, O.A.D. (HQ) sections should also enter in Register called "Section-15 Register" names of authorities sanctioning loan/ grants and total amounts of loans/ grants sanctioned by them during the year. This Section 15 Register will be used for selecting sanctioning authorities for audit under section 15.

The field parties deputed for audit under section 15 should obtain prior clearance of O.A.D. (HQ) before taking up audit of grantee/ loanee bodies/ authorities.

The lists of bodies/authorities and the sanctioning authorities the audit of accounts of which would be conducted by this office under Section 14 and 15 should as far as possible be finalised by July each year.

In case, the unit-attracting audit under section 14 or 15 happens to be a company or commercial concern the audit should be arranged through Commercial Audit Wing.

The maintenance of the Register referred to in b (i) and (iv) above, audit and selection of units attracting audit under Section 14 and 15 should be watched through Sectional Calendar of Returns.

[Authority: Accountant General (Audit)'s order issued under No. OAI/ GEN/ 1-1/ (part-III)/ 7405/ 7495, dated January (1985 at p/ 74 in file No. OAI/Gen/ 1-12/ 80-81.)]

Audit under section 19(2), 19(3) and 20(1).

- (a) The proposals for taking up audit under these sections are received, in the case of Central autonomous bodies, directly in the office of the C & A.G. and in the case of State autonomous bodies by the State Pr.AG/ A.G. concerned. In every case, the proposals may be examined on the following lines and recommendations sent to the C&A.G.'s office whether: -
- (i) the Government have satisfied themselves that it is necessary for audit to be entrusted in public interest to the C & A.G.
 - (ii) that audit office is adequately equipped to take up the work, with due regard to its staff position, availability of trained personnel etc.
 - (iii) the duties cast on the audit according to Acts, rules, regulations, etc. are capable of being discharged, and they do not contain any item of work, which is not normally undertaken by audit, such as verification of stores, etc., for this purpose, the Acts, rules and regulations of the autonomous bodies should be carefully studied.
 - (iv) audit will be conducted by the I.A. & A.D. alone, or whether there will be a second auditor. In the latter case, what are the relative duties of the two auditors and whether such a situation is acceptable.
 - (v) Parliament/ Legislature has shown interest in its activities by providing for submission of annual returns and reports of auditors before it.

- (vi) period from which audit is to be taken over and if, from a back period, reasons for delay in arrangements and reasons for change of auditor (if it be the case).
 - (vii) the standard terms and conditions for taking up audit are capable of being enforced.
 - (viii) the autonomous body had been consulted; and if so, what were its views.
 - (ix) the autonomous body has branch units, and if so what is the arrangement for drawal of funds collection of income, accounting of transactions in branch units and consolidation, and arrangements considered necessary for audit of branch units and co-ordination with audit of central office.
- (b) Having examined the proposal on the above lined the case must be referred to the office of the C&A.G. with full details and views of the Pr.AG/ A.G. on the request, whether it be for acceptance or rejection of the proposal. In either case, the decision can be conveyed to the Government only on receipt of the views of the office of the C&A.G. At the time of forwarding acceptance of proposals, it is necessary to convey to the Government the terms and conditions under which audit can be undertaken.

The audit arrangement is complete only on receipt of a formal request in the name of the President/ Government/ Administrator addressed to the C&A.G.; and it is advisable that a standard format is adopted.

- (c) Immediately on receipt of the request, arrangements should be made to the autonomous body and to bring about a working arrangement for conduct of audit and issue of audit certificate with audit report thereon. *Interalia*, the arrangement should give due attention to the following points: -
- (i) the date by which accounts will be made available for audit;
 - (ii) the time required and a tentative period during which audit will be conducted;
 - (iii) adequate internal arrangement within the organisation for ensuring availability of all records for audit, supply of replies to preliminary memos of audit in time, arrangement for discussion of reports/ audit objections;
 - (iv) period by which draft audit report will be issued and replies furnished by the organisation.
 - (v) period within which the finalised audit report with audit certificate will be issued.
- (d) As audit under these sections involves discharge of prescribed statutory responsibility, it is essential that proper control is exercised in ensuring that audit is conducted according to schedule and there is no omission in conducting audit. For this purpose, relevant control registers and progress reports will have to be devised by OAD (HQRS) section and scrutinised periodically by the Group Officer. The due dates for

such scrutiny, as determined may be noted in the Calendar of Returns for watching compliance.

[Authority: CAG's office circular No. 1076-TAI (RGL) 26-78, dated 7-11-78 and No. 84 (10) Rep(C)/ 311-78, dated 22-1-77].

Audit of Autonomous bodies and issue of Inspection Reports.

8.1.4 With a view to avoiding delay in the issue of inspection reports and to secure prompt settlement of the audit-observations in respect of audit of units of autonomous bodies conducted by the State Accountants General/ Directors of Audit as Sub-Auditor of another Accountant General/ Director of Audit it has been decided that the Sub-Auditors may issue the inspection reports and pursue the same till its finality. However, a copy of the inspection report may be furnished to the co-ordinating Accountant General/ Director of Audit as the case may be, so as to enable him to incorporate any important and interesting point in the Consolidated Audit Report of the Autonomous body and issue it duly vetted without delay.

[Authority: CAG's circular No. 23-Audit 11/ 86 issued under No. 1579- Audit 11/ 131-83, dated 23-10-86].

Maintenance of records of autonomous bodies in OAD Headquarters section.

8.1.5 In respect of every autonomous body under audit, whether under Sections 14, 19 or 20, it is necessary that the OAD (HQ) sections maintain a complete set of records, consisting of the following: -

- (i) A copy of the enactment applicable to the autonomous body, if any.
- (ii) Copy of the constitution of the autonomous body, consisting of its Memorandum of Association, Articles of Association, Rules and Regulations, and such other basic orders relating to the autonomous body.
- (iii) Copies of orders relating to delegation of powers issued by the top managing body and powers and duties of various committees.
- (iv) Annual Report from year to year.
- (v) Audited accounts and reports thereon as placed before Parliament/ Legislature/ Managing Committee together with replies, if any, furnished to the reports.
- (vi) Reports of review and such other committees relating to the functioning of the body.

One copy each of items (i), (ii) and (iv) mentioned above should also be kept in the office of the Comptroller and Auditor General for record in cases where the audited accounts and reports are to be placed before Parliament/ Legislatures.

(Authority: CAG's office circular No. 1076-TAI (RGL) 26-78, dated 7-11-78).

Programme Book

8.1.6 In addition to the general documents mentioned above, in respect of each audit it is necessary to maintain an audit programme book for the guidance of the audit parties visiting an organisation from year to year. This programme book may be kept in three sections in cases where no audit of branch units is involved and in four sections where there are branch units to be audited.

Detailed instructions on maintenance of programme book are given in Para 9.02.2 : 9.02.3 and 9.02.4 of Manual of Instructions for audit of Autonomous Bodies.

Data Sheets on autonomous bodies.

8.1.7 In respect of every autonomous body under audit, it is necessary to maintain an up-to-date compilation on the activities of the organisation, extent of assistance, result of audit, recommendation of the Public Account Committee etc. This compilation should be brought up-to-date each year as soon as the accounts for an year are certified. The compilation can contain particulars as mentioned in annexure-6 to the Manual of Instructions for Audit of Autonomous Bodies. Care should be taken in compiling the data sheet, as this will act as a ready material for use from time to time on the progress of the autonomous body, performance of audit, etc.

Audit of financial investments made by the management of ABs.

8.1.8 The management of autonomous bodies are handling various substantial funds and investments thereof and are expected to exercise due care and financial prudence to avoid loss of funds. Audit should exercise certain check in respect of funds and investments made by the Autonomous Bodies (ABs) so as to ensure verification of continued ownership of assets and that the investments are in accordance with the prescribed pattern. It should also see that the procedure for investments are duly authorised and it does not result in avoidable loss to ABs. During audit of autonomous bodies, specific emphasis may be placed on the financial investments and in addition to other provisions contained in the Manual, it is essential that the following aspects are invariably kept in view:

- (i) That the amount of investment(s) shown in the balance sheet under all the funds can be linked with Investment Register maintained by the body.
- (ii) That the amount of investment(s) shown in the accounts is invariably supported with a detailed schedule of investments exhibiting date/ amount/ bank or financial institutions where invested/ rate of interest/ period of investment/ date of maturity etc;
- (iii) That the details of investments exhibiting the opening balance, encashment, renewals and additions during the year are annexed to the balance sheet as a schedule;
- (iv) That the significant policy in regard to investments is disclosed in the annual accounts;
- (v) That in making investments in different kinds of securities, the ratio prescribed by the Government are adhered to;
- (vi) That the investments are as per Govt. guidelines/ instructions and there are no violations and the investments are in no way inherently risky or unauthorised;
- (vii) That the investments are not in unauthorised institutions violating the statutory provisions/ institutions/ guidelines issued by Government and those contained in statutes governing the Body;
- (viii) That wherever government/ statutes/ orders impose restrictions, embargo, ceiling and prohibit investments in any particular mode/ institution, those are strictly adhered to;
- (ix) That wherever Government/ Board of Management have issued instructions for phasing out earlier/ existing investments in a specific period, these are strictly followed to avoid the risk of capital loss;
- (x) That the decision has been based on sound commercial judgement and the organisation has evolved a suitable/ sound investment policy;
- (xi) That the investment should be no element of speculation on the yield from the investment;

- (xii) That the investment of the fund is strictly in accordance with the provisions of statute, rules & regulations governing the fund;
- (xiii) That the method of investment adopted is in accordance with prescribed policy directions of the organisation and government concerned;
- (xiv) That the management has a system to ensure that investment scripts are physically verified as at the end of year of accounting and a certificate thereof is furnished to Audit on their availability in safe custody. Verification certificate of securities/ deposit receipts etc. relating to all investment funds held by the organisation(s) should be insisted upon in audit from the management.
- (xv) Any deficiency, omission or irregularity in the investments pointed out by internal auditors should also be taken note of for detailed examination and results include in the reports.

It should also be ensured that any deviation/ discrepancy/ violation noticed in such investments during audit is invariably commented upon in the inspection/ audit report.

[Authority: Para-2&4 of C&A.G.Ø letter no. 58-Rep (AB)/ 47-2003 Dt. 14.02.2003].

Format for Separate Audit Report.

8.1.2 For streamlining the procedure for audit of Autonomous Bodies, certification of accounts and preparation of Separate Audit Report (SAR), the instructions contained in HeadquartersØ Circular letter no. III-Report (AB)/ 49-99 dated 31-05-99, showed strictly be adhered to.

The format of SAR as prescribed and issued under HQØ letter no. 46-Rep (AB)/ 91-2003 dated 25-02-04 must be followed for preparation of SAR. It should be ensured that comments included in the SAR are likable with the respective accounting heads shown in the annual accounts/ schedules. Comments framed should be specific and pointed and impact of such comments should be clearly indicated along with a key working.

It should be taken care to see that the value for money/ transaction audit are not contained in the SAR.

[Authority: C&A.G.Ø letter no. 46 Rep (AB)/ 91-2003 dated 25-02-04].

Internal Control System in Autonomous Bodies.

8.1.10 Internal Control is a management tool used to provide reasonable assurance that managementØ objectives viz. reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations etc. are being achieved. While conducting the audit, the auditor should appraise the internal control in force before he plans out the detailed audit programme. Though the responsibility for adequacy and effectiveness of internal control structure rests with the management of respective Autonomous Bodies, the responsibility of reviewing the internal control system including internal audit lies on us as

we are the sole auditors. Appraisal of internal control enables the auditor to restrict his detailed examination in areas where internal control is satisfactory and extends it in areas where internal control is weak. With weak internal controls and limited audit coverage many things could go wrong.

