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**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (CIVIL AUDIT)
ORISSA**

MANUAL OF OUTSIDE AUDIT DEPARTMENT

FOURTH EDITION

Issued by:

**THE PRINCIPAL ACCOUNTANT GENERAL (CIVIL AUDIT),
ORISSA, BHUBANESWAR.**

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PREFACE TO THE FIRST EDITION

This manual has been compiled for the first time. It contains general directions as well as detailed instructions subsidiary to those contained in the Audit Code and Audit Manual etc. for the efficient inspection of the accounts of certain departments and institutions of Government. It is intended to be a guide to the officers and staff engaged on inspection work, as also to the staff of the Head Office in the matter of disposal of Inspection and Audit Reports at various stages. For this purpose, all members of the office are expected to familiarize themselves with the procedure laid down in the Manual.

2. The Manual is divided into two parts- Part-I, besides giving general instructions in connection with or incidental to inspections, deals mainly with the inspection of Treasuries, P.W and Forest Divisional Offices, Branches of the Imperial Bank of India, test-check of leave accounts, etc. while Part-II, deals with the audit of certain Government Institutions forming part of OAD Inspections.

3. T.M Section will remain responsible for keeping this Manual up-to-date. The Inspecting staff, for Departmental Audit Section, the Local Audit Department as also the Works Audit Department, or any other section, should bring to the notice of T.M Section any additions or amendments to this manual which may be found necessary.

Ranchi
Dated: the 7th May, 1951

(S. NATARAJAN)
Accountant General. Orissa

PREFACE TO THE SECOND EDITION

This edition of the Manual of Outside Audit Department has been compiled from the Inspection Manual printed in 1951 incorporating all corrections and orders issued subsequently. It also embodies the detailed procedure regarding Inspection of Treasuries and Branches of State Bank of India. The instructions contained in this Manual are supplementary to those in the various Codes and Manuals issued by the Comptroller and Auditor General of India and other authorities.

2. All members of this office in general and staff attached to the O.A.D. group/Inspection parties in particular are expected to be thoroughly conversant with the instructions contained in this Manual. No deviation from the procedure as laid down in the Manual will be permitted except under orders of the Accountant General. The Manual should not be quoted or referred to as an authority in any correspondence outside this office.

3. O.A.D. I section is responsible for keeping the Manual up-to-date. All orders of an important nature effecting procedure followed should be suitably incorporated in this manual with care and promptitude. Suggestions for improvement of the Manual are always welcome.

Preface of the First Edition is reproduced separately.

Bhubaneswar
Dated: the 20th May, 1966

(M. N. PATNAIK)
Accountant General. Orissa

PREFACE TO THE THIRD EDITION

The present edition of the Manual of Outside Audit Department has been compiled, after the second edition issued in 1965, incorporating corrections and orders issued subsequently and stands corrected up to May 1996. It contains general directions as well as detailed instructions for efficient inspection of accounts of department and institutions of Government.

This Manual lays down the instructions for audit of accounts of DICs, Orissa High Court, broad guidelines on audit of accounts transactions under departmentalised system, functional and schematic audit and incorporating various changes that have taken place in the system and procedure of audit on restructuring of cadres in the I.A & A.D w.e.f 1.3.1984.

The instructions contained in the Manual are subsidiary to those contained in various codes and Manuals issued by the Comptroller and Auditor General of India from time to time. It is intended to be a guide to officers and staff engaged on Inspection work and in the matter of disposal of Inspection and Audit Reports at various stages.

2. All members of the office Viz., Group Officer, (Sr.) Audit Officer / Asst. Audit Officer / Section Officer / Supervisor / Sr.Auditor / Auditor are expected to familiarize themselves with procedures laid down in the Manual.

3. No deviation from the procedure as laid down in the Manual will be permitted except under orders of the Accountant General (Audit). The Manual should not be quoted or referred to as an authority in any correspondence outside this office.

4. **OAD-I** Section (Hd. Qrs.) is responsible for keeping the Manual up-to-date. All orders of an important nature effecting procedure followed should be suitably incorporated in the Manual carefully and promptly. Suggestions for improvement of the Manual would be welcome and should be sent to Branch Officer / OA-I Hd. Qrs.

Preface to First and Second Edition are reproduced separately.

Bhubaneswar
Dated: The 3rd August, 1999

(MINAKSHI GHOSE)
Accountant General (Audit) I

PREFACE TO THE FOURTH EDITION

The present edition of the manual of outside Audit Department has been compiled, after the 3rd edition issued in 1996, incorporating corrections and orders issued subsequently and stands corrected up to August 2007. It contains general directions as well as detailed instruction for efficient inspection of accounts of Departments and Institutions of Government.

This manual lays down the instructions for audit of accounts of District Industries Centres, Orissa High Court, broad guidelines on audit of accounts of transactions (including some Central Government offices) under departmentalised system, functional and performance audit as well as auditing standard and incorporates various changes that have taken place in the system and procedure of audit on restructuring of cadres in the I.A & A.D. w.e.f. 1.3.1984. A separate chapter (Chapter 21) containing the requirements under 'Right to Information Act, 2005' is incorporated in this Manual.

The instructions contained in the manual are subsidiary to those contained in various codes, guidelines and manuals issued by the Comptroller and Auditor General of India from time to time. It is intended to be a guide to officers and staff engaged on Inspection work and in the matter of disposal of Inspection and Audit Reports at various stages.

2. All members of the office viz. Group Officer, (Sr.) Audit Officers / Asst. Audit Officers / Section Officers / Supervisors / Sr. Auditors / Auditors are expected to familiarize themselves with procedures laid down in the Manual.

3. No deviation from the procedure, as laid down in the manual will be permitted except under orders of the Pr. Accountant General (Civil Audit). The manual should not be quoted or referred to as an authority in any correspondence outside this office.

4. O.A.D.-I Section (Hdqrs.) is responsible for keeping the manual up to-date. All orders of an important nature effecting procedures followed should be suitably incorporated in the manual carefully and promptly by issue of correction slips. Suggestions for improvement of the manual would be welcome and should be sent to Branch Officer / O.A-I Hdqrs.

Preface to the First, Second and Third Edition are reproduced separately.

Bhubaneswar,
Dated: The 25th October 2007

Sd/-
(S. K. Mishra)
Pr. Accountant General (Civil Audit)

OUTSIDE AUDIT DEPARTMENT MANUAL
TABLE OF CONTENTS

	PARA	PAGE
CHAPTER 1		
GENERAL		
General Statutory Provision	1.01	1
Constitution and Functions of Audit Wings	1.02	1
Selection of personnel for inspection	1.03	3
Staff allotted for inspection	1.04	4
Position of audit vis-à-vis departmental offices in the matter of Inspection	1.05	4
List of offices Vis-à-vis Annual Inspection and Audit Programme	1.06	4
Duration of Audit	1.07	6
Requests for postponement of Audit	1.08	6
Diaries	1.09	7
Grant of leave to etc. to OAD field Staff, Attendance, Observance of holidays	1.10	8
Attendance Register	1.11	9
Special Audit	1.12	10
Application for advance TA on tour and submission of TA bills	1.13	10
Contingent Claims for Carriage of Office Records	1.14	11
Calendar of Returns	1.15	12
Maintenance of Register for recording Money Value of DIR	1.16	12
ANNEXURE –I (Refer Para 1.01) – Relevant Sections of C&AG’s DPCS Act, 1971.		13
ANNEXURE –II (Refer Para 1.06) Risk analysis of auditee units		17
ANNEXURE –III (Refer Para 1.08) State Govt.’s letter on local audit of various offices		18
ANNEXURE-IV (Refer Para 1.13) Application form for advance of Tour TA		19
ANNEXURE-V (Refer Para 1.15) Calendar of Returns for the Headquarters Sections of OAD		20
CHAPTER 2		
ORGANISATION OF HEADQUARTERS		
General	2.01	25
Duties and powers of the Group Officer (I-C).III	2.02	25
Duties and powers of the A.A.G / Senior AO / A.O.(Hd.Qrs.)	2.03	27
Duties and responsibilities of Reviewing Officers	2.04	28
Functions and responsibilities of OAD Head Quarters Sections	2.05	32

	PARA	PAGE
Co-Ordination between Central audit and Local audit	2.06	34
Intimation of intended Inspections and audits	2.07	35
Scrutiny of Draft Inspection Reports in OAD Headquarters Sections	2.08	36
Issue of Inspection reports	2.09	38
Progress Register of Settlement of Inspection Report	2.10	40
Advance Audit Comments	2.11	40
Measure to expedite Audit Reporting	2.12	41
Materials for Audit Report	2.13	44
Ranking of the Performance of Audit Offices.	2.14	45
ANNEXURE- I [Para 2.07(ii)] Audit intimation Form		47
ANNEXURE – II (para2.14) Detailed ranking mechanism for each parameter		48
ANNEXURE – II (1) : Categorisation of paras in Inspection Reports of Civil Audit		54
ANNEXURE – II (2) : Assigning weightage to para categories		59
ANNEXURE – II (3) : Quality of Inspection Paras		59
ANNEXURE – II (4) : Delay in issue of Inspection Reports		60
ANNEXURE – II (5) : Record of Audit Committee Meetings		60
ANNEXURE – II (6): Progress in Vetting Action Taken Notes		61
ANNEXURE – II (7) : Schedule of materials received from Field Offices		61
ANNEXURE – II (8) : Information on Training of Personnel		62
ANNEXURE – II (9) : Timeliness in issue of Audit Certificate		62
ANNEXURE – II (10) : Parameters and weights for measuring effectiveness of various categories of Audit paragraphs in State Civil Audit Report		63
CHAPTER-3		
PROCEDURE FOR LOCAL AUDIT		
Scope and method of Local Audit	3.01	65
Conduct of audit	3.02	67
Period of accounts to be audited	3.03	71
Accounts, Codes and Manuals	3.04	71
Documents necessary for Inspection / Local Audit	3.05	72
Supply of Important Orders to audit party	3.06	73
Reporting to OAD Headquarters /Pr. A.G. of serious irregularities	3.07	73
Co-ordination of work between the field parties and the main office	3.08	73
Prompt settlement of audit objections	3.09	74
Current Objections and Pending Inspection Reports	3.10	76
Settlement of outstanding paras of previous IRs	3.11	77
Review of outstanding audit objection, settlement on the spot	3.12	79

	PARA	PAGE
Items for inclusion in the Audit Report	3.13	82
Material for the Report of the C&AG of India - Govt. of Orissa (Civil)	3.14	82
Processing of cases of fraud / defalcations	3.15	84
Preparation of Draft Audit Note	3.16	84
Preparation of Draft Inspection Reports	3.17	86
Title sheets to be attached with Draft Inspection Report	3.18	98
Submission of Draft Inspection Report to OAD Headquarters	3.19	100
ANNEXURE-I : [para 3.02(i)] Duties of inspection parties		104
ANNEXURE – II: (Para3.15) Standing order on Audit of Fraud and corruption		107
ANNEXURE-III : [para 3.17 (vi)] Improvement in drafting and use of Style Guide for reporting		131
ANNEXURE-IV (A) : para3.18(i) - Title sheet of Inspection Report		164
ANNEXURE – IV (B) : [para3.18 (ii)] Additional Title sheet		168
ANEXURE-IV-C : Audit Note Book [Para 3.18(iii)]		170
ANNEXURE – IV (D) : [para3.18 (iv)] Supplementary Title sheet for Banks		171
CHAPTER 4		
GENERAL PRINCIPLES AND PROCESS OF AUDIT		
Introductory	4.01	172
Lines on which Investigation should be carried out during Local Audit	4.02	172
Audit of expenditure	4.03	177
Diversion of funds to Civil Deposit and end use of the fund	4.03 (ii)	177
Audit of “nil” payment vouchers	4.03 (iii)	178
Audit of expenditure on foreign travel	4.03 (iv)	179
Audit of contingent vouchers	4.04	179
Check of Register for drawal of advance in A.C. Bill	4.05	181
Audit of Trunk call charges	4.06	183
Audit of Cash Book	4.07	184
Cash verification	4.08	189
Bill Register	4.09	190
Book of Drawal	4.10	191
Advance Register	4.11	191
Audit of (i) long-term advances taken by Government Employees and (ii) No Demand Certificates	4.11 (iv)	193
Audit of Stores and Stock Accounts	4.12	194
Audit of property accounts	4.13	196
Audit of Library Books	4.14	197
Security Deposit	4.15	198
Audit of Establishment Pay Bills	4.16	200
Audit of T.A. Bills	4.17	204
G.P. Fund Account of Group ‘D’ Staff	4.18	205
Audit of Children’s Educational Allowance	4.19	206

	PARA	PAGE
Audit of Contracts and Agreements	4.20	207
Audit of Contracts and Agreements with reference to indents and tenders	4.21	208
Audit of payment of contractors' bills against contracts, purchase orders and agreements	4.22	209
Audit of Register of Assets created out of Centrally Sponsored Schemes	4.23	210
Use of departmental vehicles by Gazetted Officers on tour	4.24	211
Check of Log Book of Govt. vehicles	4.25	211
Audit of Recovery of Municipal taxes of service nature	4.26	212
Audit of Group Insurance Scheme	4.27	214
Issue of audit certificate to the Central Government for the State Plan Schemes and Centrally sponsored schemes	4.28	215
Audit of Personal Ledger Accounts	4.29	216
Audit of expenditure from the Discretionary Fund	4.30	217
Audit of payment of minimum wage	4.31	218
Audit of Construction Works	4.32	218
Non-inclusion of clause regarding the incidence of taxation	4.33	220
Levy of Electricity duty as a percentage of Energy charges	4.34	221
CHAPTER 5		
INSPECTION OF PUBLIC SECTOR BANKS		
Audit of the Accounts of Public Sector Banks (including State Bank of India and its subsidiaries) conducting Govt. business under the Departmentalised set up	5.01	222
Records relating to payment of pension by Public Sector Banks to be examined by Local Inspection Parties	5.02	223
Checks to be applied in case of pension payments through Public Sector Banks	5.03	224
Audit of disbursement of Pension by Public Sector Banks	5.04	225
Audit Planning of Pension Payment through Public Sector Banks	5.05	226
Preparation and issue of Inspection Report	5.06	227
Audit of Receipt of Income Tax and other Direct Taxes by Public Sector Banks	5.07	227
Audit of Receipt of Indirect Taxes at branches of State Bank of India, its subsidiaries and other Public Sector Banks	5.08	228
Audit of Special Deposit scheme	5.09	228
CHAPTER 6		
CHECK OF SERVICE BOOKS AND LEAVE ACCOUNTS		
General	6.01	230
Lines of scrutiny	6.02	230
Increment certificates	6.03	231
Quantum of check	6.04	232
Check of Leave Accounts	6.05	233

	PARA	PAGE
Check of Service Book, Leave accounts etc. in respect of primary school teachers coming under triple benefit scheme	6.06	233
Cash payment on unutilized earned leave	6.07	234
Cash payment in lieu of unutilized EL on the date of retirement	6.07(i)	234
Cash equivalent of leave salary in case of death while in service	6.07(ii)	235
Service benefits to State Government Servants and outsiders who render approved military service on return to employment under the State Government	6.08	235
CHAPTER 7		
AUDIT OF TRANSACTION OF COLLECTORATE INCLUDING SUB-DIVISIONS		
Functions of the Collectorate	7.01	237
Nizarat Section	7.02	239
Procedure for Local Audit of transactions of Collectorate	7.03	241
General	7.04	252
Judicial Section	7.05	252
Sub-Division	7.06	253
Inspection Report	7.07	256
CHAPTER 8		
AUDIT OF ACCOUNTS OF POLICE OFFICES		
Introductory	8.01	257
Conversant with the provisions of Orissa Police Manual.	8.02	257
List of Records and Registers to be checked	8.03	257
Cash Book	8.04	258
Checking of Advice Slip and Receipt Cheques	8.05	258
Audit of Establishment Bills, Acquittance Rolls, Abstract Acquittance Rolls and Register of Pay held over	8.06	259
Check of Security Deposit Register	8.07	259
Check of Postage Stamp Account	8.08	260
Check of Station Cash Account (P.M Form No. 22)	8.09	260
Check of Malkhana Register (P.M. Form No.51)	8.10	260
Check of District Order Book (P.M. Form No.149)	8.11	261
Check of Register of Police Building (P.M. Form No.172 & 177)	8.12	261
Check of Muster Rolls (P.M Form No.22)	8.13	261
Check of Leave Register	8.14	262
Check of Arms and Ammunitions Register	8.15	262
Check of Clothing Register	8.16	262
Check of Stationery Register	8.17	263
Check of Stock & Store Register	8.18	263
Check of Petrol Account	8.19	264
Check of Hospital Account	8.20	264
Check of Register of Diet (P.M. Form No.129) Monthly abstract of cost of diet (P.M. Form No.130) and statement of	8.21	264

	PARA	PAGE
charges and recoveries on account of men in hospital (PM Form No.131)		
Check of Committee Book (P.M. Form No.165)	8.22	264
Check of the Accounts of festival advance granted to Non-Gazetted Government Servants on the eve of important festivals	8.23	265
General	8.24	265
CHAPTER 9		
ACCOUNTS OF JAILS		
Introductory	9.01	266
Conversant with the provisions of Orissa Jail Manual	9.02	266
Register and Records to be examined	9.03	266
General Cash Book	9.04	267
Clothing Register	9.05	268
Contingent Register	9.06	268
Diet Account	9.07	268
Prisoner's private cash	9.08	269
Garden Product	9.09	269
Purchase of Provisions, Grains etc.	9.10	269
Stock Register of Medicine, Instruments etc.	9.11	270
Milk Account	9.12	270
Gratuity Register of Convict Officers	9.13	270
Ammunition Register (Form No.36)	9.14	271
Warders' Uniform Register	9.15	271
Register of Security Deposit(Form No.35)	9.16	271
Dead Stock Register	9.17	271
Gate Register	9.18	272
Check of Service Book and Leave Account	9.19	272
Jail Manufactory Accounts (Sec.III of ch.XLII of Orissa Jail Manual)	9.20	272
Manufactory Cash Book	9.21	273
Register of contingent charges of Manufactory Department	9.22	273
Stock Ledger of Raw materials (Form No.40)	9.23	273
Register showing Raw materials in process of manufacture	9.24	274
Stock Register of manufactured articles (Form No.41)	9.25	274
Manufactory Order Book	9.26	275
Register of outstanding balances	9.27	275
Sold Ledger	9.28	275
Sales Day Book	9.29	275
Purchase Order Book	9.30	276
Physical verification	9.31	276
Indent for stores	9.32	276
Costing Book	9.33	277
Book Transfers	9.34	277
Service Stamp Register	9.35	277
Other Important Matters	9.36	277

	PARA	PAGE
Inspection Reports	9.37	278
Assessment of adequacy of various welfare measures/activities	9.38	279
CHAPTER 10		
ACCOUNTS OF GOVERNMENT. HEADQUARTERS HOSPITALS		
Introductory	10.01	281
Registers and Records to be checked	10.02	281
Cash Book (General and Users' Charges)	10.03	282
Audit of Accounts of User's charges	10.03 (ii)	283
Other Hospital charges	10.04	285
Diets	10.05	286
Medicines and medical instruments	10.06	286
Miscellaneous	10.07	287
Security deposit	10.08	288
Registers of property of patients	10.09	288
Receipts Books and Register of Receipts Books	10.10	288
Register of Stoppage Account Book	10.11	289
Tenders and Comparative Statement	10.12	289
Government Grants	10.13	290
Poor or Charity Box	10.14	290
Endowments	10.15	290
Register of contingent expenditure	10.16	290
Service Books and Leave Accounts	10.17	290
Free Medical facilities to the freedom fighter, Political sufferers and Accredited press correspondents of the State	10.18	290
Family Welfare Programme	10.19	291
Post-partum programme	10.20	297
Inspection Report	10.21	301
CHAPTER 11		
THE ACCOUNTS OF THE MEDICAL COLLEGES		
Introductory	11.01	303
Registers and Records to be checked	11.02	303
Demand and collection Register	11.03	304
Demand, collection and balance statement of college fees	11.04	304
Scholarships	11.05	304
Trust Funds	11.06	304
Inspection Report	11.07	304
CHAPTER 12		
INDUSTRIAL TRAINING INSTITUTES AND DISTRICT INDUSTRIES CENTRES		
General	12.01	305
Registers to be checked	12.02	305
Audit of ITI's - Credit Ledger	12.03	305
Stock Register of raw materials etc.	12.04	306

	PARA	PAGE
Finished Stock Book	12.05	306
Log Register	12.06	307
Cost Book	12.07	307
Work Order Register	12.08	307
Register of Tools and Plants	12.09	307
Apprentice's Deposit Register	12.10	308
Idle plant and machineries	12.11	308
Idle wages/pay and allowance paid to instructors	12.12	308
Irregular payment to underqualified instructors	12.13	308
Audit of District Industries Centres	12.14	308
Inspection Reports	12.15	310
CHAPTER 13		
ENGINEERING SCHOOLS		
Introductory	13.01	311
Registers and Accounting Documents to be checked in audit	13.02	311
Register of subsidiary funds and Pass Books	13.03	312
School fees Register	13.04	312
Outstanding dues	13.05	312
Register of timber logs and Out turn Register	13.06	312
Check of other Registers and Records	13.07	313
Idle plants and machineries	13.08	313
Idle wages/pay and allowances paid to Instructors	13.09	313
Irregular payment to underqualified Instructors	13.10	313
Inspection Reports	13.11	313
CHAPTER 14		
ACCOUNTS OF THE ORISSA HIGH COURT		
Rules to be followed during Local Audit	14.01	314
Check of Registers and Records	14.02	314
Special precaution to be adopted in High Court Audit	14.03	314
Register of deposits received and deposit challans	14.04	315
Register of Payment Orders Issued	14.05	315
Counterfoils of Payment Order and Register of Payment made at the Court	14.06	315
Register of payment made at the Treasury	14.07	315
Plus and Minus Memo	14.08	316
Statement of Lapsed Deposits	14.09	316
Miscellaneous sale proceeds	14.10	316
Stock book of saleable forms	14.11	316
Copyists Remuneration Bills and Copyists Ledger	14.12	316
Press Bills for printing of paper books for Criminal Appeals	14.13	317
Cost of Roneoing exhibits	14.14	317
Bills for polishing and Cleaning Furniture	14.15	317
Bills for binding books and registers	14.16	317
Library Books	14.17	317
Check of Livery Registers of Cloth with Tailors' Estimate	14.18	318

	PARA	PAGE
Audit of Establishment of High Court	14.19	318
ANNEXURE : Confidential DO letter (para 14.19(v)(a))		320
CHAPTER 15		
AUDIT OF AGRICULTURAL FARMS		
Introductory	15.01	321
Registers and Records to be checked	15.02	321
Audit of Farm produces and sale proceeds thereof	15.03	322
Check of Contingent Register	15.04	322
Check of Purchase and consumption of Cattle feed	15.05	322
Check of Credit Ledger	15.06	323
Check of Crop Register	15.07	323
Comparison of Produce Register and yield	15.08	324
Muster Rolls	15.09	324
Outturn of finished goods from raw materials etc.	15.10	324
Register of dead stock, live stock and Building etc.	15.11	324
Additional audit points to be seen	15.12	325
Annual Account	15.13	326
Profit and Loss Account and Balance Sheet	15.14	326
Inspection Report	15.15	326
CHAPTER 16		
AUDIT OF ACCOUNTS OF SEEDS, MANURES AND IMPLEMENTS		
Introductory	16.01	327
Registers and Records to be examined	16.02	327
Audit of procurement and distribution of manures and seeds	16.03	327
Additional points to be seen in audit	16.04	328
Maintenance and operation of P.L Accounts and utilisation of Grants/ subsidies received from the Government of India relating to Agriculture	16.05	330
CHAPTER 17		
AUDIT OF ACCOUNTS OF GOVT. COLLEGES AND SCHOOLS and of NCC (Battalion and Camp Accounts)		
Introductory	17.01	332
Registers and Records to be checked in audit	17.02	332
Check of cash book of Educational Institutions, Free studentship awarded by the Educational Institution, Demand, Collection and Balance Statement of Fees and Register of Caution Money	17.03	333
Scholarships and stipends	17.04	335
Accounts of Educational Deposit/Subsidiary funds	17.05	335
Auditing Accounts of N.C.C. (Battalion and Camp Accounts) and Forms of Audit Certificate	17.06	335

	PARA	PAGE
CHAPTER 18		
LOANS AND ADVANCES		
Scope and extent of Audit	18.01	341
Process of Audit	18.02	341
Information for consolidated Draft Para on Loans	18.03	342
Loans and Advances to Government servants	18.04	343
CHAPTER 19		
AUDIT OF ACCOUNTS TRANSACTIONS of CENTRAL GOVERNMENT OFFICES COVERED UNDER DEPARTMENTALISED ACCOUNTING SYSTEM		
Main features of Departmentalisation of Central Government Accounts	19.01	345
Check in Local Audit of PAOs and DDOs having Cheque drawing power	19.02	346
Registers and Records to be checked	19.03	346
Check of Pension Cases	19.04	348
Audit of Refund of Lapsed Deposit (Central) at PAO	19.05	351
List of Central Govt. Offices	19.06	352
Local Audit of Aerodromes	19.07	352
Central Reserve Police Force	19.08	352
Audit of Cattle Breeding Farms	19.09	354
Audit of Central poultry Development Organisation, Eastern Region Bhubaneswar	19.10	355
Archaeological Survey of India	19.11	356
Audit of the Office of the Regional Director, Health and Family Welfare, Bhubaneswar	19.12	357
Audit of Registrar of Companies	19.13	358
Audit of Establishment of Central Industrial Security Force	19.14	359
Inspection of Public Debt Office of RBI, Bhubaneswar	19.15	359
Audit of Government of India Text Book Press, Bhubaneswar	19.16	362
Annexure : List of Central Government Offices (para19.06)		367
CHAPTER 20		
AUDITING STANDARD AND PERFORMANCE AUDITING		
	PARA	PAGE
General	20.01	370
Relation between INTOSAI, ASOSAI and SAI of India	20.02	371
Auditing Standards in consonance with the best practice standards of INTOSAI and ASOSAI	20.03	373
Performance Auditing Guidelines	20.04	382

	PARA	PAGE
CHAPTER 21		
DISCLOSURE OF INFORMATION WITH RESPECT TO AUDIT OFFICES UNDER RIGHT TO INFORMATION ACT		
Premature disclosure of audit materials	21.01	451
Disclosure of information under provisions of Right to Information Act	21.02	451
Collection and utilization of fees of RTI Act	21.03	453
Annexure-I(para21.02(i) (c)		454
Annexure II (para21.02 (ii) - RTI Act		455
Annexure III (para21.02(iii) (a)		456
Annexure IV (para21.02(iv)		459
CHAPTER 22		
ADDITIONAL INSTRUCTIONS FOR DEALING WITH FRAUD AND CORRUPTION		
Standing order on role of audit in relation to cases of Fraud and Corruption	22.01	461
Memorandum/Certificate of Assurance	22.02	461
Sector specific guidelines/checklists for audit of fraud and corruption	22.03	461
Reports and Returns	22.04	462
Annexure I (Para 22.01)		463
Annexure II (Para 22.03)		468
Annexure III (Para 22.03)		477
Annexure IV (Para 22.03)		487

CHAPTER 1

GENERAL

1.01 General Statutory Provision

The functions of the Comptroller & Auditor General of India (C&AG) are derived mainly from the provisions of Articles 149 to 151 of the Constitution of India. The duties and powers of the C&AG in regard to audit have been prescribed in Sections 13 to 20, 23 & 24 of the C&AG's (Duties, power and conditions of service) Act, 1971 extracts of which are given as *Annexure- I* to this Chapter.

- (i) Under Section 18 of the said Act, the C&AG of India is entitled to: -
 - (a) Inspect any office of accounts under the control of the union or of a state, including treasuries and such offices responsible for keeping of initial and subsidiary accounts, as submit accounts to him;
 - (b) Require that any accounts, books, papers and other documents which deal with or form the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection;
 - (c) Put such questions or make such observations as he may consider necessary, to the person in charge of office and to call for such information as he may require for the preparation of any account or report which it is his duty to prepare;
- (ii) The person in-charge of any office or department the accounts of which have to be inspected and audited by the C&AG, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

1.02 Constitution and Functions of Audit Wings

For the discharge of the aforesaid functions, the C&AG has restructured Accounts and Audit Wings separately with effect from 1st March 1984. The Audit of Government accounts is conducted in two stages viz. Central Audit and Local Audit.

- (i) Central Audit of Government accounts is conducted initially in the office of the Accountant General (A&E) who prepares these from the initial accounts submitted to
-

him by the Treasuries, Public Works Divisions, Irrigation Divisions, Forest Divisions etc. For the purpose, he obtains further requisite information from them and also inspects the treasuries of the State. He, then sends these initial accounts viz. Bills, Vouchers, etc. and Finance Accounts, Appropriation Accounts etc. to the Central Audit Wing of the Office of the (Pr)Accountant General(Civil Audit) for Central Audit.

(ii) Local Audit and Inspection of the Government Offices and Corporation, bodies or authorities etc. are conducted by the following wings of the Audit Office.

(a) ***Outside Audit Department (OAD) Wing:***

Outside Audit Department Wing has been constituted for conducting:

- (1) inspection and local audit of programmes, activities, schemes and transactions of Government Departments, Offices under Section 13 of the C&AG's (DPC) Act, 1971.
- (2) audit of receipts under Section 16 of the Act ibid excepting those conducted by Revenue Audit Wing.
- (3) audit of Central Government Offices located in the State.
- (4) audit of Government transactions, audit of Government business transactions in respect of the National Defence Fund, Annuity Deposit Scheme, Public Provident Fund Scheme, etc. and audit of disbursement of pension through Public Sector Banks.

[Chapter 3 of Section VI of MSO (Audit)]

- (5) Audit of Public Debt Office of the Reserve Bank of India managing borrowings of Government in respect of transactions connected with these borrowings.

[Chapter 4 of Section VI of MSO (Audit)]

(b) ***Works Audit Department (WAD) Wing***

WAD Wing has been created to audit Works, Water Resource Department and Offices under them. Central Public Works Divisions are also audited by this Wing.

- (c) ***Autonomous Bodies Audit (ABA) Wing:*** ABA Wing is constituted for inspection and local audit of accounts, programmes, activities, schemes and transactions of Grants-in-aid, loans, etc. of Government Departments and bodies or authorities registered under Societies Registration Act, 1860 and bodies or authorities or non-

commercial corporation etc. created under any Act of the Legislature. This audit is conducted under Sections 14, 15, 19 and 20 of the CAG's (DPC) Act, 1971.

(d) Local Bodies Audit and Accounts Office: A new office has been created by the C&AG of India to audit the accounts of Rural and Urban Local Bodies viz. Gram Panchayats, Panchayat Samitis, Zilla Parishads, Notified Area Councils, Municipalities and Municipal Corporations etc.

(OOB No.184 dt.21.08.2006)

(e) Revenue Audit Department (RAD) Wing: This wing is created to audit all receipts of the Government under Section 16 of the Act *ibid*.

(f) Commercial Audit Department (CAD) Wing: CAD Wing has been constituted to audit accounts of Government Companies (created under the Provisions of the Companies Act, 1956) under Section 19 of the Act *ibid*. The accounts of some Corporations acting commercially like Orissa Civil Supplies Corporation, Orissa Forest Development Corporation etc. established by or under any law made by the Legislature are also audited under this section in accordance with the provisions of the respective legislation. Besides the above, Central Government Corporations like Doora Darshan, Akashvani etc. are also audited by this wing.

NOTE 1 – Local audit of accounts of the offices of the State Government situated in other states: It has been decided by the C&AG that as a matter of Policy the local audit of accounts of the offices of the State Government situated in other states may be got conducted by the (Pr) Accountant General in whose territorial jurisdiction the said offices exist in order to effect maximum economy in TA, DA etc. Proposals for transfer of audit to the concerned (Pr) Accountant General in whose territorial jurisdiction the offices are located are to be sent to the C&AG.

(Based on C.A.G's letter No. 2255- Amn. 111/446-60 dt.17.11.60 read with C.A.G's No. 429-CA-iv/138-71 dt.31.5.74 Dy. O.A.-I-CAG-889)

1.03 Selection of personnel for Inspection

If inspections are to serve their purpose and to derive the maximum value on the expenditure incurred on inspections it is necessary that the inspecting officials should, apart from exercising the prescribed routine checks, examine the accounts intelligently with due regard to the principles of higher audit. Inspection work should, therefore, be entrusted to specially trained, competent and intelligent staff. Special attention should therefore be paid for selection of party personnel to ensure conduct of inspections in an effective manner.

In order to ensure that personnel, experienced in field work is available at all times and in view of the fact that local and central audit experience are complementary, selection of party personnel should be made seriatim from a roster drawn up for the purpose with reference to the date of return of the persons from last inspection the background and experience etc.

(C. A. G's letter No. 565- Admn. / G. Rep / 49 dt.23.3.50 to A.G., Madras and copy to this office file WM 24-14 and orders dt.1.10.77)

1.04 Staff Allotted for Inspection

The audit of the items of works of OAD wing mentioned in Paragraph 1.02 of the Manual is conducted by the outside audit parties. Each party consists of either two Assistant Audit Officers (AAOs) / SO (SO) and one (Sr) Auditor or one AAO / SO and two (Sr) Auditors according to the nature and importance of items to be audited locally. The audit conducted by the outside Audit Staff is supplemented by the supervision of a Senior Audit Officer (Sr.AO) / Audit Officer (AO) except in the minor audits where the supervision may be dispensed with. This supervision may be either hundred percent or partial and will as far as possible, be arranged during the course of audit or towards the end of it.

(Based on A.G's order of 10th January 1961 file O.A.-II RIM for 1960-61)

1.05 Position of Audit vis-a-vis Departmental Offices in the Matter of Inspection.

The primary object of audit **RULES FOR DISTRIBUTION OF SEEDS** inspection being to assist the executive authorities in maintaining an efficient control over the financial transactions under their charge, it should not be taken that the audit inspection supplements administrative inspection. Audit inspection cannot be hundred percent audit of all items and it is limited in scope, being test audit by its very nature. Suggestions for safeguarding the financial interests of Government deserve special attention and are encouraged.

1.06 List of Offices vis-a-vis Annual Inspection and Audit Programme

A list of departments / offices subjected to local audit or Inspection by OAD shall be maintained in OAD Headquarters Section classified according to categories specified in para 1.02 by collecting necessary information from various Central Audit Supporting Sections (CASS) and Administrative Departments / Directorates of the State Government. It shall be the duty of OAD-I-Headquarters to obtain the information regarding creation, abolition and amalgamation of government offices from CASS / State Government.

From such information and after calling for further information, particularly the volume of contingent expenditure early in January each year the programmes of local audit Inspection, both for central and state offices, should be drawn up for the next financial year in such a way

that every office may come under local audit in rotation, the periodicity of each office being determined on the volume of transactions particularly the contingent expenditure in each case. For this purpose the Comptroller & Auditor General of India has given a direction to classify the audit units as High Risk (H), Medium Risk (M) and Low Risk (L), the audit of which will be taken up as Annual (A), Biennial (B) and Triennial (C) items respectively. The details of methods to be adopted for such classification are enclosed as *Annexure- II* to this Chapter.

[CAG's letter No.565/Rep(s)/259-2004 dt.16.05.2005]

The list of State Government offices proposed to be locally audited should be prepared Administrative department-wise giving preference to those offices whose expenditure is more, particularly the contingent expenditure and sent to the Finance Department of the State Government with the request to suggest if they want any other offices to be audited locally during the year in question for any special reason. The suggestion of the State Government may be given due consideration even by postponing the audit of some other comparatively less important office for a subsequent year.

In the case of Central Government Offices a copy of the programme of local audit both at the preliminary and final stages should be sent Ministry wise to the concerned expenditure Divisions of the Ministry of Finance, besides sending them to the Administrative Ministry concerned.