Evaluation of internal control can be made in a number of ways but the most effective and common method is through internal control questionnaire. In general, the control areas can be:

- (i) Policies and procedures,
- (ii) Scope and independence of internal audit,
- (iii) Receipt and disbursement of cash,
- (iv) Mixing of funds (plan/ non-plan),
- (v) Purchase / custody of investments/ securities,
- (vi) Accounting and receipt of interest on investments/ securities,
- (vii) Fixed assets and Vulnerable assets,
- (viii) Receipt and receivable,
- (ix) Disbursement/ payables,
- (x) Pay rolls/ Loans and advances to the individuals,
- (xi) Bank balances/ reconciliation,
- (xii) Manpower analysis.

The detailed guidelines for internal control standards issued by INTOSAI and the model questionnaire on internal control issued by the Institute of Chartered Accountants of India and sent vide HQ's letter no. 34-Audit (AP)/ 7-2003 dated 08-03-2004 and no. 77-Rep (AB)/ 63-2004 dated 05-04-2004, respectively, should be looked into for evaluation of internal control system.

It should be ensured that internal controls of Autonomous Bodies are evaluated and a brief note on this matter shall invariably be sent along with the draft SAR to Headquarters. Serious shortcoming in the internal control system must also find place in the SAR.

[Authority: C&A.G.'s letter no. 77-Rep. (AB)/ 63-2004 dated 05-04-2004].

Format for issue of Audit Certificate.

8.1.11 The certificate and audit comments are two separate documents and signed separately. As a result (being separate documents), the significant audits comments may not attract necessary attention of the Executive/ Parliament/ Legislature. Therefore, significant audit comments must invariably be included in the body of Audit Certificate. OAD (HQ) Section/ Inspecting officers, in this connection, may take the format prescribed by HQ office vide enclosures appended to its letter no. 89-Rep (AB)/ 91-2003 dated 27-04-04, as instances.

[Authority: C&A.G.'s letter no. 89-Rep (AB)/91-2003 dated 27-04-04].

Certification of Annual Accounts of Autonomous Bodies.

8.1.12 Certification of accounts is required to be carried out each year and where there are arrears in certification of accounts, steps should be taken to clear these arrears immediately. For this, audit of accounts for more than a single accounting year/ period, may be taken up but an independent SAR/ Audit Certificate on the annual accounts of each accounting period is to be issued.

[Authority: C&A.G.ø letter no. 165-Rep (AB)/ 91-2003 dated 23-05-2003].

Risk based audit approach for Central Autonomous Bodies.

Ranking of Central Autonomus Bodies.

8.1.13 OADHQ (Special Cell) is responsible for ranking/ categorizing of functions/ activities of all Central Autonomous Bodies in terms of risks by adopting the following 6(six) parameters on a scale of 10 for the purpose of Value for Money Audit/ Performance Audit. Each parameter should be assigned a rank of Low, Medium or High risk. All Bodies with scores of 6.5 and above should be ranked/ categorised as high risk, while those between 3 and 6.5 and less than 3 points have to be classified as medium and low risk bodies respectively.

Risk Factors	Criteria for weightage points to be given.
1. Grants/ expenditure for the last 3 years	(For expenditure above 20 crores ó 4 points, between 10 & 20 crores ó 3 points, between 5 & 10 crores ó 2 points, and less than 5 crores ó 1 point.
2. Nature of expenditure	(For expenditure on salary/ estt, as a percentage of total expenditure: Less than 25% - 2.00 points, between 25% and 50% - 1.50 points, between 50% and 75% - 0.50 points.
3. Number of PDP/ SOFs identified in the last 3 years.	Less than 3 PDPs ó 0.25 points between 4 and 6 PDPs ó 0.50 points and above 6 PDPs ó 1 points.
4. Quality of SAR	Audit comments of major nature -1.00 points, Major/ minor ó 0.50 points, and routine nature ó 0.25 points.
5. Internal Audit Control/ System	1 points.
6 Arrear in accounts	1 poins.

[Authority: C& A.G.ø D.O. letter no. 84-Report(C)/ 30-2003-04 dt. 06-04-2004 and letter no. 101-Rep (AB)/ 79-2005 dated 20-04-2005.]

Audit planning for Central Autonomous Bodies.

8.1.14 Based on the ranking, the Audit Plan for audit of Central Autonomous Bodies henceforth, be prepared for Transaction Audit and Financial Audit, separately. Separately working days for Transaction Audit and Financial Audit of a body is needed to be provided.

Priorities should be given to plan high risk bodies for audit but audit of low and medium bodies should not also be ignored as the same may help the organisation in timely identification and rectification of deficiencies in their system of functioning thus preventing them from sliding into a higher risk category.

[Authority: C&A.G.ø letter no. 52-Rep(C)/ 4-2005 dated 08-02-05 &
DGACRø D.O. letter no. ACG/ Misc./ 2003-04/ 510 dated 23-02-04].

SECTION-2
AUDIT OF DISTRICT COUNCIL.

Audit procedure in respect of the transaction of the District Councils.

8.2.1 At present during local audit of the accounts of the District Councils the transactions of one month are checked in details and the transaction of other months are test-checked in the same way as for Government Offices. Since the transactions of the District Councils are not audited centrally, the audit checks that are now being exercised to the transactions of the District Councils are obviously not adequate. The quantum of audit and review for Central audit in respect of the various important categories of vouchers are mentioned below: -

Sl. No	Items	Audit	Review
1.	Pay Bills	16 2/3 percent	50 percent. Where leave statements and increment certificates are attached. 10 percent in other cases.
2.	T.A. Bills	25 percent	10 percent
3.	Medical Bills	25 percent	50 percent.
4.	Bills amounting to not more than Rs. 1,000 on account of Contingency of Heads of Departments not requiring countersignature.	25 percent.	50 percent.
5.	Bills on account of countersigned contingencies not more than Rs. 1,000.	12 1/2 percent	-
6.	Contingency bills not more than Rs. 5,000 other than those covered by Sl. No. 4 and 5.	50 percent.	50 percent upto Rs. 100 100 percent above Rs.1,000
7.	Refund vouchers	10 percent.	10 percent
8.	Deposit Repayment vouchers	25 percent	
9.	Interest Payment vouchers	50 percent.	
10.	Abstract contingency bills	100 percent	
11.	Vouchers relating to loans & advances for Rs. 5,000, and less to Govt. Servants where detailed accounts are maintained by the Deptt.	33 1/3 percent.	10 percent
12.	Grants-in-aid below Rs. 3,000	25 percent.	10 percent.
13.	Scholarship bills below Rs. 1,000	16 2/3 percent.	10 percent.
14.	P.W.D - vouchers		
	(a) Final Running Accounts bills (including First and final bills) for not more than Rs.	50 percent.	10 percent.

	5,000.		
	(b) Other Running Accounts bills:-		
	(i) Not more than Rs. 10,000	25 percent.	10 percent.
	(ii) More than Rs. 10,000 but below Rs. 1 lakh.	50 percent.	10 percent (Regular) 33 1/2 percent. (Remittance)
.	(c) Supply bills		
i.	Not more than Rs. 1,000	25 percent.	10 percent.
ii.	More than Rs. 1,000 but less than Rs. 10,000	50 percent	10 percent.
d.	Hand Receipt not more than Rs. 5,000	50 percent.	10 percent.

(ii) To cover up the deficiency in audit, the various categories of vouchers should be audited to the extent mentioned above during local audit, but this procedure will head to complication in as much as selection Register for audit and review and relevant audit registers will have to be maintained separately for each District Council for conducting the audit in addition to the existing local audit checks. Besides, considerable manpower will be necessary to conduct the audit. In view of this the following audit procedure may be followed in respect of the transactions of the District Councils: -

A- For inherent functions of the Councils.

The accounts of the District Councils may be audited locally once in a year. The transactions of two months may be checked in details so that 16-2/3 percent. of vouchers may be covered approximately by audit. All vouchers above Rs. 5,000 but below Rs. 10,000 relating to all months (including two months selected for detailed checks) to be covered by audit may be audited by the Inspecting AAO/ SO. All vouchers above Rs. 10,000 may be scrutinised by the Inspecting Officer. 25 percent of the vouchers below Rs. 5,000 in respect of other four months (i.e. the months not selected for detailed checks) may be reviewed by the Auditors. 50 percent of the vouchers audited by the Auditors may be reviewed by the Inspecting AAO/ SO. 10 percent of the vouchers audited and/ or reviewed by the Inspecting AAO/ SO may be test-checked by the Inspecting officer to ensure that necessary audit checks have been exercised by the Auditors and the Inspecting AAO/ SO. Along with the audit note the following particulars may be furnished to examine whether quantum of checks proposed above should be reduced or enhanced: -

Total number of vouchers below Rs. 5,000;

Total number of vouchers above Rs. 5,000 but below Rs. 10,000;

Total number of vouchers above Rs. 10,000;

In course of audit of expenditure it may be seen that:

- (i) the expenditure is covered by sanctions accorded by competent authority (Sanctions should be verified).
- (ii) necessary provision for the expenditure exists in the budget of the District Council.

(iii) the expenditure relating to pay & allowances (including raveling allowances), leave, joining time & addition to pay of council employees are regulated by the rules framed by the competent Authority.

(c) The District Councils receive huge grants and loans from the Govt. for running the administration and for implementation of certain developmental scheme. The accounts of grants and loans may be checked thoroughly to ensure that the grants and loans are spent for the purpose for which these were sanctioned and the conditions attached to grants and loans have been fulfilled.

(d) The expenditure on all schemes irrespective of the fact whether these are financed from District Council sources or financed by the Govt. may be scrutinised thoroughly to ensure that the aims and objects of the schemes have been materialized.

(e) All contracts and agreements executed by the District Councils for purchases of stores, execution of works, settlements of revenue rights, sale of forest product etc., should be scrutinised thoroughly. All contracts and agreements above Rs. 25,000 but below Rs. 50,000 may be scrutinised by the Inspecting AAO/ SO and contracts and agreements above Rs. 50,000 may be scrutinised by the Inspecting Officer.

(f) The accounts (including the initial records relating to them) of one work, the estimated cost of which is more than Rs. 50,000 and of two works, the estimated cost of which are less than Rs. 50,000 may be scrutinised thoroughly to ensure that there is no irregularity in the maintenance of the accounts and the accounts exhibited accurately the actual cost of work and the expenditure has been incurred for the object for which the estimate was sanctioned.

(g) The withdrawals from the Personal Ledger Account for two months to be selected for detailed checks should be scrutinised thoroughly with reference to the P.L. A/c Pass Book, Remittance Book, Cash Book and Counterfoils of the cheque Books and Receipt Books. In respect of other months a test check should be conducted. This scrutiny may be exercised by the Inspecting AAO/ SO and Inspecting Officers themselves.

(h) Reconciliation of balance in the Personal Ledger Accounts:

It should be seen if the Pass Book is sent to the Treasury Officer regularly for making entries for drawals from the credits to the Personal Ledger Accounts and the differences between the P.L. A/c balance and the Cash Book balance is analysed and reconciled properly. It should be seen carefully if at any time the amounts paid against the cheques drawn by the District Council was in excess of the credit laying in the Personal Ledger Account.

A close scrutiny should be exercised to detect if any portion of the grants sanctioned by the Government for specific purpose was utilised by the District Council for its own functions without the prior approval of the Government.

(i) Loans and advances paid to individuals/ institutions by the councils.

It should be seen in course of scrutiny of the loans and advances accounts if adequate step have been taken to realise the outstanding amount of loans and advances and interest if any, thereon and amounts realised are promptly credited to the P.L. A/c.