After obtaining the approval of the (Pr) Accountant General (CA) for the new items incorporating the leftover items of the previous year which could not be completed and items due for audit during the year, a list called annual skeleton programme would be drawn up by the OAD Headquarters giving preference to the offices whose expenditure is more, particularly contingent expenditure and submitted through the Group Officer (Inspection-Civil) III to the (Pr) Accountant General by 1st March each year for his approval for implementation from 1st April. The detailed programme indicating (i) Names of offices selected for Audit / Inspection, (ii) Period of accounts to be audited, (iii) Time allowed for each item may be drawn up from the approved skeleton programme quarterly or for such period as administratively convenient and should be got approved by the Group Officer. Copies of detailed programmes should be supplied to the field parties, Reviewing officer, Administration, OE, all OAD Headquarters sections and the Secretary to the (Pr) Accountant General. Change in the programme of OAD Field parties and reviewing officers and extension of time allowed for Local Audit / Inspection

require the approval of the Group Officer. It is the responsibility of the field parties and reviewing officers to ensure strict adherence to the approved programme.

NOTE 1- In respect of minor changes involving stay for one or two days more at a station or leaving the station one or two days earlier due to unforeseen circumstances or in the interest of work, an intimation of the change should be sent promptly for the information of the Group Officer when there is no time for getting his prior approval, in the absence of the Group Officer on tour, the changes in the programmes of the parties may be allowed by the Branch Officer, OAD-I Headquarters and submitted to Group Officer on his return from tour.

NOTE 2- The review work of schemes selected is also to be completed by the field parties. Necessary readjustment of OAD should be made under the approval of (Pr) Accountant General (CA).

(C & A. G's letter No. 38- Codes. 1/41-74 / G. V-of 16-5-75 and A. G's orders)

1.07 Duration of Audit

The time in terms of working days allowed for each audit is indicated against the relevant items in the programme Register maintained in OAD Headquarters. A review of the time allocation for the duration of the audit for the various types of offices is to be conducted in every three years or whenever an opportunity is available to ensure optimum utilization of Officers. The views of SO / AAO who conducted last audit regarding excess / shortage of time as indicated in the relevant title sheet or otherwise should be taken into account in allocating time for the next audit of that item under the approval of the (Pr) Accountant General (CA).

In case of first audit, the time should be analyzed instantly and programme be drawn up in consultation with CASS. Thereafter, the Inspection Parties should furnish necessary particulars to prepare the programme with reference to the **volume of transactions** also.

(Based on A. G's order on Chapter 2 of Manual)

All the OAD field parties are instructed to avail less number of working days than scheduled for, in case of non-production of certain records / documents to local audit.

(O. A. Circular No. 938 dated 20.7.99)

1.08 Request for postponement of Audit

Request for postponement of audit are considered only in exceptional circumstances when received from the Administrative Department as directed by the Government of Orissa, Finance Department Circular No. Aud / (Ext)-9 / 63-27045 (32) / F dated 14.8.63 (*Annexure-III* to this Chapter). In cases where requests for postponement of Audit was not routed through the Administrative department and the departmental office fails to produce the records on the scheduled date the SO / AAOs of the OAD Field parties should ascertain the reasons for non

production of records in writing and should draw the attention of the head of the office to the above government circular. Even after meeting the Head of the office, if the records are not still produced, the head of the audit party should immediately intimate the Group Officer in charge, at his office and beyond office hours, at his residence and in case of his absence to the Branch Officer / OAD-I (Headquarters) in charge of the Group using any available mode of communication considered more suitable and seek further orders without moving to the next item of programme *sue moto*. The cost incurred towards such communication will; be reimbursed by the Headquarters office on proper claim.

(O. A. Cir.No.248 dated 3.8.64 & No.1024 dated 15.07.2002)

1.09 Diaries

SO /AAOs and (Sr) Auditors should submit a weekly diary (ending Saturday) in the prescribed form SY. 324 so as to reach OAD-I headquarters section not later than the following Wednesday. Such diaries should be sent through the reviewing officer, in case the item of work is for more than seven days and supervised by him. However, if the supervision is provided in the middle but had to be cancelled due to administrative reasons and in case the supervision is provided during the closing days of the Inspection, the SO / AAO in charge of the party should forward the extracts of the diaries to the headquarters. In case the diary is not dispatched by Monday next, the reasons for delay in dispatch have to be indicated.

- (i) The diary should contain inter-alia: -
 - (a) The specific work done showing details of records checked and months or years of accounts covered.
 - (b) Regarding Sundays and holidays the fact “Halt in Camp” or otherwise should be specifically stated.
 - (c) Hours of attendance on working days are to be mentioned.
 - (d) In transit, time of departure and arrival, mode of conveyance and distance covered are to be recorded.
 - (e) If any one leaves the camp on account of proceeding on C.L / E.L etc. the time of departure from the camp and time of return to the camp from such leave should be stated.
- (ii) The SO / AAO in charge shall ensure that:-
 - (a) Tour diaries of (Sr) Auditors have been prepared according to allocation of duties amongst the members of the party.
 - (b) There is no discrepancy between the noting in the diary register maintained in the party and the extracts thereof sent to headquarters in weekly diary.
 - (c) All the columns in the reverse of tour diary of SO / AAO are filled in.

- (d) Fact of dispatch of Draft Inspections Report to the headquarters in respect of completed item is invariably noted mentioning the registered letter No. and date with which the DIRs were dispatched.
 - (e) The diary is sent by ordinary post (not by Registered Post) to the SO / AAO, O.A-I Section by name.
- (iii) Reviewing Officers should also maintain diary for recording date-wise work done / supervised and submit the extract thereof fortnightly to the Headquarters section. The Headquarters section will scrupulously watch the receipt of the diaries and any delay in receipt of the diaries should be brought to the notice of the concerned SO / AAO / Reviewing Officer promptly. On receipt of diaries, OA-I section will enter them in Diary Register and submit them to the Branch Officer, OAD-I Headquarters weekly through the SO / AAO after due scrutiny and pointing out in a note, any irregularity for approval by the Branch Officer, OA-I Headquarters in case of party personnel up to AAOs and by the Group Officer in case of the Reviewing Officer. The diaries will also form the basis for exercising checks over the T. A. Claims.

NOTE - Submission of Tour diary by due date should not be held up on the grounds that the SO / AAO is absent on leave or otherwise. In such cases senior most Auditor of the party should forward the diaries to the Headquarters on due date.

(Circulars No. OA-I-414, dt.18.5.70, OA-I-487, dt.18.12.76 and OOB-1578, dt.28.5.76)

1.10 Grant of Leave etc. to OAD Field Staff, Attendance, Observance of Holidays.

- (i) It must be emphasized that no member of the field parties is permitted to leave his place of duty without prior approval of the Group Officer (I-C) III. In sudden and unforeseen circumstances which must be stated by the applicant applying for leave in writing, approval to the grant of leave should be obtained from Headquarters telegraphically or by any other mode of communication at the expense of the Government. The Reviewing Officer or in his absence the S.O / AAO should arrange this prior permission from the Headquarters for the party members. In the absence of the Reviewing Officer the SO / AAO may arrange such permission for himself.
- (ii) According to G. I. M.F. Memo No. F-S (22)-E-IV (B) / 72, dated 5.2.73 (incorporated as GI. Decision No. 10 below F.R. -72) prior permission of the authority declared as his controlling officer for the purpose of traveling allowance (TA) should be obtained for combination of causal leave with the transit time. The Reviewing Officer and members of the field parties are therefore required to ensure that while applying for Casual leave in combination with the transit period, prior permission of the competent authority should be obtained so that difficulty in allowing TA can be avoided.

- (iii) The SO / AAOs of the Field parties should on no account abandon their parties except in the case of grave emergency. They should take permission of the Reviewing officer available at that station who should immediately intimate the fact to Group Officer followed by a detailed report. If no Reviewing officer is available at the station, the SO / AAO concerned should himself intimate the Headquarters telegraphically or by any other mode of communication, with a detailed report. Before leaving the station the concerned SO / AAO should hand over the charge to the SO / AAO, senior most (Sr) Auditor of the party present. Position of the work taken up and a brief note stating reasons for leaving the party may be indicated in his charge report for information of Reviewing Officer.
- (iv) In case, any member of a field party falls ill at an outstation, he should ordinarily take adequate treatment from the Authorized Medical Attendant at that station. In case his illness is of prolonged nature, he should apply for leave along with a Medical Certificate from the local Authorized Medical Attendant and should not ordinarily leave the place of duty till his leave is sanctioned. If, in the opinion of the local Medical Officer, adequate treatment is not available at that station the patient may be permitted to leave the station and an immediate intimation should be sent to the Headquarters followed by his regular application for leave.
- (v) The members of the inspection parties must attend the office they inspect during its regular office hours. They may avail the holidays observed by the office they inspect subject to the condition (1) that the total No. of holidays / closed days enjoyed by them during a calendar year does not exceed the number admissible under the orders of Government of India on the subject and (2) that there is no shortfall in the total number of working hours. Where a strict application of this condition is not practicable minor adjustment may be made by Group Officer in arranging programme of the field parties to suit the administrative convenience.

(Based on C&A G's letter No. 2492-NGE-I/295-66-II dt.24.9.66 and No. 208-NGE - I/295-65-II dt.2.2.67 and A G's orders thereon dt.28.4.67) (File O A I-GI-67-68)

1.11 Attendance Register:

- (i) The field parties should maintain an attendance register. The party personnel are expected to follow the working hours of the office under inspection / audit and should observe strict punctuality in attendance. Late attendance, if any, should be marked

therein and the register should be submitted to the Reviewing officer at the time of visits to supervise the work of the parties.

- (ii) OAD-I Headquarters is required to furnish the absentee statement of the filed staff to OE Section.

1.12 Special Audit:

The procedure for undertaking special audit arising out of suspected misappropriation, fraud, defalcation, embezzlement etc. has been laid down in C&A G's letter No. 796 dated 18.4.78 and 285 dated 21.8.78. Accordingly when request for a special audit for a special reason is received from the State Government, the (Pr) Accountant General (CA) at his discretion may take a decision in the matter depending on the special features of the case. Any request for special audit is to be examined on its merit in the light of preliminary investigations carried out by the departmental authorities. In case, the (Pr)Accountant General feels that preliminary or further investigation by departmental authorities is necessary before undertaking special audit he may refer the matter to the State Government for getting the needful done. Such request should be examined by OAD-I Headquarters and put up to the Group Officer for approval by the (Pr) Accountant General (CA).

Special audit involves a detailed check of the transactions and records for a particular period and where it is felt that the party entrusted with Special Audit should lay stress on any particular type of transactions, instructions with the approval of the (Pr) Accountant General should be issued to the party. The result of special audit should be sent to Finance Department and also to other concerned officers.

(O.O.A. 7257 dated 27.2.75 and C& A G's letter dated 18.4.78 and dated 21.8.78)

1.13 Application for Advance TA on Tour and Submission of TA Bills

- (i) Application for advance T.A for journey on tour up to an amount sufficient to cover the personal traveling expenses of inspecting staff for a month may be sent by name to SO / AAO, OA-I Headquarters Section sufficiently in advance so as to reach Headquarters section by 25th of the preceding month. The advance so applied for should be restricted to 80 *per cent* of the total estimated TA / Daily allowance (DA) etc. claim of the month for which advance is applied for. Besides furnishing the necessary particulars like Bus fare, Train fare and DA etc., information regarding submission of final T.A. Bill in adjustment of advance taken for the month immediately preceding the previous month should be given in the application. The advance application should be scrutinized in

OA-I section with reference to approved tour programme to see that the claim is within 80 per cent of the probable expenditure against the approved tour programme for the month and transmitted to Administration Section on the same day of receipt or on the next working day after verifying and giving a certificate that final tour TA Bill for the month immediately preceding the previous month has been received at the headquarters. In any case not more than two advances should be allowed to remain outstanding at a time. Application for advance of T.A may be furnished in the proforma given in *Annexure-IV*.

- (ii) Monthly TA Bills of party personnel duly countersigned by the competent authority should be submitted to the OA-I section by 7th of the following month. Final TA Bills for journey on tour should be submitted in any case within three months of the completion of journey, failing which the outstanding advance will be recovered from the pay bill for the subsequent month without any notice. The OA-I section will verify these TA Bills with reference to approved tour programme / tour diary, record a certificate to that effect and send them to OE Section for further action.

NOTE: - The Government of India Finance Department has decided that cost of telegrams for reservation of accommodation should be met by the party desirous of securing accommodation.

(Based on Auditor General's letter No. 2219-GBE/417-38 dated 7.9.38)

- (iii) While preparing the T.A. bill the following points should be borne in mind by each inspecting staff:
- (a) TA Bills should be submitted in prescribed forms in duplicate. All relevant columns of the form should be filled in properly.
 - (b) The distance travelled by bus / road, train etc. should be shown in K.M Short journey by road less than 1 K.M should be ignored.
 - (c) The last page of the fair copy of the T.A. Bill should be left blank.
 - (d) Office copies of the TA Bills of (Sr)Auditors should be countersigned by SO / AAO / Reviewing Officer as the case may be to whom they are attached in token of check that claims preferred are prima-facie correct.
 - (e) Advances drawn should be shown in the TA Bill indicating the Bill No. and date in both copies of TA Bill.
 - (f) All relevant certificates should be furnished with the TA Bill cancelling the irrelevant certificates.
 - (g) Both copies of TA Bills should be signed by the claimants.

1.14 Contingent Claims for Carriage of Office Records

Contingent expenditure for carriage of office box and records will be allowed to officers and parties in field at the flat rate of Rs.2/- at both ends of journey on each

transit and the claims for carrying office box can be preferred at convenient intervals not exceeding three months. While preferring claims for such charges the following certificate for each contingent bill should be furnished.

- “Certified that the amount claimed in this bill has not been claimed previously.
- Certified that the amount actually spent for carrying office box was not less than the amount claimed,
- Certified that separate arrangements were made for carrying the office box”.

(Based on O.A Cir. 265 dt 30.1.65 OA –Cir. 290 dt. 18.8.65 and OA–I-Cir-485 dt.5.9.75)

1.15 Calendar of Returns

A Calendar of Returns should be maintained by the SO / AAO of OAD Headquarters sections in form SY.264 in order to observe the due dates prescribed for the various items of work categorized under weekly, fortnightly, monthly, quarterly, half-yearly, annually, occasionally etc. The actual date on which the work is completed should be filled in by the SO / AAO concerned and the calendar of returns submitted to Branch Officer on every Monday and to the Group Officer by the 15th of the month. Items covered in calendar of Returns in all OAD Headquarters sections are enclosed as *Annexure –V* to this chapter.

(Based on para 6.01 of G.P Manual, August 2004)

1.16 Maintenance of Register for recording money value of D.I.R

Each vetting section should maintain a register department wise to note the value of objections of paras of Inspection Reports finally approved by the Group officer with the following headings.

Proforma

- i) Name of the auditee unit:
- ii) IR. No./year
- iii) Para No.
- iv) Brief description of objections (Para wise)
- v) Money value of each objection.

The SO / AAO of each section should submit the said register at the end of each quarter to the Group Officer, while it should be submitted to their respective Branch Officer every month. The Branch Officers of the vetting sections are required to keep a close watch on the timely submission of the register with necessary entries. This may be watched as a monthly & quarterly item in the Calendar of Returns of vetting sections.

(OAD Cir. 1052 dated 19.4.2004)

ANNEXURE - I

(Refer Para 1.01)

Relevant sections of the C&AG's (DPCS) Act, 1971

General Provision relating to audit

Section 13: It shall be the duty of the Comptroller and Auditor General:

- (a) to audit all expenditure from the Consolidated Fund of India and of each State and each Union Territory having Legislative Assembly and to ascertain whether the money shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;
- (b) to audit all transactions of the Union and of the States relating to contingency Funds and Public Accounts,
- (c) to audit all trading, manufacturing, profit and loss accounts and balance-sheets and other subsidiary accounts kept in any Department of the Union or of a State;

and in each case to report on the expenditure, transactions or accounts so audited by him.

Audit of receipt and expenditure of bodies or authorities substantially financed from Union or of State Revenue

Section 14: (1) Where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly, the C&AG shall subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body or authority and to report on the receipts and expenditure audited by him.

Explanation- Where the grant or loan to a body or authority from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly in a financial year is not less than rupees twenty five lakh and the amount of such grant or loan is not less than seventy five percent of the total expenditure of that body or authority, such body or authority shall be deemed, for the purpose of this section, to be substantially financed by such grants or loans, as the case may be.

(2) Notwithstanding anything contained in sub-section (1) the C&AG may with the previous approval of the president or the governor of a State or the Administrator of the Union Territory having a Legislative Assembly, as the case may be, audit all receipt and expenditure of any body or authority where the grants of loans to such body or authority from the Consolidated Fund of any State or of Union Territory having a Legislative Assembly, as the case may be, in a financial year is not less than rupees one crore.

(3) Where the receipts and expenditure of any body or authority are by virtue of the fulfilment of the conditions specified in sub-section (1) or sub-section (2) audited by the C&AG in a financial year, he shall continue to audit the receipts and expenditure of that body or authority for a further period of two years notwithstanding that the conditions specified in sub-section (1) or sub-section (2) are not fulfilled during any of the two subsequent years.

Function of Comptroller and Auditor General in the case of grants or loans given to other authorities or bodies

Section 15: (1) Where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly to any authority or body, not being a foreign State or international organization, the C&AG shall scrutinise the procedure by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants or loans were given and shall for this purpose have right to access, after giving reasonable previous notice to the books and accounts of that authority or body.

Provided that the President, the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, may where he is of opinion that it is necessary so to do in the public interest, by order, relieve the C&AG after consultation with him, from making any such scrutiny in respect of any body or authority receiving such grant or loan.

(2) Except where he is authorized so to do by the President, the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, the C&AG shall not have, while exercising the powers conferred on him by sub-section (1), right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in sub-section (1) is given if the law by or under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the C&AG.

Provided that no such authorization shall be made except after consultation with the C&AG and except after giving the concerned Corporation a reasonable opportunity of making representations with regard to the proposal to give to the C&AG right of access to its books and accounts.

Audit of receipts of Union or of State

Section 16: It shall be the duty of the C&AG to audit all receipts which are payable into the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon.

Audit of accounts of Stores and stock

Section 17: The C&AG shall have authority to audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

Powers of Comptroller and Auditor General in connection with audit of accounts

Section 18: (1) The C&AG shall in connection with the performance of his duties under this Act have authority-

- (a) to inspect any office of accounts under the control of the Union or of a State, including treasuries and such offices responsible for keeping of initial or subsidiary accounts, as submit accounts to him.
- (b) to require that any accounts, books, papers and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection.

- (c) to put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any accounts or report which it is his duty to prepare.

(2) The person in charge of any office or department the accounts of which have to be inspected and audited by the C&AG, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Audit of Government Companies and Corporations

Section 19: (1) The duties and powers of the C&AG in relation to the audit of the accounts of Government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 1956.

(2) The duties and powers of the C&AG in relation to the audit of the accounts of Corporations not being companies established by or under Law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations.

(3) The Governor of a State or the Administrator of a Union Territory having a Legislative Assembly may, when he is of opinion that it is necessary in the public interest to do so, request the C&AG to audit the accounts of a Corporation established by law made by the Legislative of the State or of the Union Territory as the case may be, and where such request has been made, the C&AG shall audit the accounts of such corporation and shall have, for the purpose of such audit right of access to the books and accounts of such Corporation.

Provided that no such request shall be made except after consultation with the Comptroller and Auditor General and except after giving reasonable opportunity to the corporation to make representations with regard to the proposal for such audit.

Section 19A (1) The reports of the C&AG in relation to the accounts of a government Company or a corporation referred to in section 19, shall be submitted to the Government or Governments concerned.

(2) The Central Government shall cause every report received by it under sub-section (1) to be laid, as soon as may be after it is received, before each house of Parliament.

(3) The State Government shall cause every report received by it under sub-section (1) to be laid, as soon as may be after it is received, before the Legislature of the State.

Explanation: - For the purpose of this section “Government” or “State Government” in relation to a Union Territory having a Legislative Assembly, means the Administrator of the Union Territory.

Audit of accounts of certain authorities or bodies

Section 20: (1) Save as otherwise provided in section 19, where the audit of the accounts of any body or authority has not been entrusted to the C&AG by or under any law made by Parliament he shall, if requested so to do by the President or the Governor of State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as

may be agreed upon between him and the concerned Government and shall have for the purpose of such audit, right of access to the books and accounts of that body or authority.

Provided that no such request shall be made except after consultation with the Comptroller and Auditor General.

(2) The C&AG may propose to the President or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, that he may be authorized to undertake the audit of the accounts of which has not been entrusted to him by law, if he is of opinion that such audit is necessary because a substantial amount has been invested in, or advanced to, such body or authority by the Central or State Government or by the Government of a Union Territory having a Legislative Assembly, and on such request being made, the President or the Governor or the Administrator, as the case may be, may empower the C&AG to undertake the audit of the accounts of such body or authority.

(3) The audit referred to in sub-section (1) or sub-section (2) shall not be entrusted to the C&AG except where the President or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, is satisfied that it is expedient so to do in the public interest and except after giving a reasonable opportunity to the concerned body or authority to make representations with regard to the proposal for such audit.

Power to make regulations

Section 23: The C&AG is hereby authorized to make regulations for carrying into effect the provisions of this Act in so far as they relate to the scope and extent of audit, including laying down for the guidance of the Government Department, the general principles of Government accounting and broad principles in regard to audit of receipts and expenditure.

Power to dispense with detailed audit

Section 24: The C&AG is hereby authorized to dispense with, when circumstance so warrant, any part of detailed audit of any accounts or class of transactions and to apply such limited check in relation to such accounts or transactions as he may determine.

ANNEXURE - II

(Para 1.06)

**Risk analysis of auditee units for financial (transaction) audit circulated vide C&AG's letter
No. 565-Rep(s) / 259-2094 dated 16 May 2005**

Objective: Classification of the audit units as High risk (H), Medium risk (M) and Low risk (L)

Principal Indicators

- I. Expenditure (Annual expenditure of second preceding year)
- II. Previous Audit observations (Total amount involved during last three years)
- III. Internal Control and Internal Audit System (whether functioning satisfactorily)
- IV. Performance Report (Evaluation of performance by internal and external agencies)

I. Expenditure

Weightage	H (6)	M (4)	L (2)
(a) Expenditure on works/ projects/programmes and other developmental expenditure	Above Rs 2 crore	Rs50 lakh to Rs 2 crore	Less than Rs50 lakh
(b) Salaries and other establishment expenditure	Above Rs5 0 lakh	Rs20 lakh to Rs 50 lakh	Less than Rs 20 lakh
(c) Deposit in PD Account and PL Account	Above Rs 20 lakh	Rs10 lakh to Rs.20 lakh	Less than Rs 10 lakh
(d) Percentage increase of total expenditure over previous year	Above 50 per cent	30 to 50 per cent	Less than 30 per cent

II. Previous Audit Observations

Weightage	H (6)	M (4)	L (2)
(a) Money value of Part-II-A paragraphs in IRs compared to total money value of IRs in last three years	More than 60 per cent	30 to 60 per cent	Less than 30 per cent
(b) Outstanding IR paras	Significant number of IR paras pending for more than five years	Significant number of IR paras pending for three to five years	Significant number of IR paras pending for less than three years

III. Internal Control and Internal Audit System

Weightage	H (6)	M (4)	L (2)
(a) Budgetary procedure and expenditure Control	Poor	Improvement necessary	Satisfactory control
(b) Maintenance of records and accounts	Poor	Improvement necessary	Satisfactory maintenance
(c) Internal Audit	No internal audit conducted	Large arrears in conducting Internal Audit and issue of reports and / or no follow up of Internal Audit Reports	Satisfactory

IV. Performance Evaluation

Weightage	H (6)	M (4)	L (2)
Performance of units as per Administrative Report of the Department / Compliance to PAC's recommendations/ Evaluation report on projects / works / Department etc. if any / Press reports / Complaints	Poor	Improvement necessary	Satisfactory

Total score: [I (a+b+c) + II (a+b) + III (a+b+c) + IV] ÷ 10 = X

Categorization of units: Low risk: when X is >2<4; Medium risk: >4<5; High risk :> 5<6

* For classification of the units as H, M and L, amount of expenditure may be modified depending on total expenditure of the State and total number of auditee units. However, justification for the modification may be recorded and intimated to this office.

ANNEXURE –III
(Para –1.08)

Government of Orissa Finance Department

Memo No. Aud (Ext) 9 / 63 27045 (32) / F

dated 14.8.63

To

All Departments of Government,
Bhubaneswar

Sub: - Local Audit of accounts of various office, avoiding postponement thereof.

In enclosing herewith a copy of the Accountant General's letter No.OA-I-2-I-A-2002, dated 6.8.63 and the letter No. 1933 / OSME dated 22.7.63 attached to it on the subject mentioned above the undersigned is directed to say that request for postponement of audit should not normally be made as the programme of audit is drawn up well in advance and any postponement affects the programme. In exceptional cases only such a request if made immediately on receipt of the programme and through the Administrative Department may be acceptable to the Audit Department. Administrative Department should ordinarily refuse to endorse such request unless there are compelling reasons to the contrary.

Further, it may be stated in this connection that a letter was issued from this Department vide No. 40885(34) dated 6.11.62 and it appears that no effective steps have been taken in this regard by the concerned Administrative Department.

It is, therefore, requested that the Administrative Department may issue strict instructions to the Sub-ordinate offices and the officers concerned to avoid making such request for postponement in future, so that there will be no occasion for any such complaint by the Accountant General.

(Sd/)

Audit Officer-cum-Jonit Secretary to Government

Memo No. 27048 /F

dt.14.8.63

Copy forwarded to the Accountant General, Orissa for information with reference to his letter No. OA-I-2-I-A-2002 dt. 6.8.63.

(Sd/)

Audit Officer-cum-Jt. Secretary to Government

ANNEXURE-IV
APPLICATION FOR ADVANCE OF TOUR T.A
(Para -1.13)

1. Name of the Government Servant :
 2. Designation :
 3. Name and section of Establishment :
 4. Pay of Government Servant :
 5. GPF No. / Bank A/c No. :
 6. Permanent / Temporary :
 7. Whether surety bond attached in case of
Temporary Government servant. :
 8. Party to which attached :
 9. Month for which advance T.A is
applied for :
 10. Whether final T.A bill for the
Month..... submitted: If so,
the No. and date may be stated. :
 11. Approximate expenditure towards
tour including details :
 12. Amount of advance applied for :
 13. Signature of the applicant :
 14. Amount of advance recommended by
the Competent Authority. :
 15. Signature of the controlling authority :
-

ANNEXURE-V

(Para-1. 15)

Calendar of Returns for the Headquarters Sections of OAD

Sl. No	Name of return	To or from whom due	When due	Authority
1.	2	3	4	5
	Weekly.			
1.	DO, telegram, Express Diary Register	BO	Monday	OOB756
2.	Inward Diary Register	BO	Monday	Para 6.01.3 of G.P. Manual
3.	Register of ITA Review notes	BO	Monday	OOB 764 dt.7.11.68
4	Other Section Diary register	BO	Monday	Para 6.01.3 of G.P. Manual
5.	Calendar of Returns	BO	Monday	-Do- and OOB-500 dt.12.2.50
6	Typing Progress Register	Group Officer	Monday	
	Monthly			
1	Watch Register of Inspection Reports	Group Officer	1 st Monday	Para-58(O) of Inspection Manual
2	Register of pending cases	BO	1 st Monday	Para 6.01.3 of G. P. Manual
3.	Calendar of Returns	Group Officer	5 th of the month	Para 6.01.3 of G.P. Manual
4.	(a) Programme Register	Group Officer	-do-	--
	(b) Consolidated Programme Register	(Pr)AG	_do_	--
5	Report of returnable papers	BO	-do-	D.A.C. Order dt.3.4.61
6.	(a) Register of ITA Notes	Group Officer	-do-	OOB-704 dt.7.11.58
	(b) ITA IR Register	(Pr)AG	-do-	OOB-73 Dtd.26.5.92
7	General note Book	SO	-do-	OOA-355 dt.12.10.60
8	Causal Leave Register	BO	-do-	-do-
9.	Attendance Register	BO	-do-	-do-
10.	Assistant Audit Officer / SO / Auditors' Note Book	BO	-do-	Para 6.01.3 of G.P. Manual
11.	Register of periodical examination of Table and drawers.	BO	-do-	OOB-618 dt. 4.6.55
12.	Progress Register	Group Officer	-do-	OOB-1429 dt.8.2.74
13.	Consolidated Progress report	(Pr) AG	-do-	-do-
14	List of Important and interesting cases for preparing digest.	(Pr) AG	7 th	OOB-1017 dt.30.12.63
15	Outward Register	BO	10 th	Para 7.05 of G.P. Manual
16	Register indicating total nos. of working	Group	10 th	DAG's order No. 95

Sl. No	Name of return	To or from whom due	When due	Authority
1.	2	3	4	5
	days covered by OAD Group.	Officer		dt. 4.4.60
17	Register of important irregularities noticed in course of Local Audit	B.O	10 th	OOA-1982 dt.16.6.56
18	Register of watching the disposal of important items other than D.P.	B.O	10 th	D.A.G's order dt.2.9.67
19	Register of D.P. finalised	B.O	-do-	OOB-532 dt.20.2.54 OAC-96 dt.4.6.60
20	Register of Common irregularities	Group Officer	-do-	OAC-96 dt.4.6.60
21	Register of Materials for D.P.	B.O	-do-	DAG's order dated 18.1.61 file CA/AIR – 64 of 60-61.
22	Stamp Account	B.O	-do-	-do
23	Submission of consolidated report in respect of Sections under the Group relating to outstanding Test Audit Report of ITA.	B.O/A.G	-do-	IAP no.15 DT.11.2.71
24	Monthly Return indicating Progress of Audit T & A Materials	ITA	28 th	MD / 1023 dated: 20.6.63
25	Register of General cleanliness of Sections	B.O	10 th	OOB-842 dt.21.7.60
26	Progress Register of outstanding Inspection Reports & Paras.	B.O	18 th	Para-61 of Inspection Manual, 344 of OAD Manual
27	Report of serious and interesting cases under articles 253 of Audit Code.	B.O	20 th	OOA-1084 dt.13.1.52
28	Register of Duty List	B.O	20 th	OOA-3288 dt.22.1.60
29	Register of fraud, loss, embezzlement & other loss not exceeding Rs.250 each.	B.O	20 th	OOB-606 dt.11.2.55
30	Register of Special points to be seen in local Audit.	B.O	25 th	OOA-2910 dt.15.12.58
31	Absentee Statement of the staff of the section	O.E	25 th	OOB-1310 dt.20.6.70
32	Inward Diary Register	Group Officer	Last Monday	OOB-1356 dt.16.8.71
33	Other Section Diary	“	“	“
34	Diary of Express/DO/Telegram	”	”	”
35	Objection Book	B.O	29 th	Para- 568 of AA Manual
36	Six monthly Register	B.O	29 th	Para-58 of AuditManual
37	Register to watch the defects pointed out by Director of Inspection (DI)	B.O	-do-	IAD Circular –I of 15.4.60
38	Inward Register of the Leave Applications.	B.O.	-do-	DAG's order dt. 27.4.65
39	Permission granted for attending office	DAG(A)	1 st Monday	OOC-351 of 28.7.73

Sl. No	Name of return	To or from whom due	When due	Authority
1.	2	3	4	5
	from outside Headquarters etc.		every month	
40	Review of outstanding I.Rs (item more than 3 years old)	Group Officer	Last Monday of month.	Sr. DAG's order dt. 26.9.73 in OAD file
41	Submission of Progress Report monthly and quarterly and consolidation thereby.	(Pr) AG Sectt.	9 th of each month	OOB- 1426 dt. 14.11.73
42	Consolidated D.P Register.	Group Officer	10 th of each month	Sr. DAG's order dt.28.2.74
43	Register for watching progress of clearance of outstanding I.Rs / Paras.	Group Officer	10 th of each month	OA-I-4643 daated: 30.4.78
44	Disposition Register	Group Officer (Admn.)	-do-	--
	Quarterly items:			
1.	Register of Registers maintained	B.O	5/2, 5/3, 5/8, 5/11	OOB-221 dated: 12.1.45
2.	Register of important interesting cases deserving inclusion in AR	Group Officer	10/4, 10/7, 10/10, 10/1	OOB-552 dt.20.2.56 OOB-756 dt.29.9.58
3.	Register of sectional dead stock furniture	B.O	15/4, 15/7, 15/10, 15/1	OOB-525 dt.10.2.55
4	Materials for digest of important and interesting cases	Group Officer	1 st week of April, July, October and January	OOA-442 Dt.13.12.62
5.	Statements of Audit objections which are outstanding for more than 6 months	Admn. Deptt.	15/2, 15/5, 15/8, 15/11	OOA-995 dt.8.6.61
6	Register of losses, frauds etc. not exceeding Rs. 250 each	BO	30/6, 30/9, 30/12, 30/3	OOB-606 dt.11.3.55
7	Submission of arrear report to CAG	AG's Sectt.	5/4, 5/7, 5/10, 5/1	OOA-1562 dt.11.11.54
8	Register of special points to be seen in Local Audit	Group Officer	5 th of March / June /Sept. / December	OOA-1910 dt.15.12.58
9	Transit Register	BO	-do-	--
10	Report on Missing Books	CASS-IA	27 th of Jan. / April / July / October	OOB-472 dt.6.6.58
11	General Note Book	B.O	3/3, 3/6, 3/9, 3/12	Para 8.32 of AG Manual
12	Material for Quarterly Audit Bulletin	Admini-Stration (CA)	5/1, 5/4, 5/7, 5/10	OOA- 5914 dt.10.4.68
13.	C. L. Register	B.O	5/3, 5/6, 5/9, 5/12	OOA-3619 dt.22.11.60
14.	Register of Library books	B. O	15/1, 15/4,	OOB-1648dt.31.5.77

Sl. No	Name of return	To or from whom due	When due	Authority
1.	2	3	4	5
			15/7 15/10	
15	Progress Report outstanding paras	Group Officer	11/1, 1/4, 1/7, 1/10	OA-I-I-4-IADof 68-69
16	Abstract Register watching receipts books of documents sent to liaison officer (vide Monthly item 9)	Admn.	31/3, 30/6, 30/9, 31/12	-
17.	Joining of Educational Institutions by Government servant and permission to appear various examinations by university / Academic Institution.	(Sr) DAG (Admn) through B.O	15/4, 15/7, 15/10, 15/1	OOB-1503 dt.18.7.75
18	Report on failure of Audit detected in Central Audit, Local Audit or Inspection to be intimated to CAG through Co-ordination Section, Quarterly in March, June, September and December.	CASS-I(A)	15/4, 15/7, 15/10, 15/1	OOB-1503 dt.18.7.75
19	Register of Objections	Headquarters	5 th of Feb / May / Aug / Nov.	OOB- dated 12.1.95
20	Progress Report on interesting cases	Group Officer	13 th of Jan / April / July / October	OOA-41 dated: 6.8.69
21	Watch Register for timely dispatch of Vouchers to field parties	-do-	15 th of Jan / April / July / October	Circular-76 / Admn-II / 704 dated: 21.5.86 (C&AG)
22	Action Plan for decisions taken on the recommendation of XIX Conference of AsG held on 28th November 1996	ADAI (R) DG Audit (Inspn.) O/o CAG	1 st April / July / Oct. / January	DO-61 / Audit and 101 Dated 2.8.1996
23	Group Officer Supervision	C&AG	15 th April / July / Oct. / January	--
24	State of Works Report	Secy. To (Pr) AG (CA)	7 th April / July / Oct. / January	--
25	Quarterly Report on quality of implementation of Audit Plan	ITA	10 th of March / June / Sept. / December	--
26	Quarterly Report on Frequency of effectiveness of Apex and Audit Committee Meeting	ITA	10 th of March / June / Sept. / December	--
	Half yearly:			

Sl. No	Name of return	To or from whom due	When due	Authority
1.	2	3	4	5
1	Half yearly review of objection books etc. of OAD Sections	Co-ordn. Section	15/6, 13/12	OOA-3385 dt. 1.11.60 OOB-1277 dt. 31.7.69
2	Report on the verification of Library books by BO	B.O	15/4, 15/10	OOB- 742 dt. 16.4.58
3	Audit of disbursement of Central pension through Public Sector Banks (Report to be sent to C & AG on completion of Audit.)	C&AG	-do-	CAG's letter No. 2295 TA-II-186-76 of 24.12.76
4	Review of outstanding Inspection Reports & Audit objections	Admn. Deptt.	15/6, 15/12	OOA-4208 – 17.4.62
5	Submission of the digest of important and interesting cases	A.G	14/4, 15/10	OOA-6012 – 18.10.68 CAG letter 441 dt. 6.7.68
6	Consolidation of the information regarding retention of the staff in the same seat / section for more than prescribed period i.e. 3 / 5 years	From OA-II / III / IV to OA-I and from OA-I to Admn.	15/1, 15/7	OOB-1329 – 1.8.72
	<u>Annual item:</u>			
1	Annual programme of OAD parties- Materials to be collected from all CASS / State Government Deptts. Skeleton programme in respect of OAD parties	From all OA Sections to OA-I Section, and from OA-I to A.G	30/12, 10/3	Para-II(B) of Inspection Manual
2	Information on Audit Planning	EDA, CAG's office	30 June	PDA No.90 / 1040
3	Volume of work done	CASS	14/8	OOA-5010 – 12/64
4	Yearwise, departmentwise analysis of outstanding Inspection Report issued upto 31 March but not cleared by 30 June by the Heads of Department	SAG (Report-Civil)	15/10	OOA-7299 dt. 26.6.75
5	Expeditious settlement of outstanding I.R	CAG	15/1	C. A. G's letter No. 1035 dt.23.9.78

CHAPTER 2

ORGANISATION OF HEADQUARTERS

2.01 Gneral

Group Officer (IC)-III is in overall charge of the Outside Audit Department (OAD) Wing consisting of five sections (OA-I, OA-II, OA-III, OA-IV & OA-V), Draft Para Cell at the Headquarters and Field Parties. OA-I having a typing pool remains in overall charge of the Administration of OAD Wing. OA-II, OA-III, OA-IV and OA-V are vetting sections in respects of Inspection Reports received from the field parties. The Group Officer will be assisted by (Sr) AOs who will be in direct charge of the Headquarters Sections. The powers and functions of the Group Officer are detailed in the following paragraphs. The duties and powers which can be exercised by the (Sr) Audit Officer -in-charge of Headquarters Sections and the Reviewing Officers in field are also specified in this chapter separately.