(j) Receipts:

In course of audit of receipts it should be seen that: -

All revenues/ taxes under the various Acts and Regulation are being regularly levied and realised.

In the branches where cash amounts are realised, subsidiary cashbooks are maintained to account for such realization and the amounts are credited to P.L. A/c promptly (Counterfoils of receipts and entries in the Remittances Book should be verified with reference to the entries in the Cash Book).

If adequate machinery exists for realization of various dues.

(k) Budget & actual---The budget may be examined to see if it is based on correct date and that it is not over ambitious in so far as the receipt estimate is concerned. The actual receipts/ expenditure may be compared with the estimated receipts/ expenditure under the various heads of accounts.

8.2.2 A list of documents which should be examined during audit is given below:

General (for all Departments)

Cash Book.

Subsidiary Cash Books.

Personal Ledger Account Pass Book.

Remittance Book.

Stock Register of Cheque Books.

Stock Register of Receipt Books.

Counterfoils of Cheques.

Counterfoils of Receipts.

Challans.

Register of Stock.

Register of Stores.

Register of tools and plants.

Bill Registers.

Contingency Register.

Grants-in-aid Register.

Loan Register and Loan Accounts.

Demand Register for collection of taxes.

On profession trades calling and employments.

On animals, vehicles and boats.

For the entry of goods into a market for sale therein and tools on passengers and goods carried in ferries.

For the maintenance of Schools, Dispensaries or roads.

On Lands and buildings.

Demand Register for collection of land revenues.

Register of Lands and buildings.

Register of rents of buildings and lands.

Bakijai Statements showing the outstanding Bakijai cases.

Reports indicating retention of heavy cash by the Mauzadar.

Log Book of vehicle.

History Sheet of Vehicles.

Register showing outstanding hire charges of vehicles.

Acquittance Rolls.

Sub-vouchers and Actual Payees Receipts.

Service Books and Leave Accounts.

Vouchers.

Contracts and Agreements.

Quotations for purchases.

Tenders and competitive statements.

Forest Department:

Register of Permit and Pass Books.

Register for lease of Mahals.

Register of Mahals of forest range.

Register of advance Royalty.

Register of Forest offences.

Timber Marketing Register.

Forest Village Register.
Register of sanctioned works.
Register for sale of Mahals.
Register of certificates of property marks.
Jamabandi Register.
Contractorø and Disburserø Ledger.
Register of securities.
Register of Deposits.
Tree marking and log measurement Books.
Register of receipt and payment of Earnest Money/ Security Deposit of Contractors.
Register of outstanding Revenues.
Muster Rolls.
Measurement Books.

P.W. Department

Imprest Accounts.
Measurement Books.
Muster Rolls.
Register of measurement Books.
Register of works.
Works Abstract.
Contractorø ledger.
Register of Securities.
Register of Deposits.
Road Metal Accounts.
Road Metal Rate Book.
Schedule of rates.
Agreement and contracts.
Register of check measurements.
Monthly Accounts of Stock.
Monthly Accounts of tools and plants.

Surplus stores list.

Suspense Registers.

Indents.

Register of miscellaneous recoveries.

Register of miscellaneous sanctions.

Register of Interest Bearing securities.

Ferry Register.

(Other important documents of the District councils not mentioned in the above list may also be scrutinised during audit).

It is to be mentioned here that the general principle of audit and the processes of audit for various departments laid down in Chapter IV and V of this manual and the supplementary instructions set forth for the guidance of the Inspecting Officers and the staff in the Manual of the Works Audit Department of this office should be followed in course of the local audit of the transactions of the District Councils.

CHAPTER-9

AUDIT OF GRANTS-IN-AID

Introduction and audit approach

The main aim of audit of Grants-in aid is to ensure that the grants are utilised for the propose for which these are given and that sound economical financial management practices are duly followed while incurring expenditure out of such grants. Audit has also to bring to light the instances of waste, failures, system weaknesses and deficiencies resulting in infructuous expenditure.

Audit offices are required to plan for effective utilisation of the VLC database in field audit of expenditure from grants-in-aid. Audit is to be conducted with reference to the original sanction as well as extent of and conditions governing the delegation of financial powers to differnent authorities of the Union, the state or the Union Territory Governments. Checking of Grants-in-aid vouchers and Utilisation Certificates with reference to Register of Grants-in-aid, is also a part of audit of Grants-in-aid.

Check to be exercised

The audit of grants is required to be conducted according to the general principles and rules laid down for the audit of expenditure from the Consolidated Fund with particular emphasis on the following aspects.

Audit has to verify that each item of expenditure is covered by the sanction of the competent authority. It has to be seen that the sanction is definite and authority sanctioning it, is competent enough to do so by virtue of powers vested in it by the provisions of the Constitution and of the laws, rules or orders made there under. It has also to be seen that the expenditure conforms to the provisions of the sanctions.

Audit should check - (i) that the sanction conforms to the pattern of assistance as approved by the Finance Ministry; (ii) that the suitability of the institution seeking grants has been assessed before sanctioning; (iii) whether it clearly specifies that grant is recurring or non-recurring in nature and the object for which it is given; and (iv) whether a provision to the effect that the accounts of the grantee organisation/ institution shall be open for inspection by the sanctioning authority/ Audit.

In case, the power of sanctioning grants is delegated to subordinate authorities subject to prior fulfillment of certain condition by the grantees, audit should make a test check to verify the fulfillment of the conditions in each individual case and also to see the method by which the authority satisfied itself of such fulfillment.

It should be watched that, except in special circumstances, grants are not paid in excess of actual requirements for the financial year or a period of one year from the date of sanction and that any general or special orders for releasing a particular grant in instalments are complied with.

In case of non-recurring grants for specified objects, audit should verify whether time limit within which the grant or each instalment is to be spent, has been specified. When recurring grants are made to an institution, Audit will verify the position whether the Institution continues to function and the circumstances in recognition of which the grant was sanctioned still continue to exist.

When the conditions are attached to the grant, Audit should adopt the following procedure to apply its check-

in case of expenditure incurred from the grant, the audit scrutiny should include a complete or test check of the extent to which prescribed conditions have been fulfilled.

Where the expenditure from a grant is audited locally, the Auditor should either include in his report a certificate that the conditions attached to the grant have been or are being fulfilled, or furnish details of deviations.

Audit should watch whether a formal certificate confirming the proper utilisation of the grants as required have been issued to the A.G. (A&E) by the sanctioning authority.

In case where the audit of local authorities and public or quasi-public bodies is conducted by an officer not sub-ordinate to the C&A.G., the certificate to the effect that the grants have been utilised on the objects for which they were sanctioned, furnished by that officer may be accepted.

In cases not falling under any of the above, the utilisation certificates furnished by the authorities of the administrative Government to the A.G. (A&E) may be accepted in audit. However, Audit should conduct a test check to see whether the certificate is based on audited statements of accounts and the report of achievement is in relation to the objects and condition of the grants.

Audit of Utilisation Certificates

Ministries and departments of the Central Government are not required to furnish utilisation certificates.

State Governments directly incurring expenditure out of Central grants are also not required to furnish utilisation certificates. If, however, such expenditure is incurred through local bodies or private institutions, the State Governments concerned should furnish the necessary utilisation certificates.

In view of large amounts disbursed as grants-in-aid in connection with developmental schemes by the Central as well as State Governments to co-operative societies, private institutions, etc., it has become an important function of Audit to watch:

that there is no tendency on the part of Government to continue disbursing fresh grants to a grantee when substantial amounts out of the earlier grants remain unutilised;

that an adequate machinery is available with the executive authorities to maintain a constant watch over the progress of expenditure from the grant, the continued solvency of the grantee and the safety of the funds provided,

whether the intended developmental schemes are being implemented economically and efficiently and producing the results expected of them;

the extent to which the agency or authority being audited is adequately discharging its financial responsibilities in relation to the schemes being implemented, and

whether there are instances of overpayment, loss, extravagance, avoidable excess or infructuous expenditure attributable to improper planning, incorrect sequencing of activities, delays in completion, etc.

Audit of Grants made for a specified object

Unless it is otherwise ruled by Government, every grant made for a specified object is subject to the following implied conditions:

If the sanctioning authority has not prescribed any time frame for the purpose, the grant will be spent upon the specified object within a reasonable time, which would normally be a period of one year from the date of issue of the sanction.

Any portion of the grant not ultimately required for expenditure upon the specified object will be surrendered.

Audit scrutiny, when undertaken, should pay special attention to the fulfillment of these conditions.

Audit of Grants to non-government or quasi-government bodies or institutions

The Central Government have decided that where assets are to be acquired wholly or substantially out of Government grants paid to non-government or quasi-government bodies or institutions, it should be laid down that the assets should not, without the Government's prior sanction, be disposed of or utilised for purposes other than those for which the grants were sanctioned. Audit has to watch compliance with this requirement or any other similar stipulation made by the State Government in this behalf.

Audit of scholarships

Scholarship and stipend vouchers should be test checked during local audit of departmental offices. It should be ensured that a proper system exists in these offices for maintaining a continuous record of all such payments and that acquittances have been received and filed.

Audit should be conducted with reference to the names of the beneficiaries in respect of scholarships and stipend vouchers which fall under one or the other of the following categories:

- (i) Scholarships/ stipends sanctioned by Government.
- (ii) Scholarships/ stipends involving a monthly recurring payment of Rs. 75 or more in each case sanctioned by heads of departments or other subordinate authorities under the powers delegated to them.
- (iii) Scholarships/ stipends of less than Rs. 75 p.m. in each case sanctioned by heads of departments and subordinate authorities under powers delegated to them involving conditions, fulfillment of which would have an important bearing on the continuance of the scholarship/ stipend.
- (iv) Overseas scholarships.
- (v) Any other category of scholarship/ stipend in respect of which nominal audit is considered necessary by the Accountant General (Audit) on any special considerations.

Audit in all other cases should be conducted only numerically. This will consist in verifying that:

the sanctioned scale is not exceeded;

the total amount sanctioned for the scholarships and stipends has not been exceeded;
and

scholarships and stipends are drawn only for the period for which they are admissible in terms of the sanctions.

It should also be ensured in audit that- (i) the bills for educational scholarships and stipends have been drawn in accordance with the procedures prescribed in the relevant rules; and (ii) necessary certificates vouchsafing fulfillment of the prescribed conditions have been furnished. The accuracy and veracity of these certificates should be verified by a test check of the detailed records maintained by the executive authorities.

CHAPTER-10

AUDIT OF PUBLIC SECTOR BANKS

Introduction

Under the departmentalised accounting system, the receipts and payments of each Ministry/ Department are handled by the Public Sector Banks (including the State Bank of India and its subsidiaries) nominated by the Reserve Bank of India (RBI). It is the duty of the C&A.G. to audit the records maintained by the Banks in connection with all Government transactions.

The primary objective of inspection is to assist the banks and the Government in establishing a system of sound functioning and strictly in accordance with prescribed rules in so far as Government transactions are concerned. The Public Sector Banks more or less discharge treasury functions and therefore inspection should be conducted in accordance with the general principles governing treasury inspection and the instructions contained in the Secret Memorandum of Instructions regarding the Extent of Audit.

Transactions to be audited

The following categories inter-alia of Government transactions occurring in the Public Sector Banks (PSBs) including the branches are to be audited by Civil Inspection parties.

Payment of pension to Central (Civil, Defence & Railway) and State Government pensioners.

Receipt of direct and indirect taxes

Public Provident Fund Scheme

Special Deposit Scheme

Self-employment scheme for educated un-employed youth etc.

Duties and responsibilities of Inspection Staff

The inspecting staff are responsible to ensure that:

the procedures followed by the banks transacting Government business meet all requirements of audit and that the accounts are properly maintained;

the scrolls and challans are being despatched in time and credits are being afforded to the Ministry/ Department or office of Govt. concerned without delay;

the specimen signatures of all drawing officers are properly recorded and are referred to by the bank officials before they make payments; and

the procedure followed in dealing with cheques, the encashment of which is subject to the limitations of assignments, letters of credit, etc. is in accordance with the prescribed rules.

Disbursement of pension (Central Civil, Defense and Railway Pension) : -

- (a) The Ministry of Finance OM NO.F 10(23)-B(TR)/ 76 dated 11th June, 1976 (Para 23) provides that accounts, records and Registers maintained in the branches of the PSBs, making pension payments, including the link branches, shall be open to audit by IA & AD.

The local audit in this regard is required to supplement the checks exercised in central audit. It has to see that the provisions of the schemes of disbursement of pension by PSBs as laid down in the Ministry's O.M. referred to above are strictly followed by the PSBs, in general and that the following points have been adhered to, in particular:-

- (i) Payment is made only upto the date of death of pensioner and any overpayment made has been recovered and refunded to Government.
 - (ii) Payment of lifetime arrears of pension has been made only to the legal heir of the pensioner.
 - (iii) When a pension cases to be payable, the P.P.O. is returned by the paying branch to the Treasury Officer through the link branch after making necessary entries in the P.P.O. as well as in the records of the bank.
 - (iv) No amendment or change is made in the P.P.O. by the bank itself.
 - (v) The correct amount of pension has been credited to the Pensioner's account on the basis of the P.P.O. issued by the A.G. and received through the treasury under proper authorisation.
 - (vi) Income tax is deducted at source wherever required and certificate of tax deduction is issued in April each year.
 - (vii) The amount claimed by the link branch of the PSBs from the Government on account of pension payments agrees with the total amount credited to the accounts of the pensioners.
 - (viii) The scrolls sent to the link branch for claiming reimbursement from the Government through RBI have been correctly prepared.
- (b) Checks as prescribed in Note (2) below paragraph 64 of Secret Memo of Instructions regarding extent of audit during inspection of treasuries are to be exercised. Check is to be conducted against Pension Payment Orders (PPO) and for that it is to be assumed that the PPOs are genuine; that they do not appear to have been tampered with; and in the cases of renewal of original orders of A.G., they are true counterparts, of the originals. It should be seen that pensions in arrears have not been paid without necessary sanction.

In addition to the general review prescribed above, detailed test audit of one month's voucher (each individual payment indicated in the scroll) in every six months is to be done.

- (c) The records of the link branches relating to claim for reimbursement from R.B.I. in respect of pension payments are to be checked once a year with a detailed test audit of scrolls for two months.

(Authority: C& A.G.ø Circular No. 2795-TA.II/ 186-76, dated 24-12-76 No. 349-TA/ I/ 222-78, dated 24-4-79 No. 252-TA.II/ 34-78, dated 3-3-80).

Receipt of direct and indirect taxes.

10.1.6 The Government of India introduced with effect from 1st April, 1976 a scheme for receipt of Income tax and other direct taxes by nominated P.S.Bs in addition to the RBI/ SBI in 8 metropolitan cities, gradually extending the same to other cities and towns, the whole country being covered with effect from 1st April, 1977. The procedure to be followed by the local audit parties in audit of these transactions in the PSBs is under:

- (i) A test check of the records maintained by the designated main branches of the banks (mentioned in Para 19 of the Memo of Instructions issued by the RBI) is to be conducted to ensure that the direct taxes received by the banks have, according to the scrolls maintained in the designated main branches, been actually remitted to RBI for credit to government account. Normally, the records of the receiving branches of the banks need not be checked. However, if any suspicion arises in any particular case, the credit of any particular receipt may be traced in the records by a reference to the RBI/ SBI concerned.
- (ii) The designated main branch of the banks, after consolidating the receipts and refunds of all the receiving banks under it, reports daily through a daily memo to the Government Account Section (GAS) of RBI, Bombay. Prescribed checks of scrolls (both for receipts and refunds) are to be conducted with reference to daily memo to see that these are properly classified and there is no delay in furnishing daily reports. Transactions above Rs 1 lakh is to be intimated to RBI by *wire*. The bank is also required to maintain a register in PSB-11 for recording all collections, major-head-wise, which to be cross-checked with the particulars of daily collections posted separately for CBDT and CBEC in From PSB-12.
- (iii) Analysis of monthly transactions is posted in form GAS-9 and sent in triplicate to the respective PAOs along with the relevant challans. The PAOs, in turn, send a certified copy duly checked at their end and the same is required to be transmitted to GAS, RBI. These are to be checked to see that all the items appearing in the Register PSB-11 find place in it and agree with the grand total, and that there is no abnormal delay in sending the certified copy to the GAS, RBI.

As the Government Account Section of SBI takes up final adjustment with RBI there is no record available either with the receiving branch or the main branch of the PSBs in support of particulars of items remitted to RBI; and as such, Audit is to pinpoint this fact in its observations.

(C&A.G.ø letter No. 2039-TA.II/ 73-75, dated 4-1-1978)

Special Deposit Scheme for the benefits of non-Government Provident, Superannuation and Gratuity Funds.

10.1.7

- (a) Deposits under the scheme can be made at any office of the RBI, any branch of the SBI or its subsidiaries or any nationalised bank. The eligible Funds that are permitted to be invested under the scheme may open an account with any of these deposit offices by submitting an application on prescribed form along with prescribed challan. The scheme provides for 10 P.C. tax free interest on the special deposits.
- (b) In course of audit of special deposit accounts maintained at the said banks, the correctness of the refunds/ repayments and interest payments is to be verified so as to ensure the following: -
- the repayments/refunds do not exceed the original credits;
- the repayment/ refund has been made in accordance with the provisions of the scheme.
- where refund of the deposit is made before the due date, it has been made only in the circumstances mentioned in clause 9 of the Government of India notification dated 30th June, 1975.
- the amount of deposit refunded on becoming repayable on termination of the scheme has been paid in five equal installments vide clause 11 of the Ministry's notification dated 30th June, 1975.
- the payment of interest on deposits, which would be a charge on the Consolidated Fund of India, has been correctly worked out with reference to the rate of Interest prescribed under the scheme. Calculation of interest (Prescribed percentage) of the total number of accounts maintained in a receiving office to be checked.
- (c) In addition to the checks specified in Para (b) the records maintained in connection with special Deposits in individual branches of the bank should be generally reviewed and each item of deposit received should be verified with reference to the entries in the ledger maintained by the Deposit office and the receipts issued to the depositors in Form B i.e. Challan vide G.I. Ministry of Finance Notification No. F. 16 (I) PD/ 75 dated 30th June 1975. In the absence of the challans in Form B the entries made in the ledger maintained by the deposit office may be verified with reference to the 3rd copy of the scrolls acknowledged by the office of the bank conducting Government work. (For details the notification may be seen in the bank where this is likely to be available).
- (d) The quantum of audit should be decided in such a manner that check of the deposit account of all depositors can be completed over a span of 4 to 5 years. For this purpose, the number of accounts of each branch audited may be collected and reported to OAD headquarters.

[Authority: C&A.G.ϕ letter No. 524-TA-I/ 71-75, dated 14th June 1976 and No. 383-TA.I/ 9-81, dated 25th March 1981].

Public provident Fund.

10.1.8 Public Provident Fund scheme was introduced in 1968 and selected branches of 14 nationalised banks were entrusted with the maintenance of PPF accounts, Audit of such accounts is to be conducted in the selected branches of such banks.

(a) Audit is to be conducted with reference to general rules prescribed for the audit of GPF transactions. In addition to the check of relevant records right from the application for subscribing to the fund till the stage of final refund of the amount of the fund, individual transaction is to be test checked with reference to the statements furnished by the banks (to A.G./ A&E) showing therein all credits/ debits originating in the branch concerned to the extent of prescribed percentage of the number of accounts in each branch whether conducting government business or not. Local audit is particularly aimed at verification of: -

- (i) the correctness of the amount of interest allowed with reference to the rates prescribed for the purpose, and
- (ii) the signature of the officer of the bank who authorised the payment.

[Authority: C&A.G.ϕ letter No. 885-TA-I/ 14-84, dated 8th August 1984 and No. 2015-TA-I/ 325-68 dated 10th November 1970].

Self-employment scheme for Educated Unemployed Youth Routing of subsidy through RBI.

10.1.9 (a) The Government of India Ministry of Industry, have formulated, in consultation with the RBI, a scheme for providing self-employment to the educated unemployed youth. The objective of the scheme is to encourage the educated unemployed youth to undertake self-employment venture in industry, services and business. The scheme will cover all educated unemployed youth, who are matriculates and above, within the age group of 18 to 35 years. The scheme will extend to all areas of the country, except cities with more than one million populations as per 1981 census. In order to be eligible for subsidy, the loan application should be recommended by the Task Force constituted by the District Industries Centers. The subsidy will be routed through the RBI, which will administer the capital subsidy as agent of the Government of India.

(b) A composite loan not exceeding Rs. 25,000 will be admissible to an eligible entrepreneur under the scheme. The working capital position of the loan will be separately worked out and repayment schedule will be determined only in respect of the term loan component. The balance will be converted into cash credit/ overdraft facility. The period of repayment of the term loan component shall be 3 to 7 years with an initial moratorium of 6 to 18 months.

The composite loan under the scheme shall be charged interest at 10 p.c. per annum for backward areas and 12 p.c. for other areas till the term loan component is repaid.

- (c) The beneficiaries under the scheme will be eligible for capital subsidy computed at 25 p.c. of the total amount of loan (term loan plus working capital) from the G.I. Ministry of Industry.

The subsidy amount received should be kept as term deposit in the name of the entrepreneur for the duration of the term loan component and would earn interest at the rate applicable to the relevant term of maturity.

The subsidy deposit will be available for adjustment against the last instalment(s) due in respect of the term loan component. The responsibility to ensure and use of the loan and recovery will be that of the banks.

- (d) The register, accounts and other relevant documents of financing banks are to be test-audited by this department. The accounts in the head offices of the banks which would claim the amount of subsidy from the RBI and the records of the RBI are also to be checked to ensure that the following two main conditions attached to the release of Government subsidy have been fulfilled:

The amount of subsidy does not exceed 25 percent of the total amount of loan (term loan + working capital loan) granted by the bank to the beneficiaries.

The subsidy is claimed by the banks (from RBI) only when 25 percent of the composite loan has been disbursed to the beneficiary.

- (e) Checks to the extent of prescribed percentage are to be exercised in various bank branches where the amount of subsidy received in a calendar year is more than Rs. 3 lakhs with reference to the records/ loan registers of the bank branches.

N.B.- DA, CWM, New Delhi is to collect the amount of subsidy (bank branch-wise) from the records of the head offices of the various banks and to supply us with figures.

[Authority: RBI Rural Planning and Credit Department, Central Office, Bombay, Ref. No. RFCD, No. PS.BC.I/ C 665-83, dated 8th November 1983 and C&A.G. No. 244-TA.I/ 184-83, dated 27th February, 84].

CHAPTER-11
AUDIT OF THE ESTABLISHMENT OF HIGH COURTS

Introduction:

11.1.1 The instruction contained in this chapter govern not only the audit of the accounts of the establishment of High Courts but also the procedure of approval and issue of the Inspection Report.

Duties and responsibilities :

11.1.2 Considering the matter of Audit of the establishment of High Courts as sensitive nature , the audit must be planned properly and supervised personally by the Group Officer taking into account various aspects of High Court Establishments Rules etc. The draft Inspection Report must be discussed by the Group Officer with the Registrar / Registrar General of the High Court.