2.02 Duties and Powers of the Group Officer (Inspection- Civil) III

The following are the powers and functions of the Group Officer

(i) *Posting, Transfer & Leave:* In matters relating to posting, transfer and leave the Group Officer exercises such powers as are delegated to him by the (Pr) Accountant General (Civil Audit). These are given in detail in the Manual of Establishment Section and other orders issued separately. Posting and transfer of (Sr) Auditors and SO / AAO from one Section to another in his group as well as posting to various peripatetic parties, however, will be made under his orders.

(ii) *Inspection of Local Offices:* (a) Group Officer will inspect some offices during the course of audit with a view to impart expert guidance to the field parties, and to enforce discipline among the audit staff. According to the instructions of C&AG, he is required to spend at least 7 days in a month on an average on inspection tour excluding days of transit. His tour Programmes are to be drawn up in such a way that some important items of audit are provided to him for direct supervision. (b) The audit of the accounts of Governor's Secretariat is however supervised by him directly.

(iii) *Waiver of Objections:* Group Officer can waive objections up to the limits prescribed and subject to fulfilment of the conditions laid down in paragraph 7.1.16 to 7.1.18 of the C&AG's Manual of Standing Orders (Audit).

(iv) He will ensure through the various control registers maintained by Headquarters sections and prescribed returns that the reports are pursued properly and that adequate action is

being taken by the Headquarters sections for settlement of the outstanding objections. He will also see that adequate efforts are made by the field parties to settle the outstanding objections by personal contact during the course of local audit.

(v) *Approval of tour diaries of Reviewing Officer of the field parties*

(vi) *Involvement of Group Officer in review work:* The qualitative improvement of the contents of the Audit Report as well as its timely finalization and submission to Government largely depend on initial drafting of the material by competent officer. Over the years there has been increase in the number of reviews being attempted and the volume of Report work has also increased. These developments cannot lead to qualitative deterioration. It is imperative that high standards continue both in the content and in the presentation of audit findings. Direct involvement of senior Officers in field work and in drafting can contribute substantially towards that and such involvement should necessarily be right from the initial stages.

For the above reasons the C & A.G has directed that Group Officers should be involved in review work at every stage. Their involvement will be of benefit to them through experience gained in different fields. At the same time their intellect and better command of the language will help in more effective analysis as well as presentation of audit points with brevity, precision and clarity. Their association should be at every stage of work right up to final approval.

(Based on DO No.655.Rep (S)/66-94 dt.21.07.94 of Shri P.K. Lahiri, Director General (R. S) C & A.G office, New Delhi)

(vii) The areas of work in various wings of Civil Audit which are to be assigned to Group Officers for doing original work in local audit are as detailed below:

- **Detailed planning, pilot studies, field work and drafting of review by the Group Officer.** The Group Officer will personally supervise the pilot studies and also undertake audit of one of the units selected for detailed audit for preparing a review. The drafting of the review will be made under the direct supervision of the Group Officer.

- Purchase cases / supply orders, contracts of over Rs 25 lakh are to be examined.

(viii) Assignment of Original work in local audit to Group Officer

- The direct work so done by the Group Officer would be reckoned towards the presently prescribed minimum monthly supervision by him.

- In undertaking original work, all queries and audit memos would be drafted / issued by Group Officer. He may take his personal assistant on tour for secretarial assistance, if considered necessary.
- The Group Officer would report to the Heads of Office on the direct work done by him immediately on conclusion of each spell.
- The Head of the Office may give further directions to the Group Officer, as considered necessary.
- The Head of Office should make a specific mention of the extent / quality of direct work done by the Group Officer in the annual confidential reports.

[Head Qrs. Office Circular NO. 2 of 1996 No.79 Audit (Audit Planning)/ 9 / 96 Date: 1st February 1996]

2.03 Duties and Powers of Assistant Accountant General / Senior Audit Officer / Audit Officer of Head quarters sections.

The following are the duties and power of the Assistant Accountant General (AAG) / (Sr) Audit Officers (Headquarters section) in addition to the normal supervisory charge of the headquarters sections and the duties prescribed in other manuals and orders.

- (i) Sanction of casual leave to non-gazetted staff and AAOs of OAD Headquarters sections up to a limit of 5 days at a time and approval of the casual leave account of field and headquarters staff.
- (ii) (a) Sanction of regular leave with pay and allowance to the extent stated below:
 - In case of supervisors /SOs / AAOs working under him–15 days.
 - In case of other non-gazetted staff other than (1) above working under him– 30 days.
- (b) Recommendation of regular leave other than that mentioned at (a) above to the Administration (CA) section for sanction of competent authority.
- (iii) Closing of objections and Inspection Reports on satisfactory compliance under the orders of Group Officer in the case of paras included in the Inspection Reports except the paras included in the Audit Reports not discussed by the Public Accounts Committee. He can also waive objections with money value up to the limit as laid down in paragraph 7.1.16 to 7.1.18 of C&AG's Manual of standing orders (Audit).
- (iv) Recommendation of the claims for travelling allowances on the basis of approved tour Diaries.

- (v) Such special duties as may be entrusted to him by the Group Officer.
- (vi) Ensuring co-ordination of the work done in the field (Branch Officer, OA-I).
- (vii) Final approval of DIRs not requiring Group Officer's approval and issue of all approved reports.
- (viii) Supervisory functions over the typing branch of OAD (Branch Officer, OA-I).
- (ix) Posting of Group –D Government servants placed by Record Branch at the disposal of OAD wing to various sections and Branch Officers working in OAD Headquarters (Branch Officer, OA-I).

2.04 Duties and Responsibilities of Reviewing Officers:

(i) In addition to normal supervision of the work of the party and the items of original work prescribed for him in other manuals and orders the following duties and responsibilities are entrusted to the reviewing officer:

(a) The Reviewing Officer should allot duties for himself and should invariably mention the name of the scheme files examined by him besides settling 30 per cent of outstanding paras of previous Inspection Reports.

(b) He should also verify all the components of the cash balance invariably and comment suitably in the DIR, if any shortcomings are noticed.

(c) He is responsible administratively and technically to the functioning of the parties kept under his control, irrespective of the fact whether or not he reviews the work of the parties.

(d) His primary responsibility, at whatever stage he comes for supervision, is to acquaint himself with the system of finance of any institution, what makes up its receipts and how its money is expended and then to decide roughly what registers are necessary for the purpose of internal check and how far the existing system conforms to this standard.

(e) He is to guide the staff and examine personally with reference to initial accounts all important points raised by the staff. He should review the work of the Supervisors / SOs / AAOs and (Sr) Auditors which consists in seeing that all accounts registers have been checked by them and that necessary process of audit have been carried out by them.

(f) He is to personally check the purchase orders exceeding Rs.20,000 and scrutinize all major works, inspect some important registers and accounts including those already audited by the party. He should review the cash book and examine the vouchers for large amounts of expenditure of unusual nature.

(g) He is to ascertain from the Head of the Office as well as Group Officer if they have any suggestions for investigation and examine them. He should also advise the Departmental Officer on any matters relating accounts etc. if his assistance is sought for.

(h) He will settle outstanding paragraphs of Inspections Reports after the compliance is verified by the SO / AAO. He should draw special attention of the head of the office to the long outstanding objections and should suggest appropriate steps for settlement of the objections.

(i) He should apprise the Group Officer by means of a monthly D.O on the following points.

- Peculiarities noticed during the course of audit, any suggestions for improving the efficiency of audit, change of procedures etc.
- Any interesting points coming to notice not only in respect of the items under audit, but in respect of any other institutions so as to take action at an appropriate time to bring out the irregularities and prepare draft paras, if necessary.
- Any difficulties experienced by the parties / officers so as to take up the matter at appropriate level either in the office or with outside authorities.

(j) He will discuss important points noticed in audit with the head of the office and endeavour to settle on the spot as many objections raised during local audit as possible.

(k) Draft the Inspection Report and prepare draft note on the important items of financial irregularities in the inspection reports passed by him which appear to him fit for inclusion in the Audit Report and send it along with all key documents to the Group Officer by name.

(l) When the audit reveals any errors beyond ordinary cases of defalcation / embezzlements, he will bring the matter to the notice of Group Officer. After full

investigation locally by him personally, he will give a second report to Group Officer fully explaining the case and pointing out the defects in the system leading to the irregularity, suggesting remedial steps for avoidance of recurrence of irregularities Group Officer will consider the necessity of bringing the case to the notice of (Pr) Accountant General(CA).

(m) The reviewing officer (in case of concurrent review or review at 1st phase) or the SO / AAO in charge of the party should intimate the headquarters, the telephone number of the office visited, residential phone number of 1st Officer in charge of the office, address and the telephone number of the place where the party and the Reviewing Officer (in case of concurrent review or review at 1st phase) stay. The information should be sent to the Assistant Accountant General / (Sr) Audit Officer, OA-I Headquarters through a letter addressed to him on the very first day of audit.

(n) He should see that on the first day of beginning of audit the SO / AAOs send an extract of the Attendance Register and if any party member does not attend on any particular day that is also intimated to the Headquarters by the first available post (preferably by telegram where such facility is available) in accordance with OA Circular No.646 dated: 7.10.80 read with OOC-43 dated: 16.3.84. The first preliminary memo calling for production of records and any other information should be issued by Registered Post to Head of the next office sufficiently in advance and that the fact of doing so is brought by the SO / AAO on the first day's report.

(o) To see that the local audit is complete and thorough in respect of the transactions covered and that no cases of serious irregularities or defalcations are left undiscovered.

(p) That all acts, explanations, attested copies of documents are collected on the spot.

(q) He should personally examine invitation of tendered contracts for supply or work, large payments of rent, decretal charges etc. cases involving avoidable expenditure and nugatory expenditure and review the execution of schemes with a view to assess generally the financial working and results of the scheme, the efficiency in execution and achievement of objectives and physical targets. Any interesting case relating to interpretation of rules or orders of Government should be examined by him with reference to initial documents and records. He should also record all serious and

important points raised by the staff, general conditions of the accounts of the office inspected. These are only illustrative and are meant for guidance of the Inspecting Officer.

(s) He will indicate specifically in a separate note, the contribution of each member of the party including himself indicating the Preliminary Objection Memo (POM) which are finally incorporated in the Inspection Report. In particular, he is to make specific mention of the names of the members who have contributed to the Inspection Report and give a brief comment about the quality of such contribution.

(t) He will approve the POMs issued by the AAO / SO when he is present.

(Based on OOB-3 dated: 14.3.84, OA-Circular No. 725 dated: 6.6.84 and OA-Circular No. 721 dated: 15.3.84)

(u) *Target for submission of Draft Notes* : With effect from 2005-06 the Group Officer has fixed a target of submitting one Draft Note with all key documents for (Sr)AO / AAO / SO of each party in a quarter.

The Draft Note should be sent to the Group Officer by name. A register for the purpose is to be maintained by the Draft Para Cell. This is to be submitted on 1st Monday of each month for his appraisal.

(Pr)Accountant General (CA) has ordered that a profile of contributions by the officers (party wise) of the field parties would be maintained by OA-I.

[OA-I-Cir-1061 dt.05.04.2005, 1071 dt.04.04.2006, Memo No. OAD-DP Cell / 89 dt.28.06.2006, OAI-Cir-1074 dt.22.11.2006]

(ii) **Non Review items:** In case where audit goes unsupervised, the items of work required to be done by the Reviewing officer (i.e. of para 2.04A) will be done by the senior most SO / AAO in charge of the party.

(Based on O. A. Circular 417 of 16.7.70, O. A. Circular 446 of 22.8.73, No. 470 of 14.8.74 and No. 493 of 8.9.76, OA Circular No. 721 dt. 15.3.84 and OOB-3 dt.14.3.84).

(iii) **Review of the work done by the Sr. Auditors / Auditors during Local Audit:** A review of the work done by the (Sr) Auditors during Local Audit has to be conducted by the SO / AAO or by the Senior most SO / AAO in case the party is a double SO / AAO-Party. A certificate to this effect in the proforma prescribed in O.O.A 8164 dated 8.6.79 has also to be enclosed with draft Inspection Report. The quantum of such review has been fixed in correction slip 72, dated 11.6.79 to A. G's Memorandum of Secret Instructions.

2.05 Functions and Responsibilities of OAD Headquarters Sections

(i) Programme:

(a) On the basis of the skeleton annual programme indicating the audits to be conducted during the year duly approved by the (Pr) Accountant General (CA), the headquarters section will draw up the programme of the parties with such number of working days as nearly to the days indicated in the annual programme as are found necessary under the circumstances prevailing at the time of drawing up the programmes of audit. Requests for extension of time from the SO / AAOs of the field parties duly supported by full justification and recommended by the Reviewing Officers, where available, will be submitted to Group Officer for orders.

(b) The programme of the field parties along with those of the Reviewing Officers will be submitted to Group Officer for his approval. The quantum of supervision should be in accordance with the standard prescribed by the C&AG from time to time. The supervision should as far as possible, be towards the close of the audit or in two or more spells during the course of audit, the last spell synchronising with the close of audit. The stay of the reviewing officer should not normally extend beyond that of the party except for a day or two for finalisation or final discussion of the DIR. Post review of audit by Reviewing Officers should normally be avoided.

(ii) **Tour Diaries:** The Tour Diary of Group Officer will be submitted to (Pr) Accountant General (CA) for approval at the end of each month. The tour diaries of reviewing officers, after check with the approved programmes, should be submitted to Group Officer for approval. Tour diary of his Steno / Personal Assistant is also approved by him.

(iii) **Approval of Inspection Reports:** All DIRs of OAD wing which are supervised by the Reviewing Officer should be submitted to Group Officer for his approval. The other Inspection Reports may be approved by (Sr) Audit Officer, Headquarters. Cases of serious irregularities, if any included in such reports may, however, be brought to the notice of Group Officer. Recommendation of settlement of outstanding paras of previous Inspection Reports may, however be got approved by the Group Officer. All Inspection Reports will be issued under the signature of the (Sr) Audit Officer, Headquarters.

(iv) **Disposal of Inspection Reports:** While scrutinising the Inspection Reports submitted to him for approval, the Group Officer may bring to the notice of the (Pr) Accountant General

(CA) cases of important and interesting irregularities brought out therein and indicate the special action required to be taken by the Headquarters sections.

(v) **Sanction of Leave:** Leave cases of party personnel will be sanctioned in accordance with the procedure prescribed in the GP Manual and subject to the provisions on the subject in this manual.

(vi) **Watch Register of D.I.R.** [as per para 2.08 (i)]

(vii) **Cases of failure of audit:** Para 47 of the Manual of Standing Orders (Administration) Volume –I enjoins that the civil Accountant General should submit to the C&AG of India a separate report of every serious case of failure of audit as soon as it comes to light. Accordingly, it has been decided that report to the C&AG about cases of failure of audit will be sent by CASS. Cases of failure of audit either in local audit or Inspection should be intimated to CASS promptly with all details after they are established as such under the orders of (Pr) Accountant General (CA). In addition to above report, Headquarters sections should also send quarterly returns to CASS-I (A) by 15th of April, July, October and January for quarters ended in March, June, September and December respectively. Dates of submission should be watched through sectional calendar of returns.

(OOB-1503 of 8.7.75)

(viii) **Monthly Summary of Statement of Important findings appeared in part-II A of the Inspection Report:** In brief summary of the Important findings of the local Audit parties indicating inter alia the number of the party, important points appeared in Part-II-A, the name of the SO /AAO / Inspecting Officer, who raised it should be submitted to the (Pr) Accountant General (CA) on 10th of every month after the DIRs received during the previous months are approved by Group Officer. *(O.A-I Circular 514 dated: 13.2.1978)*

(ix) **Pursuance of Inspection Reports:** The important paragraphs of the Inspection Reports on which draft paragraphs were proposed for inclusion of the C&AG's Audit Report but subsequently dropped by C&AG's office should be reviewed by the (Pr) Accountant General (CA) in the light of the remarks of the C&AG's Office with a view to considering whether the connected paragraphs should be pursued or not.

(See also para 3.11 of this Manual)- (Based on C & A. G's letter No. 516-Rep/126-77 dated 25.6.77 and O. A Circular 503 dt.19.9.77)

2.06 Co-ordination between Central Audit and Local Audit

Co-ordination between Central Audit Sections and Local Audit parties is essential to secure efficiency of Local Audit. The Central Audit Sections while auditing the expenditure connected with an office or scheme should keep a vigilant eye over the various transactions and should bring those to the notice of the local audit parties, which in their opinion require detailed examination during local audit. Besides the individual transactions, it may at times be considered in view of the magnitude of the expenditure or the imperfect control exercised by the disbursing and controlling officers or again as a result of general extravagance in a particular office or department or due to preponderance of defects that the accounts of the office / scheme should be locally audited. For this purpose a suitable register or note book should be maintained in each Central Audit Section for noting down special points which require local examination and extracts therefrom should be sent monthly to OAD Headquarters sections for communication to Local Audit Party when audit is taken up. As soon as a new scheme comes to the notice of Central Audit Sections either from examination of Budget estimates etc. or on receipt of sanctions to establishment etc. detailed enquiries should be made by the Central Audit Section concerned from the departmental authorities to secure full particulars and detailed literature relating to the scheme. The OAD Headquarters sections may be supplied with one copy of such particulars of literature and also with copy of any accounting procedure which might have been prescribed. Copies of short summaries of all-important orders which have been ordered by the (Pr) Accountant General (CA) or Group Officer (Central Audit) should also be supplied to OAD Headquarters sections as and when occasion arises.

Each (Sr) Auditor dealing with the reports of a department / organisation in OAD sections should maintain a permanent file in which the information not only received from the departmental audit sections should be filed but also contain all orders relating to an individual office which come to their notice and are likely to be of interest for local audit and the file attached to an Audit Note Book to be maintained by the (Sr) Auditor. All general orders should also be noted in all the concerned Audit Note Books individually.

The field parties to which the Audit Note Book along with the file will be sent at the time of Audit for their guidance in conducting audit should examine the Audit Note Books with reference to any change in the Procedure of maintenance of accounts in the office under audit

and bring the Audit Note Books up-to-date. Any peculiar transactions or orders or any other matter of general or specific interest noticed during local audit should also be noted in the Audit Note Books.

In case of first audit the field parties should open an appropriate Audit Note Book and in all other cases, ensure that the Audit Note Book is kept up-to-date.

The list of Audit Note Books should be submitted to the Branch Officer on the 1st of every month and the results of physical verification should be submitted to him on the 10th April / 10th July / 10th October and 10th January. The submission of these reports should be watched through Calendar of Returns.

The Central Audit sections should send copies of sanctions relating to purchase for Rs.50, 000 or more as well as copies of contracts to OAD along with special points to be seen during local audit in respect of such sanctions and contracts.

(OOB- 1512 DT. 25.7.75)

2.07 Intimation of Intended Inspections & Audits

- (i)** Intimation of Inspection will be issued by the OA-I Headquarters section.
- (ii)** The intimation of Inspection (*Annexure-I*) should be sent to the Heads of office (with copies to the Inspecting Officers & vetting section) 15 days before the actual inspection so that the request for postponement on valid grounds and in exceptional circumstances, if any through Administrative Department may be received before the party leaves for the station to take up the audit. SO / AAO of a section should see that as soon as a copy of the Inspection Programme is received, a note to the above effect is kept in the Calendar of returns. The SO /AAO and the Branch Officer should take steps to see that there is no case of omission or delay.
- (iii)** OA-I Headquarters section should send the intimation of audit to the Head of Office concerned by endorsing copy to the concerned CASS.
- (iv)** On receipt of Audit Intimation the concerned CASS should make selection of month for detailed audit of related vouchers with the list of vouchers available from Voucher Level Computerised (VLC) data.

(Based on OOB-842 dated 16.8.60, OOB-1028 dated Nil OA Cir. III dt. 26.10.60 and OOA- 3218 dated 19.11.59)

- The CASS will select the month(s) for detailed check in local audit.
- If any instruction on selection month is not received, the Reviewing Officer / AAO / SO (in charge of audit party) should select the test check month on the

basis of review of cash book during which maximum actual expenditure has taken place.

(Vide No.OA-I-Gen-Cir-1062 dt.08.04.2005)

- **Selection of month for detailed audit:** As per the instructions contained in AG's Secret Memorandum 2 months accounts shall have to be selected in respect of Biennial and Triennial item and also in case of audit where the period are to be covered under audit is for 18 months and above.

[By the orders of the Sr.DAG(IC) III vide page 36 of note file O. A -IMisc. (part) upto 3/85 till 72]

2.08 Scrutiny of Draft Inspection Reports in OAD Headquarters Sections

(i) The Draft Inspection Reports (DIR) with or without Test Audit Note (TAN) received from the Inspecting Officer / AAO / SO should be scrutinised and edited in the Vetting sections by the SO /AAO. This duty should not be entrusted to the (Sr) Auditors. In scrutinising the DIRs the SO / AAO of the Vetting Section concerned should indicate in his note any palpable errors, doubtful interpretations of codal rules, special orders and value of the suggestions made therein. The Reviewing Officer / SO /AAO will be responsible for the correctness of the facts contained in the DIRs. It should be seen that the rules and orders quoted in the reports are correct, that the language used is proper, suitable and courteous and that there is nothing in the DIR which is in conflict with prescribed rules or orders or the established convention. In respect of doubtful paragraphs (appearing in the review item) orders of Group Officer should be sought either for deletion or retention after suitable amendments. If there are any special or important points they should be specially indicated in the concerned section's note for information of the Group Officer. The DIRs after necessary scrutiny on the above lines should be submitted to the Branch Officer / Group Officer for approval ***as per provision of paragraphs 2.05 (iii) of this Manual.*** DIRs disclosing serious irregularities should be submitted to the (Pr) Accountant General (CA) for approval. Expeditious disposal of Inspection Report (IR) at several stages should be kept in view. The period of ***one month*** for issues of IR from the date of completion of audit has to be computed as under:

- (a) 5 Working days for the receipt of the DIR from the Audit party (The DIR is expected to be discussed with the officer-in-charge before the closing day of Inspection).
- (b) 5 Working days for the section to submit the DIR.
- (c) 4 Working days for the Branch Officers /Group Officer to pass the DIR.
- (d) 10 Working days for the typing, comparing and issue of the IR.

Thus, the total becomes 24 Working days say one month.

[Authority: C&AG's CIRCULAR No. 19-TA/83 issued vide letter No. 799- TAI/83-83 dated 16.7.1983 read with letter No. 125-Audit (AP)/109-95 dated 2.8.2004 of DGA(I)]

In order to watch timely receipt of DIR it has been decided that a register for watching timely receipt of DIRs should be maintained by each vetting section of headquarters in the form prescribed (SY 336) below.

SL.No.	IR.No.	Name of the Office Inspected	Name of Inspecting Officers and staff	Month upto which the accounts is now audited	Date of Audit	
					From	To
1	2	3	4	5	6	7
Due date for receipt of DIR from the Inspecting Officer		Particulars of reminders issued in case of non-receipt of DIR by due date	Date of receipt of DIR	Date of submission to Branch Officer/Group Officer	Date of approval	Date on which sent for type
8		9	10	11	12	13
Date of return from type		Date of Issue	Reference to Progress Register		Remarks indicating reasons for delay, if any	
14		15	16		17	

The register should be closed weekly after taking action on DIRs as above but not received up to the end of preceding week and submitted to Branch Officer on every Monday and Group Officer on 1st of every month.

The type branch of OAD Group should also maintain a register in the form prescribed below to watch the arrears on account of typing and comparing.

Particulars of the papers received for typing	Date of receipt	NO. of units	Date of completion of Typing	Date of handing over to vetting section
1	2	3	4	5

The register should be closed weekly and submitted to the Branch Officer on every Monday analysing the position of outstanding. Submission of registers may be watched through sectional calendar of Returns.

(Authority: O.A. Circular 549 dt. 12.12.78)

(ii) Money value of objection raised in IRs required to be registered as per provision in MSO (Audit), Second Edition, should be registered in the Objection Books maintained in OAD Headquarters Sections in prescribed form and their settlement watched.

(C&AG's letter No. 692-TA / 1 / 635-66 dt. 1.3.67 and 768 Tech-Admn.1 / 635-60 dated 13.3.67)

(iii) Only serious objections which can be developed into Draft Paragraphs or those require recovery of money or regularisation by sanction or denote system failure etc. should be included in the IRs. The other objections should be incorporated in the Test Audit Note (TAN), which can be watched and settled by Departments themselves. The action taken on the TAN is to be seen by the Local Audit Party during the subsequent audit.

The above guidelines should be followed scrupulously while drafting / vetting / issuing of Inspection Reports.

(O.A Circular No.900 dated 16.10.1996)

2.09 Issue of Inspection Reports

The DIRs after approval should be neatly typed, carefully compared and issued to the officers concerned and to Government where necessary under the signature of the Branch Officer. In addition to the above, copy or copies of the IRs should be sent simultaneously to the next higher authority and his attention invited specially to all important items or serious irregularities or other points requiring his special attention. If the next higher authority happens to be an official other than the Administrative Ministry / Department of Government, it is for his office to consider the necessity of forwarding a copy of the report to the Ministry / Department in whole or in part. It is not necessary for audit to send a copy of the report to the Administrative Ministry / Department separately unless such a request is made by the Ministry or Department.

(Based on C.A. G's letter No. 2205-Admn.II/508 Admn .I/58, dt. 11th September, 1959 and C.A. G's letter No. 748-CA/188-53, dated 14th December, 1953)

NOTE: 1- According to the instructions contained in the OM No. S-12014 /1/77/MP/CAG dated 25.3.77 of the Comptroller General of Accounts circulated in CAG's office letter No. 215-O & M/46-76 dated 2.7.77, important objections raised in course of local audit of the departmentalised Accounts offices, Drawing and Disbursing officers and other units of the Union Government included in the Test Audit Reports, are to be pursued by the Audit Officer through correspondence and "Less important" objections, included in the test audit notes are to be sent to the PAO. concerned for pursuance with the drawing officers of the unit inspected by the audit. The pursuance and clearance of the second category of objection is to be verified by audit during subsequent audits. The criteria for grouping objection under 'important' Categories for the purpose of pursuing them with the PAO's are as under:

1. (i) All the existing categories of objection in the objection book of OAD- Headquarters sections alongwith item in the Objection Book (Other transactions) of erstwhile central audit under the categories (a) for want of Sub-vouchers and payees' receipts and (b) for want of sanction, may be treated as 'important' for this purpose. In accordance with para 6.1.20 of M.S.O (Audit) Second Edition-2002 the result of the inspection and local audit should be set forth in Part I, II and III. IRs / Test Audit Reports containing Part I, II and III should be forwarded to the Pay and Accounts Officer concerned. A copy of Part II of the report containing important objections which require action on the part of the administrative / executive authorities should also be simultaneously sent to the Head of office / Head of the Department concerned with a covering letter, requesting that the replies to the report may be sent through the PAO concerned. The disposal of Part I and Part II of the inspection reports/local Test Audit Report should be pursued by the (Sr) Audit Officer with the PAO concerned. Extracts of paragraphs in the report requiring special or urgent attention of the Government should be forwarded to Government. If, however, such paras form bulk of the reports, a copy of the entire report (Part II) may be sent to Government. Special reports on defalcation, losses etc. may be sent to Government in the Administrative Ministry with a copy to the Ministry of Finance/ Controller General of Accounts.

2. Objections found in the course of Inspection of the DDO may be initially taken up directly with the concerned DDO and / or with the higher executive Departments as may be found necessary. However, if the PAO is directly concerned with any such items, copies of the relevant items may be endorsed to the PAO requesting the DDO to report compliance to audit through the PAO. Objection in respect of the transactions originating in or relating to the DDO, but noticed during the audit of the PAO's office should be taken up with the PAO concerned, at the same time endorsing a copy to the DDO. The PAO will reply to these objections after obtaining details, if any, necessary from the concerned DDO.

3. Objections of Part I and II of the I.Rs outstanding for more than six months should figure in the six monthly lists of objections to be sent to the Ministries concerned in terms of Para -8 of the standing guard file read with C&AG Circular letter No.692-TAI / 636-68 III dt.18.8.75. The broad categorisation of objection prescribed in C&AG's Circular letter No.669-TA-I / 71-67 II dated: 16.5.69 may continue to be followed.

4. Objection Books maintained by the PAO's should be reviewed by Audit parties to ensure that internal check and audit systems are effective and in particular objection raised by audit are recorded and pursued.

(Vide C. & AG letter No. 1132-TA-I/174-78 dt. 2.12.78 circulated in O.A Circular No. 635 dt.26.6.80)

NOTE. 2- It has been decided by the C&AG that the IRs (including OAD Audit Reports) as finally issued to the Administration or Head of the office inspected after scrutiny and editing in the office of (Pr) Accountant General (CA) should formally be signed by the Group Officer or by (Sr) Audit Officer who has dealt with the draft report at Headquarters as it is not possible to get it signed by the Inspecting officer himself. In addition, the forwarding or endorsement should not give any impression that the Inspection Report which is being sent as a copy and not the original. If more than one copy is sent, the forwarding letter should make it clear that the Inspection Report on the accounts ofwith.....spare copies are being sent.

(Based on CAG's letter No. (Secret DO) 418/Admn.I/165-57 dt.9th February, 1959 ((Dy. TM Con-10-352)

NOTE. 3- Copies of the IRs pertaining to the office of the District welfare Officers may be sent to the Government in SC&ST Development Department instead of the Collectors.

(Based on Government of Orissa Tribal & Welfare Deptt. letter No. 1940 / TRW / Aud / 101 / 59, dt.16th December, 1959 Dy. OA-II -10-NES-1278)

NOTE. 4- A consolidated IR on the accounts of Employees State Insurance Corporation, Orissa Regional office, Cuttack including local offices in that region may be prepared and sent in duplicate to the Regional Director at Cuttack. The TAN dealing with objections of minor nature may be prepared separately for each local office and the Regional office and forwarded to the Regional Director. Replies to the TAN and IR will be furnished by the Regional Director and Director General of the Corporation respectively.

NOTE.5- IRs relating to Civil Offices the receipts of which are not subjected to local Audit will be audited by OAD Group and separate reports for departmental receipts will be prepared which will be dealt with and issued by R.A. Sections after approval by Group Officer (RA). The Inspection Reports in respect of cash and contingencies audit of offices where receipts are subject to local audit such as Income Tax, Central Excise etc. may be audited by R.A Party and finally dealt with and issued by Group Officer (I.C) III.

(A.G's order dt.10.4.76 R.A.Sn File R.A.III-DR-101 to 190)

2.10 Progress Register of settlement of Inspection Report.

The receipt of replies to IRs and their disposal should be carefully watched through a register opened for the purpose in the *form given below*. This is designed to ensure proper and early compliance with the requirements of audit by departmental officers and thereby make the purpose and value of audit effective and fruitful. In cases where unusual delay is noticed in the receipt of replies, a report should be sent to the higher authorities of the concerned auditee organisation. The responsibility for disposal of the replies and all other correspondence till a report is finally disposed of thus devolves on the section concerned which actually deals with the report and this responsibility should be zealously exercised.

Progress Register of Settlement of Inspection Reports

Serial No.	Name of the unit Inspected and period of accounts audited	Number and Year of IR	Date of completion of Audit	Letter No. & date under which IR was issued	Due date of receipt of reply
1	2	3	4	5	6

Correspondence	Date of closure of IR	Remarks:			
		(Herein-individual number of the paras outstanding should be given and circled as and when finally settled)			
		No.of Paras Outstanding	Details	No. of Paras for Local Verification	Details
7	8	9	10	11	12

2.11 Advance Audit Comments

(i) It will be open to the Audit Department to bring at once (i.e. even in advance of the ordinary report) to the notice of the higher authority, irregularities which may be held to be so

serious as to justify the course. But the advance report should be issued from the OAD Headquarters with the approval of the (Pr) Accountant General (CA).

(ii) The C&AG has decided against laying an Audit Report on the table of the Legislature (Other than those submitted under Article 151, of the Constitution of India) on the ground that the Inspection Report on a Local or Test Audit is only the first step to final evaluation of the regularity and propriety of the transactions audited and the financial results of the audit observations made in the IRs is subject to further rejoinder by the Departmental officer / remarks by Audit and the orders of Government. The C&AG feels that the latter are really the only material which might be made available to the Legislature or even on which questions in the Legislature might be admitted.

(Based on CAG's Memo No. 78 Admn.1-21-39, dated 7th February, 1939 Dy.O.A. 2029)

2.12 Measure to expedite Audit Reporting.

It is very important to ensure that irregularities deserving mention in the Audit Report on the Appropriation Accounts are incorporated soon after the event, as delay in reporting financial irregularities causes difficulties both for the Government as well as the Public Accounts Committee to take any effective action in respect of old matters when most of the officers concerned are either no longer in service or are no longer attached to the organisation to which the matters pertain. With a view to achieve the above objective the following instructions should be carefully followed.

(i) (a) (1) In the Case of Important Irregularities relating to infructuous, wasteful or extravagant expenditure noticed during local audit and inspections, a draft paragraph should be prepared immediately on the basis of the facts coming to notice and should be brought to notice through IR without waiting a reply to the objection raised therein and sent to the Head of the Office or other appropriate officer demi-officially with a request to send his comments within a month so that the paragraph as approved by the (Pr)Accountant General(CA), (with such modifications as may be required in the light of the explanations received within the time) may reach the Administrative and Finance

Departments of Government within two months of the completion of audit or Inspection of the office. With a view to facilitate the work of this office the Inspecting officer should send an advance report of such important irregularities, so that further necessary action may be expedited at this end.

(2) In this connection the Inspecting Officer should try to get all the facts and explanations on the spot. Wherever satisfactory explanation is not forthcoming and the Inspecting Officer feels that the points raised by him are so important that they will ultimately find a place in the Audit Report to be submitted to the Legislature he should take particular care to clinch all the issues involved, to collect all relevant information, and also to take attested copies of documents which are likely to be useful in pursuing the matter with the higher authorities. Attested / photocopies of relevant documents should be sent with the advance report.

(b) In the case of loss or a sanction to write off or an avoidable expenditure consequent upon some executive failure or other reasons reported to the Audit office, the matter should be brought to the notice of the (Pr) Accountant General (CA) and taken up at a high level, demi-officially, soon after it comes to notice, in order to ensure expeditious preparation of draft paragraphs. The D.O Letter should be signed by Group Officer or (Pr) Accountant General. In the D.O Letter, a time limit, say one month, should be given to the authority addressed within which he should furnish the information necessary for the final drafting of a paragraph for the Audit Report. As soon as the information called for is received, a draft paragraph thereon should be prepared and after approval by the (Pr) Accountant General (CA) sent to the administrative and the Finance Department of Government for communication of their comments, if any, within 6 weeks as prescribed by the State Government.