Head Quarter Section (I-C) must ensure that copies of all instruction circular / orders etc. in respect of personal entitlement claim etc. of the High Court Judge issued by the Head Quarters from time to time are handed over to the field party along with the copy of the programme of audit.

Approval of Issue of Inspection Report:

11.1.3 The Inspection Report should be checked and approved personally by the Pr. A.G./A.G. In case the Inspection Report contain any para relating to personal and entitlement/claim of any Judge, the same should be sent to HQ for clearance . After the clearance, if any objection or overpayment in respect of a judge is noticed the matter should be brought to the notice of the Judge through a D.O. letter (in the prescribed format enclosed) by the Pr. A.G. / A.G. for his views and if the Judge agrees to the audit view point, the same may not be included in the Inspection Report treating the matter as closed. In case, the Judge does not agree to the point, the same may be referred to Headquarter again.

[**Authority :** HQ's D.O.'s letter no. 892 Rep (s)/ 98-97 dtd 04.09.1997 , no. 745- Rep(s)/ Aud. Plan / 38-98 dtd. 30.06.1998, no. 276 Rep(s)/ 98-97 dt. 18.03.2002 and no. Rep (SCS) High Court / Agartala Bench / 71-2005-2003 dtd. 28.03.2005.]

Confidential

D.O.No.

Dear Shri-----

As part of our routine audit scrutiny of the expenditure incurred by the establishment of the High Court pertaining to the period_____, the following points (enclosed statement) pertaining to the personal claims on your behalf were noticed in audit. Since these points may relate to deviation from the rules and the prescribed procedure and may involve over payment , I am bringing these to your personal notice at this stage with the request that you may kindly go through the audit comments and whenever necessary , arrange to adjust the over payments etc. as pointed out in audit. In case you are not in agreement with audit observation, I would request you to kindly let one have the benefit of your views in such matters before a final decision could be taken. The draft report is yet to be issued and this is to assure you that due regard will be paid to facts etc. which may be pointed out by you in response to these audit observations, while arriving at final conclusions. If you consider, the points can be discussed at your convenience.

Yours sincerely,

Pr. A.G. / A.G. (Audit)

To,

The Justice _____,
High Court of _____,
_____.

CHAPTER-12

AUDIT OF WORLD BANK AND OTHER EXTERNALLY ASSISTED PROJECTS

Introduction:

12.1.1 Audit is responsible for reporting to the funding agency whether the implementing agencies have incurred expenditure on the scheme in accordance with the pattern specified in the staff appraisal report relating to the scheme and terms of such assistance and Govt. of India's instructions. Audit is also to identify matters relating to inadequacies in system and control, cases of fraud or presumptive fraud, wasteful expenditure, failure of administration to take corrective action on the recommendation of earlier report etc.

Audit approach:

12.1.2 Audit is to look into the eligibility of contractors, method adopted in selecting contractors, investment decisions and implementations, review of viability of projects undertaken, review of the project management system to ensure that the work is properly and effectively supervised and executed and that there is accountability throughout the various stages of the project.

For some payments of miscellaneous nature e.g. remittance vouchers, cheques, discount vouchers etc., a minimum check that audit can prescribe, may be exercised. This minimum check, however, should consist in verifying that there is a sufficient voucher for payment and that there is sufficient authority for making it.

Records/documents to be checked:

12.1.3 For effective audit, the following records/ documents are to be checked -

- (i) Staff appraisal report,
- (ii) Loan agreement,
- (iii) Monthly account or financial statements and supporting vouchers,
- (iv) Statement of Expenditure (SOE),
- (v) Contracts relating to works and estimates of the works to identify any inadmissible item and
- (vi) Methods adopted for procurement.

Audit Planning

12.1.4 As per the existing instructions issued by Ministry of Finance (Department of Economic Affairs), the Statement of Expenditure (SOE) should reach the Pr. A.G./ A.G. (Audit) by 31st July following the close of each financial year. The audit certificate should be issued to the project implementing authority within 9 months after the closure of each financial year. The issue of Audit certificate is delayed mainly due to non-receipt of SOEs from the implementing agencies. To overcome this problem, CASS-I Section should take up the matter with the Finance Secretary of the State for timely and prompt action in this regard.

On receipt of the SOEs from CASS-I Section, the OAD HQ Section should prepare programmes and depute parties for audit. For this, the OAD HQ Section should provide required party days (on the number of certificates to be issued) in the Annual Audit Plan in consultation with CASS-I Section.

Audit of Implementing Agencies:

12.1.5 The following points should be looked into while conducting audit of expenditure incurred by the implementing agencies from the loan received from world Bank/ External Agencies.

- (a) whether the loan has been utilised only on account of expenditure for goods and services provided by nationals of and produced in or supplied from Bank member countries. Audit should see that the nationals of other countries (than Bank member countries) or bidder offering goods and services from other countries (than Bank member countries) has not been allowed for bidding contracts intended to be financed wholly or in part from bank loan.
- (b) whether the loan is utilised for purpose projected and sanctioned for.
- (c) Whether economy and efficiency is considered. The point of avoidable extra expenditure and cost over run due to non-completion of work in stipulated time found if any, should be brought out and incorporated in the report.
- (d) Whether any contract is awarded against the provision of the loan agreement or guidelines.
- (e) Whether the procurement of good and service are inconsistent with the agreed procedure.
- (f) Whether all payments made to the consultants are in accordance with the contract provision.
- (g) Whether income tax and other duties recovered from contractors/ consultants.

The amount objected on any of the aspects mentioned above, can be objected by the Pr. A.G./ A.G. (Audit) for certification of SOE for the sake of reimbursement.

In civil offices, generally the expenditure is met by drawing funds in Abstract Contingent (AC) bills. The admissible expenditure will be supported by Detailed

Countersigned Contingent (DCC) bills. The SOE, therefore, needs to be scrutinised with reference to the report of AC/ DCC bills received in A&E office.

Drafting of Inspection Report:

12.1.6 The Inspecting Officer should draft the Inspection Report Paras identifying specifically that the project/ work/ scheme is aided by World Bank/ External Agency as the implementing agency may be executing other works besides the World Bank aided works/ projects.

CHAPTER-13

Inspection of Public Debt. Offices

Scope of Audit:

13.1.1 The open market borrowings of Government are managed by the Public Debt. Offices of the Bank . The work done in the Public Debt. Offices in respect of the transactions connected with these borrowings is required to be test checked with relevant records maintained in those offices by the local Pr.A.G./ A.G.(Audit).

Guidelines for Audit:

13.1.2 Audit is to be conducted according to the guidelines contained in the Manual of Instructions for inspection of Public Debt Offices by the Indian Audit and Accounts Department issued by the Director General of Audit , Central Revenues and other guidelines issued by him, if any . The instructions contained in paragraph 3.13.27 under Chapter -13 of MSO (Audit) should also be kept in mind while conducting the Audit.

Communication of the Results of Audit

13.1.3 The results of the Inspection should be set forth in an inspection report which will be in three parts as mentioned in paragraph 1.16 of this manual. The Pr. A.G./ A.G. (Audit) concerned should forward copies of the Inspection Report to the Public Debt Office concerned, the Central Office and Central Debt Section of the Reserve Bank of India at Bombay , the Governments concerned , the Director General of Audit , Central Revenues and all state Pr.A.G./ A.G. (Audit). The Director General of Audit, Central Revenues will be responsible for the coordination of the Reports in respect of various Public Debt Offices while the Pr.A.G./ A.G. (Audit) who conducted the audit will be responsible for settlement of the objections.

CHAPTER-14

ESTABLISHMENT AUDIT

Introduction

14.1.1 The instructions in this chapter are intended primarily for the guidance of the Inspecting AAO/ SO and Sr. Auditors/ Auditors for establishment audit.

Audit approach

14.1.2 Audit has to provide assurance that claims preferred are in accordance with the entitlements and rules in force. If, during a sample check in audit, the incidence of incorrect application of financial rules and other irregularities is found to be significant, the approach of substantive testing, namely check of all claims, should be adopted so as to be in a position to conclude that the irregularities are wide-spread and not confined only to one or two individual cases. The approach should then be extended to other auditee of the Department both horizontally and vertically to gain assurance about extent of irregularities.

Scope of Audit

14.1.3 The system of establishment audit consists essentially of the following components:

- (i) Audit of sanctions to establishment.
- (ii) Audit of sanctioned strength of staff.

Nominal audit or check of correctness of pay and allowances.

Audit of advances granted to staff.

Audit of establishment bill and Acquittance Roll.

Audit of service Book and fixation of pay.

Audit of Leave account.

Audit of Stock Register/ Accession Register of Library Books.

Audit of Dead stock Register.

Audit regarding allotment of residential quarters and recovery of Licence fees.

Issues of audit scrutiny.

Audit of sanctions to establishment.

14.1.4 The register maintained by auditee for sanctions to establishment, general/ specific sanctions to pay & allowances, compensatory allowances or grants etc. and any other information, should be checked in local audit in details. The classification of expenditure in relation to expenditure incurred should also be checked and any discrepancies noticed should be brought out to the notice of the authority concerned for corrective measure.

Audit against sanctioned strength of staff.

14.1.5 The sanctioned strength of staff and men-in-roll should be checked in audit. It should also be examined whether the appointments made are valid or not. However, the procedure that should have been followed before making an appointment is not a matter into which Audit should delve. Unless there are any specific restrictions on the powers of the Government either in the Constitution or in any law or statutory rule, the appointments made should not normally be questioned. The matter of entertainment of any excess staff as well as shortage of staff should be brought to notice of the appropriate authority so that adjustment can be made by transfer/ posting to deficient offices running with shortage of staff. In offices where the VLC package has been established, certain additional data of immense use for audit has been captured in the Employee Module. Audit may analyse these data intelligently by using computer Aided Audit Techniques (CAATs).

Nominal Audit of pay and allowances

14.1.6 Nominal audit of pay and allowances drawn for individuals should be conducted with reference to service rules and general and special orders of Governments governing appointments, transfers, joining time, suspension, retirement, pay scales, different types of special pay and compensatory allowances and also with reference to the initial and primary records such as service books, increment certificates, orders of appointment/ promotion/ reversion, sanction to leave orders, if any, of suspension and subsistence allowances admissible etc.

Audit of advances granted to staff

14.1.7 The Government Servants are eligible of getting several advances like Festival, House-Building, Motor Car/ Bicycle, TA/ LTC advances etc. Audit should, in addition to check of the advance registers, examine the eligibility of sanctioning such advances to concerned employees. Audit should also check whether instalment-wise recoveries as required have been made and reference of recoveries noted in the registers. In respect of outstanding TA/ LTC advances, audit should ascertain the period for which the advances lying unadjusted and suggest recovery as per provision of Service Rules / TA Rules.

Audit of establishment bills

14.1.8 The bills such as pay, Re-imburement of Medical claim, Travelling Allowance etc. that are selected for detailed check (for one month only), should be checked by audit in the following lines:

- (a) **Pay Bill:** - Audit will essentially consist in verifying:
 - i. the title of the government servant to the pay drawn and the pay is drawn against a sanctioned post.
 - ii. the sanctions or funds have been received for payment.

- iii. that no pay has been admitted to a government servant beyond the date of his attaining the age of superannuation.
- iv. that the bill (s) is supported by a medical certificate in the case of first appointment.
- v. that the income tax/ professional tax and other recoveries have been deducted in accordance with the rules and orders.
- vi. that the house rent allowances, compensatory allowances and dearness allowances etc. have correctly been calculated.
- vii. that the amounts due to the government servant have duly been entered in the Acquittance Rolls and initials of payees obtained on the Revenue Stamp.

(b) **Reimbursement of medical claim bills:** -It should be verified that:

- i. the claims are in accordance with the rules and orders of the Government.

the claims are supported by proper certificates issued by Authorised Medical Attendant and

the claims are supported by proper cash memo/ receipts/ vouchers.

(c) **Travelling Allowances bills:** - It should be looked into by Audit that:

- i. the journey was necessary and authorised by general or special orders of the competent authority.
- ii. the journey was actually performed and tour diaries have been submitted.
- iii. the movement was checked with reference to tour diaries.
- iv. the claim had been preferred with reference to existing rates and general conditions in force.
- v. The rates of daily allowances drawn correctly with reference to existing rates and the claims are supported by hotel receipts.
- vi. The mode of travel, class of accommodation and rates of daily allowances etc. are determined on the basis of pay of government servant.
- vii. The amount of advances paid have been correctly adjusted and
- viii. No claim had been submitted previously for the said journey.

(d) **Leave Travel Concession Bills** It should be checked in audit whether

- (i) the Government Servant's claim is LTC for "Home Town" or "All India" tour and journeys performed within the block year and has not availed LTC prior to this within the same block year or during its grace period.
- (ii) the claim is for journeys performed within India.
- (iii) the "Home Town" is the permanent home town recorded in the service book or as declared by the Officer for the purpose.
- (iv) The "family" accompanied the Govt. Servant, if any, are actually entitled (for the concession) under the rules and orders issued from time to time.
- (v) The Govt. Servant intimated the place of visit before undertaking the journey and had visited he declared place of visit.
- (vi) The Govt. Servant had taken away advance and if so, the adjustment or refund of surplus.
- (vii) The claim is by shortest route.
- (viii) The Railway Ticket numbers are in serial orders.
- (ix) The leave for journey sanctioning authority and debited in the leave accounts
- (x) The final claim is submitted within one month of completion of journey in case of advance granted.
- (xi) The final claim is preferred within 3 months of completion of journey in case no advance is taken or granted.

Note- Presently, the LTC for the employees of the State of Assam, is permissible once in the entire service period to be availed within 4 years from date of their retirement.

Audit should, here, ensure that the Controlling Officers properly exercised the scrutiny entrusted to them under the rules.

Audit of Service Books and fixation of pay.

14.1.9 A Service Book in the form prescribed in the Service Rules is to be maintained by the Head of office for very non-gazetted government servant for whom it is prescribed under the orders of the Government concerned and kept in his custody. For this purpose, a Register of Service Books should be maintained in which every entry should be made when new Service Book is opened or transferred from another office. Every event in the government servant's life (official) should be recorded in this book. The Service Books of non-gazetted government servants should be checked in local audit to ensure that they are maintained in a satisfactory manner. While checking the Service Books, it should be verified that:

- i. they are complete in all respects.
- ii. the reference of appointment letter, date of birth, qualification, designation etc., have been clearly indicated and supported by proper documents.
- iii. that scale of pay noted and annual increments granted.
- iv. the Controlling authority has recorded prescribed certificate relating to verification of service rendered by the government servant.
- v. the nomination in respect of Death-cum-Retirement Gratuity, Provident Fund etc. have been made and are available and
- vi. relaxation of age, if any, declaration of marital status, declaration of home town, option exercised in respect of service matters, condonation of breaks in service, if any, collateral evidence matter in r/o past service etc. are noted clearly.
- vii. The entries made in the Service Book should be made open to the incumbents once in a year and obtain their signature in the prescribed column to ensure more accuracy in maintenance of Service Book and avoid future problems in regard to settlement of retirement benefits/ pension cases etc.

Check of fixation of pay

14.1.10 When there is general revision of pay, the administrative department should arrange for fixing the initial pay of his staff by appointing an officer for the purpose or by arranging other suitable means as may be deemed expedient. Fixation of pay (15%) in such circumstances should be test checked during local audit with reference to the recommendation of the Pay Commission, Initial Pay Statement (IPS) prepared and entries made in the Service Book. When, however, a new time scale of pay is introduced or an existing time scale of pay is revised in isolated cases, the calculation of initial pay and date of next increment fixed for each incumbent should be scrutinised with reference to Govt. orders and the provisions of F.R. as applicable.

Audit of leave accounts

14.1.11 The leave account is the basic record required for determining the amount of leave salary payable to each incumbent at the time of retirement. To ensure the correctness of leave account, the office in which the same is maintained should close the account regularly. Audit should, in addition to check of nominal calculation, see whether the account is maintained in proper form and entries made in the account are duly attested by the authority concerned. It should also be checked whether the leave availed by an incumbent is recorded in his Service Book and the procedure adopted for granting leave is correct.

Prescribed percentage of checks of Service Book & leave Accounts

14.1.12 The Service Books and Leave Accounts should be checked according to the following percentages:

- (a) Establishment audited annually-25 percent
- (b) Establishment audit biennially-50 percent
- (c) Establishment audit triennially or for a longer period-100 percent

The selection should be so made as to include service books of all persons due to retire before the anticipated date of next audit.

(Authority: C&A.G.ø no. 2056 Tech. Admn. 11/ 349-67 dated 7.10.65)

Audit of Stock Register

14.1.13 In audit of stock Register for Stationary articles, Accession Register for library books etc., it should be verified as to:

- (a) whether the register are maintained in prescribed form.
- (b) whether proper records of assessment of requirement and purchases are maintained and all entries relating to purchase such as name of supplier/ supplying firm, rates, quantity & amount etc., have been made in the Stock Registers.
- (c) whether issues of such item made on demand or on requisition from various section/ wings and balances worked out correctly.
- (d) Whether periodical physical verifications of stock carried out and if so, the result.
- (e) Whether proper records are maintained regarding all machines and equipments and they are functioning properly or lying out of order. In case of any of them are unserviceable, the action taken to dispose them of should be verified.
- (f) Whether any arrangement made for sale of newspapers, periodicals, magazines and obsolete books. In case of any sale, the rate fixed, amount received and date of deposit of the amount to Govt. a/c, should be verified.

Note-For purchase of computer Hardware and Software, a separate stock register is required to be maintained and audit should see whether the purchases have been made according to configuration of the machines.

Audit of Dead Stock Register.

14.1.14 For audit of Dead stock Register, it should be seen:

- (a) whether all the dead stock articles, furniture etc., have been recorded in the register.
- (b) whether any physical verification carried out at least once in a year and shortages found, if any, have been got regularised and surplus taken into stock.

- (c) whether a separate register of repairable or unserviceable furniture maintained to account for the repairable and unserviceable items.
- (d) whether any action has been taken for repairing the repairable items and disposing of the unserviceable items.
- (e) whether write off sanction for unserviceable items has been obtained in the Form GFR-18 after investigation.
- (f) Whether revenue collected out of the sale of the dead stock has been credited to Govt. account.

Audit of allotment of Residential Quarters and recovery of Licence Fee.

14.1.15 Audit should, in local audit, see the following points while conducting audit of allotment of residential quarters and recovery of licence fees.

- (a) type wise total number of residential quarters available.
- (b) total number of applicants.
- (c) total number of quarters allotted.
- (d) total number of applicants in waiting-list.
- (e) the reason for non-allotment of quarters, if not allotted even if there is applicants.
- (f) The quarter allotted to the employees are entitled to those or not.
- (g) the date(s) of taking possession of the quarter(s) by the incumbent(s) and recovery of licence fee at prescribed rate from monthly salary.
- (h) Retention of quarters by retired persons beyond the date of their superannuation and recovery of licence fee at the prescribed rate.
- (i) Unauthorised retention of quarters by retired persons beyond the prescribed/ permissible period.
- (j) Cases of unauthorised occupation of quarter(s) and action taken thereof.

CHAPTER-15

SYSTEM AUDIT

Introduction

15.1.1 A system is an orderly arrangement of separate but interdependent and interacting activities and related procedures which implements and facilitates the performance of the functions of an organisation.

The conduct of Government business and financial/ administrative procedures is governed by various rules and regulations as well as procedural instructions issued by the Government and the Heads of the Departments. These regulations also prescribe certain control mechanism. Audit should review the existing rules and regulations with reference to the present situation and see whether they require any change and if so, make concrete suggestions. The Audit parties should furnish specific documented reports if any large-scale defaults in observance of the rules are noticed. In cases where the parties come across cases of obsolescence in any of the rules and regulations, they should report upon such cases in details and send it to the Head of the Department/ Government. If these are of significant interest, the same may be included in the Audit Report on obtaining the comments of the Department/ Government.

Concept of System Audit

15.1.2 The concept behind the System Audit is that if an indepth analysis of the mechanics of a system is carried out and found that the same is designed with appropriate controls, checks and balances to safeguard against errors, fraud etc., then it can be assumed that the results produced would be fairly accurate and there is no necessity of conducting detailed examination of the individual events or transactions. However, the actual working of the system needs to be sample tested to evaluate its efficiency and effectiveness. The system audit, thus, serves as an effective aid to management.

General principles

15.1.3 The general principles governing Systems Audit are as below:

- i. In order to locate the deficiencies in any system, it is necessary to check the chain of movements in each procedure forming part of the operational or financial activity. Since a long chain of movements causes delay, the necessity for each link in a chain should be analysed and unnecessary links identified for elimination.
- ii. Similarly, the procedures that have in-built delays should be examined with a view to ascertaining how best they can be streamlined. Causes of departures from the prescribed procedures should be analysed. This analysis will indicate where the system and its linkages are getting extended or overloaded and how the resultant strains may be eliminated.
- iii. It has also to be examined whether action on important points has been initiated at sufficiently high levels of the hierarchy so as to produce meaningful results.

- iv. In addition, procedures and/ or records which appear to be redundant or superfluous should be identified for elimination.

Source documents

The important source documents that will form the basis of audit scrutiny to evaluate the adequacy of system are the following:

- i. Organisational Chart.
- ii. Procedural Manuals.
- iii. Delegation of Powers Rules.
- iv. Departmental Accounts Manual.
- v. Accounting Policies and Procedures.
- vi. Budgeting Policies and Procedures.
- vii. Performance Budget.
- viii. Work Plans.
- ix. Technical Manual relating to quality specification.
- x. Internal Audit Reports.

Main stages of system audit

15.1.5 The main stages of System Audit are-

- i. Organisational Analysis
- ii. Authorisation and Recording
- iii. Accounting
- iv. Internal control
- v. Standards of quality and performance
- vi. Internal Audit
- vii. Reviews and evaluation.

The manner in which these processes are applied in the context of a government entity is indicated in the following paragraphs.

Organisational Analysis:

15.1.6 **i** Find out the basic objective or activity of the entity.

- ii Study the organisational pattern of the entity as given in the organisational chart and procedural manuals. Satisfy yourself that there is a clear logical plan of organisational function, which establishes clear lines of 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:

the units are functionally segregated to ensure professional, functional and/ or technical specialisation and to achieve functional independence for purposes of internal management control;

proper distribution and clear demarcation of functional responsibilities exist among the personal working in the entity;

the staff pattern of the entity conforms to norms or standards prescribed for the purpose and carried the approval of the competent authority;

the financial functions are separated from other administrative functions;

within the financial unit, the employees responsible for the custody of financial or material resources are separate from those who record transactions, maintain accounting records and prepare financial reports;

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;

checks and balances have been integrated into transactions processing flow in such many manners to ensure added reliability without increasing costs or creating new positions or new operating units;

there is an effective system of follow up to determine whether assignments are properly carried out;

the organisational units are designed to obtain maximum effectiveness at the minimum cost;

staff requirements are reviewed from time to time keeping in view the charges in the entity's function and relevant factors;

posts remain vacant for long periods affecting the entity's functioning adversely and

there is any overstaffing with reference to the entity's functional responsibilities.