(c) Sometimes, it is impossible for audit to regard an item of irregular payment of advance or other expenditure as sufficiently important to need mention in the Audit Report, immediately when the expenditure is incurred or the payment is made. An excess over the sanctioned estimate or limit of expenditure may eventually be regularised or it may not. The substantial irregularity involved in a transaction may not be apparent till some other event intervenes. In respect of such irregularities special steps should be taken to reduce the avoidable delay, in reporting such cases in the Audit Report. In cases where the advance payment or other expenditure is prima-facie irregular, a preliminary draft paragraph may be prepared on the basis of facts known to audit and then sent to the executive authority concerned for comments. Soon after the receipt of comments, a final draft paragraph may be prepared in the light of the explanations received, and after approval by the (Pr) Accountant General (CA), the same may be sent to the Administrative and Finance Department for comments if any.

- (d) Those cases which are likely to merit inclusion in the Audit Report should at the earliest possible stage be brought to the notice of the (Pr) Accountant General (CA) so that further processing and drafting of the paragraph is completed in the minimum time.
- (ii) In selecting the cases to be included in the Audit Report the following types of irregularities, losses, etc. should be eschewed from the reports as far as possible.
- (a) Very old cases, where it is naturally very difficult to take any effective action or even to reconstruct the facts and circumstances in which the alleged irregularities took place.
 - (b) Cases where remedial measures have been taken including suitable disciplinary action, where necessary to avoid such irregularities in future.
 - (c) Minor cases where no malafide or deliberate intention to circumvent procedures are involved.
- (iii) In drafting paragraphs instructions contained in relevant chapter of CAG'S MSO (Audit) Second Edition (7.3.27 to 7.3.49) should be borne in mind. Dates should be given where they are necessary for a clear presentation of the case. It is important to ensure that all words and phrases, with twist which are likely to cause resentment or unpleasantness are avoided. The paragraphs should be in detached and dispassionate language so that the facts should speak for themselves more than the comment. The audit comments where necessary should appear as statements or observation without qualifying words such as "Audit thinks that" or "The audit comments are that"

(Based on Comptroller and Auditor General's D.O No. 1218 Rep/193-54 dated 2nd November 1954 and O.O No. A-1577 dated 9th December, 1954)

NOTE. 1- It is not enough to simply state that some of the paras of the DIRs are important and deserve inclusion in the Audit Report. Unless copies of relevant paras are furnished it is difficult to finalise the draft paras. Experience has shown that the copies of relevant orders etc. called for by the OAD Headquarters section to finalise draft paras are not received from the Departmental authorities in time. To avoid such contingencies, and to expedite finalisation of the Draft paras, the paras of the DIRs which are likely to merit inclusion in the Audit Report should be specified in the relevant item of the title sheet enclosed to the DIR. Draft paras should be prepared and all relevant information essential for the finalisation of the draft para should also be furnished. In the absence of any such paras in DIR a "Nil" entry should be made against the above item in the Title sheet.

(Based on O. A. Circular 46 of June 1959)

NOTE. 2- In all important cases copies of relevant correspondence and all other connected data should also be collected and forwarded to OAD Headquarters along with DIRs. This should be done without fail in all cases where the objection is likely to find a place ultimately

in the Audit Report. In this connection, it may be borne in mind that in case of some important objections, draft paras are proposed in the OAD Headquarters, even though party or officers had not recommended this, so all important paras should be supported by all relevant facts, figures and correspondence.

(Based on O. A. Circular No. 73 dt. 2.2.1960)

NOTE. 3- The OAD should send to the Special Audit Group (SAG), materials in respect of all cases, which may find a place in the Audit Report on the Appropriation Accounts. Such materials should be sent to the OAD Headquarters section as soon as cases come to notice during the course of audit. The SAG examines the materials so furnished and obtains (Pr) Accountant General (CA)'s orders as to their suitability for inclusion in the Audit Report. The responsibility for making further investigation and carrying on correspondence in regard to such cases will from that time rest on SAG.

(Based on C.A.G's letter No.38-Codes/7-61 dt. 29th June, 1962)

2.13 Materials for Audit Report

The OAD Headquarters section are required to furnish the under mentioned materials for Appropriation Accounts, Finance Accounts and Audit Report of Central and State Government on the date prescribed to CASS-IA / SAG (Report-Civil) Section.

Sl. No	Name of the Statement / Return	Section from which statement is due	Date on which the statement should reach CASS-IA Section / SAG (Report-Civil) Section.
1	2	3	4
1	Notes on financial irregularities noticed during Local audit	All O.A.D Sections	As and when finalised
2	Notes on specific cases of misappropriations, losses etc.	-do-	-do-
3	Notes on (a) state of initial accounts of loans and advances detailed account of which are kept by the departmental officers and the remedial action taken by the Government showing the important irregularities noticed and (b) cases of delay in recovery of loans (Principal and Interest) and the extent of default by borrowers.	-do-	-do-
4	Notes on retention of heavy cash balance at the end of financial year	-do-	-do-
5	Annual store and stock account of Government Institutions maintaining such accounts together with explanatory notes on important irregularities noticed.	-do-	16 th August
6	Notes on verification of stores Reserve stock limit stock register and stock verification minus balance in stores and stock account of other Government institutions.	-do-	-do-

Sl. No	Name of the Statement / Return	Section from which statement is due	Date on which the statement should reach CASS-IA Section / SAG (Report-Civil) Section.
1	2	3	4
7	Year wise & department wise analysis of outstanding Inspection Reports issued upto 31 st March and pending settlement by end of June .	OAD-I	15 th July
Materials for Audit Report Revenue Receipt			
8	Notes on financial irregularities in the Revenue Receipts of Government noticed during Local Audit.	All OAD Sections	As and when finalised
9	Omnibus and specific notes on cases of misappropriation losses etc. of Revenue.	All OAD Sections	25 th August
C. A. G's Reports-Central			
10	Notes on financial and other irregularities noticed during Local audit	OAD-IV OAD (DP Cell)	As and when finalised
11	Review Note on Important Schemes, Projects, Items etc.	-do-	-do-
12	Notes on important and Specific cases of losses, misappropriation etc.	-do-	-do-
13	Minor cases of misappropriation, losses, remission write off etc.	-do-	31 st July
14	Year-wise and department-wise analysis of outstanding Inspection Reports issued upto 31 st March and pending settlement by the end of August.	O.A.D-IV / I	15 th September
15	Outstanding Audit Observations raised upto 31 st March but not cleared by the end of August giving department-wise, year-wise and category-wise analysis of the irregularities with money value	O.A.D-IV / I	15 th September
16	Review and draft para thereon of important schemes, projects items etc.	OAD-I OAD (DP Cell)	As and when finalised

2.14 Ranking of the Performance of Audit Offices

The C&AG of India has prescribed some parameters for ranking of the performance of an Audit Office for inter-year comparison of performance of an audit office (not for inter-State comparison). The objective of this mechanism is to improve the functioning of the Audit Offices and as a benchmark for future improvement.

(A) Parameters for ranking:

1. Quality of Inspection Reports
2. Quality of Audit Reports
3. Quality of Implementation of Audit Plan
4. Timely issue of Inspection Reports
5. Frequency and effectiveness of Apex and Audit Committee meetings
6. Group Officers' inspection and their impacts

7. Efforts made in vetting action taken notes
8. Efficiency in despatch of materials for audit reports to concerned functional wings in CAG headquarters in terms of specified milestones
9. Training of personnel, particularly:
 - a. Percentage utilization of slots allotted by RTI.
 - b. Percentage of earmarked training (induction courses / refresher courses)
10. Timely issue of Audit Certificates

(B) Broad ranking principles:

A ranking system based on the following hypothesis is proposed.

- a. Each of the ten parameters is considered equally important as indicators of performance. Each parameter carries maximum of 10 points.
- b. The total score of 100 is proposed to be divided into the following categories.

75 to 100 points	:	Category A
50 to 75 points	:	Category B
25 to 50 points	:	Category C
0 to 25 points	:	Category D

- c. The grading is proposed to be done as an annual exercise which will coincide with the audit cycle.

As OAD Group has direct or indirect contributions to all these above parameters for the ranking of the Office of the (Pr) Accountant General Office, the rest of the CAG's instructions are supplied as ***Annexure-II*** to this Chapter. The instructions may be carefully noted by the Group to make sincere attempt to increase the value of performance of this office.

[CAG's letter No.452, No.207-Audit (AP)/16-2004 dt.22.11.2004 circulated y Pr.A.G vide No.AG/CA-Sectt-95-85 dt.14.12.2004]

ANNEXURE- I

{Para 2.07 (ii)}

AUDIT INTIMATION FORM

OFFICE OF THE PR. ACCOUNTANT GENERAL (CIVIL AUDIT)

ORISSA : BHUBANESWAR

No.OA-I-Intimation

Date :

To

The.....

.....

.....

Sub: Audit of accounts and other activities.....

.....

.....

Sir,

I am to state that Sri.....Assistant Audit Officer / SO of this Office will take up the audit of the accounts mentioned above on or about.....and succeeding days and to request that he may be afforded all facilities in carrying out the work.

It would be an advantage if you could conveniently arrange to be present at the close of the audit, so that all important points of doubt may be personally discussed with you.

Necessary instructions may be issued to your staff to ensure that all documents which will be required during the audit shall be in readiness and that the objections noted by the auditors are taken up promptly for settlement.

No request for postponement of audit will be entertained, unless routed through the Administrative Department vide Government of Orissa, Finance Department Circular No.Audit (EXT)-40-53-27045(332) / F dated the 14th August 1963.

Please acknowledge the receipt of this information.

Yours faithfully,

Assistant Audit Officer

Memo No.OA-I-RA-Intimation.

Dt :

Copy forwarded to Sri.....

Assistant Audit Officer / SO, Pr.A.G Audit Party, C/o.....

.....

.....

Assistant Audit Officer

ANNEXURE – II

(PARA 2.14)

Detailed Ranking Mechanism for Each Parameter

1. Quality of Inspection Reports

(i) The categorisation is placed in *Annexure II (1)*. It has 10 categories of paras ‘A’ to ‘J’ with sub-categories inbuilt into each. It is proposed to assign points to each category on a declining scale: 10 points allotted to category ‘A’ paras and 1 point allotted to ‘J’ category. Thus category ‘A’ paras are being given highest weightage, lesser weightage to category ‘B’ paras and so on with the least weightage on category ‘J’ paras. Civil and Railway Audit Offices may refer to the respective Annexures. The detailed assignment of points is given in *Annexure-II (2)*.

(ii) Inspection report paras will need to be categorized and points allotted as per *Annexure-II (2)*. Points obtained on each inspection report as per the categorisation to be worked out. The average points for each inspection report are to be determined by dividing the total points obtained in the inspection report by the total number of paras in the report. A return may be sent to DG (Audit) in the proforma given in *Annexure-II (3)* by 15th April of each year for consolidation.

(iii) To award points for this parameter on a scale of 10, the following formula is proposed:

$$\frac{\bullet \text{ Sum of average points of all IRs issued in the year}}{\text{Total number of IRs issued}}$$

Corrected to the nearest number. (A decimal more than 0.5 would be treated as 1 and less than 0.5 would be ignored).

2. Quality of Audit Reports

(i) This is based on the weighted aggregate of money value as arrived at through the desirability-acceptability matrix. At present, this information is received in the report groups in headquarters. It is proposed to request the report groups to forward this information (detailed audit office-wise) to DG (Audit).

(ii) The ranking on this parameter is proposed to be done in the DG (Audit) wing in the following manner:

a. The weighted money value per audit para for each of the 79 audit offices (including 46 civil, 14 MAB, 13 railways, 3 defence, 1 P&T and 2 overseas audit offices) shall be calculated by dividing the total weighted money value by the number of audit paras for that office.

b. Offices within the same wing will be evaluated separately. The office with the maximum points in a wing will be determined and allotted maximum of 10 points. The other offices will be assigned points proportionately.

Points to be awarded to an audit office:

$$\frac{\bullet \text{ Weighted money value per para for that office} \times 10}{\text{Maximum weighted money value per para.}}$$

An example: Say for audit office A in a particular wing, the weighted money value per para is 100 while the maximum weighted money value per para in that wing is 200. The points to be awarded to audit office A for quality of audit paras will be $(100/200) \times 10 = 5$.

- c. The concerned Reports wing at Headquarters may forward these points to DG (Audit). CAG has circulated an instruction vide letter No.718-Rep (s) / 252 / 2005 dt.16.6.2005 for valuing audit paras, reviews / long para annexed as *Annexure-II (10)*

3. Quality of Implementation of Audit Plan

[**Note:** Audit plan commits available resources to items of work over the year of plan, working out the best fit possible. The quality of implementation of audit plan could be judged by whether all proposed audits have been completed on schedule and whether the audits yielded expected outputs in terms of audit certificates, audit paras and performance audits of the desired quality on time. While timeliness of the outputs is being evaluated by parameter # 4 and 8, the quality of output is being judged through parameter #1 and 2. Hence it is proposed to confine this parameter to judgement of whether units planned have been audited. Implementation of IT Audit plan by the office is also sought to be evaluated through this parameter].

The following mechanism of awarding points for this parameter is proposed:

- An audit office, which completes 90% of the audits scheduled or more in the audit plan within the year: 10 points.
- For every 1 percentage of audit units planned but not covered: 1 point is deducted.
- For offices that have failed to cover 80 percent or more of planned units: 0 points will be allotted.
- For each IT audit planned but not taken up: 2 points is proposed to be deducted.
- For each IT audit taken up, but not completed on time: a deduction of 1 point is proposed.
- For audit plans drawn up without using input of VLC data: a deduction of 2 points is proposed.

All audit offices send an annual return to DG (Audit) by 15th April of each year, providing information on the number of units proposed to be audited as per the audit plan in the past year and the number of units actually audited. The status of the IT audits planned for the year, completed and pending should also be indicated. Information may also be provided regarding usage of VLC data.

4. Timely issue of Inspection Reports

(i) Inspection Reports (IRs) are to be issued within a timeframe of 1 month. The following mechanism of awarding points for assessing this parameter is proposed. To qualify

for earning points, the audit office should not have a delay beyond two months in the issue of any IR over the year.

For audit offices where:

- 90% to 100% of IRs are issued within a month: 10 points.
- For each percentage shortfall 1 point is proposed to be deducted.
- No points to be allotted for offices where less than 80% IRs are issued within one month time limit.

(ii) It is proposed that each audit office be requested to send information regarding issue of IRs in the format provided in *Annexure-II (4)* to DG (Audit) for further processing.

5. Frequency and Effectiveness of Apex and Audit Committee meetings

[**Note:** (a) While audit committees have long been in existence, no norms have been provided yet, departmentally, regarding the frequency of their meetings. It is seen in fact that there is a wide divergence in the number of meetings being held in different audit offices. In this context, a grading based on the frequency of audit / apex committee meetings has been attempted providing a stress on defaulting departments / ministries.

(b) Effectiveness of an audit / apex committee meeting would be reflected in the number of audit objections on which a convergence has been reached with the auditee. However, to fix a number of objections to be settled in each meeting as a norm is difficult given the widely varying volumes, complexity and importance of audit objections in different audit offices. There is a fear that such a target could be un-realistic, promoting settlement of audit objections for the mere sake of settlement. No grading of offices has hence been proposed on this aspect.]

(i) The following mechanism for awarding points on this parameter is proposed:

- To score on this parameter, audit offices are required to have at least one audit committee meeting in a year with each of the top 10 defaulting departments / ministries. Less than 10 meetings would fetch 0 points.
- For every extra meeting held: additional 2 points will be awarded.
- For an audit committee set up with a department in the year through efforts of audit one additional point to be awarded.

(ii) It is proposed that the audit offices be requested to send information relating to audit committee meetings to DG (Audit) in the format provided in *Annexure-II (5)*.

6. Group Officers' inspections and their impact

[**Note:** The impact of group officers' supervision would be reflected in improved quality of IRs and improved contribution to audit reports. These are being assessed by parameter # 1 and 2. Hence this parameter has been used to assess only the frequency of group officers' inspection.]

(i) Each group officer in charge of audit assignment is supposed to carry out 7 days' inspections in a month. The following mechanism for awarding points on this parameter is proposed:

- An office where all group officers in charge of local audit have undertaken the mandatory number of supervisions: 10 points (the points will be awarded on a collective basis for all group officers in an office rather than individual group officers.)
- For each 0.5% number of supervisions not conducted a deduction of 1 point is proposed.
- For more than 5% of total stipulated supervisions not done the office gets 0 points on this account.

(ii) Information regarding group officers' supervision is already being received in the DG (Audit) wing. This information can be utilized for grading of offices on this parameter.

7. Efforts made in vetting action taken notes

(i) Action taken notes (ATNs) need to be vetted promptly and submitted to the respective PAC. The following mechanism of awarding points on this parameter is suggested:

For an office where

Average period of vetting of ATN's less than 15 days :	10 points
Average period of vetting of ATN's within 16-20 days :	9 points
Average period of vetting of ATN's within 21-25 days :	8 points
Average period of vetting of ATN's within 26-30 days :	7 points
Average period of vetting of ATN's within 31-35 days:	6 points
Average period of vetting of ATN's within 36-40 days:	5 points
Average period of vetting of ATN's within 41-45 days:	4 points
Average period of vetting of ATN's within 46-50 days:	3 points
Average period of vetting of ATN's within 51-55 days:	2 points
Average period of vetting of ATN's within 56-60 days:	1 point
Average period of vetting of ATN's beyond 61 days :	0 points

will be allotted to
that office

(ii) All audit offices may be requested to provide information to DG (Audit) regarding progress in vetting ATNs in the format given in *Annexure-II (6)*.

8. Efficiency in despatch of materials for audit reports to concerned functional wings in Hdqrs. in terms of specified milestones

(i) Material namely, draft audit certificates, draft paras and performance audits for inclusion in the audit report are sent to the respective report groups in batches as per a pre-decided schedule. The following system of awarding points on this parameter is proposed:

- For audit offices that have dispatched all requisite material to Hdqrs. in the year as per schedule: 10 points.
- For each delay beyond 5 working days it is proposed to deduct 1 point.
- If more than 10 despatches in a year are delayed beyond 5 weeks 0 points will be allotted to the office. A cumulative delay in despatch to Hdqrs. beyond 50 working days in a year will also fetch 0 points.

(ii) The report groups in Hdqrs may be requested to provide information regarding material received in Hdqrs. field office wise. A format for providing this information is suggested in *Annexure-II (7)*.

9. Training of personnel, particularly:

- a. Percentage utilization of slots allotted by RTI/RTC.
- b. Percentage of earmarked training (induction courses/refresher courses)

(i) It is proposed to allocate the total 10 points available for this parameter equally between (a) and (b). Thus sub-parameter (a) and (b) will carry 5 points each. The following mechanism is proposed for allocation of points for this parameter.

For percentage utilization of slots allotted by RTI / RTC:

- Audit offices that have utilized 100% of slots allotted to them : 5 points
- For each percentage of slots un-utilized: 1 point will be deducted.
- For slot utilization less than 5% of allocation: 0 points will be allotted.

For completion of percentage of scheduled training:

- Audit offices that completes earmarked training completely : 5 points
- For each percentage of training earmarked but not completed: 1 point will be deducted.
- For non completion of earmarked training by more than 5%: 0 points will be allotted.

(ii) All audit offices may be requested to inform DG (Audit) the status of training as per format proposed in *Annexure-II (8)*.

10. Timely issue of Audit Certificates

[**Note:** Audit offices are requested to issue audit certificates for finance and appropriation accounts, accounts of autonomous bodies, Plan schemes, accounts of externally aided projects, accounts of government companies, etc. A specific time schedule exists for

each kind of certification work. While quality of audit done for the certification would be assessed by parameter # 1, the timeliness of issue of the certificates is proposed to be assessed by this parameter.]

(i) The following mechanism of awarding points for this parameter is proposed:

- For audit offices that have issued all audit certificates on time: 10 points.
- For each audit certificate delayed beyond 5 working days: 1 point is proposed to be deducted.
- For each delay of 5 working days: an extra point is proposed to be deducted.

[Delay at the end of the audit office being evaluated will be considered. It is proposed that delay in submission of accounts by the auditee, or delay due to delayed response of Hdqrs. may not be counted towards for the purpose of evaluating the performance of the audit office.]

(ii) It is proposed that all audit offices be requested to provide this information to DG (Audit) annually by 15th April. The information may be made available in the format proposed at *Annexure-II (9)*.

[**Note:** For Revenue and Commercial audit, points for parameter 2, 3,4,5,6 & 8 would be as per the ranking system. Points for remaining parameters would be allotted y the Hdqrs. wings for the respective groups under intimation to DG (Audit)].

ANNEXURE – II (1)
CATEGORISATION OF PARAS IN INSPECTION REPORTS
CIVIL AUDIT

Sl. No	Broad heading / category of paras	Nature of Audit Observations	
1.	Fraud / misappropriation / embezzlement / losses detected in audit	(i)	Cases of embezzlement of cash drawn from treasury. A1
		(ii)	Non-accountal / misappropriation of departmental receipts i.e. non- remittance into treasury A2
		(iii)	Excess amounts fraudulently drawn by tampering with or manipulating figures in salary bills. A3
		(iv)	Fraudulent drawal of G.P Fund of various employees who had not applied. A4
		(v)	Utilisation of departmental receipts towards expenditure A5
		(vi)	Losses to exchequer due to theft, pilferage and shortage of stores. A6
2.	Recoveries at the instance of audit & Overpayments detected in audit	(i)	Recoveries of service payments like pay & allowances, T.A. B1
		(ii)	Excess payment to contractors due to application of higher rates for work done, etc. B2
		(iii)	Quantities of stores /works received / executed less than those paid for resulting in overpayments B3
		(iv)	Overpayments on account of errors of computation. B4
		(v)	Overpayments due to application of or allowing incorrect rates. B5
		(vi)	Allowing payment of charges such as carriage etc. in violation of terms of agreements. B6
		(vii)	Overpayments on account of excess pay and allowance or payment of inadmissible allowance. B7
		(viii)	Excess payments of pension, etc. by Treasuries / Banks. B8

Sl. No	Broad heading / category of paras	Nature of Audit Observations		
		(ix)	Non-recovery of instalments towards various loans.	B9
		(x)	Non-recovery / Non-deduction of income tax or service tax at source	B10
		(xi)	Payment of subsidies / assistance in excess of norms fixed.	B11
3.	Violation of contractual obligations, undue favours to contractors.	(i)	Backing out by contractors resulting in extra expenditure.	C1
		(ii)	Non-imposition of penalty and recovery of extra cost from contractors involved in above cases.	C2
		(iii)	Payment of interest free advances in violation of agreement.	C3
		(iv)	Release of key material on credit basis instead of cash basis.	C4
		(v)	Penalties not levied for delay in execution / completion of works within stipulated time.	C5
		(vi)	Non-recovery of supervision charges	C6
		(vii)	Non-recovery of salvaged material.	C7
4.	Avoidable / excess expenditure	(i)	Delay in execution of works resulting in time and cost overrun and consequent extra expenditure	D1
		(ii)	Delay in obtaining custom clearance, etc. for imported equipment resulting in increase in cost or payment of avoidable demurrage charges.	D2
		(iii)	Cost escalation due to improper and inadequate planning.	D3
5.	Wasteful / Infructuous expenditure	(i)	Abandonment of works due to defective or disputed sites and structural / design defects, etc.	E1
		(ii)	Non-utilisation of assets created for specific purposes.	E2
		(iii)	Non-achievement of specific objective for which expenditure was incurred.	E3
		(iv)	Supplies of defective store / stock articles like time barred / sub-standard medicines, seeds, etc.	E4

Sl. No	Broad heading / category of paras	Nature of Audit Observations	
6.	Regulatory issues	(i)	Expenditure incurred without sanction from competent authority F1
		(ii)	Expenditure split to avoid sanction of competent authority or calling for tenders, etc. F2
		(iii)	Expenditure incurred in excess of budget provision resulting in creation of liabilities. F3
		(iv)	Execution of works or procurement of supplies without adequate budgetary provision resulting in creation of liabilities to be met from next budget. F4
		(v)	Diversion of funds from one scheme to another or from one object head to another. F5
		(vi)	Drawal of funds at the fat end of financial year with a view to avoid lapsing of funds. F6
		(vii)	Rush of expenditure towards fat end of financial year resulting in non-exercising of financial controls / checks. F7
		(viii)	Drawal of funds at the fat end of year without immediate disbursement and their parking either in bank accounts, PLA or retention in cash / bank drafts. F8
		(ix)	Incurring of expenditure on banned items or items of special nature without approval of competent authority. F9
		(x)	Non-observance of austerity measures announced by Government from time to time. F10
		(xi)	Payment of rent of hired building without approval or fixation of rent by Rent Assessment Committees. F11
		(xii)	Engagement of daily wagers in violation of Government orders and payment made to them without orders of competent authority. F12
		(xiii)	Execution of works without obtaining administrative approval/technical sanction from competent authority. F13
		(xiv)	Purchase of stores / stock in excess of actual requirements with a view to avoiding lapsing of funds. F14
		(xv)	Payments made on hand receipts in contravention of Rule 200 of Public Works F15

Sl. No	Broad heading / category of paras	Nature of Audit Observations	
			Account Code.
		(xvi)	Execution of works in excess of estimates unrealistic preparation of estimates. F16
		(xvii)	Procurement of material / execution of works without observing codal provision of invitation of tenders etc. F17
7.	Idle investment / Idle establishment / blockade of funds.	(i)	Expenditure incurred on purchase of stores not required for immediate use and not put to use for long periods. G1
		(ii)	Expenditure incurred on execution of works / construction of buildings, etc. which could not be put to use owing to reasons which could be foreseen. G2
		(iii)	Expenditure on activities / schemes which could not be completed / implemented for various reasons. G3
		(iv)	Expenditure incurred on purchase of equipment including imported one's not put to use for want of trained manpower, missing spares or defective supplies or without assessing feasibility of procurement. G4
		(v)	Funds advanced to various agencies for supplies or construction works retained unauthorisedly by such agencies. G5
		(vi)	Payment of idle wages to staff which could not be utilized for the purpose for which appointed owing to either there being excess staff or there being no work for such staff. G6
		(vii)	Release of funds for some activity without ensuring availability of adequate infrastructure. G7
8.	Delays in commissioning of equipment	(i)	Due to non-availability of necessary infrastructure H1
		(ii)	Due to trained manpower not available. H2
		(iii)	Due to non-availability of spare parts or accessories. H3
9.	Non-achievement of objectives.	(i)	Comments on shortfall in achievement of targets. I1
		(ii)	Tardy implementation of Schemes. I2
		(iii)	Non-fulfillment / achievement of objectives I3

Sl. No	Broad heading / category of paras	Nature of Audit Observations	
			for which a programme was launched or an organisation created.
		(iv)	Non-accrual of intended benefits to targeted population. I4
		(v)	Comments on mismatch between financial and physical achievements. I5
		(vi)	Comments on less production / yield compared to expected production / yield. I6
10.	Miscellaneous observations.	(i)	Departmental specific irregularities / observations not covered in any of the above. J1
		(ii)	Irregularities noticed in maintenance of cash book, drawal register, and receipt books. J2
		(iii)	Retention of heavy cash balances. J3
		(iv)	Belated remittances of receipts into treasury. J4
		(v)	Comments / observations on maintenance of records. J5
		(vi)	Comments on improper / non- maintenance of records. J6
		(vii)	Comments on submission / non- submission of utilization certificates. J7
		(viii)	Non-recovery / non-adjustment of Misc. Public Works advances from officers, other Government Departments and private parties. J8
		(ix)	Non-crediting of deposits lying unclaimed for more than 3 years to Government J9
		(x)	Reconciliation not being done with agencies supplying stores etc. where centralized system of purchase of stores exists. J10
		(xi)	Non recovery of hire charges of machinery etc. let out or material supplied where centralized system exists. J11
		(xii)	Machinery beyond economic repairs. J12
		(xiii)	Non-recovery of rent building. J13

ANNEXURE – II (2)

Assigning weightage to para categories

Para category {As in Annexure-II(1)}	Points allotted
A series (A1,.....A6)	10
B series (B1,.....B11)	9
C series (C1,.....C7)	8
D series (D1,.....D3)	7
E series (E1,.....E4)	6
F series (F1,.....F17)	5
G series (G1,.....G7)	4
H series (H1,.....H3)	3
I series (I1,.....I6)	2
J series (J1,.....J13)	1

ANNEXURE – II (3)

Quality of Inspection Paras

Name of the Office:

Identification of IR	Average points for the IR
Total	

Points earned:

ANNEXURE – II (4)

Delay in Issue of Inspection Reports

Name of the Office:

Total number of IRs issued in the year:

Sl.No.	Title of delayed IR	Due on	Issued on	Delay

Points Earned:

ANNEXURE – II (5)

Record of Audit Committee Meetings

Name of the Office:

Sl.No.	Name of the top 10 Defaulter departments/ ministries	Number of meetings held
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
Total		

Number of new audit committees formed in the year:

(Details of departments / ministries may also be provided)

Points Earned:

ANNEXURE – II (8)
Information on Training of Personnel

Name of the Office:

Utilisation of earmarked slots		
No. of RTI / RTC slots earmarked for the office	No. of slots utilized	Shortfall
Completion of earmarked training		
No. of earmarked trainings for the year	No. of trainings completed	Shortfall

Points earned:

ANNEXURE – II (9)
Timeliness in Issue of Audit Certificates

Name of the Office:

Sl. No	Details of the Certificate to be issued	Scheduled date of issue	Date of actual issue	Delay on account of the audit office

ANNEXURE – II (10)

Parameters and Weights for measuring effectiveness of various categories of Audit Paragraphs in State Civil Audit Report

Nature of audit observations	Violation of procedure / system / guidelines identified	Reasons for Irregularities / lapses/ mistakes/ errors analysed	Responsibilities located/ recovery made	If modern technique of gathering evidences adopted @	Govt. responses included with rebuttal / Audit observations accepted by the Govt. / Deptt.	Maximum score	Matrix Identity
i) Fraud/ misappropriation /embezzlement/ losses detected in audit; overpayment accepted by department (recovered or not) that is indicative of fraud, misappropriation etc.	.35	.30	.10	.10	.15	1.00	A
ii) Excess payment; wasteful/ infructuous expenditure	.35	.20	.10	.10	.15	.90	B
iii) Violation of contractual obligations, undue favour to contractors, avoidable expenditure.	.25	.20	.10	.10	.15	.80	C
iv) Idle investments/idle establishment/ blocking of funds, delays in commissioning of equipments; diversion / misutilisation of funds.	.20	.15	.10	.05	.10	.60	D
v) Regulatory issues and Others.	.20	.10	.05	.05	.10	.50	E

@ Include photograph, interview, beneficiary, survey, joint physical verification (by Audit and Auditee unit) duly authenticated by the Auditee.

Note: Matrix value of an Audit Paragraph will be the money value of the paragraphs multiplied by matrix eight for the Para.

Parameters and Weights for measuring effectiveness of various categories of Audit Paragraphs in State Civil Audit Report

I. For Schemes / Programme Review and Integrated audit.

	Objectives/ goals/targets/ Aims-attainments analysed	Comprehensi veness of the coverage of the subject	Presentation and readability/ conclusions/ Recommendations	If modern technique of gathering evidences adopted @
Scheme/ Programme Reviews and Integrated Audit	.25	.25	.20	.10
(1)	(2)	(3)	(4)	(5)

Govt.responses included with rebuttal/Audit observations accepted by the Govt./Deptt.	If Money value is more than 10% of audited expenditure	Maximum score(X)	Weighted (matrix) money value
.10	.10	1.00	X multiplied by actual money value
(6)	(7)	(8)	(9)

II. For Audit of Implementation of Acts and Rules / Regulatory functions

	Violation of Acts/ Rules analysed and Prosecution/ Conviction analysed	Administrativ e or legal difficulties in implementati- on	Presenation and readability/ Highlights/ conclusions/ recommendations	If modern techniques of gathering evidence adopted@
Audit of implementat- ion of Acts and Rules/ Regulatory functions				
(1)	(2)	(3)	(4)	(5)

Govt. responses included with rebuttal/Audit observations accepted by the Govt./Deptt.	If money value is more than 5% of audited expenditure	Maximum score	Weighted (matrix) money value
(6)	(7)	(8)	(9)

@ Include photograph, interview, beneficiary survey, joint physical verification (by Audit and Auditee unit) duly authenticated by the Auditee unit

Note: Matrix value of an Audit Paragraph will be the money value of the paragraphs multiplied by matrix weight for the review/long Para.

CHAPTER-3

PROCEDURE FOR LOCAL AUDIT

3.01 Scope and method of Local Audit

(i) The General Principles regarding the scope and method of audit laid down in C&AG's Manual of Standing Orders (Audit) Second Edition-2002 should be followed in Local Audit.

(ii) The primary object of Local Audit is to verify the accuracy and completeness of accounts. It should be verified whether the Treasury Rules and the Financial Rules are adhered to by the Departmental Officer. A detailed check of the vouchers should be conducted with the accounts (Pay bills, acquittance rolls and contingent and sub-vouchers) in Local Offices.

(iii) As the essential object of accounts is to present a clear and definite financial picture, intelligent and fruitful audit requires financial transactions to be viewed in their appropriate perspective as a whole and audit should not be limited to mere routine examination of the details of the transactions. Before taking up the audit of any particular institution or scheme the auditors should be conversant with the nature of transactions, the system of accounts, the account books prescribed, the budget, departmental manual, the administrative report, the Act and Rules applicable to the institution, special orders of Government or any other Government publications, Internal Audit Reports etc. to make their audit both intelligent and useful instead of allowing it to become merely a routine process of mechanical checking of registers in a disconnected way. In this connection, para 6.1.5 & 6.1.6 of Manual of Standing Orders (Audit), Second Edition may be referred to. It should however be borne in mind that it is not desirable in local audit that the check of initial records such as Cash Book etc. should be neglected in favour of materials which may provide cases for 'Higher Audit'. The system of internal check should be examined and the Reports of Internal Audit, if any, should be scrutinised and adequacy or otherwise of the same should be commented upon.

(iv) The auditors in the course of their audits should not express on their own authority opinions connected with the interpretation of any Act or Rule, nor give ruling on any controversial points of procedures etc. Such cases should be referred to the Group Officer in the form of office note for discussion and decision and should not be included in the Report.

(v) The auditors should give no grounds for complaint from Local Offices against the manner in which audits are conducted in regard to the tone or substance of their reports. Audit should be conducted with reference to recorded facts and if certain aspects are not recorded, that fact should be brought out. Auditors, while yielding in nothing which they consider to be part of their official duty, should be careful to avoid friction with the officials with whom they come in contact. They should avoid frivolous objections and conjectures and if they convince the officers by the manner in which they go about their work that they are not to complicate the procedure but to simplify it, not merely to criticise but to assist, they will meet with little difficulty in this direction. They should assist the local authorities with advice and may show practical examples, if necessary, how account registers should be posted and how a proper check is exercised, in order that there may be no possibility of mistake or omission due to ignorance on the part of Local Officials. It is much better to prevent mistakes in procedure than to discover such mistakes after they have been committed. They should bear in mind that unnecessarily meticulous or badly expressed objections not only bring discredit on audit but also cause an increase of work both in the audit and local offices. Objections should be so worded as to bring out the points precisely but briefly.

(vi) The rules for audit should be strictly complied with, as many of them represent in concise form the experience of many years and their value cannot be overlooked. Only they must not be converted into a fetish and applied in a rigid spirit or considered as all sufficing under circumstances where they are obviously inadequate. Only when any thing less is done than is laid down, the auditors must bring the fact to the notice of Group Officer.

(vii) 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 which in course of time is replied to. The requirements of the Audit Department are complied with in the particular case in question and there the matter ends. But this is where it should not end. Similar circumstances like these, if taken up, may lead to the detection of serious irregularities or a defect of system liable to lead to fraud and their value as such must be borne in mind. The auditors should look at everything in a fresh and original way and when they realize that they have touched on a matter which may require investigation, they should go into it with an exhaustiveness which will leave no details undiscovered. However, the principal source of evidence for audit conclusions are based on sufficient, competent and relevant evidence which is required to be planned, gathered and

analyzed through different means as depicted vide para 2.1.10 of CAG's MSO (Audit) Second Edition. They must not take anything for granted. Commonly used Audit Procedures to obtain audit assurance are elaborately described in para 2.1.11 to 2.1.27 of CAG's MSO (Audit) Second Edition which may be referred to.