Analysis of System of authorisation and recording:

15.1.7

Examine the system of authorisation of transactions and operations and the related procedures and records prescribed for the purpose.

Verify whether authority for the initiation of execution are clearly delegated in writing by the competent authority.

Check whether adequate system with necessary checks and balances exists to ensure that delegated duties are handled satisfactorily.

Ensure that forms and procedures provide for the review and authorisation of transactions prior to accounting entry and that the design of forms and procedures includes provision for proper authorisation of all operations and transactions with the records of the authorisation serving to establish accountability for the action taken.

Verify that the system provides for procedures to ensure that all approved transaction documents serve as source documents for accounting entries.

Verify that the system provide for immediate accounting of all cash and materials received.

Analysis of Accounting System:

15.1.8

- i. Study the departmental accounts manual including policies and procedures and prepare a flow chart showing the stages right from initiation of the final accounting of transactions.
- ii. Examine whether the accounts records provide for compilation of transactions as per budgetary classification.
- 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 for 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 exist to safeguard against errors and irregularities in operational and financial data.
- vii. Satisfy yourself that the accounting system is adequate, conforms to the generally accepted accounting principles and includes such forms and records as are absolutely necessary to provide sound accounting and financial reporting.

Examination of the System of internal control:

15.1.9 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 authorized, dual custody of valuable negotiable assets, independent periodic verification of the existence of recorded material resources, etc., Also examine whether the

system provides for departmental enquiry into all cases of shortages, loss, theft and embezzlement.

15.1.10 **Evaluation of Standards of quality and performance:**

Study the performance budgets, work plans, technical manuals, etc.

List out standards of quality and performance established by entity management. Examine whether proper system exists for evaluating the quality and performance with the standard prescribed for the purpose

Examination of System of internal audit:

15.1.11

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.

Examine whether the system prescribed prompt and adequate for follow up corrective action on the reports of internal audit units containing comments, conclusions and recommendations.

Review and evaluation of the system by audit:

15.1.12

Do not base your review and evaluation upon replies to audit observations, procedural manuals or flow charts prepared by the entity.

Determine personally how operations and transactions are actually processed.

Test by actual observation or "Walk-through" a very small number of selected representation, transactions or operations.

Identify strengths and weaknesses in key control points.

Evaluate tentatively the effectiveness of the procedures and controls in operation.

In areas of weakness, confirm the tentative evaluation by means of testing additional operations and transactions.

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.

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.

Select detailed audit procedures and determine the scope of tests to be applied in areas considered weak.

Determine what recommendations should be made for strengthening control in weak areas.

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 mobilised for efficient, effective and economic utilisation of manpower and material resources.

CHAPTER-16
SYSTEM BASED MANPOWER AUDIT

Introduction

16.1.1 The system Based Manpower Audit involves study of the adequacy of the method and principles adopted for assessment of staff requirement and their allocations, the norm and standards adopted for this purpose, the control system available for ensuring that sanctions conform to those determination and norms and that the actual deployment of personnel conforms to sanctions.

The responsibility for devising and following sound system for determination of manpower requirements, their regulation and their efficient and effective utilisation rests primarily with the cadre-controlling authorities. Audit should ascertain/ examine how far the norms adopted for assessing manpower requirements are realistic and how far the available manpower is utilised efficiently and effectively without any overlap of duties and responsibilities.

This systems Based Manpower Audit in the office of each cadre controlling authority will have to be supplemented by test check in its subordinate offices to evaluate the efficiency and effectiveness of the actual functioning of the system. Apart from assessing the availability of proper safeguards to ensure avoidance of overlap of functions and close co-ordination and their adequacy, this test check will also include nominal audit and other prescribed check of establishment expenditure. All the audit findings should be studied and integrated to make an overall assessment of the operational efficiency and effectiveness of the system. It should, however, be remembered that the spirit behind the audit of manpower is mainly to suggest positive measures for optimum utilisation of the available human resources and to bring about organisational efficiency.

Scope of Manpower Audit

16.1.2 The scope of manpower audit has so long been limited to checking of drawals from the point of view of regularity and compliance audit. But with the execution of large number of development programmes and schemes through successive five year plan, Government expenditure has increased tremendously both in size and complexity. In the changed situation, a need has arisen to put more emphasis on examination of manpower control system of various entities/ departments to bring about deficiencies and suggest suitable reforms.

Source Documents

16.1.3 The documents to be examined in the course of audit will include *inter-alia*:

government instructions on procedures for computing manpower recruitments, recruitment of personnel to different posts and the pay scales and other terms and conditions relating to the posts;

files relating to assessment of manpower requirements;

register of sanctioned strength;
statements of actual men-in-position;
duty allocation registers;
office manuals describing duties and responsibilities of various posts;
delegation of powers; and
registers and bills relating to establishment expenditure etc.

The computerised database prepared by the A&E office from the payrolls of state Government employees can also be used effectively for manpower audit. This will provide comprehensive and integrated information about the manpower profile of the department as a whole and its cost.

System Audit of Manpower Control

16.1.4 System audit of manpower control will involve examination of a number of aspects but mainly the following:

the job analysis, job description and job specification for various categories of posts;
methods and principles adopted for assessment of manpower requirements;
norms/ standards adopted for computation of man power requirements;
allocation and actual deployment of manpower resources;
control systems available for monitoring the efficient and effective utilisation of human resources; and
training and development of human resources.

The scope and type of examination that would be carried out are discussed in the succeeding paragraphs:

Note- system based manpower audit will ordinarily be under taken once in three years in each cadre controlling office.

Job analysis, job description and job specification

16.2.1

(a) Job analysis is an analytical examination of work assignment. It is the process of collecting information about and analysing the duties and responsibilities and the condition of work involved in the job, its inter-relationship with other assignments and the qualifications necessary for performing it. Based on the job analysis, a written statement of the specific duties, responsibilities and organisational 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. The job specification is prepared, thereafter. It is prepared primarily for the purpose of emphasising and detailing the personal characteristics required for satisfactory performance of the job.

(b) 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 qualitative requirements are assessed through 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 descriptions and job specifications. Job analysis and job description are the essential prerequisites for job evaluation and 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 organisations.

(c) A job description can provide a good and reliable checklist for performance appraisal. In its absence, the tendency will be to substitute subjective judgement for verifiable observation of facts. Job description can also be used to stimulate and direct self-appraisal and self-development.

(d) 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, selection and placement of personnel 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 systems should exist for maintenance of job descriptions and job specifications for various categories of posts in each department based on an analytical examination of each category. It should be examined during audit that:

arrangements for applying these techniques are sound and effectively managed;

job descriptions and job specifications are maintained up to date and correspond accurately to current job requirements, and all jobs are periodically reviewed with a view to revising their descriptions and specifications in conformity with the changes in organisational objectives, job content and job context;

job descriptions and job specifications are precise and clear so as not to give room for any ambiguity of misconstruction; and

there is no overlapping of duties and responsibilities assigned to different jobs.

Assessment of manpower requirements.

16.2.2

(a) There are many methods of forecasting the man-power requirements. It can be based on the ó

opinions of different supervisory or controlling officers within the department;
or

projection of past trends using statistical techniques like extrapolation, regression, correlation, etc.; or

standard formulae devised with reference to the results of work study, job descriptions, specifications, etc.; or

measures of productivity.

The last method is, in many circumstances, the most difficult to apply. In conditions peculiar to Government, the third alternative is generally followed. Where there is no standard formula, the past experience and trends as well as other ad hoc principles form the basis for estimating manpower requirements. The manpower estimates take into account not only the current needs of the department but also its expansion programmes, the demands for which are fully supported by substantive evidence of need. One other important factor in assessing manpower requirements is the translation of the numerical estimates into financial (cash) estimates bringing out the cost implications. Procedures for this purpose are generally prescribed for the guidance of estimating authorities. Individual controlling officers within the department who prepare the estimates in this manner forward them to the cadre controlling authorities concerned. The latter 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 manpower.

(b) The following should be examined in auditing the systems for forecasting manpower requirements:

The extent to which the projections of manpower requirements correspond to the numbers, levels and skills of personnel required for the objectives set forth and the work load based on those objectives.

The continued relevance and appropriateness for the department of the objectives in question. In case these have ceased to be so, and if there be any changes in the organisational structure of the department or in its policies, it should be examined whether the manpower forecasts and estimates reflect suitable reductions after taking into account the changes.

The evidence, such as workload at current levels, additional posts for future expansion programmes, etc., available to support the forecasts and their reliability.

Extent to which the standard formulae prescribed for different processes of work have been applied in the computation of manpower requirements; and, in case standard formulae have not been evolved, the reasonableness and fairness of the principles adopted for computation.

Adequacy of the departmental procedures and formulae for manpower forecasts.

Arrangements, if any, for periodical review by an independent agency like the Staff Inspection Unit of the accuracy and adequacy of the standard formulae devised for computation of manpower needs like Staff Inspection Unit and timeliness and adequacy of the follow-up action taken for revision of the formulae where necessary.

Extent to which introduction of computers, electronic data processing, photocopying machines, and similar technological improvements have made a difference to the standards and forecasting of manpower requirements.

Soundness of the procedures prescribed for translating manpower estimates into cash estimates.

Role of specified officers assigned the responsibility of approving estimates of manpower requirements and the extent to which this responsibility was actually discharged.

Allocation and regulation of manpower resources.

16.2.3

(a) The next stage after scrutiny and approval of manpower forecasts is allocation and regulation of manpower. Here, two aspects are important in the allocation and regulation of manpower resources. These are supply forecasting and financial constraints. In calculating the actual availability against the demand, the manpower available in the beginning of the year, losses on account of various wastages attributable to normal retirement, natural attrition, discharge from service, resignation, transfers and promotions, etc. and recruitment during the year are taken into account. The board principles followed for calculating different wastage elements are as follows:

Nominal retirement: - This depends on the government policies in force from time to time and can be estimated for the forecast period from the personnel records and by an analysis of the age profile of the employees.

Natural attrition: - Wastage due to natural causes represents loss of personnel resulting from death, disability or illness. This can be computed based on past experience and the age profile and general health of the employees.

Discharge from service: - This refers to loss of personnel as a result of discharge or dismissal from service. Only previous experience can provide a guideline for estimating this type of wastage.

Voluntary wastage: - Another type of wastage is the loss of personnel as a result of their resigning or retiring voluntarily. The reasons, such as conditions of work, morale, job satisfaction, opportunities in the department and elsewhere, will vary widely from department to department. Here again, past experience and future trends, as far as these can be foreseen, will form the basis of determination.

Transfers and promotions: - These are taken into account in arriving at the overall estimate of wastage and reflect the extent to which particular occupational and hierarchy groups are lost to other occupations as a result of lateral or vertical movement in the hierarchy. By careful use of techniques like succession system analysis, transfer analysis, etc., it will be possible to predict the proportion of employees in different categories who are likely to be promoted or transferred in the future.

A comparison of the final figure of availability computed in the manner described above with the demand as found justified will indicate the shortfall, if any, in manpower supply. Sometimes, due to financial constraints, it may not be possible to provide manpower to the extent of the demand found justified. In such cases, the cadre controlling authority may have to apply appropriate cuts before formally issuing sanctions allocating manpower to different units. In certain other cases, retention of a reserve to meet possible unforeseen requirements may be considered necessary and cuts may have to be imposed for that purpose.