(viii) Auditors should confine themselves to facts which have a bearing on accounts and finances and matter not falling strictly within the scope of audit should not be touched upon by them. They should not propose any increase in staff which is purely an administrative affair.

(ix) Investigation which is not strictly within the scope of test audit should not be undertaken at the instance of administrative authorities even though no extra time is required. If anything is noticed in course of an audit the auditor should bring it to the notice of the Group Officer.

(x) In auditing payment vouchers, the auditors should not apply merely mechanical checks for examples, seeing that there is proper quittance in support of payments, that amounts charged are arithmetically correct and that the rates are in accordance with the schedule of rates. In the interest of thorough audit, it is necessary to see that the charges in the bills are not extravagant, and if doubt arises, the prevailing rates may be ascertained. Cases of different rates paid for the same article observed in auditing the accounts of two or more offices in the same locality should be investigated, and the auditors should find out carefully the causes of such differences.

3.02 Conduct of Audit.

(i) Before commencement of audit, the party should first collect the information regarding the form of Organisation showing the number of directorate, divisions, branches or say nature of branches of each office and the particular activities they are engaged in. Information should be collected regarding the budget and accounts books maintained and how they are linked to one another, whether an accounting procedure is prescribed and whether it is being followed. The discrepancy in the system if any should be ascertained.

The broad outline of responsibilities and duties of various categories of personnel in Civil Inspection parties as laid down in the Manual of Restructuring of cadres in IA&AD issued by C&AG as a supplement to the MSO (Admn.) Vol- I have been set forth in OA-Circular No. 721 dated 15.3.1984 appended as *Annexure-I* to this chapter, for information and guidance of the field parties. The allocation of work should be done accordingly by the

SO / AAO in charge of the party. The Reviewing Officer who visits the party should see that such distribution has been done. The tour diaries or the Inspection Report should indicate that all the items of work allotted have been completed. If any item of work has not been done for want of vouchers or any other records required, it should be specifically mentioned in the diary and the report, failing which it may be construed as a failure of Audit.

It is the function of the Reviewing Officer to ensure that the members of the party know the procedure of audit. The audit procedure varies according to the nature of work and the form of accounts maintained. No one set of instruction will cover that information. The supervisory officers should draw up guidelines appropriate to that situation unless they are already contained in the manual.

They should also suggest manualisation of the guidelines as and when drawn. They should suggest when the circumstances so warrant, with supporting papers, any changes requiring modification of existing guidelines already manualised to make the manual up-to-date. Similarly they should also suggest the deletion of any such guideline which is obsolete in their view.

Audit has responsibility to detect errors of omissions and commissions and embezzlements. Government depends to certain extent on the audit findings. Failure to discharge the responsibility will attract the liability of having to account for it.

(A. G's order on the file and No.OA-339 dt.15.12.1966 & OA Circular 493 of 8.9.76)

(ii) All registers and records required for audit purposes should be called for in writing. If an auditor states that he asked for the papers but these could not be produced, he must be able to prove it from the requisitions sent by him.

Cases of non-production of records, documents and voucher to the local audit party should be mentioned in the Inspection Reports with sufficient details as available and quoting money value, if any of the unaudited amounts included in it. As per CAG's circular No. 1 of 1997 No.01 Audit (MOM)/110 TA (RGL) - 76 KWI dated 16.01.1997, all cases where records required by Audit are not produced by the Auditee units, should be reported to the (Pr) Accountant General (CA) for taking up the matter of non-production of records with the concerned secretary / Chief secretary of the concerned Government (State or Central).

(iii) Procedure of audit of confidential records

(a) Notwithstanding production of records by Auditee units, very rare records of some offices are judged by them as secret / confidential. At times many offices even normally express their reluctance to produce the files / records on the plea of enormity

of confidential. Therefore, with a view to dealing these circumstances, standing orders of Government of India, required to be followed by the audit parties, are depicted below.

Copy of Ministry of Finance (Department of Economic Affairs)’s O.M. No. F. 1(43)-B /7 8, dated the 23rd September 1978, addressed to all Ministries /Deptts. of Government of India and Chief Secretaries of State / Territories.

OFFICE MEMORANDUM

Sub: Production of documents to Audit: In D.O. letter No.F26/SF/55 dated 6th January, 1955 from Secretary, Department of Revenue & Expenditure, Ministry of Finance addressed to all the Secretaries to the Government of India, it was inter alia stated that:

“files required by Audit Officers should be readily made available to them without any apprehension that objections may be taken in audit merely based on contradictions in the views expressed in notes by subordinate officials and higher authorities. If the contents of the files or any parts of it are secret or top secret the file may be sent personally to the Accountant General or the Head of the Audit office specifying this fact, who will then deal with it in accordance with the standing instructions for the handling and custody of such documents.”

Subsequently, the Ministry of Finance informed all Ministries / Departments etc.-vide Department of Economic Affairs O.M.No.F.1 (44)-B/75 dated 25th September 1976- that confidential files containing the views of the Government officer at different levels, Cabinet notes and decisions etc in the course of formulation of Governmental policies fall outside the scope of the instructions mentioned in paragraph 1 above and need not be shown to Audit

The matter has since been examined further and it has been decided to withdraw the instructions contained in the O.M. dated 25th September.1976 referred to above and restore the status quo ante. Accordingly all Ministries / Departments etc, are requested to observe the procedure referred to in paragraph 1 above in the matter of making files available to Audit Officers.

.....

(b) As per CAG’s Circular No. 6-240 (Audit) (MOM) / 256-95 dated 31.05.1996, regarding audit of expenditure in connection with various examinations conducted by State Public Service Commission / UPSC etc. audit has to ensure that the accounting procedure relating to Public examination conducted by the above organization is brought in line with that followed in respect of examinations conducted by UPSC and all the accounts documents relating to various examinations are subject to audit.

If the State Public Service Commission refuses to produce any records of expenditure on payment to question setters, moderators, printer of question papers etc. on plea of confidentiality, the audit should be stopped and matter reported to Headquarters for further instruction.

(c) In case the contents of files or any part of it are stated to be ‘secret’ or ‘top secret’, the file may be sent personally to the (Pr) Accountant General (CA) or Head of Audit Office specifying this fact who will then deal with it in accordance with the standing instruction for the handling and custody of such documents.

(OA circular No. 897 dated 12.8.96 and 904 dated:12.3.97)

(iv) In auditing accounts all entries checked should be ticked in special audit pencils by the Auditors and all vouchers registers etc. examined should be initialed by them. All initials and signatures are to be dated indicating the date, month and year without exception. The use of brown coloured pencils by auditors of the State Government Departments / Officers has been prohibited by the Finance Department in their Memo No. E. 141/65/8695 (33) dated 4.3.1965.

(v) Auditors should not make notes, corrections or remarks in any of the registers or on any documents of the office which they are auditing. They must not take any registers of account books to their residences.

(vi) The objections as disclosed during the day to day progress of audit should be recorded in POM in Duplicate and one copy of the same issued to the head of the office at the end of each day's work with the request to return the same with replies on the same day or latest by the following day. These memos should be allotted serial number and an account of the memos issued and received back during a week indicated in the weekly diaries. As there should be no paragraph either in the report or Test Audit Note without the views of the department and the conclusion of audit, indicating the consequence of the irregularity, the necessity of issuing POM in all cases need not be over emphasized. The question whether an objection should find a place in the Inspection Report or the test audit note or be dropped should be decided only after considering the replies to the POM.

(vii) The following points should be specially borne in mind:

- (a) Minor defects should be disposed of on the spot as far as possible by pointing out the errors and getting them rectified.
- (b) The Report should contain important irregularities and should in all cases be narrative and descriptive in form.
- (c) When anything is noticed as unsatisfactory the reasons should be fully stated on the body of the Report.
- (d) Defects should not be recorded in general terms and unnecessary details should be dispensed with.
- (e) All exaggeration of language or facts should be carefully avoided.
- (f) General objections should not be raised unless they can be supported by concrete instances.

- (g) If a really flagrant case of irregularity is detected, it should be investigated with utmost care and set out in such detail as will ensure that the gravity of the breach of the rule is clearly brought to the notice of superior authority so that the audit office may be in a position to press for proper action.

(Based on OOB-340 dated 17.8.49 OA circular No. 897 dated 12.8.96 and 904 dt.12.3.97)

3.03 Period of accounts to be audited.

(i) In the case of Offices which are annually inspected the period of account to be audited by the Inspecting staff will be generally the period between the date of the last inspection and till the end of the month preceding that in which the current Inspection takes place. The month or months to be selected for test audit shall be approved by the Group Officer and communicated by the Main Office to all the Inspection Parties. In the absence of receiving any instruction from the headquarters, the procedure for selection of month / months given in para 2.07(vii) (2) (b) of Chapter 2 of this manual should be followed. The period of accounts to be audited will be specifically mentioned in the programmes.

(ii) When, however, a serious irregularity is discovered it should be traced, if necessary, in the current accounts right up to date.

3.04 Accounts, codes and manuals

(i) For an intelligent and efficient audit inspection of the accounts, the Inspection staff and the Local Auditors should have an intimate knowledge of the various accounts, codes and Manuals and any special rules relating to such accounts. They should also be well conversant with the subsidiary rules, Government orders and office orders and circulars issued from time to time.

(ii) O.A.D Headquarters, CASS and other sections which received important orders from Government or the C&AG having a bearing on Inspection work, should arrange to supply copies of such orders or letters to the Reviewing Officers and field parties.

(iii) During the period when the OAD party is not functioning, the circulars file of the party with suitable index should remain under the custody of OA-I (Headquarters section) and this should be kept up-to-date and handed over to the party when inspection is resumed. The OAD party should also be responsible for keeping the file up-to-date on receipt of relevant papers referred to above from the Main Office.

3.05 Documents necessary for inspection / local audit

Such records and documents as may be necessary and useful in the course of inspection are to be supplied by the concerned section to the Inspection Party, *Inter-alia* the following documents are required to be taken /gone through by the field party.

- Previous IRs.
- Audit Note Book.
- Orders on Schemes etc. implemented by the Office to be inspected and general orders.
- List of vouchers for the selected month(s) including deposit, loan G.P.F. of Group 'D' Central Government Servants, paid cheques, if available from CASS from V.L.C data.
- Memorandum of special points to be looked into during audit.
- In case of Grants-in-aid sanctions and all related papers of audit sections.
- List of detailed contingent bills for the months selected for audit.
- List of outstanding paras of previous IRs with details.

The Inspection Reports and other papers supplied in connection with the Inspection / Local Audit should be returned immediately on completion of Inspection / Audit.

NOTE-While handing over the previous Inspection Report and audit files to the field parties for settling objections locally and for compiling the statement of pending objections the concerned (Sr) Auditor in the OAD Headquarters should give all possible assistance to the audit parties. He should examine the relevant files and pick up the particular file containing the statement prepared on the previous occasion and quote-particular reference to it. He should mention any important points that require specific investigation in the light of previous reports or remarks by audit. In case where there are no previous statements, the particulars of inspection reports remaining unsettled may be pointed out in a separate statement so as to enable the SO / AAO to gauge exactly where to begin. For this purpose, before handing over the previous Inspection Reports to field parties, the Headquarters Section concerned should review the outstanding paras thereof and indicate what is to be verified during Local Audit for their settlement.

The method of handing over files from the OAD sections in one bundle without furnishing proper reference should be discontinued. It is the duty of Headquarters sections to see that continuity of attention is maintained from IR to IR i.e. that any matters not fully clarified or settled in one report are carried forward into the next IR.

The SO /AAO of the OAD Party is expected to go through the previous report thoroughly and take all necessary action thereon. But the concerned assistant at Headquarters should draw his attention to any other points that might be necessary.

(Based on O.A. Cir. No. 16 dt.19.9.57)

3.06 Supply of important orders to audit party

SOs /A.A.Os of CASS / OAD Headquarters Sections should see that copies or short summaries of all important orders which have been ordered by the (Pr) Accountant General (CA) or Deputy Accountant General to be noted by or circulated to field party personnel are promptly supplied to them.

3.07 Reporting to OAD Head Quarters / (Pr) A.G. of Serious irregularities

(i) Special Instructions governing the Inspection or audit of accounts of some organizations are contained in the separate chapters relating to such institutions, departments or schemes.

(ii) It should be recognised as one of the bounden duties of the Inspecting officer / Local Auditor to report to the (Pr) Accountant General (CA) separately and immediately anything really serious or important which comes to light in the course of Inspection or Local Audit without waiting to include it in the Inspection Reports. Such interim reports may be shown in the first instance to the Head of the Office inspected, for any comments he may wish to offer.

NOTE- In the event of finding anything likely to lead to the detection of a defalcation or fraud the circumstances should be reported to the Head Office at once and daily reports about the progress made in the investigation should be sent.

When defalcation is detected beyond doubt, intimation should be sent to the (Pr) Accountant General (CA) in writing.

3.08 Co-ordination of work between the field parties and the main office.

The CASS while auditing the expenditure connected with an office or scheme should keep a vigilant eye over the various transactions and should not hesitate to bring those to the notice of the local auditors through OAD Headquarters engaged on outside audit which in their opinion require further detailed examination at local audit. Besides the individual transactions, it may, at times be considered in view of the magnitude of expenditure or the imperfect control exercised by disbursing and controlling officers or again as a result of the general extravagance in a particular office or department or due to preponderance of defects,

that the accounts of that office or scheme should be locally examined. This co-ordination will enable the local audit parties to carry out their task with a high degree of efficiency. For this purpose a suitable register or note book should be maintained in CASS for noting down special points which require local examination and extracts thereof furnished to the local audit parties through OAD Headquarters Sections for requisite action.

The following instructions are intended for the guidance of the Local audit parties / Inspecting staff and the CASS sections.

Where unlimited powers of expenditure are granted to an Administration and huge amounts of expenditure are incurred, it calls for special alertness and care in Audit. It should be seen that the accounts are rendered to audit promptly and these are scrutinised without delay to see that there were not unnecessary withdrawals of cash from the Treasury and the powers granted are not being abused. Cases of abnormal delay in the submission of detailed accounts should be brought prominently to the notice of the (Pr) Accountant General (CA). Any large item of expenditure and payments to contractors should be checked carefully and the results brought out in the reports. The non-production of important Sub-vouchers and other accounts for audit should also be noticed likewise.

(Para 4 of Office order No.8-231 18.9.1945)

3.09 Prompt settlement of audit objections

The Inspecting Officer's work is valuable in proportion to the number of items which he can settle on the spot. The Inspecting Officer should try to settle all minor irregularities on the spot instead of incorporating them either in the DIR or the TAN. It should be clearly understood that a lengthy report will not only make tedious reading to the Executive and Administrative Officer but also distract their attention from the more important points which are really the essence of the report. Inspecting Officers should therefore, discriminate between important items, when they find that their reports have a tendency to be lengthy. But it should be borne in mind that no relevant things should be omitted.

The following instructions should be strictly observed by all concerned in connection with the Local Audit / Inspection of accounts of both Government and non-Government institutions.

(i) An all out effort should be made to settle all audit objections on the spot, as far as possible, by discussion. This means that the Inspecting Officers should pay personal and continuous attention to the objections noticed during the Inspection / Local Audit and make

arrangements for the settlement on the spot of those which relate to non-observance of the rules, procedural defects, non-completion of records or other types of minor irregularities, as far as possible before the close of Inspection / Local Audit.

(ii) The period of Accounts selected for Inspection / Local Audit should normally cover the period from the last inspection up to the date of present inspection. It should, therefore, be ensured that the points which are taken up in audit relate to current or recent matters and not to very old matters.

(iii) If minor audit objections are settled by discussion, important matters and irregularities only will find a place in the formal IR. The points taken up in these reports will form the basis for the drafting of paras for the audit report. The formal IRs should be issued under the signature of AAG / (Sr) AO of the headquarters. Approval of the Group Officer should however, be obtained where necessary. The unsettled minor objections will find a place in the test audit notes which will be issued under the signature of the officer of the Local Audit Party concerned.

NOTE-1: Minor audit objections which are settled to the complete satisfaction of audit need not find a place in the IR or the TAN. A general para should only be inserted in the IR to the effect that some irregularities of a minor nature were settled by personal discussion and other irregularities of this nature have been dealt with separately in the TAN. As regards the points settled by personal contact, a separate report should be sent by the Inspecting Officer, along with the other papers so that the office is kept informed of the action taken by the Inspecting Officer.

NOTE-2: Objections raised in Local Audit / Inspections, for which money value can be assigned, should be registered in the objection books vide para 7.2.11, 7.2.25 and 7.2.29 of CAG's MSO(Audit) Second Edition. Procedural objections should be watched through Test Audit Notes, Inspection Reports, etc. However, the TAN does not require a reply in detail, but it should be verified at a subsequent inspection that adequate notice was taken of it, vide para 6.1.20 and 6.1.21 of CAG's MSO (Audit) Second Edition. Objections falling under the latter category need, therefore, not be registered in the objection books. Objections for which money value cannot be determined for some reason or other needs not also be recorded in the objection books vide para 7.2.11 of CAG's MSO (Audit) Second Edition. If money value of such objections is subsequently known, as a result of future correspondence etc., the objection should immediately be taken to the objection book. Objections becoming six months old should be recorded in six monthly register. Objection books should be divided Ministry / Department-wise, a number of pages being set apart for each Ministry / Department.

(Para 7.2.34 ibid)

Important objections and interesting points should be specifically brought to the notice of the Branch Officer of the Audit Section concerned, and the more important of them to the Group Officer and (Principal) Accountant General (CA). The Inspecting Officers

should carefully bear in mind that the prescription of objection books for recording objections raised in local audit, Inspection etc., does not in any way minimize the importance of instructions contained in para 3.08 above. Petty objections should invariably be settled on the spot, by personal discussion.

(Based on the C&AG of India' letter No. 1-468 –Admn. 1/684-54 dated 22.7.54 (Dy. T. M. Con-A-1576) and OOB 558 dt.29.3.54)

(iv) Sometimes, objections as a result of field audit are taken merely on the basis of contradictions in the views expressed in notes by subordinate officials and by higher authorities. To avoid unreasonable objections being taken merely on the basis of such contradictions it must be ensured that such objections as are not based on self-sufficient documentary evidence relating to entries in initial accounts, paid vouchers or sub-vouchers, tender documents, comparative statement etc. are invariably taken only at a level not below the rank of Group Officer. For this purpose arrangements will have to be made by the officer concerned to obtain the file on loan for being submitted with his note to the Group Officer for requisite action.

(v) The senior most officer in charge of the office inspected or a responsible officer nominated by him should be requested to discuss the DIR to get his acceptance of the facts connected with objection mentioned therein. Also see para 3.15.

(Based on OO A 1605 dated 9.2.1955)

3.10 Current objections and pending Inspection Reports

In regard to current objections / pending inspection reports and paras, the following line of actions is recommended.

An effective arrangement should be established within the (Pr)Accountant General's Office and also with the State Government for review and verification with the departmental records for wanting documents and discussion of their audit objection relating to a year but remaining unsettled by the end of the following September."

- (i) Power of waiver of petty objections should be exercised freely at the beginning.
- (ii) The existing procedure for recording outstanding objection over 6 months old in separate control record (six monthly register) for review by the Group Officer and also a random review by the OAD-I Section, for submission of a special report on the results of such review to the Group Officer and the (Pr)Accountant General(CA) should be enforced.

(iii) IRs or paragraphs which remain outstanding for more than two years from the date of issue should be reviewed. Overlapping objections relating to the same work or scheme lying scattered in different IRs should be reviewed for a consolidated reference to Government and the individual paragraphs dropped.

(15-1AG / Orissa / 99)

(iv) Tripartite meetings (Triangular Committee Meetings) consisting of the Group Officer, the representation of the Finance Department / the Head of the Department and the controlling officer may be arranged, for settling outstanding paragraphs in the IRs”

*(Based on Head Quarters Circular No. 22-TA- 1 / 82 Lr No.748- TA-1 / 45-82
Vol. II / 19.6.82)*

The Group Officer due to shortage of time may nominate a (Sr) Audit Officer to represent him at the meeting. The recommendation of the (Sr) Audit Officer regarding the settlement of the paras is to be approved by the Group Officer before taking the final decision on the proceedings of the meeting.

3.11 Settlement of outstanding paras of previous Inspection Reports

(i) One of the important duties of the Inspecting staff on commencing an inspection is to see to the disposal of the previous IRs. It should be seen:

- (a) that any new procedure which may have been agreed to has actually been adopted in practice.
- (b) that all points noticed in the last reports have been settled.
- (c) that all recoveries promised have been made, and
- (d) that all documents which were promised to be produced are made available for inspection / audit.

(ii) Any items still outstanding should be disposed of, in consultation with the head of the offices inspected as far as possible. If any points cannot be settled even during the current inspection/Local Audit they should be indicated under a separate paragraph “Review of the disposal of the previous report” in the current report.

NOTE-1: Whenever a para which involves recovery or write off is suggested for dropping a certificate as to the verification of the realization/write off order with reference to the Original records should invariably be recorded (O. A. Cir. -3.33).

NOTE-2: The SO / AAOs of field parties should record under their dated initials a certificate on the last page of the POM on review of old outstanding paras and the previous test audit notes that the replies to them and to the further rejoinders thereon, have been verified on the spot and that all outstanding paras which could not be settled on the spot have been carried forward.

- (iii) The Audit objections broadly fall into following categories viz.
- (a) Those raised on the grounds of propriety.
 - (b) Those relating to insufficiency or want of sanction or some other records, sums due to Government awaiting recovery, write off cases those requiring regularisation by competent authority etc.

So far as paras in audit falling under category (a) which do not require any regularization are concerned, the final action is to report such cases to the legislature through the Audit Report and they are examined by the PAC. All cases falling under category (b) the objections may have to be pursued as usual for regularization / recovery etc. All outstanding paras in the IRs should not be dropped as soon as the irregularities are commented upon in the Audit Report, as paras of the Audit Report are ultimately examined by the PAC. (See also para 2.05 of the Manual)

(CAG's Letter No. 1898/Admn-1-388-67 dated 12.7.67 vide Dy. OAI-Manual-1780-9 / 71)

- (iv) To settle as many objections as possible it is necessary that the IR should be reviewed quickly bearing in mind the following facts.

- (a) If it is considered necessary for valid reasons to pursue an old outstanding objection the decision to do so should be taken at the Group officer's level.
- (b) The objective should be to clear finally the items more than three years old, where debts due to or by Government are not involved and only minor technical irregularities etc., have been brought out.

(Based on CAG's Letter No. G 61-TA.I / 85-71 dated 12.4.71 (Dy. OAA-Man-CAG-5)

- (c) In order to minimise the long list of outstanding objections / paras it was ordered by the (Pr) Accountant General (CA) that the field parties as well as vetting sections may concentrate on the outstanding paras of last five years and settle the objections / paras either on the basis of replies of the department or by incorporation of the same in the subsequent reports if the objections are of minor nature.

In respect of paras of Audit Reports, once they are discussed by the PAC may be treated as settled and deleted from the list of outstanding paras. However, paras relating to misappropriation and cases of losses etc. may be kept as it is till recovery / write off or receipt of the recommendations of PAC, whichever is earlier.

(OA Circular No. 899 dated 16.10.96)

3.12 Review of Outstanding Audit Objection, Settlement on the spot

(i) Each field party will be entrusted with the settlement of old outstanding objections raised in the Central Audit in respect of each office to be audited by it locally. List of old outstanding objections which are more than 2 years old, will be furnished office-wise by CASS along with the list of selected vouchers to the SO / AAO of the audit party. On receipt of the list, the concerned SO / AAO should discuss with the Departmental Officer concerned and enquire about the reasons for which the objections could not be met so long. He should then review the outstanding objections carefully and endeavour to settle as many items as possible in the light of his discussions with the departmental officer. The list may be returned to OAD-I section indicating the results and his remarks. Compliance to the above review work should be indicated as a separate item in the title sheet of the DIR.

(Based on OOB 984 dated 20 March 1963)

(ii) The local audit parties should specially look into the position of outstanding DC Bills and conduct a detailed check of the DC Bills with reference to the duplicate copies kept in the concerned offices. The instructions contained in para 3.1.20 of the MSO (Audit) Second Edition should be borne in mind while conducting this audit. Reasons for delay in submission of DC Bills should be specially enquired into and advances made out of such drawals to subordinates, other offices etc. and accounts rendered by the latter should be scrutinised in detail. A statement of such advances in the proforma prescribed below may be furnished.

Statement of outstanding advance against Government Servants / Departments / Executants

Sl. No.	Year and month of disbursement.	Name and designation of Government Servants / Department / Executants.	Amount of total advance
1	2	3	4

Specific purpose of advance	Amount for which account is rendered by Government Servants	Balance advance outstanding as on date of audit	Reasons for outstanding / action taken for recovery
5	6	7	8

(O. A Circular 456 of December 1973 & O A Circular 475 dt.3.10.74)

(iii) Guidelines for the clearance of old outstanding audit objections / paragraphs of Inspection Reports (Civil)

A review /analysis of outstanding objections / paragraphs of Inspection Reports may be conducted on the following broad lines.

- (a) Paragraphs which have lost significance with the passage of time may be dropped.
- (b) Paragraphs relating to initial and subsidiary accounts in audit reports may be clubbed or merged in the paras on the same points in the latest reports. Paras which have dealt with the subject matter vaguely or where no specific action or rectification or improvement has been suggested may be dropped.
- (c) Objections remaining outstanding for more than 18 months from the date of issue may be reviewed and joint meetings with the concerned departmental officers and accounts officers may be arranged for linking up of the records / papers sent (especially in regard to the objections outstanding for want of payees' receipts and detailed contingent bills) and settlement. The objections remaining outstanding even during these discussions may be taken at the Group Officer's level with the Heads of the Departments / Administrative Departments and those which are significant, may be proposed for inclusion in the audit reports.
- (d) The IRs should not contain objections of more than 3 to 5 years old and all efforts should be made by the Inspecting parties either to settle the objections through discussions or transfer the old objections to the new IRs by updating them and dropping them from the old IRs.

(O. A. Circular No. 1025 dt.5.8.2002)

(iv) These guidelines may be supplemented with the following detailed instructions:

(a) Outstanding audit objections

- (1) For want of payees receipts.
- (2) *For want of D.C. Bills:* Wherever the payees' receipts are not available at a distant time, certificates of payment from the departmental officers may be accepted for their clearance. Copies of detailed contingencies may be obtained from the departmental officers during joint review. Objections, remaining still outstanding may

be brought to the notice of the Government for necessary action and regularization of expenditure. In case the amounts so regularised are substantial, suitable mention may be made in the IR and the objection dropped.

(3) *Sanction for reserve limit stock wanting / reserve limit of stock not fixed:*

Where such cases have been brought to the notice of the concerned authorities as well as of the Legislature through the Audit Reports, these observations may be dropped unless there is any suspicion of fraud.

(4) *Agreement with contractors / suppliers not received:* Help of the regular Inspection parties may be taken to obtain the wanting documents.

(5) *Non-receipt of consignees' acknowledgement and accounts:* as was done in Karnataka, a Committee of departmental officers, representatives of the Finance Department and (Pr) Accountant General (CA)'s Office may be constituted to look into all such cases and settle the outstanding items on the basis of the evidence of the consignees receipts received in the Department.

(6) *Disbursement certificates in respect of loans not received:* Appointment of high power departmental Committees to investigate and recommend recovery / regularisation of payments is suggested.

(7) *Sanctions to work estimates or sanctions to regularise excess over estimates not received:* Depending on the results of discussions with the Heads of Departments and on the basis of written assurance that sanctions would be accorded, the observations can be treated as settled with a mention in the IR

(8) *Sanctions for contingent and miscellaneous expenditure not received:* Cases, where there is evidence of sanction in the departmental records, can be dropped and cases of unauthorised expenditure can be reported to Government for investigation and appropriate action.

(9) *Overpayments of amounts disallowed in audit but not recovered:* Petty items and other items for which details are not available can be dropped. In respect of items where audit observation is not accepted by the Government, the (Pr) Accountant General (CA) can either mention those in the IR or drop the items depending upon the magnitude and nature of those observations. In case of unaccepted overpayment and dis-allowances the departments can be pressed to

expedite the recovery. Items which have become irrecoverable can be reported to Government for regularisation after necessary investigation.

(10) *Vouchers not received:* Consolidated division / office-wise lists may be given to the inspection parties for appropriate action.

(b) Outstanding Inspection Reports (Civil)

Significant observations involving substantial amounts or gross lapses or failure of system can be commented upon in the Audit Report individually or collectively. Where assurance is given by the Government for regularisation, the items can be dropped.

3.13 Items for inclusion in the Audit Report

Irregularities, viz. losses, writes off, infructuous expenditure or other irregularities, which on account of their seriousness or magnitude, system failure etc. are likely to find a place in the Audit Report should be specially brought to the notice of the Group Officer for further examination by the OAD DP Cell and SAG (Report- Civil) and incorporation in the Audit Report vide paragraph 6.2.6 and 6.2.13 of the C&AG's MSO (Audit) Second Edition.

(Para 12 of OOB 340 dated 17th August, 1949, O.A Circular No. 900 dated 16 October 1996)

3.14 Material for the Report of the C&AG of India – Government of Orissa (Civil).

It should be the endeavour of all OAD Sections concerned to ensure timely transmission of the materials to Report Section in accordance with the prescribed time schedule fixed for each year to facilitate timely compilation of Report. It is imperative that all returns with accurate, complete and proved data duly approved by the Group Officer should be sent to SAG (Report- Civil) on or before the prescribed dates initiating action therefor. If there is no material 'Nil' return should be sent by the prescribed dates. If due to unforeseen reasons unavoidable delay is anticipated in furnishing a particular material, it should be brought to the notice of the (Pr) Accountant General (CA) and the SAG (Report- Civil) kept informed of the orders of the (Pr) Accountant General (CA) for making adjustment in their work. Great care should be taken in preparation of the materials and also to ensure that the records on which they are relied on are complete, correct and upto date in all respect.

The draft paragraphs proposed should give clear and correct account of the point(s) selected for comment in plain language and with proper focus so that even a person not versed in the details of accounting and audit is able to comprehend the point(s) sought to be

made. Lengthy narration unnecessary for the main theme of the paragraph should be avoided and the emphasis should be on clarity, precision and quality rather than on quantity. This applies to the reviews also where the introduction should be brief and to the point containing mainly the material necessary to understand the scheme or project and for comprehending the points sought to be made subsequently in the review. General observations not supported by findings of audit scrutiny tend to weaken the comments made in the review and should be avoided to the extent possible.

Before suggesting draft paragraphs for inclusion in the Report, the Group Officer should finalise the draft note / draft review notes and report to the Heads of Department and concerned Department of Government. The matter should also be discussed by the Group Officer with the appropriate officer of the concerned Department and the result of discussion also incorporated in the note. In order to allow time to the departments to furnish their comments on the points made by Audit before the draft paragraphs are floated, it is necessary that all draft notes / review notes are issued to the Departments / Government in convenient batches by the middle of July each year or any such dates fixed by the (Pr) Accountant General (CA) for any particular year. The target and programme for proposing draft paras in respective wings should be discussed and got approved by the (Pr) Accountant General (CA) before 30th April each year or any other date fixed for that year.

To facilitate scrutiny and consolidation of draft notes / chapters prepared in the light of instructions contained in the preceding sub-para, they should be sent to SAG (Report-Civil) duly approved by the Group Officer (Inspection-Civil) III as and when finalised, with relevant key document in respect of each draft note and review notes duly page numbered along with key materials.

Particular care may be taken to see that each comment in the review note has sufficient key material in support of the factual position. In order to avoid rush of work at the closing stage of this work it is desirable that the materials should be sent to SAG (Report-Civil) in a phased manner from April onwards and the last batch positively before 15th September each year or any other date fixed for a particular year. The SAG (Report-Civil) will so arrange its work as to put up each Draft para to the (Pr) Accountant General (CA) within a week after its receipt there. The Group Officer may personally look into the matter and ensure that prompt action is taken to send the materials to SAG (Report-Civil) within the prescribed date in complete shape.

The Branch Officer of OAD Headquarters and SO / AAO of concerned OAD Headquarters section should keep a special note of this for necessary action.

(Based on Rep.I-3 (77-76)-76 dt. 21.4.79)

3.15 Processing of cases of Fraud / Defalcations

As soon as a suspected case of fraud comes to the notice of field party, all efforts should be made to trace the fraud / misappropriation etc. in proper manner with original documents. A note of all transactions, orders, extract from files etc. in detail on the basis of which the fraud etc. is likely to be established is to be prepared. All facts should be collected by the party leaving no room for wanting reference. The case should be brought to the notice of the authority concerned. Such cases should be promptly brought to the notice of the OAD headquarters. The OAD headquarters sections should, on receipt of the same promptly bring the cases to the notice of the higher authority and wherever necessary to the head of the department.

(O.A. Section 2942 dated 22.11.76)

Note: Role of audit in cases of audit of fraud - A standing order in the form of an instruction to conduct audit of fraud and corruption has been issued by the C&A.G as given in the *Annexure-II* to this Chapter. This should be followed by all Local Audit Parties.

[C&A.G letter No.126 / Audit (AP) / 1-2004 dated: 06 September 2006 circulated vide OA-I-Gen-Fraud & corruption /1560 dt.27 September 2006]

3.16 Preparation of draft audit note

As soon as a case is noticed in course of local audit which the RO / AAO / SO feels fit for inclusion in the Audit Report, a draft audit note should be prepared with a comprehensive statement of facts, shown to the head of office and discussed for securing acceptance of the facts etc. The note, after suitable modification on the basis of discussion with the Head of office should be sent to the Group Officer by name along with all relevant key materials like copies of Government Orders, sanction particulars of drawals etc. A copy of the Draft Note with key documents should also be submitted to the (Pr) Accountant General (CA)'s secretariat direct without fail.

In this regard the following instructions are issued for guidance of all parties, SOs / AAOs / ROs.

(i) Part II-A paras are the potential paras for draft paras. Hence while including a para in Part II-A of the draft I.R the RO / AAO / SO should ensure that all relevant key materials like

true copies of Government Orders, letters of sanction, tender notices, purchase orders, proceedings of meetings, extract of relevant office notes, comparative statements of quotations, agreements, estimates and correspondences etc. are collected, properly numbered and attached to the draft audit note. A reference to the same should invariably be indicated in the margin of the draft audit note as well as of the relevant Part II-A paragraph.

(ii) The draft para proposed should give clear and correct account of points selected for comment in plain language with proper focus so that even a person not versed with details of accounting and audit is able to comprehend.

The ROs / AAOs / SOs should also indicate in their monthly DO letter to the Group Officer, the number of draft notes forwarded to Group Officer up to the date of writing the DO along with reference no, and date of forwarding the draft notes. In this connection it is clarified that sending a draft note separately does not mean that the para is to be excluded from the draft IR. On the contrary the para in the draft IR should be made comprehensive and include detailed information which cannot be incorporated in the draft note.

(Based on O.A.-I Cir. 603 dated 22.11.79 & OA Circular No.980 dated 04.09.2000)

(iii) *Chronological development of events in respect of objections under part-II (A) in the IR should be prepared and furnished.*

The (Sr) AO / AAO / SO is required to submit a separate note in respect of all Part II (A) paras stating the complete chronological development of events in respect of all Part II A paras in the format specified below.

Sl No.	Date	Event	Key Documents	Whether attached / attested by auditee.
(1)	(2)	(3)	(4)	(5)

Preferably entire document in support of audit objection instead of relevant extracts should be collected. In respect of objections which have not yet been matured to develop in to a Draft Para, detailed information thereof may be collected by the party and watched through a register at OAD Headquarters Sections for eventual transfer of the same to the next audit to scrutinise the matter further. But credit will be given to the Party which already identified the objection.

(O.A. Circular No. 896 dated 12.8.96)

(iv) Evidence Gathering and Documentation:

Chapter 5 of Performance Auditing Guidelines deal with Evidence and Documentation which are relevant to OAD Manual as well. The relevant portions of the guidelines in question have been depicted in Chapter 20 of this Manual which may be referred to. These aspects hold good mutatis mutandis during the field inspection and Local Audit for suitable comments in the DIR to make the paras self sufficient in so far as evidence is concerned.