(b) In analysing the system of allocation and regulation of manpower resources, it should be examined whether:

changes in work load that have taken place since the preparation of the initial estimates have been taken into account while allocating the manpower resources;

the demand and supply aspects are properly integrated in distributing the available resources;

the system of supply forecasting is non-existent or deficient, or proper policies relating to means of supply like recruitment and promotion are lacking with all the attendant adverse consequences in cases where the allocation of manpower resources is insufficient in relation to the demand;

the cuts imposed in allocations have a proper basis and take care of the priorities laid down for regulation of manpower resources;

the reductions made in the manpower estimates have been correspondingly reflected in the cash estimates and *vice versa*; and

sound procedures have been prescribed for engaging substitutes on a casual basis or for payment of additional remuneration like overtime allowances or honorarium to tide over shortfalls in availability of manpower resources.

Besides, the manner in which (a) the actual deployment of the manpower resources compares with the allocations made; and (b) the reserves, if any, retained while distributing the resources are ultimately utilised should also be examined.

Norms/ standards adopted for computation of requirements

16.2.4

(a) Work measurement is a vital necessity for the efficient functioning of any department or organisation. It forms the basis for comparison or control of the organisation's capacity, efficiency, economy or relative accomplishment, and involves the following broad steps:

selection of a specific work for study;

compilation of relevant information in regard to nature of personnel and of their duties and responsibilities, working conditions, the sequence of actual performance of various items in the total range of work and individual elements in each component, etc.;

critical examination of the recorded work breakdown, after separating unnecessary, avoidable and non-productive elements, to ascertain the best method of doing the work;

assessment of the time involved in each necessary element with reference to the most appropriate technique for the situation;

determination of time allowances to cater to the requirement of relaxation, personal needs, contingencies, etc.; and

computation of the standard time required for each operation which will include the measured time and permissible time allowances.

Time estimates or work norms are devised for various elements, operations or job in a department or organisation by applying the techniques of time study, synthetic data, analytical estimating activity or work sampling etc.

Time study involves the cataloguing of various steps involved in a job together with the different elements in each of them and measuring the time required for performing each such element of the job. The effective speed of operation of the worker is assessed in relation to the concept of the rate corresponding to the standard pace of working or in other words the normal speed of working that one develops through long practice. Generally, each element is rated during its performance before the time is recorded without regard to the preceding 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 the basic times, since precise measurement thereof would be uneconomical owing to their infrequent or irregular occurrence, to arrive at the standard times for different elements.

The technique of synthesis of elemental standard times is applied to jobs or parts thereof, comprising elements, which frequently 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 of non-repetitive elements. The job is broken down in detail into its different elements and each element is assigned a time value based on standard performance; this time value in the case of repetitive elements may be derived from fresh time study data or available synthetic data. In the absence of such data, estimated time values may be developed on the basis of accepted practices.

Activity or work sampling is the process of drawing inferences and establishing frames of reference from a random sample of the total activity of machines or men 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 a smaller number of items drawn from the mass called the sample. The inferences or conclusions are based on the assumption that what is true of the sample is true of the whole.

(b) Individual departments or organisations have to select appropriate work measurement techniques and prescribe time estimates or work norms for different types of jobs. An independent agency called the Staff Inspection Unit is generally constituted not only to prescribe norms but also to periodically review the actual functioning of offices to ensure that:

manpower sanctioned for a particular purpose is utilised for that very purpose;

redundant and profitless activities are eliminated; and

work methods are simplified so as to effect economies in manpower without sacrificing efficiency.

(c) In auditing the system relating to work norms and the working of the Staff Inspection Unit, the following questions would be of relevance:

Are the techniques followed for formulating the time estimates appropriate having regard to the work environment and conditions obtaining in the particular department?

Have there been any material variations in the job content or job context since the formulation of the estimates as a consequence of which the estimates have become outdated necessitating their revision and, if so, was timely action taken in this regard?

Are there, in actual fact, functions or jobs that cannot be subjected to work measurement necessitating the adoption of ad hoc methods?

Is the Staff Inspection Unit independent of the control of the line management?

Are the staff inspectors selected from a wide enough field so that there is a mix of both executive and technical officers?

Have the staff inspection programmes taken into account views expressed by the manpower branch, O&M branch and other review bodies?

Is a cyclical pattern of inspections followed so as to cover all important units within a specified period?

Has the planned cycle of inspection been achieved?

Are the omissions, if any, to inspect certain sections, branches or grades of staff in order?

Are all individual offices of departments having a large number of local offices in the field inspected? On the other hand, if the inspection is confined to a sample of offices, can this sample be justified statistically?

Are adequate arrangements available for monitoring the implementation of the recommendations of the staff Inspection Unit?

Has a reasonable schedule of implementation been agreed to in consultation with the management?

Are instances of failure to implement the schedule reported to the senior management?

Are conflicts, if any, between the Staff Inspection Unit and the management referred to a senior level for objective decisions?

Control of manpower

16.2.5

(a) The systems enumerated above require to be properly co-ordinated and controlled to achieve maximum efficiency and effectiveness in the working of the department or organization. With this end in view, there should be a separate branch or section under each cadre controlling authority for coordinating and controlling departmental manpower. The role and duties of this branch should be clearly defined and it should, as far as possible, be independent from the line management with a direct reporting responsibility to the cadre controlling authority itself.

Functions of control and co-ordination can be exercised in different ways. One method is through the introduction of a management information system for which appropriate returns have to be prescribed. Another method is by means of administrative inspection of different offices under the jurisdiction of the cadre controlling authority. In certain situations a combination of both these systems may have to be adopted.

(b) In auditing manpower control systems, it should be examined whether:

- i. there exists a separate branch or section for co-ordinating and controlling departmental manpower with a clear demarcation of its role and responsibilities;
- ii. the returns prescribed for obtaining information on various aspects concerning manpower are adequate to the needs and they are properly made use of;
- iii. the manpower branch critically examines all demands for manpower taking into account the work norms, the recommendations of the O&M Unit, the Staff Inspection Unit, etc.;
- iv. there is a sound system of evaluating requests for additional manpower after the original demands have been approved;
- v. the utilisation of manpower resources is monitored;
- vi. work procedures are examined by the O&M unit with a view to streamlining and bringing them in tune with the changing circumstances;
- vii. there are adequate arrangements for monitoring performance;
- viii. steps have been taken to provide training so as to impart to the staff the latest information and techniques relevant for their job requirements; and
- ix. arrangements exist to correlate the utilization of manpower resources with achievements of targets and goals.

Training of manpower

16.2.6 In evaluating an organization's performance, it may be determined whether:

- i. short-term and long-term training plans were formulated and training courses designed only after assessing the needs;
- ii. programmes developed for training of personnel are job and development oriented;
- iii. the training function is balanced and cost effective;
- iv. an inventory of personnel trained in various disciplines is maintained so as to ensure the optimum use of the training imparted to them; and
- v. the organisation has a system for a periodical review and revision of training courses through classroom evaluation, evaluation by participants and post-training evaluation.

Use of computerised database

16.3.1 The computerized database prepared by the A&E office from the payrolls of State Government employees can be used effectively for manpower audit. For instance, comparison of the data relating to the sanctioned strength in various cadres in a department with that relating to the men-in-position will facilitate the scale audit of the department in its entirety. It will also be possible to examine whether the approved staffing pattern for different cadres has been adhered to and whether the staffing pattern itself is commensurate with the department's mandate, objectives and programmes. This would lead to an examination of the adequacy, appropriateness and relevance of the control mechanisms in place to ensure that, the prescribed staffing pattern and other human resources management policies are followed.

Based on an examination of the data base, at least *twenty five percent* of the major and medium drawing and disbursing officers should be selected for voucher audit and the scrutiny of service records during local audit according to the instructions in this regard contained in this Manual. The results of central audit of vouchers may also be suitably used for scrutiny of the service records in the field.

Conclusion

16.4.1 The above guidelines aim at carrying out man-power audit in government departments with a view to streamlining the system and procedures regulating manpower control and bring about suitable reforms, where necessary. The spirit behind the system audit of man-power is to suggest positive measures for the optimum utilisation of available man-power and to bring about organisational efficiency. Although, it has been endeavoured to cover different aspects concerning man-power system, yet the paper need not be taken as comprehensive and must be adopted to meet local conditions.

(Authority: Audit Guide Series no. 8 as issued by the O&M Division, Office of the C & A.G. of India and Chapter-21 of MSO (Audit)-2nd Edition-2002).

CHAPTER --17

Right to Information Act 2005-Audit Matters.

Introduction :

17.1.1 According to Article- 151 (1) & (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India relating to the accounts of the Union or States shall be submitted to the President or the Governor (s) who shall cause them to be laid before each House of Parliament or state Legislatures. Under Section -8 (1) ©, there is no obligation to disclose information that would cause breach of privilege of Parliament or the State Legislature(s).

The Audit Report goes through various processes before the finalization. The intent and provision of the Right to Information Act 2005 to report any matter to Parliament/ State Legislature (s) is established for the first time only when Draft Audit Paras/ Draft Reviews is sent to the Government(Auditee Entity) for confirmation of facts and figures and for comments. Accordingly, privilege may be claimed only in respect of Draft Audit Paras/ Draft Reviews and Bond Copies of Audit Reports sent for signature of the C & A.G.

Records/information that may be disclosed:

17.1.2 Once the Audit Report is laid on the table of the Parliament / State Legislature (s), it would come within the public domain and having regard to the intent and provision of the Act, all documents/ information contained in the Inspection Report and other like documents issued to the auditee may be disclosed.

In case of request for letters and other communications issued by the auditee entity, action may be taken in terms of Section-6(3) of the Act to transfer the request to the concerned public authority under intimation to the petitioner within the time limit prescribed under the Act . This will relate to all letters and communication issued by the auditee entity and mentioned in the Inspection Reports and Audit Reports already placed before Parliament / State Legislature (s).

(Exceptions: Audit memos , Half Margins and other working papers that relate to inspection Reports and Audit Reports are internal in nature and may not be disclosed.).

Obligation:

17.1.3 The obligation under the Act is to disclose only the information available and it is not necessary to generate information for disclosure. As a general rule, internal notings should not be disclosed.

Cost and fees to be realized:

17.1.4 The request for obtaining information under sub-section (1) of section 6, of the Act shall be accompanied by an application fee of rupees ten by way of cash against proper receipt or by demand draft or banker's cheque payable to the Accounts Officer of the Public Authority.

For providing the information under sub-section (1) of Section -7, the fee shall be charged by way of cash against proper receipt or by demand draft or banker's cheque payable to the Accounts Officer of the Public Authority at the following rates:

- (a) rupees two for each page (A-4 or A-3 size) created or copied,
- (b) actual charge or cost price of a copy in larger size paper ,
- (c) actual cost or price for samples or models ; and
- (d) for inspection of records , no fee for the first hour; and a fee of rupees five for each subsequent hour (or fraction thereof).

Rates and realization of fees.

.17.1.5 For providing the information under sub-section (5) of Section-7, the fees shall be charged by way of cash against proper receipt or by demand draft or banker's cheque payable to the Accounts Officer of the Public Authority at the following rates :

- (a) for information provided in diskette or floppy, rupees fifty per diskette or floppy ; and
- (b) for information provided in printed form at the price fixed for such publication or rupees two per page of photycopy for extracts from the publication.

Duties and responsibilities :

17.1.6 The Head Quarters Office instructed that the forwarding letter enclosing Inspection Reports, SAR, Report of Certification on Accounts, copies of approved paragraphs already laid on the table of Parliament , Legislature etc. supplied to an applicant under the right to Information Act 2005 shall contain the following disclaimer statement

õ The report has been prepared on the basis of information furnished and made available by the -----(Name of the Auditee entity). The Office of the Pr. Accountant General / Accountant General (Name) disclaims any responsibility for any mis-information and/or non-information on the part of the auditee.

[Authority: HQ's letter no. LC/111-2005 dt. 06.10.2005, No. 629 LC/111-2005 dtd 07.10.2005 and no. 14-LC/111-2005 dtd 20.01.2006]