3.17 Preparation of Draft Inspection Report

(i) Discussion with the Head of the Office

The Reviewing Officer or SO / AAO should, before the commencement of audit, call on the Head of the Office, the account of which he is about to audit. Advantage should be taken at this interview to refer to any special points requiring special attention as well as to invite any suggestions which the Head of the office may like to offer on the general condition of the accounts of his office or regarding any part of it which requires close inspection.

He will also discuss the important points noticed during audit and endeavour to settle on the spot as many objections as may be possible as well as outstanding paragraphs of previous IRs. All important controversial points should invariably be discussed (before embodying in the IR) with the Head of the Office in the course of inspection with a view to their elucidation and settlement on the spot, if possible, consistent with sound financial and audit principles. The IR where necessary or where there is a disagreement between the Inspecting Officer and Departmental Officer should bring out the views or explanation of the Departmental Officer present at the discussion and why they could not be accepted by the former. The signature of the Departmental Officer should be obtained at the end after discussion on the DIR which should be formally forwarded to him for discussion with the words "*Forwarded to for perusal and discussion. No comments are necessary at this stage, misstatements of facts, if any, may be pointed out*". When the discussion is not possible, special reasons thereof should be briefly recorded. The Head of the Office may be requested in writing on the first day of audit to be present on the last day of audit for discussion. Please also see para 3.09(v) of this Manual.

(O.A. Circular 427 dt 27.3.77)

(ii) Instructions for Drafting the Inspection Report

The IR which will contain the results of Local audit should be drawn up on the following pattern:

- (a) The *preamble* of the report should contain the following materials.
 - (1) Inspection Report No.....of(To be filled in headquarters)
 - (2) Accounts Audited: (Transaction audit of accounts of the Office of the.....)
 - (3) Period of Accounts Audited: “*The period of Accounts to be audited*” is always from the month in which audit was conducted last to the month immediately preceding the month in which the present audit is taken up.
 - (4) Time taken for Audit:
 - (5) Name and designation of the officers who conducted audit :
 - (6) Name of the Officer who supervised the audit :
 - (7) Name of the Head of the Office for the period covered under Audit:
 - (8) Name of the Officer-in-charge of Accounts for the period covered under audit:
- (b) ***Scope of audit:*** - In all cases, the “*Scope of Audit*” should be mentioned at the end of the preamble (before part I of the Audit Report) that “*A test audit of the accounts and general examination of other records and registers for the period covered under audit.*”

Audit should cover (i) Nature and amount of revenue realized, (ii) Nature and amount of grants / subsidies / Loans sanctioned or paid and the category of institutions or persons to whom they are paid and (iii) Personal ledger Accounts and other funds or deposits operated by the office and their object and extent of transactions thereunder. It may be that some offices with little expenditure by way of contingencies may be entrusted with disbursement of huge sums by way of loans; such points should necessarily find mention in this part of the report.

Further, to inject quality and content to audit work, the functional activities of an entity should be examined and suitable comments incorporated in the DIR supported with a POM issued for the purpose.

(No.OA-I-Cir-Part-IV-3115 dt.02.12.2003)

(c) Structure of the DIR:

PART-I

1. **PART I (a)** Introductory

2. PART I (b) outstanding paras of previous IRs and Review of outstanding Inspection Reports and Paras & results thereof

The Reviewing Officer (in case of a review item) and SO / AAO (in case of non-review items) should give stress on the settlement of important paras on the spot. The Reviewing Officer / SO / AAO should inter-alia follow the following practices in settling the outstanding IR / paras.

- The Reviewing Officer / SO / AAO should discuss all the outstanding paras with the appropriate authorities and go through the relevant records / files to see if the defects and omissions pointed out in those outstanding paras have since been rectified settling the outstanding paras. He should report further action to be taken in respect of the remaining paras. Similarly pains should be taken to impress on the authorities concerned the seriousness of recurring irregularities shown under persistent irregularities.
- The SO / AAO of the party should take up this item of work on the first day of Inspection of any office. After the POM (in the proforma prescribed below) calling for the compliance is issued on the 1st day, close pursuance should be made for the replies and to obtain the relevant files and records for verification. If necessary, the matter should be taken to the notice of the Drawing & Disbursing Officer / Head of office and discussed with them so as to settle as many paras as possible on the spot. The item should in no case be allowed to be postponed till the closing day of Audit. Even if no replies are received against the outstanding IR paras, the paras may be reviewed suo moto and objections of similar nature may be taken to current report updating the position and old paras settled.
- The Reviewing Officer should, on his taking up review, see at the first instance how much progress has been made by the party in this regard and ensure satisfactory completion.

The SO / AAO of the Local Audit Party while submitting the DIR to OAD headquarters should also give therein a separate note regarding the number of outstanding IRs and paras existing against the office at the start of Inspection, number of IRs and paras reviewed, number of paras settled and IRs closed during the Inspection and the balance of IRs and paras carried over at the end of Inspection. In case of the paras which could not be settled during the Inspection, action as indicated in the proforma given below should be taken and

the requisite information in respect of them may be collected and the statement invariably attached to the DIR.

When the Note of the SO /AAO of the Local Audit Party showing the number of IRs closed / paras settled is approved by the Group Officer / Branch Officer in OAD headquarters section it should be posted in the Progress Register of the vetting sections and the monthly consolidated figures of all vetting sections are reported by OA-I by 5th of each month to the (Pr) Accountant General (CA) through the progress report of OAD headquarters.

All OAD headquarters sections should ensure that list of all outstanding IRs with paras (including paras to be locally verified) reach the parties before the commencement of any Inspection. Non receipt of the list of outstanding IRs should be brought to the notice of the Group Officer demi-officially by the Reviewing Officer / SO / AAO of the party concerned.

Statement of outstanding objection of previous Inspection Reports to be issued in the form of POM

PROFORMA

SI No.	I.R & Para No.	Objection in brief
(1)	(2)	(3)
Local information elicited at the time of Inspection	Gist of discussion with the office Inspected.	Compliance by the office
(4)	(5)	(6)
Recommendation of the Reviewing Officer	Group Officer's final orders	
(7)	(8)	

(Based on O.A. Circular No. 622 dt. 11.3.80)

The intention behind incorporation of objections from previous reports in the current report in part I (b) is to bring to the notice of the authorities concerned, the latest position regarding the outstanding IRs / Paras and also to bring in one place all such items for facilitating their effective pursuance by audit. As the outstanding objections are not mentioned in detail, the pursuance of outstanding objections has to be carried out on the basis

of original IR and their progress watched through the Progress Register of the vetting sections.

Occasions may arise when an outstanding paragraph of a previous IRs may have to be examined at the time of current inspection and the original para incorporated in a separate paragraph in Part II of the present DIR as a result of spot inspections and discussion. In such cases, pointed attention of the departmental authorities concerned may be drawn indicating the inadequacy of action taken in the past. It may be permissible to treat the said outstanding objection appearing in the original IR as settled. But such procedure should be adopted only in exceptional cases when outstanding paragraphs in an IR are very few (say one or two only).

(CAG's Circular letter No. 2542/264-71 dated 16.11.71 circulated as OA Cir. 432 dated 3.12.71)

3. Part-I (c) Persistent Irregularities

The objection which were commented upon in the previous IRs and are found to have been continuing or which have been closed by taking them into the current IR should, if the irregularities are still persisting and are of sufficient importance as to deserve mention in Part-II (A or B) of the IRs, invariably be mentioned under this paragraph bringing out clearly for how many years the irregularities have been persisting despite successive audit comments, so that in suitable cases, the facts may be brought to the notice of the Public Accounts Committee through comments in the Audit Report. The Party should, in addition give reference to paras of previous IRs in which the irregularity was pointed out by Audit against each irregularity mentioned in Part I (c) of the IR.

If, however, there has been some new development or a new aspect noticed in respect of a persistent irregularity which was not pointed out in the previous IR, the fact may also be mentioned in other part of the IR, in addition to a mention under this paragraph giving reference to each other in respective paras.

In respect of irregularities which have been continuing for years together and no action has been taken to settle them till the present Audit even though those were pointed out in successive IRs (*stating for how many years the irregularities have been continuing*) and the objections on the score in all the previous IRs treated as settled excepting in the current IR in which the irregularities were first pointed out.

(OA Circular No. 140 dated 17th July 1961)

PART-II
IMPORTANT IRREGULARITIES

This part should be sub-divided into Sections 'A' & 'B' as under:

SECTION 'A': Consisting of major and important irregularities, i.e. irregularities involving recoveries, questions of principle or losses etc., which are likely to materialise into para for Audit Report.

SECTION 'B': Consisting of irregularities which are not so important but are to be brought to the notice of higher authorities and pursued by the (Pr) Accountant General (Civil Audit).

(CAG's letter No. 1647-Admn. III/268-61, dated 16th August 1960 and III/268-60 dated 2nd January 1961)

Part-II (A) and (B) of the IR should contain only those objections on which specific replies or information is required from the higher authorities and which are to be pursued by OAD Headquarters. Complete material and copies of the documents necessary should be collected and attached to the IR in respect of serious irregularities deserving mention in **PART –II (A).**

(Based on O.A Cir-274, Dated 28th April 1965)

NOTE.1: While the DIRs are to be sent to the OAD headquarters sections as usual, copies of paras containing important objections if any which in the opinion of the SO / AAO / Reviewing Officers are considered fit for inclusion in the Audit Report should be sent in the form of Draft Note to the Group Officer by name so that such objection may be pursued with the authorities concerned by OAD DP Cell through separate letters for expeditious processing into draft paras instead of pursuing them in the normal manner through IR.

(Based on O.A. Circular No. 192 dated 28th September 1962)

NOTE.2: As instructed by Sr. DAG (IC) III the following guidelines should be scrupulously followed by all the field parties and vetting sections in issuing and disposing of the POMs.

- (i) The replies to POMs should be obtained as far as possible. In case no reply is received till last date of audit, a remark thereof may be made in the IR.
- (ii) In case the reply is in the nature of confirming audit observation it may be stated that the auditee office has confirmed the audit observations.
- (iii) If the reply to the POM is "noted for future guidance" it may be added to the corresponding audit para that the auditee has noted the audit observations for compliance.
- (iv) Whenever the reply is contradictory, the audit party should verify the correctness of the reply and modify the para accordingly. In this case another POM should be

issued explaining the reason for disagreement by Audit and to collect views of the auditee to give a rebuttal in the para.

- (v) In some cases it was noticed that on receipt of information to a POM, the same is neither checked nor any observation memo issued to the office and a para is directly incorporated in the DIR on the basis of information. This is not correct and the right course is to issue another POM containing audit observations based on the information and then take it into the DIR after receipt of reply thereof.
- (vi) Minor and insignificant Audit observation should be incorporated in the Test Audit Note. Objection having money value of Rs.1000 or more should be incorporated in the DIR.
- (vii) Only serious objections which can be developed into Draft Paras, those require recovery of money or sanction or denote a system failure etc, should only be incorporated in the DIR.

(OA Circular No. 931 dated 10.2.1999)

NOTE 3: Besides the above, the POMs should be made in duplicate so that in case of loss or / and non-return of original POMs by the auditee in exceptional circumstances, the audit party could use the duplicate copy of the same.

PART-III

TEST AUDIT NOTE

(a) Part III of the IR will consist of a Test Audit Note (TAN) containing minor and procedural irregularities. The TAN should be made out in duplicate in respect of which the Head of the office has held out assurance about following the correct procedure in future. The first copy of the TAN along with that of the schedule of procedural irregularities mentioned above should be issued on the spot itself at the close of audit under the signature of the SO / AAO or the Reviewing Officer, if supervision provided for. Acknowledgment of the receipt of the TAN by the Head of the office should be taken either in the office copy of the TAN or separately and attached to the office copy of the TAN. The office copy of the TAN should be attached to the DIR. In the body of the DIR under Part-III a mere mention to the effect that a TAN containing minor and procedural irregularities have been handed over to the Head of the office (to be named by designation) separately for necessary compliance thereto.

In the case of audit of grantee, loanee etc. institutions there should be no Part III at all, as in these cases next audit is uncertain. Minor points, if any, noticed in such audits which could not be settled on the spot may be included in Part-II B of the Report.

(b) At the time of subsequent visit to the said office the action taken on the TAN issued on previous occasion should be called for and verified. A review of the continuance of procedural irregularities in respect of which assurance was held out on previous occasion should also be undertaken to see how far the correct procedure has been followed in respect of them.

(c) In case full compliance to the previous TAN has not been made, the outstanding items thereof should be brought over to the current TAN with suitable remarks as to their non-compliance and issued along with fresh points that may come up during current audit. The outstanding items may also be carried forward to Part-II, if necessary, and a certificate to this effect recorded by the Reviewing Officer in Part-III of the DIR. On no account should unsettled point of the TAN be left outstanding since those objections will not be pursued by OAD-Headquarters Section for settlement.

(d) A model form of Test Audit Note to be issued is attached herewith.

TEST AUDIT NOTE ON THE ACCOUNTS OF THE.....	
FOR THE PERIOD..... FROM..... TO.....	
No. Date.....	No..... Dated.....
Forwarded to the.....	
For necessary action. The action taken on each item may be noted in column 3 and submitted to the next audit along with relevant records etc. For verification.	Submitted to the SO / AAO (OAD) after taking action on each item in column 3 which may be verified with reference to relevant records.

Signature..... *Signature*.....

(*Head of the Office*)

Designation *Designation*.....

ITEM NO.	PARTICULAR OF OBJECTION	ACTION TAKEN	HOW DISPOSED OF
(1)	(2)	(3)	(4)

(Based on CAG's letter No.1647-Admn. III/268-60, dated 16th August 1960 and OA Circular No.145 dated 9th August 1961)

(e) Paragraphs which contain simply factual position regarding such matters as delays in submission of DC Bills and stamped receipt etc., may be included in TAN. Up-to-date position of the advance outstanding, non-realisation of Government dues etc. may be commented upon in the current DIR and similar irregularities pointed out in earlier IR should be dropped.

(Based on O.A. –Cir-274)

(iii) Inclusion of objections relating to Departmental Receipts in the DIR on expenditure audit.

A separate DIR need not be drafted on the transaction of departmental receipt in respect of offices audited by the OAD field party personnel. However, audit observations relating to Departmental Receipts (along with the source and nature of receipts and head of accounts) may be included in the DIR on the expenditure audit. The extract of the paras relating to department receipts, related POMs and key documents should be sent by the OAD vetting sections to the concerned Revenue Audit headquarters sections for attempting Draft Notes at their end, if possible.

(iv) Quality and content of the DIR

(a) DIRs should be drafted with utmost care and precision. They should be as brief as possible consistent with lucidity and should not be in loose or ambiguous language. The value of the Inspection Report is not to be judged by its bulk though every point worthy of notice should be included therein. Brevity, consistent with thoroughness should be the object aimed at. The objections should be stated clearly but concisely and nothing should find a place in the report which cannot be supported by indisputable facts and figures. While it is necessary to make it clear as briefly as possible but no essential points should be omitted. However no insinuations should be made. It is not always sufficient to quote the rule or orders violated, the actual or possible effect of such deviations on the financial interest of Government should be explained intelligibly so that a layman can easily grasp the point. The SO / AAO / Reviewing Officers should see that each para of the Report is so drafted that the objection can be clearly understood by the OAD headquarters sections and it is pinpointed so that the pursuance thereof becomes effective. The fact of the case should be fully stated and rules and orders violated quoted, so that the objections raised are established and it is not possible for the departmental officers to brush it aside by some ready reply.

(Para 1 of OOB No. 341 dated 17th August 1949 and O.A. Circular No. 140 dated 17th July 1961)

(b) Inspection Reports on the accounts of Departmental Offices contain very often a list of more or less serious irregularities noticed in the maintenance of the initial accounts. Besides, in some reports, serious cases of Financial irregularities including embezzlement and fraud are also mentioned. In such cases remarks to the effect that “accounts were found satisfactory” should not be made in a routine and mechanical manner. It has, therefore, been ordered by the C&AG of India that such remarks should be recorded, only when the (Pr) Accountant General (CA) is satisfied that the condition of the accounts really warrants such a remark. He has further stated that the inclusion of such unqualified remarks on the state of accounts in the report, in the face of serious procedural defects, incompleteness of accounts records and other types of irregularities noticed during local audit and inspection is most undesirable as

the Government is lulled into a sense of security by such inappropriate audit comments.

(c) The above instructions should be borne in mind by the Inspecting Officers in drafting the general para on the state of work in the office inspected. In course of general examination of the DIRs in the OAD headquarters, the appropriateness of the general remarks should also be carefully examined.

(Based on the C.A.G's letter No. 336-Rep/3-51, dated 16th June 1951 (Dy. T.M.-14-1-752) and OOA 1610 dated 14th February 1955)

(v) Style of drafting the DIR and TAN

While drafting the DIR and TAN the following points should also be observed.

- Sufficient margin should be left on each page.
- Enough space should be left between every two lines of each para to facilitate any corrections or insertions.
- Each para of the draft report should be written on a separate sheet of paper so that all further remarks, additions etc, by the Reviewing Officer, SOs / AAOs / (Sr.) AO of OAD headquarters and the Group Officer may be written below or in continuance of the original para as drafted by the SO / AAO / Reviewing Officer. Important sub-paras may also be given a separate sheet to themselves.

(OAC No.4 of 1956-57 dt.14th December 1956)

- Each paragraph in the Inspection Report must be based on the POM and reply thereto furnished by the Departmental Officers. The number of the POM or the page number of such POM should also be indicated in the margin of the concerned paragraph of the DIR, to facilitate proper linking at the time of editing the report at OAD headquarters, keeping cross reference to the para of the IR on the POM also.
- As per the orders issued by the Comptroller and Auditor General of India, it is essential that the report should be drafted, and written out by the Inspecting Officer himself; it is not enough merely to correct the draft written by the SO / AAO. The (Pr) Accountant General (CA) has, therefore, ordered that in all cases where the Local Audit is supervised by the (Sr.) AO during the last days, the DIR should be drafted by the Reviewing Officer himself. It may also be emphasised again that apart from guiding their staff, the inspecting officers are expected to do certain amount of

original work (also see para 2.04 of this Manual) and to examine personally with reference to the initial documents, the important points arising out of the local audit.

In case, where no supervision by (Sr.) AO is provided, the report shall be drafted by the SO / AAO of the party and shall be edited by OAD headquarters. If during local audit any serious cases of misappropriation or overpayment etc. are noticed and the presence of a Reviewing Officer is felt necessary, the SO / AAO of OAD parties should immediately request the headquarters for arranging supervision.

(OA. Circular No. 235 dated 25th February 1964 base on C.A.G's letter No. 1604 Admn.II/20-63, dated 12th September 1963)

(vi) Observance of style guides issued by the C&AG in drafting IR / Audit Report

(a) The Circular referred to below emphasizing the need of improvement in drafting and uniformity in use of capital and small letters in Civil Audit Report in accordance with CAG's general circular No. 9 NO. 387 Report(s) / 7-97 dated 31st March 1997 shown in *Annexure-III* to this Chapter.

(b) An *extensive style guide for audit reports* has been issued by the C&AG during 2003 has also been enclosed in the *above Annexure*. This should also be scrupulously followed while drafting the IRs and the Audit Reports.

(OA Circular No. 906 dt. 18.8.1997 & OA-Circular-P&T-Misc-2757 dt.22.10.2003)

(vii) Issue of advance copy of Inspection Report to Head of the Offices on the spot:

(a) If the Head of an office so desires, he may be allowed to make out and retain a copy of the DIR so as to enable him to start action on the irregularities pointed out in the Inspection Report immediately, pending receipt of an approved copy from the Headquarters in due course. The advance copy of draft report so retained by the Head of the office should not contain any mark of authentication either by signature or initial of the inspecting officer or any of the members of the party.

(Based on O.A. Cir. 279 dated 17th June 1965)

(b) Generally a number of irregularities are noted on the cash books of various offices and it is necessary to rectify them immediately. To achieve this advance copy of the paras dealing with such irregularities may be handed over to the head of the office on the spot during discussion with the request for immediate rectification.

(O.A. Cir. 252 dated 28th August 1964)

3.18 Title Sheets to be attached with Draft Inspection Report

(i) Title Sheet

A Title Sheet enclosed vide *Annexure-IV (A)* to this Chapter should be filled in and enclosed with DIR

(a) *Filling up of the title sheet by the Reviewing Officers not present during the closing stages of audit:* In case when supervision is provided by (Sr.) AO for a few days during the course of audit but the Reviewing Officer is not present on the closing day, he must fill up actual dates of the supervision and in addition records his remarks, if any, in the relevant columns of the title sheets. During the days of supervision, the Reviewing Officer is expected to look into the more important records and draft the important objections himself; if he drafts an important para, he may also indicate this in the appropriate column of the title sheet. The review sheet must not be left blank when a Reviewing Officer has actually supervised the audit.

(O.A. Cir. 241 dated 1st June 1964)

(b) All the Reviewing Officers viz. (Sr.) A.Os / AAOs / SOs of the OAD field parties should record a certificate in the title sheet of the DIR to the effect that the vouchers for one month (month to be specified) have been reconciled with the entries of the cash book of the auditee unit.

(O.A. Cir. 939 dated 30.7.99)

(c) *Furnishing of Telephone Numbers / Postal address of auditee units:*

The Audit parties in OAD Group should intimate OAD headquarters, the telephone numbers of the offices / auditee units along with detailed postal address immediately after reaching the auditee organizations. These should be recorded at page 1 of the Title Sheet under Sl.No.1 (a) and 1(b) respectively. The inspecting officers should ensure this.

(O.A-I Cir. 942 dated 24.8.1999 & No.954 dated 04.01.2000)

(ii) Additional Title Sheet (introduced w.e.f. 1.1.1998)

An additional Title Sheet comprising of 17 more items have been included to the existing title sheet as listed in *Annexure-IV(B)*. As desired by (Pr) Accountant General

(CA), SOs / AAOs of all the field parties of OAD Group should comment specifically on points at Sl. No. 3,4,5,7 and 9 of the additional items.

(O.A. Cir. 911 dated 5.12.97)

(iii) Audit Note Book

An Audit Note Book detailed in *Annexure-IV(C)* should be maintained in respect of each audit unit and the SOs /AAOs / (Sr.)AOs of the field parties while conducting inspection of the unit should furnish the information as indicated therein to the OAD headquarters. The vetting section at OAD headquarters should ensure compliance to these instructions.

(O.A. Cir. 912 dated 9.12.97)

(iv) Supplementary Title Sheet in respect of audit of branches of Nationalized Banks

In respect of audit of branches of Nationalized Banks in addition to other Title Sheet a supplementary Title Sheet detailed in *Annexure-IV (D)* to this Chapter comprising of seven items should be enclosed with the DIR of the Banks sent to the OAD headquarters by the field parties. The title sheet should be signed by the SO / AAO / (Sr.) AO.

(v) The Reviewing Officer / SOs / AAOs should insist on showing the report to and discussing it with the head of the office himself and make entries to this effect against items provided for the purpose in the title sheet to the DIR. In the case where the head of the office expressed his inability to be present at the time of audit for discussion of the important points personally, a written statement to that effect, showing the reasons for absence may be obtained from him by way of confirmation and attached to the note mentioned against the relevant items of the title sheet so as to enable the OAD headquarters sections to bring the fact to the notice of higher authorities (vide O.A. Cir. 242 dated 27th Jun, 1964). If the report was discussed only with a subordinate officer the reasons thereof should be clearly recorded.

It should also be indicated against the relevant items of the title sheet whether full cooperation was extended by the staff of the office audited in producing relevant records and replying to the objection memos promptly. Any complaints in this regard should be substantiated with full details and also brought to the notice of the head of office on spot.

(O.A. Cir. 234 dated 21st February, 1964)

3.19 Submission of Draft Inspection Report to OAD Headquarters Section

- The DIR and TAN should be completed in all respect before the Party / Reviewing Officer leaves the office inspected. It should be borne in mind that no separate time is allotted for writing up the reports.
- The DIR, TAN and POM together with replies therein should be sent to the OA-I headquarters section within 3 days after the close of the Inspection / Local Audit.

(Para 14. O.O.B. 1340, dated 17th Aug. 1949)

Note- As directed by the Pr. Accountant General (CA) all the Reviewing Officers / AAOs / SOs of the OAD field parties are required to submit along with the DIR an "Assurance Memo" covering following points, duly signed by the Reviewing Officer with effect from 1st September 2007.

Work done by the party members: One "Audit Note" detailing the works done by each member of the party with reference to duty list duly signed by members concerned and countersigned by the Reviewing Officer is to be furnished, along with the DIR in the proforma given below. The compliance to this should also be indicated in the title sheet.

PROFORMA

Sl.No.	Name and designation of the party members	Duties allotted	Work done	Signature of the party member

Place:

Date: **Signature of the SO / AAO** **Counter signature of the RO**

- **Fraud and corruption in the detailed audit month:** A certificate to the effect that "No fraud and corruption is detected in the month in which detailed check was conducted" should be furnished by the SO / AAO of the party duly countersigned by the Reviewing Officer and to be enclosed with the DIR. (If there be no such observation in the DIR)
- **Confirmation of facts and figures incorporated in the DIR:** It is to be certified that all the facts and figures incorporated in different paras of the Inspect Report are correct and have been verified from the basic records of the Entity. This certificate be countersigned and authenticated by the Reviewing Officer.
- **Work done by the party members:** One "Audit Note" detailing the works done by each member of the party with reference to duty list duly signed by members concerned and countersigned by the Reviewing Officer is to be furnished alsowith the DIR.
- **Submission of Key Documents:** Key documents should be collected and enclosed with Potential Paras proposed for DP or under Part-II (A).

(O.A. Cir. 210 dated 5. 12. 1962 and OA-I-Genl-Cir / 1283 dated 22 August 2007)

(i) The DIR from the Local audit party relating to OAD items will be first received in OA-I headquarters and will be diarized. Then it will be computer numbered and the relevant data including three years expenditure figures will be fed into the computer. The name of the office, address, phone number(s), period from and up to which audited, etc. will be entered in the Programme Register for future reference and programme of audit. Then the DIR is handed over to concerned vetting section to make necessary entry in the sectional watch register by the reference clerk and hand it over to the auditor concerned who should enter it in the progress register of the Inspection Reports and exercise the following checks:

(a) On receipt of the DIR the auditor concerned will see that information given in the Title Sheets is complete and correct in all cases and call for wanting information if any, immediately by an express letter.

(b) Defects noticed in the DIR will be communicated to the SO / AAO and Reviewing Officer concerned under the signature of the Branch Officer-in-charge of the vetting section as soon as the IR is finally issued. Serious defects as well as others which persist even after the attention of the persons concerned was drawn to them would be brought to the notice of Group Officer and will normally be communicated under his signature. A copy of all communications of the latter category will be endorsed to the Group Officer for record. Final disposal of such communication should be personally watched by the concerned section and position reported to Group Officer.

(c) While forwarding copies of IRs to offices higher than the Head of office, their special attention should always be drawn to all the paras in Part-II-A and such other as are specially selected for this purpose by the Branch Officer / Group Officer. In addition extracts of paras selected for communication to Government specially should be communicated to them with a forwarding letter indicating briefly the nature and seriousness of irregularities involved. Copies of such letters (without enclosures) should be endorsed to the subordinate officer concerned, quoting reference to the number and date of the memos with which a copy of the IR was endorsed to him. Final disposal of such irregularities should be watched carefully by the section and the Group Officer should be kept informed about the latest position.

(d) Collection of data for preparation of consolidated draft paras on irregularities of a serious nature which are noticed repeatedly in the various offices and have

serious financial implications when taken together for the whole State should be noted in the register maintained for this purpose. This register should have different parts for incorporation of different types of irregularities and the irregularities noticed at the time of checking of the IRs in the vetting section should be noted under the proper heading. The Register should be reviewed by the SO / AAO periodically so as to ensure that draft paras are made in time when sufficient materials are collected for the purpose and put up to the Branch Officer on the fifth of every month.

(ii) Processing of Potential paras into Draft Notes

(a) The potential paras of the IR approved by the Group Officer and to be examined for converting the same into Draft Notes should be sent to the OAD DP Cell by the concerned vetting sections along with all available key documents with a forwarding memo detailing the name of the audit organization, accounts audited etc. The OAD DP Cell should diarise it in the *Part-IIA / B Register*. These paras are handed over to the AAO / SO for examination. If the para is not fit for converting it into Draft Note the same will be deleted from the Part-IIA / B Register under the approval of the Group Officer and the concerned vetting section will be intimated to pursue its disposal through the IR. The paras which can be floated as Draft Notes immediately are entered in the *Potential Draft Para Register (PDPR)-I* and processed as Draft Notes. After obtaining approval of the Group Officer it will be issued to the Government / Heads of the Department. For this, an entry will be made in the *PDPR-II Register*. The paras which need further information and key documents should be entered into correspondences with proper quarters. After collection of required materials if it will be fit for converting into Draft Note, it is entered in the PDPR-I Register and processing continues as detailed above. Otherwise it will be dropped under the approval of the Group Officer and the vetting section will be intimated to pursue its disposal through the concerned IR.

(b) **The registers for watching finalisation of draft paras** for inclusion in the Audit report should be kept up-to-date and cases outstanding for finalisation should be finalised early by correspondence with Government and Departments. Cases which are marked for incorporation as draft paras and on which further information have been called for from the Government or Department for finalisations should also be noted in this register and finalisation watched through the same.

(c) The entries in the PDPR-I should be closed every month with an abstract showing the number of items pending for finalization at the beginning of the month (Opening Balance), number of items added during the month, number of items converted into Draft Note and items removed otherwise, items remained for processing at the end of the month (Closing Balance) and the same should be reported to the Group Officer monthly and (Pr.) Accountant General (CA) quarterly.

ANNEXURE-I

Para 3.02(i)

**OFFICE OF THE ACCOUNTANT GENERAL (AUDIT) ORISSA
BHUBANESWAR**

OA – Circular No. 721

Dated: 15.3.84

Sub: - Duties of Inspection Parties.

A broad outline of responsibilities and duties of various categories of personnel in Civil Inspection Parties as laid down in Manual for re-structuring of cadres in IA & AD issued by C&A.G. as a supplement to the M.S.O (Admn) Vol. I is as under. However, the Audit Officer / Sr. Audit Officer in-charge of the inspection parties is not precluded from making certain changes to be indicated by him in writing in the distribution suggested keeping in view the suitability of the individual official for the type of work in hand.

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

Duties and responsibilities presently assigned are not only important but also sufficiently exhaustive. Review of the Scheme executed in department will in fact be time consuming. Further the Inspecting Officer has to perform the coordinating functions to achieve overall efficiency in performance. In addition to this the duties and responsibilities of Reviewing Officers laid down in para-2.04 of OAD Manual shall also apply.

(B) SO / Asst. Audit Officer

- (1) Audit of the accounts of receipt.
 - (2) Audit of accounts of stores.
 - (3) Examination of Cash Book.
 - (4) Examination of Vouchers for the test months which are submitted to Central Audit and made available to the party and the Headquarters with original records, contents, documents etc.
 - (5) Audit of vouchers not submitted to Central Audit.
 - (6) Verification of drawals and deposits into Treasury with reference to Treasury records.
 - (7) Examination of the special points marked for special investigation by Central Audit.
 - (8) Audit of works expenditure.
 - (9) Accounts of stores requirement etc. received under various foreign aid programmes.
-

(10) Departmental Inspection reports.

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

- (1) Examination of Service Books, Service Rolls, Broad – sheets and ledger in respect of P.F. Accounts of Group–D staff etc.
- (2) Obtaining files containing important rules / orders issued by Government in respect of Institution 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.
- (3) Check of disposal of previous Inspection Reports.
- (4) Audit (triennial) of taccavi accounts.
- (5) Audit of expenditure of State Government in connection with large gatherings of political organizations.
- (6) Establishment. Pay bills.
- (7) T.A. Bills.
- (8) Register of un-disbursed Pay and allowances.
- (9) Register of advances.
- (10) Property accounts i.e. immovable property accounts like land, buildings and other assests.

(D) Junior most of Two Auditors/Senior Auditors

- (1) Dead-stock Register.
- (2) Register of empties.
- (3) Stamp account.
- (4) Register of deposits.
- (5) Log Book & Diaries of Government vehicles.
- (6) Register of stationery.
- (7) Register of uniforms.
- (8) Register of Books & Periodicals.
- (9) P. F. Accounts of Group-D employees.

2. Where the audit parties comprise of one AAO and one SO with one Auditor the distribution of work would be as under:

(A) Audit Officer / Sr. Audit Officer

Same as those in Para-I (A) above.

(B) Asst. Audit Officer

Items (2), (3), (4), (6) & (9) under –I (B) SO. Items (2), (6), (7) & (8) under “C-Senior of two (Sr.)Auditors” in para-I (c) above.

(C) SO

Items (1), (5), (7) (8) & (10) under–I (B) SO “and (1), (3), (4), (5), (9) & (10) under senior of two (Sr.) Auditors” in Para-I (C) above.

(D) Auditor / Sr.Auditor

Same as in para 1(D) for junior of two (Sr.) Auditors.

The allocation of duties as indicated above is however not sufficient to cover all the items of work found in different offices. The leader of the party i.e. the concerned AAO / SO shall allocate such un-listed items of works between the party personnels so that no records and register maintained by the Government offices are left without check. Basing on the allocation as detailed above the leader of the party should allocate the duties among his party members and a statement to this effect should be enclosed to the Inspection reports. The allocation should be signed by all and got approved by the Reviewing Officer if supervision is provided. In this case the Reviewing Officer shall also indicate the details of work done by him in the allocation of duties.

As regards issue of P.O.Ms by the field personnel and its consequent development for inclusion in the Inspection report, the instructions issued in OOB No. 3 dated 14.3.84 should be kept in view.

Certain records which were eliminated from check as per para-4 of OA Circular No. 706 dated 15.3.83 may be checked except Attendance Register, extract of Log Book of vehicles, Telephone log books (in offices other than secretariat and Heads of the Department).

The instructions issued above are not exhaustive. The instructions contemplated in OAD Manual and other instructions issued under OA Circulars from time to time should also be followed by all the OAD field parties.

(Based on annexure 2, 9, 1 to Manual of Instructions for reconstructing of Cadres in IA & AD issued by C&A.G of India as a supplementary to M.S.O (A) Vol. I)

ANNEXURE – II

(Para 3.15)

**ANNEXURE TO THE STANDING ORDER ON AUDIT OF FRAUD AND CORRUPTION
(CAG's Letter No.126 (AP) / 1-2004 Dt.06.09.2006 Circulated Vide OA-I-Gen-Fraud &
Corruption / 1560 dated 27.09.2006)**

1. Introduction

1.1. Examination of system for detection and prevention of fraud and corruption will be an integral part of all regularity audits and also of performance audits, when it forms one of the audit (sub) objectives. The present standing order is issued with immediate effect. As and when the need arises detailed guidelines will be issued.

1.2 The provisions contained in the present standing order are in suppression of the existing instructions on the subject.

1.3 The expression 'Accountant General' used in this standing order, includes the Director General of Audit, Principal Accountant General (Audit), Accountant General (Audit) and Principal Director of Audit.

1.4 The expressions 'Auditor' and Audit Personnel' include all officials engaged in audit work irrespective of their designation.

2. Fraud examination

Fraud examination is a part of the normal auditing procedures and includes:

- being alert for situations, control weaknesses, inadequacies in record keeping, errors and unusual transactions or results, which could be indicative of fraud, corruption, improper expenditure or lack of probity; and
- Focusing audit strategy on areas and operations prone to fraud and corruption by developing effective high risk indicators for fraud.

3. Characteristics of fraud

3.1. Fraud should be distinguished from error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. For example, the following actions amount to error and not fraud.

- A mistake in gathering or processing data from which financial statements are prepared;
- An incorrect accounting estimate arising from oversight or misinterpretation of facts; and
- A mistake in the application of accounting principles relating to measurement, recognition, classification, presentation or disclosure.

3.2 The meaning and nature of Fraud can be understood by referring to the following definitions.

- Fraud is an intentional act by one or more individuals among management, those charged with governance, employees or third parties involving the use of deception to obtain an unjust or illegal advantage.
- Fraud involves deliberate misrepresentation of facts and / or significant information to obtain undue or illegal financial advantage.

3.3 Fraud involving one or more members of management or those charged with governance is referred to as “management fraud”, fraud involving only employees of the entity is referred to as “employee fraud”. In either case, there may be collusion within the audited entity or with third parties outside of the audited entity.

3.4 Fraud has legal (criminal) connotation. Auditors do not make legal determinations of whether fraud has actually occurred. They can report suspected or presumptive fraud.

3.5 Ample caution needs to be exercised before terming an act as ‘Fraud’. For an act to come within the ambit of ‘Fraud’, the following elements are required to be present.

- The act is intentional on the part of one or more individuals working in collusion with each other;
- The object of the act is to obtain or give illegal advantage in violation of the laws, rules and guidelines existing on the subject.
- The intention, collusion and object of obtaining illegal advantage will have to be present when a particular act is committed. An act committed in good faith, which by subsequent turn of events, proves to be incorrect or based on wrong information is not fraud;
- The advantage or benefits to an individual or a group of individuals will have to be tangible and not notional or presumptive; and
- Normally, any such act would cause loss to exchequer or be against public interest.

3.6 Fraud may involve:

- manipulation, falsification or alteration of records or documents;
- misappropriation/misapplication of assets;
- suppression or omission of the effect of transactions from records or documents;
- recording of transaction without substances; and
- Misapplication of accounting policies.

3.7 The mandate of Government Audit is broader than solely that of financial statement auditor and includes responsibility for verification of regularity and performance. Hence, the auditor should be aware of the possibility of fraud not only in the preparation and presentation of financial statement but in other areas covered by regularity (compliance) and performance audits as well.

Considerations of materiality

3.8 Assessments of materiality in Government Audit may often not be restricted to risks of material misstatements in the financial statements but comprise fraud in the context of the broader scope of Government Audit. While determining materiality levels for different audit areas, adjustments to the materiality level that may make audit more responsive to risk arising from fraud and corruption should be considered.

3.9 In Government auditing, it might be appropriate to set lower materiality levels than the private sector auditing to ensure higher levels of accountability of the audited entity and various legal and regulatory requirements. The occurrence of fraud may lead to a qualification of audit opinion, even when the fraud is disclosed in the financial statements.

3.10 Though traditionally materiality has been one of the prime factors to determine the audit priority, in case of fraud detection, since the act is illegal, materiality assumes lower significance. Although the temptation of embezzlement of a lower amount is much less, lack of internal controls may lead to a series of misdemeanors, all of small amounts.

3.11 Audit can not always establish and determine whether a misrepresentation was an error or fraud. While Audit looks at records, fraud examination goes beyond audit. Hence, Audit can put red flags (an indication that further scrutiny of the items would be required) which need further investigation by appropriate agencies and reporting the result to Audit.

4. Characteristics of corruption

4.1 Corruption is a complex issue. The following definitions indicate the nature of corruption.

- *Corruption involves behaviour on the part of officials in the public and private sectors, in which they improperly and unlawfully enrich themselves and / or those close to them, or induce others to do so, by misusing the position in which they are placed¹.*
- *Corruption is the abuse of public power for personal gain or for the benefit of a group to which one owes allegiance².*

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

- There must be at least two parties, viz., 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 inducements;
- 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.

5. Nexus between fraud and corruption

¹ Asian Development Bank

² World Bank

5.1 Corruption and fraud are not mutually exclusive. There is, in most cases, a nexus between the two.

5.2 Fraud is most likely to involve deliberate misrepresentation of information that is recorded and summarized by an entity; its impact can be compared to an accounting error and would involve issues such as measurement, occurrence and disclosure. Fraud poses a serious problem from an audit perspective because it is normally accomplished by efforts to cover / falsify / misdirect the entity records and reporting. Thus, fraud can directly affect the financial statements and records of the audited entity.

5.3 Quite often, the efforts to misrepresent may involve the management itself. When management gets involved in the preparation of fraud, the activity assumes the proportion or the 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 perpetrated by an individual or a small group to cover lapses.

5.4 One problem which corruption poses for audit is that it is linked with the acts of bribery. It is possible to conceive of situations where bribery may have a direct impact on financial statements. For example, where a tax officer collects a bribe from an entity to provide a tax relief or where an entity pays an influential decision-maker a bribe to secure a contact. In such situations the issue of proper disclosure is involved because the corrupt practice of the illegal payment/expense is normally covered up through an accounting, compliance or reporting fraud.

5.5 In some case, corruption may have only a consequential and not a visible and direct effect on the accounting records, for example, when the quality specifications are compromised in a supply order to benefit a supplier.

5.6 In many instances corruption does not necessarily reflect in the 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 misused by an official. Such corruption does not normally get reflected in information that comes in the purview of audit, for example, when a tax officer collects bribery to give a refund which is lawfully due to a taxpayer. Thus, whereas the loss to the auditee is usually fairly apparent in cases of fraud, in the case of corruption, the corrupt employee may benefit from the act, but there may not be any loss to the auditee or effect on financial information.

5.7 Both fraud and corruption are without proper authority and involve breach of trust and therefore are illegal or irregular. They also involve an element of non transparent conduct or behaviour. In fact corruption is a special type of fraud and treated as such in many jurisdictions. In any case audit teams / officers should be well aware of the complex distinction as well as correlation between the two.

6. Types of fraud and corruption

There are several types of fraud and corruption. Some illustrative types (relating to contracting for goods and services) are indicated in Appendix-A.

7. Respective Responsibilities of Management and Audit

Responsibilities of Management

7.1 It is the responsibility of those charged with governance of the entity to ensure, through oversight of management, that the entity establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

7.2 In relation to fraud, it is important to recognize that the responsibility for the prevention and detection of fraud and error rests primarily with the management of the audited entity through the implementation and continued operation of accounting and control systems designed to check fraud. The responsibility for adequate and timely disclosure of any case of fraud and corruption rest with the management and the responsibility of ensuring reliability and results of operation must include concerns arising from risk of fraud and corruption. The management is expected to document the system established for prevention, detection, response, follow-up and reporting of fraud and corruption.

Responsibilities of Audit

7.3 Detection of fraud is not the primary objective of audit. Audit must, however, evaluate and report on the adequacy and competence with which the management has discharged its responsibility in relation to prevention, detection, response and follow-up / remedial measure in relation to fraud and corruption. The auditor should make the management aware that the absence or lack of application of reliable and valid performance measures and indicators could increase the possibility of occurrence of fraud and corruption.

7.4 Audit should be alert to shortcomings in systems and controls that are likely to provide an environment conducive for fraud and corruption and should recommend to the management measures to improve the control environment and minimize the risk of fraud and corruption.

7.5 Any indication that an irregularity, illegal act, fraud or error may have occurred which could have a material effect on the audit finding / opinion should cause the auditor to extend procedures to confirm or dispel such suspicions.

7.6 It should be borne in mind that if a fraud was perpetrated but not discovered in audit, the conduct of audit personnel can be called in question, particularly if the evidence was such as would arouse suspicion in an auditor of normal prudence. Hence, the audit personnel need to be aware of the possibilities of fraud at the planning stage and should be vigilant while carrying out the audit work.

8. Considerations of fraud in audit of financial statements

8.1 During audit of financial statements, two types of intentional misstatements are relevant to the auditor, viz., misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

8.2 Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. Fraudulent financial reporting may be accomplished by the followings:

- Manipulation, falsification (including forgery), or alteration of accounting records or supporting documentation from which the financial statements are prepared;

- Misrepresentations in, or intentional omission from, the financial statements of events, transactions or other significant information; and
- Intentional misapplication of accounting principles relating to the amount, classification, manner of presentation, or disclosure, etc.

8.3 Misappropriation of assets involves the theft of an entity's assets and can be perpetrated by employees as well as management.

8.4 The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. An auditor obtains reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. An auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

9. Considerations of fraud in performance audits

9.1 Similar considerations apply in case of performance audits. In performance audits, while selecting objectives, sub-objectives and issues, the vulnerability / risk to fraud and corruption should be given due consideration.

9.2 In the course of performance audit, the effectiveness of internal control to prevent and detect fraud and corruption should be considered as one of the audit objectives, depending upon the materiality and risk analysis.

9.3 Where the performance audit team comes across any possible indicators of fraud, it should probe the matter further and report its findings. Some of the significant areas for scrutiny from fraud angle could be the integrity of performance information and evidence of delivery of goods and services.

10. Consideration of fraud in receipt audit

10.1 Audit should not in any way substitute itself for the revenue authorities in the performance of their statutory duties. However, Auditors should satisfy themselves that the requirements of legality and regularity are observed in individual assessments and in general that the departmental machinery is sufficiently safeguarded against error, fraud and corruption.

10.2 In the audit of receipts, it would be necessary in the case of a department which is a receiver of public moneys to ascertain what arrangements (internal controls) are in place to ensure the prompt detection, investigation and prevention of irregularities, double refunds, fraudulent or forged refund vouchers or other loss of revenue through fraud, error or willful omission or negligence to levy or collect taxes or to make refunds. Auditors may also suggest appropriate improvements in the systems and procedures for prevention, detection and reporting of cases of fraud and corruption.

11. Considerations of fraud in audit of World Bank and other externally assisted projects

Audit is responsible for reporting to the funding agency whether the implementing agencies have carried out expenditure on the scheme in accordance with the pattern specified in the project appraisal report relating to the schemes and terms of such assistance and Government of India instructions and to identify matters relating to inadequacies in systems and control, cases of fraud or presumptive fraud, wasteful expenditure and failure of administration to take corrective action on recommendation contained in earlier report.

12. Professional skepticism

12.1 Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional skepticism requires an ongoing questioning of whether the information and audit evidence obtained suggests the existence of fraud having a material effect on audit findings /opinion.

12.2 Due to the characteristics of fraud, the auditor's attitude of professional skepticism assumes particular importance when considering the risks of fraud having material effect. When obtaining reasonable assurance, an auditor should maintain an attitude of professional skepticism throughout the audit, consider the potential for management override of controls and recognize the fact that audit procedures that are effective for detecting error may not be appropriate in the context of an identified risk of fraud having material effect. This is notwithstanding the auditor's past experience with the entity about the honesty and integrity of management and those charged with governance.

13. Fraud awareness at the audit planning stage

Risk assessment

13.1 The field offices should carry out an independent risk assessment and prioritize their audit planning accordingly. This should include consideration of any information received from the public or media on suspected cases of fraud and corruption. The audit plans should focus on high risk areas, for instance, those areas indicated at paragraph 13.8.

13.2 Though audit cannot insure against frauds, the possibility of their occurrence should be kept in mind while preparing for an conducting audit, by maintaining an attitude of professional skepticism.

13.3 While planning his audit, the auditor should assess the risk that fraud may cause the financial statements to contain material misstatement or record material irregular transactions.

13.4 The auditor may keep in view that the risk of fraud and corruption could be higher in certain organization like those involved in procurement of goods and services.

13.5 The auditor should have a complete understanding of the audited entity including the environment in which the entity operates, the level of internal control and the past performance of the audited entity especially previous instances of fraud and corruption.

13.6 Based on the risk assessment, the auditor should develop the audit objective and design audit procedures so as to have reasonable expectation of detecting and evaluating

material misstatement and irregularities arising from fraud and corruption. In case of high risk audit the audit team should be selected keeping in view the requirement of such audit.

13.7 The field offices should keep in view the need for flexibility in terms of budget, time and expertise of the audit team particularly when fraud and corruption are suspected or discovered in the course of audit.

Identification of areas requiring attention

13.8 An understanding of the audited entity should enable the auditor to identify potential high risk areas and suitably modify audit procedures and techniques. Give the complexity of transactions and refinement of audit methodologies across the globe, taking expenditure as the sole criterion is simplistic and unsophisticated. The broader definition of fraud risk should cover areas of specific concern to the Government Auditor, although potentially not having a material impact on the financial statements. Some of the common high risk areas (illustrative) are :

- contracts of service/procurement (for example, the fraud risk includes violation of prescribed laws and regulations concerning the procedures for inviting, receiving and processing of tenders, selection of bidders);
- inventory and asset management;
- sanctions / clearances;
- programme management and performance management information;
- revenue receipts (for example, incorrect valuation of goods, inadmissible duty draw back claims, misuse of exemptions and notifications regarding refund claims, embezzlement through incorrect account of receipts, etc.)
- cash management;
- expenditure on AC bills;
- grants (like grants-in-aid to autonomous bodies non-governmental organization; for example, the fraud risk includes violation of prescribed conditions in providing and administering grants by the Government Departments or in spending by the recipients, intentional misstatements in financial reporting in order to receive unlawful grants);
- financial statements;
- operating information (for example, the fraud risk includes overstatement / understatement of accomplishments, progress in meeting performance goals, number of citizens served, programme improvements, compliance with policies, etc. irrespective of whether the possible fraud is related to the entity's financial statements);
- computerized environment;
- privatization of public sector functions (for example, the fraud risk includes non-adoption of open competitive process, manipulation of bidding terms and evaluation criteria, etc.), joint ventures, public-private partnerships, etc;
- any other areas involving public interface (for example, the fraud risk includes fraud in exercise of public authority like issuing of regulations, permissions and concessions).

13.9 As the first step, during the Preliminary Systems Evaluation, the adequacy of various accounting systems and procedures, whether set out in the form of a manual or otherwise, should be examined and the extent of check of individual transactions should be determined based on the results of such examinations. This is all the more necessary since generally a sample of the transactions is checked in audit and audit personnel cannot escape responsibility if significant deficiencies in the accounting systems and procedures lead to misuse or abuse of public moneys. The concept of Systems Audit is that if an in-depth analysis of the mechanics of a system reveal that it is designed with appropriate controls, checks and balances to safeguard against errors, frauds, etc., Audit can reasonably assume, without the necessity of undertaking a detailed examination of the individual events or transactions, that the results produced by the system would be fairly accurate. Evaluation of the efficiency and effectiveness of any system will, however, require sample testing of its actual working.

14. Vigilance about fraud at audit execution stage

Vigilance during the course of audit

14.1 During the course of audit work, the audit personnel should be vigilant and seek explanations, if it comes across possible fraud indicators.

14.2 Auditors need to be alert to deviations from acceptable accounting standards including disclosure requirements particularly when there is suspicion of fraud and corruption.

14.3 The auditor may keep in view that when a fraud is conducted there is a deliberate effort to conceal the facts and distract the auditor.

Fraud indicators

14.4 Some possible fraud indicators (red flag areas) are given in Appendix-B. They are illustrative only, and should not be taken as exhaustive. The audit personnel should exercise professional skepticism and professional judgement in dealing with possible fraud indicators.

14.5 It should also be recognized that failure to appreciate the significant of what appears to be a trifling irregularity may result in failure to discover an important fraud or defalcation. Therefore, notice may be taken of the cumulative effect of numerous petty errors or irregularities as being indicative of carelessness and inefficiency in the maintenance of accounts or in financial administration generally.

14.6 If no satisfactory explanations are offered and the auditor suspects that irregularities may have occurred, he should probe the matter further and inform management of the audited entity. If the irregularities had a material effect on the accounts, suitable qualification in the accounts may be warranted. Audit should also recommend improvement in the control procedures to management for preventing recurrence of bad practice and/or irregularities.

Information to be sought from the entity management

14.7 At the commencement of each audit, information about the fraud awareness and related environment should be collected from audited entity management.

14.8 The information should include *inter alia* :

- Policy and system to prevent and detect fraud/corruption and reporting;
- System to establish accountability for fraud/corruption;
- Fraud/corruption indicators;
- Instances of fraud and corruption noticed since last audit;
- Action taken on such cases, including strengthening of internal control systems;
- Special areas prone to risk of fraud and corruption; and
- Guidelines issued by management with regard to control of fraud and corruption.

15. Audit evidence

Nature of evidence

15.1 The auditors should clearly understand that the audit evidence obtained can be only persuasive and not conclusive. Yet the evidence in case of suspected fraud and corruption ought to be closer to conclusive. While reporting all cases of suspected fraud or corruption, they should refrain from making any judgment regarding the existence of fraud or corruption but should suggest suspected fraud/corruption or presumptive fraud.

Some illustrative checks

15.2 Analytical procedures are helpful in identifying the existence of unusual transactions or events and amounts, ratios and trends that might indicate matters having audit implications. When performing analytical procedures at the planning stage or during the course of audit, unusual or unexpected relationships may indicate risk of fraud.

15.3 Fraud detection measures need to be built in the audit procedures, so that during the audit, the auditor can highlight a transaction for a possible fraud or identify such consistent system failures, which can lead to a fraud. Some of the checks, which could be applied to determine the red flag items during the course of audit, are illustrated below.

- examine the use of delegation of powers particularly in vulnerable areas;
- examine the effectiveness and adequacy of internal controls in various areas;
- check for collusion between the supplier and employees/management;
- examine cases of misuse of financial powers;
- check for false statements and false claims : whether information presented to justify a transaction is incorrect and at the point of time when such information was presented, the person submitting the information had access to correct information;
- examine evidence for cartelization, split purchases, collusive bidding, over and under invoicing and making payments on the basis of false progress reports;
- check for loss of revenue due to evasion and/or non-accountal or receipt;
- examine for payment made for services/supplies not received;
- seek confirmation with other related parties;
- checking of cross-linking of documents for evidence of known wrongdoing; and
- Cases of misclassification; etc.

Fraud specific internal controls

15.4 As regards fraud specific internal controls, there could be two types of such controls, viz., active internal controls and passive internal controls. Examples of active internal controls can be the following:

- (i) Signatures and document countersigning procedures;
- (ii) Segregation of duties and functions;
- (iii) Physical asset control;
- (iv) Real time inventory control;
- (v) Document matching and cross linking of documents.

15.5 Wherever the management of the audited entity makes changes and improvements in the internal control system either due to changes in its environment or as a response to previous instances of fraud and corruption, such changes and improvements should be particularly studied or evaluated during audit.

Audit approach

15.6 Since complete evidence about cases of fraud and corruption may not be available to Audit, due care should be exercised in arriving at an audit conclusion. In many circumstances additional test may have to be performed and additional evidence acquired than would normally be considered appropriate and necessary for arriving at an audit opinion.

15.7 Whenever a material instance of failure to comply with the applicable laws and regulations is observed, the auditor should without automatically assuming the management and staff are dishonest investigate the control failure with an appropriate degree of professional skepticism. He may also examine if the supporting evidence has been tampered in any manner or any individual(s) could have benefited from the material violation.

15.8 When auditors suspect the possibility of fraud and corruption, they should establish whether it has taken place and there has been resultant effect on the financial reporting, especially whether the audit certificate requires qualification. Similar considerations apply in case of performance audits, where there has been effect on the programme execution or performance reporting.

15.9 When auditors intend to report on fraud and corruption, they should ensure the reliability of audit evidence by verifying it with source documents including third party evidence. Auditor should carefully determine how much evidence they should gather in support of audit findings. Auditors should also keep in view that the possibility that the evidence gathered by them and their findings could become the basis for legal or disciplinary proceedings.

15.10 In determining overall responses to address the risk of fraud, the auditor should:

- (a) Evaluate the accounting and reporting policies used by the entity particularly those related to subjective measurements and complex transactions; and
- (b) Incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures, for example:

- performing substantive procedures on selected account balances and assertions not otherwise tested due to their materiality or risk;
- adjusting the timing of audit procedures from that otherwise expected;
- using different sampling methods;
- performing audit procedures at different locations or at locations on an unannounced basis;
- use computer-assisted audit techniques (CAAT) to gather more evidence about data contained in significant accounts or electronic transaction files, to select sample transactions from key electronic files, to sort transactions with specific characteristics, or to test an entire population instead of a sample;
- design external confirmations;
- supplement such external confirmations with inquiries of non financial personnel in the entity;
- performing more substantive testing at or near the period end; and
- Performing analytical procedures at a more detailed level, etc.

15.11 The auditor may identify a risk of material misstatement due to fraud affecting a number of accounts and assertions, including asset valuation, estimates relating to specific transactions and other significant accrued liabilities. The risk may also relate to significant changes in assumptions relating to recurring estimates. Information gathered through obtaining an understanding of the entity and its environment may assist the auditor in evaluating the reasonableness of such management estimates and underlying judgments and assumptions. A retrospective review of similar management judgments and assumptions applied in prior periods may also provide insight about the reasonableness of judgments and assumptions supporting management estimates.

15.12 To respond to the risk of management override of controls, the auditor should design and perform audit procedures to :

- (a) test the appropriateness of journal entries and other adjustments made in the preparation of financial statements;
- (b) review accounting estimates for biases that could result in material misstatement due to fraud; and
- (c) obtain an understanding of the business rationale of significant transactions that the auditor becomes aware of that are outside of the normal course of business (operations) for the entity, or that otherwise appear to be unusual given the auditor's understanding of the entity and its environment.

Computer evidence

15.13 Since many records are produced by computers in the usual and ordinary course of work, auditors should understand how to collect and handle those records as audit evidence. Collecting computer evidence requires careful planning and execution. Auditors should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

Compliance with the provisions of GFRs

15.14 The Audit personnel should also check compliance with the provisions of Rules 33, 34, 37 and 38 of the General Financial Rules (GFRs) 2005 (Rules 16 to 19 and 21 of earlier GFRs) regarding :

- reporting losses or shortages of public moneys, departmental revenue or receipts, stamps, opium, stores or other property held by, or on behalf of Government irrespective of the cause of loss and manner of detection by the subordinate authority concerned to the next higher authority as well as to the Statutory Audit Officer and to the concerned Principal Accounts Officer, even when such loss has been made good by the party responsible for it, except cases which need not be reported under the provisions of the GFRs;
- bringing cases involving serious irregularities to the notice of Financial Adviser or Chief Accounting Authority of the Ministry of Departmental concerned and the Controller-General of Accounts, Ministry of Finance, redrawing of amounts lost through misappropriation, defalcation, embezzlement, etc. bearing of loss to Government on account of culpability of Government servants by the Central Government Department or State Government concerned with the Transactions;
- making recovery from the erring Government officials;
- reporting of all cases involving loss of Government money arising from erroneous or irregular issue of cheques or irregular accounting of receipts will be reported to the Controller-General of Accounts along with the circumstances leading to the loss to enable him to take steps to remedy defects in rules or procedures, if any, connected therewith;
- reporting of losses above the prescribed value due to suspected fire, theft, fraud, etc. to the Police for investigation as early as possible; obtaining a formal investigation report should be obtained from the Police Authorities in all cases, which are referred to them;
- fixing of responsibility for loss on the concerned officers;
- prompt disposal of cases of loss at each stage of detection, reporting, write off, final disposal, in cases of losses including action against delinquents and remedial measures.

15.15 Extracts of the provisions of these Rules have been given in Appendix-C.

15.16 As the Rules may be amended from time to time, the auditors should ascertain the latest Rules applicable and check compliance.

15.17 Non-reporting of losses or shortages of public moneys, departmental revenue, etc. as required by GFRs can be an indicator suggesting non-transparency and the presence of an element of fraud or corruption (though not conclusive).

15.18 Non-compliance with provisions in Rule 29 of GFRs for endorsement of sanctions to the Audit Officer could also be an indicator for fraud or corruption in some cases. The risk of non-compliance with GFRs from fraud and corruption angle should also be investigated.

16. IT fraud

Nature of IT fraud

16.1 IT fraud could involve the manipulation of a computer or computer data by whatever method in order to dishonestly obtain money, property or some other advantage of value or to cause loss.

16.2 Computers provide opportunities for their misuse for economic or financial gains. Computer networks can be used to commit crimes from geographically far off places. Frauds committed using computers vary from complex financial frauds to the simpler frauds where computer is only a tool to commit a crime. With some State Governments, Union Government Departments and public sector organizations going for e-commerce / e-payment systems in a large way, possibility of electronic fraud requires attention.

16.3 IT frauds are committed by insiders, outsiders, vendors, competitors, etc. Such frauds are committed by manipulation of input, output or throughput of a computer system. Fraud can also be committed by hacking into the system for causing deliberate damage.

Role of Audit in relation of IT fraud

16.4 Since many records are produced by computers in the usual and ordinary course of work, auditors should understand how to collect and handle those records as audit evidence. Collecting computer evidence requires careful planning and execution. Auditors should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

16.5 The steps in prevention of frauds in computerized systems involve setting up of proper access controls both physical and logical. Physical access controls ensure against unauthorized access to computerized system and logical access controls prevent unauthorized access to data and software for its use and manipulation.

16.6 For auditors, the most effective tool is data enquiry, analysis and reporting software. Powerful interactive software like ACL and IDEA can quickly sift through voluminous electronic data and assist in the detection and prevention of fraud in an organization. They can be used to process normal data as well as exception reports and audit trails, but demand flexibility and creativity on the part of the auditor. The auditor should have capability to revise and upgrade queries based on the findings from previous queries. Besides having auditing skills, it is important that auditors have intimate knowledge of computerized system to understand the possible modes of fraud so that they can isolate all types of risks to the organization.

16.7 Increasing use of IT systems by auditees requires that the auditor should have access to reliable and verifiable system based audit trails to evaluate the internal control. The Auditor has to be particularly aware of the audit trail, of the checks and balances of IT systems, of the levels of control and needs to also have a fair idea of how processing controls can be circumvented by the perpetrator of fraud and how data can be accessed and manipulated. It is particularly important for the auditor of the IT system to assess in his audit the level of security controls built in and if these are in tune with the sensitivity of data.

16.8 In case of fraud involving use of computer systems, the audit personnel should also comply with the instructions on Information Technology Audit (IT Audit) issued by the IT

Audit Wing of Headquarters Office and the Comptroller and Auditor General's Manual of Standing Orders (Audit) Second Edition.

17. Documentation

17.1 The auditors should collect adequate documentation which may provide evidence during subsequent enquiries, investigations, court cases, etc.

17.2 The documentation should include *inter alia* :

- (a) The identified and assessed risks of fraud, the overall response of the auditor to the assessed risk of fraud and the nature, timing and extent of audit procedures and the linkage of those procedures with the assessed risk of fraud;
- (b) The results of the audit procedures, including those designed to address the risk of management override of controls;
- (c) Communications about fraud made to management, etc.

17.3 The documentation should also be capable of proving that the Audit personnel have discharged their functions with reasonable care and due diligence and should enable a review of working procedures and working papers.

18. Supervision and review

Supervision and review of the work of audit personnel shall be exercised in accordance with the Auditing Standards of C&AG of India and instructions issued from time to time.

19. Reporting

Initial reporting

19.1 Reports of individual cases of suspected / presumptive fraud/corruption should be addressed confidentially, in the first instance, to the controlling authority concerned with the approval of Group Officers. Copies may simultaneously be sent confidentially to higher authority in cases that are regarded to be so grave or serious. In the case of Controlling Officer based audits, the report should be sent confidentially to the concerned Controlling Officer (with a copy to the Chief Controlling Officer concerned) whereas in the case of Drawing and Disbursing Officer based audits, the report should be sent confidentially to the concerned Drawing and Disbursing Officer (with a copy to the Controlling Officer concerned).

19.2 The situations / events that may be suggestive of fraud / presumptive fraud should be highlighted in the inspection reports with a recommendation to the executive for detailed investigation and response.

19.3 The report of the audit party should indicate *inter alia* the scope of audit, main findings, total amount involved, modus operandi of the suspected fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures (including changes in the systems and procedures) to safeguard against recurrence of fraud/serious financial irregularity.

19.4 In addition to reporting to the management of the audited entity, material/significant cases of fraud and corruption may be reported through separate confidential letters to the specified investigating agency like Central Bureau of Investigation (CBI), Central Vigilance Commission (CVC) in case of Union Government and State Vigilance Commission/Lok Ayukta, etc. in case of State Government with the approval of the Accountant General or by him/her, depending upon the seriousness of the cases. In this connection, the provisions of paragraphs 19.8 to 19.11 may also be seen.

Qualification in Audit Opinion on financial statements

19.5 In case of financial audit, instances of possible fraud and corruption may require making qualification in the Audit Opinion on financial statements, depending upon the materiality of the audit findings. In other cases, they may be reported to entity management in a special letter or in the regular inspection reports, depending upon the circumstances.

19.6 When in the opinion of the auditor the financial statements include material fraudulent transactions, or such transactions have not been adequately disclosed, or the audit conducted by the auditor leads him to the inference that instance(s) of fraud and/or corruption have taken place and when the auditor has adequate evidence to support his conclusion, he should qualify the audit certificate/opinion and/or ensure that his findings are adequately included in his audit report. **However, the term fraud or corruption may not be used in a conclusive sense unless such action is established in a court of law.**

Printing cases relating to fraud and corruption

19.7 Cases relating to suspected/presumptive fraud and corruption should be highlighted in the Inspection Reports, Audit Notes, etc. and also in the Audit Reports. All such cases should be printed in bold type.

Reporting to investigating agencies

19.8 Accountant General, Principal Directors of Audit, etc. should carry out a quarterly review of the audit findings contained in the inspection reports, audit notes, etc. relating to different wings of their offices and bring specific material/significant cases of suspected fraud or corruption.

19.9 While forwarding the Bond Copy of the Audit Reports to Headquarters, the Accountant General, Principal Directors of Audit, etc. should highlight in the forwarding letter the number of cases of suspected fraud and corruption together with the money value of the concerned paras included in the bond copy. All such cases should be taken up immediately after approval of the bond copy with the appropriate vigilance or investigative authorities by the Accountant General, even if these cases were reported to them earlier. Such cases should be forwarded to the vigilance or investigative authorities such as the Central Bureau of Investigation, Central and State Vigilance Commissions, Lok Ayukta, etc. through confidential letters, drawing reference to earlier correspondence, if any, and with additional information that these cases have been included in the CAG's Audit Report to Parliament / State Legislature. While forwarding such cases, the Accountant General/Principal Director should also send a brief write-up of such cases with details of the names of individuals, firms, address, etc., and any other necessary information available in field offices which are not mentioned in the Audit Report as per our reporting policy. **It should be clearly stated in the communications that in view of the intent of Audit to**

bring be matter to the notice of Parliament / Legislature, strict confidentiality should be maintained about the matter to avoid any likely breach of privilege of Parliament / Legislature.

19.10 The communications to vigilance or investigative authorities should clearly indicate that the audit evidence is obtained from the original documents of the audited entity. They should also indicate that the audit findings are based on the test check carried out and the information and records received from the audited entity. The investigative agency should use information given by us as a lead and make their own examination of the primary/original records which are available with the audited entity/Department.

19.11 The reporting to the vigilance or investigative authorities may be completed after approval of the bond copy, without waiting for the availability of printed audit reports. While, for the Audit Reports relating to State Governments and Union Territories, the concerned Accountant General will be the Nodal Officer, for the Audit Reports relating to Union Government, the reports may be sent by the respective report controlling wings under orders of the ADAI/DAI concerned.

19.12 In the submission note to CAG, of the bond copy, the number of cases of fraud and corruption included in the Draft Report should be mentioned together with the money value of concerned paras.

Post-Audit Report letter to the Chief Minister

19.13 The draft of the annual post-Audit Report letter to the Chief Ministers should contain a brief mention of issues relating to fraud and corruption where such cases appear in the Audit Reports. The field Accountant General should put in place a system of monitoring paras relating to fraud/corruption and a brief mention of this should be made in the annual post-audit letters to Chief Ministers. Such letters should be submitted immediately after reports are laid in the State Legislature.

20. Follow-up

20.1 The field offices shall institute mechanism for recording the cases of fraud and corruption (including possible indicators of fraud and corruption) noticed during the course of audit in separate registers maintained for the purpose. Such cases should be followed up vigorously with the concerned audited entity and with higher executive authorities and should not be settled in a routine manner. All significant cases should be followed up with the Secretary of the Administrative Department concerned.

20.2 In following up on reported cases of fraud and corruption the auditor should determine whether the necessary action is being taken with due regard to urgency that the situation demands and become aware of the changes in the systems and procedures which could be validated through subsequent audits.

20.3 The Accountant General may send annual confidential letters to the Secretaries of the concerned Administrative Departments (in cases where the inspection reports, audit notes, etc. throw a pattern of fraud across the Department) indicating the details of the important cases of suspected fraud and corruption.

20.4 It should be noted that once a matter has been referred to the investigative or vigilance agencies, the responsibility and scope of audit is to provide the information and assistance sought by them in accordance with the extant instructions. The matter may, however, be followed up through discussions in formal meetings with the investigative or vigilance agencies.

21. Additional instructions

Memorandum / Certificate of Assurance to be obtained from the Audit Party

21.1 The Accountant General may require the Audit Party to provide a Memorandum / Certificate of Assurance, which should include, *inter alia*, examination of issues relating to fraud and corruption and compliance with the provisions of this Standing Order and other applicable instructions by the Accountant General supported by detailed documentation.

Database

21.2 Each field office should establish a database of fraud or corruption related audit issues for building a linkage across functional groups to identify red flag items. Change in mode of audit investigation is required to bring out system deficiencies in greater detail rather than mentioning only money value. Red flagged items should bring out the intention and failure of internal control irrespective of money value. The database should be transparently reviewed by the Accountant General every quarter for further strategy and directions to the field audit parties.

Objection Book

21.3 Cases of fraud or corruption etc, should also be recorded along with cases of misappropriation, defalcation, etc. in an Objection Book in accordance with the instructions contained in the Comptroller and Auditor General's Manual of Standing Orders (Audit) Second Edition.

Skill development

21.4 The field offices should have an adequate inventory of skills to deal with cases of fraud and corruption and for this purpose, arrange for training of their officials at the Regional Training Centres/Institutes.

Developing sector specific guidelines/checklists

21.5 The Accountant General should develop sector specific guidelines / checklists to deal with cases of fraud and corruption in the audit of entities belonging to specific sectors, for the guidance of the field staff deployed in such audits and furnish a copy of such guidelines / checklists to DG(Audit).

Reporting to Headquarters

21.6 The field offices should send half yearly reports on cases of suspected material fraud and corruption noticed by them to the Headquarters Office.

21.7 In view of the ongoing rationalization process of Management Information System (MIS), the half yearly reports may be sent electronically or placed on local intranet in such manner as may be prescribed upon completion of the rationalization of MIS.

Continuance of the existing provisions relating to reports on defalcations and losses

21.8 The existing provisions in the Manual of Standing Orders (Audit) Second Edition relating to reports on defalcation or loss of public money or property and action to be taken thereon shall continue to be in force.

Appendix-A

Illustrative fraud and corruption in contracting for goods and services

Bribery and Kickbacks – Money or any other form of reward or favour is exchanged between a public functionary and a provider of goods and services in order to obtain some benefits 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 or supplier, which may affect the basis on which the contract was awarded to the contractor or supplier 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 or supplier 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 or suppliers form cartels to fix artificially high prices for goods and services supplied by them.

Conflict of Interest – Contracts are awarded on the basis of vested interests of the decision makers.

Defective Pricing – The contractor or supplier submits inflated invoices.

False Invoices – The contractor or supplier 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 services.

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

Phantom Contractor – Purchase are made from a fake supplier or contractor.

Pilferage 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.

Supply Orders – In excess of, or without establishment the requirement/need and much ahead of the actual requirement.

Appendix-B

Some indicators (red flags) for possible fraud and corruption (illustrative)

Procurement and contracting of goods and services

Requirements for 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; and
- 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 or suppliers;
- 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 or supplier submits unrealistic bid indicating collusion or bid rotation;
- Unusual withdrawal of bids;
- Re-bid results identical to original bids;
- Successful contractors or suppliers use competitors as sub-contractors or sub-suppliers; and
- Justification for single source procurement is inadequate, etc.

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; and
- Unduly high labour payments; etc.

Accounting records:

- Missing vouchers;
- Production of photocopies of documents instead of originals;
- Alterations and erasures in accounting records;
- Any unusual accounting entries;
- Discrepancies between contract accounts and subsidiary records;
- Discrepancies between predicted figures and actual figures during analytical review procedure; and
- Employees in sensitive posts not taking leave; etc.

Performance Information

- Performance information about delivery of goods/services, assets creation, etc. not supported by original documents and downstream data;
- Theoretical calculations not supported by actual measurements, muster rolls, inspection notes, quality reports, etc;
- Non-production of basic records, viz., asset register, muster roll, measurement books, etc.
- Non-availability of transparent evidence of expenditure and receipts into Government Account; and
- Inconsistency between financial and physical information about progress of scheme / work.

Note: These are only illustrative examples. Accountant General may please prepare a comprehensive list of 'red flag' items in audit of various Department/sectors and establish procedures to ensure that such items are reckoned while planning the audits, transparently documented and evidence of addressing all such items and their treatment are recorded and retained.

Extracts from the Provisions of General Financial Rules, 2005

Rule 33 Report of Losses:

- (1) Any loss or shortage of public moneys, departmental revenue or receipts, stamps, opium, stores or other property held by, or on behalf of Government irrespective of the cause of loss and manner of detection, shall be immediately reported by the subordinate authority concerned to the next higher authority as well as to the Statutory Audit Officer and to the concerned Principal Accounts Officer, even when such loss has been made good by the party responsible for it. However, the following losses need not be reported:
- (i) Cases involving losses of revenue due to –
 - (a) mistakes in assessments which are discovered too late to permit of a supplementary claim being made;
 - (b) under assessments which are due to interpretation of the law by the local authority being overruled by higher authority after the expiry of the time-limit prescribed under the law, and
 - (c) refunds allowed on the ground that the claims were time-barred.
 - (ii) Petty losses of value not exceeding Rupees two thousand.
- (2) Cases involving serious irregularities shall be brought to the notice of Financial Adviser or Chief Accounting Authority of the Ministry or Department concerned and the Controller General of Accounts, Ministry of Finance.
- (3) Report of loss contemplated in sub-rule (1) & (2) shall be made at two stages-
- (i) An initial report should be made as soon as a suspicion arises that a loss has taken place.
 - (ii) The final report should be sent to authorities indicated in sub-rule (1) & (2) after investigation indicating nature and extent of loss, errors or neglect of rules by which the loss has been caused and the prospects of recovery.
- (4) The complete report contemplated in sub-rule 3, shall reach through proper channels to the Head of the Department, who shall finally dispose of the same under the powers delegated to him under the Delegation of Financial Power Rule, 1978. The reports, which he cannot finally dispose of under the delegated powers, shall be submitted to Government.
- (5) An amount lost through misappropriation, defalcation, embezzlement, etc. may be redrawn on a simple receipt pending investigation, recovery or write-off with the approval of the authority competent to write-off the loss in question.
- (6) In cases of loss to Government on account of culpability of Government servants, the loss should be borne by the Central Government Department or State Government concerned with the transaction. Similarly, if any recoveries are made from the erring Government officials in cash, the receipt will be credited to the Central Government Department or the State Government who sustained the loss.

(7) All cases involving loss of Government money arising from erroneous or irregular issue of cheques or irregular accounting of receipts will be reported to the Controller General of Accounts along with the circumstances leading to the loss, so that he can take steps to remedy defects in rules or procedures, if any connected therewith.

Rule 34. Loss of Government property due to fire, theft, fraud : Departmental Officers shall, in addition to taking action as prescribed in Rule 33, follow the provisions indicated below in cases involving material loss or destruction of Government property as a result of fire, theft, fraud, etc.

All losses above the value of Rupees ten thousand due to suspected fire, theft, fraud, etc. shall be invariably reported to the Police for investigation as early as possible.

Once the matter is reported to the Police Authorities, all concerned should assist the Police in their investigation. A formal investigation report should be obtained from the Police in all cases, which are referred to them.

Rule 37. Responsibility for Losses : An officer shall be held personally responsible for any loss sustained by the Government through fraud or negligence on his part. He will also be held personally responsible for any loss arising from fraud or negligence of any other officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

The department proceedings for assessment of responsibility for the loss shall be conducted according to the instructions contained in Appendix 1 and those issued by the Ministry of Personnel from time to time.

Rule 38. Prompt disposal of cases of loss : Action at each stage of detection, reporting, write off, final disposal, in cases of losses including action against delinquents and remedial measures should be completed promptly with special attention to action against delinquents and remedial measures, taken to strengthen the control system.

Note : *The corresponding provisions in the earlier General Financial Rules are Rules 16, 17, 18, 19 and 21 which should be checked for compliance in relevant cases.*

Appendix-1

Instructions for regulating the enforcement of responsibility for losses, etc.

1. The cardinal principle governing the assessment of responsibility is that, every Government officer should exercise the same vigilance in respect of expenditure from public fund generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. While, the competent authority may, in special cases, condone an officer's honest errors of judgement involving financial loss if the officer can show that he has acted in good faith and done his best up to the limits of his ability and experience, personal liability shall be strictly enforced against all officers who are dishonest, careless or negligent in the duties entrusted to them.

2. In cases where loss is due to delinquencies of subordinate officials and where it appears that this has been facilitated by laxity of supervision on the part of a superior officer, the latter shall also be called strictly to account and his personal liability in the matter carefully assessed.

3.(a) The question of enforcing pecuniary liability shall always be considered as well as the question of other forms of disciplinary action. In deciding the degree of an officer's pecuniary liability, it will be necessary to look not only to the circumstances of the case but also to the financial circumstances of the officer, since it should be recognized that the penalty should not be such as to impair his future efficiency.

(b) In particular if the loss has occurred through fraud, every endeavour should be made to recover the whole amount lost from the guilty persons and if laxity of supervision has facilitated the fraud, the Reviewing Officer at fault may properly be penalized either directly by requiring him to make good in money a sufficient proportion of the loss or indirectly by reduction or stoppage of his increments of pay.

(c) It should always be considered whether the depreciated value of Government property or equipment lost, damaged or destroyed by the carelessness of individuals entrusted with their care should be recovered from the delinquent official. The depreciated value of the stores may be calculated by applying 20% of depreciation in the case of vehicles including cycles and 15% in the case of calculating machines, on the reduced balance every year. The amount to be recovered may be limited to the Government servants' capacity to pay.

4. When a pensionable Government servant is concerned in any irregularity or loss, the authority investigating the case shall bear in mind the provisions contained in Central Civil Services (Pension) Rules 1972 as amended from time to time and immediately inform the Audit Officer and/or the Accounts Officer, as the case may be, responsible for reporting on his title to Pension or Death-Cum-Retirement Gratuity and the authority competent to sanction Pension or Death-Cum-Retirement Gratuity and it will be the duty of the latter to make a note of the information and see that the Gratuity or Death-Cum-Retirement Gratuity is not paid before a conclusion is arrived at as regards the Government servant's culpability and final orders are issued thereon.

5. The fact that Government servants who were guilty of frauds or irregularities have been demobilized or have retired and have thus escaped punishments, should not be made a justification for absolving those who are also guilty but who still remain in service.

6. It is of the greatest importance to avoid delay in the investigation of any loss due to fraud, negligence, financial irregularity, etc. should the administrative authority require the assistance of the Audit Officer and/or the Accounts, as the case may be, in pursuing the investigation, he may call on that officer for all vouchers and other documents that may be relevant to the investigation; and if the investigation is complex and he needs the assistance of an expert Audit Officer/Accounts Officer to unravel it, he should apply forthwith for that assistance to Government which will then negotiate with Audit Officer and/or the Accounts Officer concerned for the services of an investigating staff. Thereafter, the administrative authority and the Audit/Accounts authority shall be personally responsible within their respective spheres, for the expeditious conduct of the enquiry. In any case in which it appears that recourse to judicial proceedings is likely, the Special Police Establishment or the State Police should be associated with the investigation.

7. Depending upon the results of the inquiry, departmental proceedings and/or prosecution shall be instituted at the earliest moment against the delinquent officials concerned and conducted with strict adherence to the Central Civil Services Classification, Control and Appeal Rules and other instructions prescribed in this regard by Government.

ANNEXURE-III

Improvement in drafting and use of Style Guide for Reporting

[Para 3.17 (vi)]

**OFFICE OF THE ACCOUNTANT GENERAL (AUDIT) ORISSA:
BHUBANESWAR**

Circular No. 906

Dated 18.8.1997

Sub:- Improvement in drafting and uniformity in the use of Capital and Small letters in Civil Audit Report and enhancement of monetary limit to the tune of Rs.25 lakh for Draft Para purposes.

C&AG of India General circular No. 9 issued vide letter No. 387-Rep (S)/ 7-97 dt. 31.3.97 on the above subject received with letter No. OAD (D.P. Cell) 191 (5) dated 5.8.97 is circulated to all the field parties for their information and guidance.

This issues wit the approval of Sr. Deputy Accountant General (I-C).

Encl: As above

Sr. Audit Officer/OA-I

**OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL
OF INDIA: NEW DELHI**

General Circular No. 9
No. 387-Rep (S)/ 7-97
Dated: 31st March 1997

Sub:- Improvement in drafting and uniformity in the use of capital and small letters in Civil Audit Reports.

In order to have uniformity and improvement in the style of reporting, the following is circulated among all (Pr) Accountants General (Audit) for information and necessary action.

a) Need for an appropriate caption of a paragraph.

There is need to give adequate thought in providing a suitable caption to a paragraph in order to ensure that the title itself incites interest in readers mind to go through the paragraph. The caption should convey what exactly has gone wrong with the Department which resulted in infructuous/wasteful expenditure or loss. Captions like “unfruitful expenditure” “unproductive expenditure” should be avoided. In this regard this office General Circular No.4 circulated vide No. 212- Rep(S)/ 7-97 dated 26 February 1997 may please be referred to.

b) Introduction of caption in the body of the paragraph.

A caption containing the gist of audit finding may be put in a box in the body of the first sub-paragraph preferably on the right hand corner to draw the attention of the reader. In case of a long paragraph, the (Pr) AGs may consider placing such boxed captions at more than one place. Audit Report (1995-96) of Haryana and various Central Reports for 1995-96 may be seen for this.

c) General principles for good drafting.

- (i) Choice of words and phrases should be made with care in drafting the paragraph. The style adopted in drafting the Report should be direct, in third person and in active voice. CAG has desired that reporting should be in an aggressive style clearly fixing direct responsibility. Use of the word ‘Irregular‘ should be avoided to the extent possible as it gives an impression that even though it was an act of a wrong doing the same could be regularized subsequently.
- (ii) The draft should be clear, readable and interesting. The language used should be plain and simple and the one which is commonly used. Sentences and paragraphs

should be short. Adoption of foreign phrases, scientific words which are uncommon should be avoided. A sub-paragraph should ordinarily be not longer than one third of a page (typed in single space). To avoid logical inconsistencies, it is desirable that before drafting a paragraph the main points are listed out and arranged chronologically and sub headings given for each sub-paragraph, is considered necessary. In order to bring out the focus of the paragraphs sharply, any temptation to include unnecessary and irrelevant details may be resisted and it may be ensured that the matter of the paragraph is confined to the facts coming out of analysis of data/documents collected during inspection.

- (iii) It should be ensured that the facts are mentioned in the reports after careful verification.
- (iv) Audit paras should clearly focus on wrong decisions taken by Government officials leading to loss to the Government.
- (v) The concluding sentence(s) in a paragraph must carry a clear message of the audit finding outlining the areas of lapses/deficiencies and the accountability thereof. While it is not mandatory to include recommendations in the conclusions of all draft paragraphs or all major sub-paragraphs of reviews, the (Pr) Accountants General may use their discretion in deciding the merit of each case for such recommendations. The ultimate objective is to include a constructive suggestion in the paragraphs/reviews in line with the auditing standards of the IA & AD.
- (vi) The overview should meet the following criteria.
 - 1. It should provide a comprehensive picture of the Draft Para/Review, yet should be very brief.
 - 2. It should be factually accurate but direct, forthright and interesting to a reader.

d) Use of small and capital letters.

Reference is invited to Headquarters Circular letter No.931-O & M/72-87 dated 12.12.87 whereunder broad principles to be adopted in usage of capital and small letters for various terms and expression in Audit Reports had been spelt out. A copy of the same is sent herewith for ready reference. However, a few additions to the list are suggested in the Annexure which may also be used uniformly while drafting paragraphs/reviews. Audit Report and other relevant documents.

- e) Draft paras / reviews should be sent in double space with a large margin so that necessary corrections/modifications, etc. are easily carried out.

- f)** Appropriate currency units should be used. Whereas for amounts more than 100 lakh, crore should be used, figures like 01 lakh etc, may not be used. The words ‘Lakh’ and ‘Crore’ should be used as a unit and not in plural.
- g)** Efforts should be made to ensure that only those objections with sizeable money value are developed for audit report. With large-scale inflation and devaluation of Rupee, a sum of Rs.25 lakh may be taken as a limit for this purpose. This of course, should not result in an interesting para getting excluded from the report.
- h)** Many a times it has been observed that in a draft para/review material from a given key document is quoted out of context just to prove our point of view. This creates embarrassment later and is to be avoided. Instructions already exist making the concerned Group Officer responsible for ensuring that the evidences available are adequate, reliable and relevant. This has to be ensured in each case. A list of key documents should be attached during the first journey itself.

Uniformity in the use of Capital and Small letters in the official Publications.

The need to have uniformity in the use of Capital or Small letters for the various terms and expressions used in our Audit Reports and our departmental publications has been recognised and the broad principles to be adopted for this purpose are spelt out below: -

- (i) As a general rule, capital letters at the beginning of words occurring in the middle of sentences should be avoided and the general preference should be to use small letters.
- (ii) Capital letters should be used wherever a term is used to refer to a specific object (e.g. a particular fund, department, document, scheme, etc).
- (iii) The term ‘grants’, appropriations, etc. should begin with letters of the lower case i.e., small letters. However, when any specific grant or appropriation is mentioned, capital letters should be used e.g., Grant No. 42. Roads and Buildings.
- (iv) The usage of Capital and Small letters as shown in the Constitution of India, budget documents, demands for grants, etc. of the Central and State Governments, should be adopted.
- (v) Capital letters should be used for government only when referring to the full legal title, used as a proper noun or as a political decision making unit e.g., Government of India, Government of Bihar.

(vi) The names of Acts passed by Parliament and Legislatures should be used exactly as notified in the gazettes, with capital letters at appropriate places.

2. These principles may be strictly followed, while editing inspection reports, audit reports, audit notes, draft paragraphs and other departmental documents. An illustrative guide on usage of capital letters is given in the Annexure.

(C & AG' Circular No. 931-O & M/72-87 Dated 12.11.87)

UNIFORMITY IN THE USE OF CAPITAL AND SMALL LETTERS IN THE OFFICIAL PUBLICATIONS

- 1) Audit (Where it is used to denote the Audit Institution of the C.A.G)
- 2) Appropriation Accounts.
- 3) Audit Reports (When it refers to CAG's Report).
- 4) Accounts and Entitlements (When it refers to the organization).
- 5) Accountant General/Director of Audit/Member Audit Board.
- 6) Abstract of Stock Receipts/Issued.
- 7) Administration (When it is used to refer to a specific authority).
- 8) Buildings, Roads, Irrigation, Public Health Engineering, Branches (In relation to Public Works).
- 9) Cash Account (in relation to treasury accounts).
- 10) Centre/ Central Government.
- 11) C&AG of India.
- 12) Combined Finance and Revenue Accounts.
- 13) Constitution (when it refers to the Constitution of India).
- 14) Committee of Parliament.
- 15) Consolidated Fund/Contingency Fund/Public Account.
- 16) Civil Audit (in relation to CAG's audit).
- 17) Commercial Audit (when it refers to CAG's Commercial Audit).
- 18) Defence Audit (in relation to CAG's audit).
- 19) Consolidated Treasury Receipt.
- 20) Committee (when it refers to a Financial Committee).
- 21) Committee on Public Undertakings.
- 22) Defence (when it refers to Defence Department).
- 23) Debt. Deposit, remittance heads.
- 24) Defence Services (when it refers to Army, Navy and Airforce).
- 25) Executive (when used as an organ of State).
- 26) Finance Accounts.
- 27) Finance Bill.
- 28) Food, Rehabilitation and Supply Department.
- 29) Financial Committees.
- 30) Goods Received Sheet.
- 31) General Revenues.
- 32) Government Companies/Corporations.

- 33) Governor.
- 34) Government.
- 35) Heads of Departments/Administrations.
- 36) Indian Audit and Accounts Department.
- 37) Interstate Suspense Account.
- 38) Indian/ British postal orders.
- 39) Judge (in relation to High Court Judge/Supreme Court Judge).
- 40) Legislature.
- 41) Lok Sabha Secretariat.
- 42) List of payments (in relation to treasury accounts).
- 43) Legislative Assembly.
- 44) Ministries/Departments (in specific cases).
- 45) Organisation and Methods (Division).
- 46) Priced Stores Ledger.
- 47) Public Works Department.
- 48) Public Accounts Committee.
- 49) President.
- 50) Parliament.
- 51) Posts (when it refers to department of Posts).
- 52) Pay and Accounts Officer.
- 53) Public Account.
- 54) Railway Administration
- 55) Railway Audit (in relation to CAG's audit).
- 56) Railway (when it refers to Railway Department).
- 57) Register of works.
- 58) Register of Cheques Drawn.
- 59) Railway Finance.
- 60) Rajya Sabha Secretariat.
- 61) Rules of Procedure and conduct of Business.
- 62) Settlement Account Abstract.
- 63) Schedule of Remittances.
- 64) State/State Government.
- 65) Telecommunication (when it refers to Telecommunication Deptt.).
- 66) Telephone Development Fund.
- 67) Union/Union Government.
- 68) Union Territories.

!	CURRENT	UNIFORM
Prefixes which are not <i>words</i> that can stand-alone.	Non / vice / anti / pre / post / re / multi / sub / cum	Non- / post-/ Vice-Chairman / re-invest / (hyphenate unless joined in usage e.g. viceroy, preamble, preceding, antidote, multitude, reiterate, reorganise) sub: usually joined –cum-
Plan	VII, 7th, etc.	Seventh or VIIth Plan
DATE	Various	24 November 1993 / (November, 93)
Table entries	Various	Period at the end of entry not necessary unless more than one sentence / item in same cell.
Audit/...in audit	test check (ed)	Test-check (ed) (hyphenate)
Subject	Directorate (<i>sic</i>)/ Department	Directorate / Department “D” capital throughout text <i>if</i> subject auditee
IAAD = Audit	audit.....by/in	Audit
Periods in short	Rs./ sq. km. but number = no.	Rs. / sq. Km / kg (omit period , but space) (not sq kms / kgs. etc) but no.
Hyphenswise	Year / state, etc. – wise (hyphenate & join)
.....or	Break up	Break-up
....not	Short/long	Short-/ long-term
Co-	Co(-) operative	cooperatives /....societies / coordinate (join)
Over/under	Over estimation/ under utilization	Over–estimated (generally Hyphenate unless combined by usage e.g. undermine, overrate, overaged)
More of -ing	Accountal, blockade, etc	Accounting, blocking , etc
Amount	Rupees in crores, lakhs, etc	Rupees in crore, lakh, etc.

**(OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INIDA
Style Guide for
AUDIT REPORT**

Introduction

1. This Style Guide is in five parts: (i) general advice on good writing; (ii) guidance on drafting; (iii) a list of conventions which must be followed in IA & AD; (iv) an A to Z of common errors and weaknesses and (v) list of words and phrases to be used with care.
2. Many of the rules are arbitrary and the judgment prescriptive. Nobody is likely to agree with them all, but they should be applied in the interests of consistency and to save time in re-drafting and proof reading.
3. The guide is written in the context of our audit reports, but the message it promotes, applies to all our official writing; to produce drafts that are clear, readable and interesting. It is not intended to set up a single drafting model. But the Style Guide does seek to encourage the use of plain, simple English-short words, short sentences and short paragraphs.

1. General advice on good writing

- 1.1 Clear writing depends on clear thinking. To draft well a writer must know just what meaning he wishes to convey.
- 1.2 You can usually say what you want in short and everyday words. This is especially important if you are writing about a complex subject. Readers will need all their attention to grasp what they are being told. They don't want to spend time in grappling with obscure language.
- 1.3 Orwell observed 'A scrupulous writer in every sentence that he writes will ask himself at least four questions. What am I trying to say? What words will express it? What image or ideas would make it clearer? Is this image fresh enough to have an effect? And he will probably ask himself two more: Could I put it more shortly? Have I said

anything that is avoidably ugly? So think what *you want to say, then say it as simply as possible. Keep in mind the following elementary rules:*

- *Avoid cliches and slang;*
- *Never use a long word; when a short word will do.*
- *If it is possible to cut out a word, always cut it out;*
- *Never use a foreign phrase, a scientific word or a jargon word if you can think of a straight forward English equivalent. Use the language of everyday speech, not that of accountants, computer experts, bureaucrats and lawyers;*
- *Avoid a desire to impress. Your job is to help readers understand you readily and precisely and not to show them how clever you are; and*
- *Do your best to be lucid. Simple sentences and short paragraphs help to break down slabs of text into manageable chunks. Avoid complicated constructions and gimmicks.*

How long is long?

- 1.4 For writers, long sentences are difficult to construct well. The longer they get the more risk there is of ideas becoming confused for readers. Long sentences are hard work.
- 1.5 So how long is long? Readers seem to be comfortable with an average sentence length of 5-20 words in most circumstances. Most writers are capable of writing such sentences without much effort. Occasionally a longer sentence is necessary, but beware of using such long sentences regularly. Sometimes, a very short sentence can be useful to punch home an idea. It catches the reader's attention and stops him skimming over important facts.
- 1.6 Use short paragraphs –none should be longer than a third of a typed page. Use indents freely to list main points and get your message across more clearly; make more use of side headings; and give paragraphs minor sub- headings.

2. Drafting reports

Objectives of reports

- 2.1 Reports are the principal means by which the IA & AD meets its primary objectives of providing Parliament and State Legislatures with independent information and assurance. They are written for the Parliamentary reader or the PAC, and beyond that for the wider public. They are not written to be read as a dialogue between the IA & AD and the audited body and are not therefore, reports in any 'expert to expert' category.

So the reports need to get their essential messages across clearly and simply to an audience who probably do not need or wish to know the details and complexities surrounding the subjects examined.

2.2 For every report, meeting these objectives means putting a premium on:

- *having a strong, clear report structure;*
- *avoiding a temptation to include as much as possible of the information and analysis gathered during the investigation to support IA & AD findings and conclusions;*
- *concentrating less on narrative descriptions of how things are done and more on why they are done, how well they are controlled and the results achieved; and*
- *use hard evidence and telling examples to reinforce the messages in the report.*

2.3 All drafts must pay close regard to the reporting objectives summarised above. It is not acceptable for drafts to be submitted on the basis that as much as possible should be included and that streamlining, selection and re-arrangement will be catered for by subsequent redrafting up the line.

The IA & AD style of report writing

2.4 Writing audit reports is not so different from writing any other kind of informative writing. To give our readers a comfortable ride, use verbs actively, write short sentences and keep to the essentials. The more complex the subject the simpler the style should be. Our aim should be reports which set out the facts in a series of short crisp paragraphs.

Drafting this way is not always easy. Everyone will have to be ruthless in revising their own material and rejecting what is not up to scratch. Always look critically at your finished work to see if you can answer 'yes' to the following questions.

Structure

Does it have a strong clear framework which presents the material logically and to best effect?

Is it clear?

Does it get its main message across on first reading?

Will the language be clearly understood by the reader?

Is it free from jargon?

Simple and brief?

Does it concentrate on the main issues, avoiding aspects which are peripheral?

Does it give only the essential facts?

Does it include only essential words and phrases?

Accurate?

Is the information correct?

Are the findings supported by evidence?

Is the writing free from errors in grammar, spelling and punctuation?

Complete?

Does it give all the necessary information?

Does it answer all the important questions?

Balanced and fair?

Does it present both sides of the argument?

Does it reflect good performance and good VFM by the audited body as well as criticisms?

Are the audited body's views properly reflected?

Is the language used moderate and non-provocative?

Constructive?

Does it consider the feasibility of recommendations made?

Does it look forward to improvements rather than back at faults and weaknesses?

Length of reports, paragraphs, reviews and appendix

- 2.5 As a rule of thumb, maximum length of the report (excluding overview and appendix) should be 120 typed pages. Overview should not normally exceed about eight to ten typescript pages. Length of the appendix should be less than 30 pages. Transaction audit paragraphs should not normally exceed two pages. Except All India reviews, other reviews should be confined to 20 typed pages.

Structure of reviews

- 2.6 There is no ideal drafting model which is suitable for all reviews. A rigid format could become cumbersome and unimaginative. The main consideration is how the facts,

figures and conclusions on a particular subject can most effectively be communicated and what form of presentation best meets that purpose.

- 2.7 There are two main structures adopted:
- *A 'straight through' review incorporating recommendations in the main text;*
 - *A review preceded by 'highlights' and ending with 'conclusion' containing recommendations.*
- 2.8 Long reviews of about 15 pages should normally be preceded by 'highlights' containing the main findings. The 'highlights' should be concise (not more than 3 pages), but should sufficiently bring out the main issues to provide the reader with a clear view of the purpose and results of the review.
- 2.9 The 'highlights' is not intended to be free standing, mini-report and should contain the minimum of description and narrative. It is not always necessary for matters dealt with in the 'highlights' to follow the same sequence or be under the same headings as in the main text of the review; sometimes, for example, it may be desirable to arrange the 'highlights' according to the materiality of audit findings. However structured, the 'highlight' should cross-refer to the relevant paragraphs in the report.
- 2.10 The review should be free –standing-i.e. capable of being read without the need to refer to other source material or other published information. It is a condensed description of main issues, findings and conclusions; and supporting facts. The essential approach should be:
- *Bring out the really important matters;*
 - *Play down the less important;*
 - *Omit the unimportant; and*
 - *Generally be selective and concentrate on IA & AD analysis rather than on descriptions and narratives.*

Appendix

- 2.11 If the main text of audit report involves detailed analysis of complicated issues, or statistics, these should normally be set out in an appendix. But don't use appendices simply to display how much information you have collected. They are not a vehicle for including descriptions of detailed systems or procedures operated within the audited body. Material should always be relevant and support the case being made. Appendices

need to be drafted and edited just as carefully as the main text. As a rule of thumb, if information on less than five items is to be provided, the details may be incorporated in the main text itself, rather than as an appendix.

Diagrams, tables etc.

- 2.12 Full use should be made of facts, figures and relevant examples to give life to the report and to point the reader to significant issues and conclusions. Diagrams, charts, graphs and tables should be used to help get across important messages; and these should be where appropriate included in the text, not only in appendices. These can save a lot of explanation and –provided they are simple and well laid out – can often convey more in a short space than stretches of narrative.

Glossary

- 2.13 Abbreviations in reports should be kept to a minimum. Where five or more abbreviations (or specialised terms) are necessary in the report then all abbreviations and terms used should be listed in a glossary at the end of the report.

3. IA & AD conventions which must be used

Abbreviations.

- 3.1 Keep the use of abbreviations to a minimum, particularly where they are likely to be unfamiliar to the reader. Observe the following Rules:
- *all abbreviations are potentially an affront to the reader since they are used for your benefits and not his;*
 - *do not use abbreviations for bodies which are referred to only handful of times in a report- the reader will have forgotten what they mean and will have to look back to check;*
 - *if you must use an abbreviation write the words in full on their first appearance followed by the initials in brackets;*
 - *ring the changes by referring to ‘the Ministry’ ‘the Department’ ‘the Commission’ etc.*
 - *normally avoid using abbreviations in the ‘overview’ and ‘highlights’ particularly if the words in full are explained only in the text.*
 - *abbreviations that can be pronounced do not need the definite article (e.g., UNESCO). All other abbreviations do (e.g, the CAG, the GOI).*

Active not passive

- 3.2 Wherever possible write actively. Overuse of passive verbs is one of the most common causes of unclear writing. So say ‘Audit examined this account’ and not an examination of this account has been carried out by Audit. To convert passive into active change either the verb: ‘expenditure was reduced by Rs.10 lakh’ to ‘there was reduction in expenditure of Rs. 10 lakh’ or the subject : ‘payment was authorised by the Executive Engineer’ to Executive Engineer authorised the payment’.

Apostrophes

- 3.3 Use the normal possessive ending’s after singular words or names that end in s: boss’s Jones’s. Use it after plurals that do not end in s; media’s. Use the endings’ on plurals that end in s; companies’ – including plural names that take a singular verb (e.g., Reuter’s).

Capitals

- 3.4 A balance needs to be struck between using too many and too few capital letters. Here there can be no general rule, but two pieces of advice may be given:
- *The particular and the general: Use a capital for the particular and a small letter for the general. For e.g., ‘ it is a road leading out of Barakhamba Road’*
 - *Consistency: Whatever practice you adopt, be consistent throughout any document you are writing.*

Chapter number

- 3.5 Use roman numerals in (I, II, III.....) for chapter numbers.

Dates

- 3.6 Do not put commas in dates. Use any of the following formats:
- *26 May*
 - *Monday 26 May*
 - *26 May 2003*
 - *26-30 May 2003*
 - *26 May – 5 June 2003*
 - *2002-03*
 - *26/5/2003*

Figures

- 3.7 Never start a sentence with a figure; write the number in words instead. Use figures for numerals greater than nine and for all numerals that include a decimal point or a fraction. Use words for whole numbers from one to nine. Fractions should be hyphenated (two-thirds). Spell out lakh and crore. Do not use abbreviations for lakh and crore except in tables.

Do not mix decimals and fractions: thus use either 3½ lakh or 3.5 lakh but not both.

Use commas appropriately while writing figures (12,34,56,789.99).

Numbers greater than 100 lakh should be expressed in crore and numbers less than 100 lakh in lakh.

Use 2,000-3,000, 2 lakh-3 lakh (not 2-3 lakh). But 'costs rose from Rs.2 lakh to Rs. 3 lakh' (not Rs.2 lakh –3 lakh).

Font

- 3.8 Use font size of 12 in the text of report. Even in tables and charts do not use font size of less than 8.

Page numbers

- 3.9 Use Roman numbers (i. ii. iii...) for the part of the report containing contents, preface and overview of the report. Use Arabic numbers for the main text and appendices in the report. Never use alpha-numerals (12 A, 12 B) for page numbering.

Paragraph numbers

- 3.10 Never use alpha-numeric coding (3.2 A.1) for paragraph numbers. Also avoid a mix of Roman –Arabic numbers {3.4. (iv)}.

Use Arabic numerals for paragraph numbers. The first digit of the paragraph number should indicate the chapter number. For e.g., the first digit of a paragraph in Chapter III should be 3. The paragraphs and sub-paragraphs should be numbered as 3.1, 3.1.1 etc.

Do not use more than 3 levels in paragraph numbering (e.g. 3.1.12.).

Percentages

- 3.11 Write per cent rather than % and percentage rather than %age. A range of values should be expressed as 10-12 per cent, not 10% -12 or 10 per cent-12 per cent.

Do not use a percentage, a proportion, or a fraction when you mean some, as in; substantive testing proved worthwhile in a percentage of cases.

Preface:

3.12 Introduction to the report should be titled ‘Preface’ and not ‘prefatory remarks’.

Singular/Plural.

3.13 There is no rule about whether a verb that agrees with a single collective noun should be singular or plural. However, use ‘a number are’ and ‘the number is’.

- In using collective nouns, the plural is more suitable when the emphasis is on the individual members and the singular verb when it is on the body as a whole. For e.g., the committee were unable to agree and a committee was appointed.
- Do not use a singular verb where two singular nouns are linked by ‘and’ unless the linked words are so closely associated that they might also be hyphenated.
- For words linked by ‘with’ use singular verb if the subject is singular. The Minister together with the secretary is coming.
- When each is the subject of a sentence, the verb is singular and so is any pronoun. For e.g., each has a room to himself.
- Certain nouns are often misused. Remember agenda is singular and data is plural. Thus it is wrong to write ‘data that is four to twelve years old is of limited use’.
- The IA & AD and Government Departments should always be treated a plural nouns.

4. A to Z of common errors and weaknesses

A or An

4.1 Use *an* in place of *a* when it *precedes* a vowel *sound*, not just a vowel. That means it’s ‘an *honor*’ (the *h* is silent), but ‘a UFO’ (because it’s pronounced *yoo eff oh*). Some people think it’s wrong to use ‘an’ in front of an abbreviation (like ‘MRI’) because ‘an’ can only go before vowels. The *sound* is what really matters. It’s *an MRI*’ (you pronounce it ‘em ar eye’).

Adverbs

4.2 Put them where you would in normal speech, which is usually after the verb.

Among versus Between

4.3 The simple rule will rarely fail you: use *between* for two things, *among* for more than two.

Alternative

- 4.4 Strictly this means one of two, not one of three, four, five or more. Options should be used when more than two are meant.

Ampersands

- 4.5 Should be used in three ways :
- When they are part of a company or body (IA&AD)
 - When two names are linked to form one unit (Trade & Industry)
 - In R&D

Anticipate

- 4.6 Does not mean expect but to use in advance, probably best avoided since it is often misused.

Basically

- 4.7 Almost always useless. Qualifiers such as *basically*, *essentially* and *totally* rarely add anything to a sentence; they're the written equivalent of 'Um'.

Circumstances

- 4.8 Stand around a thing; therefore correctly it is in the circumstances not under them.

Colon

- 4.9 To be used:
- To mark more sharply than a semicolon the antithesis between two ideas:
This year the department is short of funds: next year it will have money to burn.
 - To precede an explanation or to introduce a list of series:
The Government Account consists of 3 parts: the Consolidated Fund, the Contingency Fund and Public Account.

Comma

- 4.10 Use commas sparingly and as an aid to understanding. Too many in one sentence can be confusing.

Generally used:

- to mark off less important statements within a sentence:
- to break long sentence into easily understood parts:
- to separate items in a list.

Compare

- 4.11 X is compared with Y when drawing attention to the difference (compared with last year's poor results, 1986-87 was a good year): X is compared to Y when stressing their similarity (as in 'shall I compare thee to a summer's day).

Compound

- 4.12 This word is often misused. It does not mean to make worse, to multiply or to complicate. It means to mix together, to settle by mutual agreement or to condone for a consideration.

Probably best avoided.

Comprise

- 4.13 The meaning is 'composed of'. DTI comprises Trade and Industry: Trade and Industry make up (not comprise) DTI.

Continual versus Continuous

- 4.14 *Continual* means 'happening over and over again'; *continuous* means 'happening constantly without stopping'. If you're *continually* on the Internet, it means you keep going on; if you're *continuously* on the Internet, it means you haven't gone off at all.

Convince

- 4.15 Is not a synonym for persuade. The C&AG was persuaded to award a 10 percent increase: he was convinced of the wisdom of doing so only after the wastage rate had risen to 100 percent.

Currently

- 4.16 What's wrong with *now*? Or even leaving it out altogether and letting a present tense verb do the trick? It is *currently not available* is the same as *It is not available* or *It is not yet available*.

Decimate

- 4.17 Strictly this means to reduce something by a tenth, not to destroy a large proportion. Probably best avoided.

Different

- 4.18 Different from not to or than.

Disinterested

4.19 Means impartial and not uninterested. ‘Uninterested’ means unconcerned or indifferent.

Due to

4.20 Its three main meanings:

- Owed to, as in : Rs.1 lakh of fees is due to the IA&AD
- Arranged or timed to, as in: the VFM Report is due to be completed in May.
- Because of: when used to follow a noun, as in: the cancellation, due to the election, of not it was cancelled due to the election.

Effectively

4.21 Means with effect: if you mean in effect, say so. “The matter was effectively dealt with in committee’ means it was well done in committee. ‘The matter was, in effect, dealt with in committee’ means it was more or less attended in committee.

E.g. versus i.e.

4.22 The abbreviation *e.g.* is for the Latin *exempli gratia*, ‘for example’. *I.e.*, Latin *id est*, means ‘that is’. They’re not interchangeable. Both abbreviations should be followed by a comma.

Estimated

4.23 Avoid ‘an estimated Rs.10 lakh’, use instead ‘about Rs.10 lakh’ or ‘it was estimated as Rs.10 lakh’.

Factor

4.24 A hackneyed word; the expressions of which it forms part can usually be replaced by something more direct and idiomatic. For e.g., instead of saying ‘His superior training was the great factor in his winning the match’ use ‘He won the match by being better trained.’

Farther versus Further

4.25 Though very few people bother with the difference these days, there is a traditional distinction: *farther* applies to physical distance, *further* to metaphorical distance. You travel *farther*, but pursue a topic *further*.

Finally

4.26 Do not use finally when you mean lastly or at last. Thus, it is illogical to write Public Expenditure finally fell below Rs.100 crore because it may rise above it again in the future.

Flaunt

4.27 Means display; Flout means show contempt for.

Foreign words and phrases.

4.28 Avoid them unless there is no everyday English alternative.

Full stops

4.29 A full stop marks the natural conclusion of the small package of information that has been offered in a sentence.

Do not use full stops at the end of headings or in abbreviations. Full stops should be used to mark the end of a sentence and mark a stronger break between ideas than a comma, semicolon or colon.

Get

4.30 Be sparing with this verb. Thus : BALCO did not get privatized: it was privatized.

Hopefully

4.31 This adverb means ‘full of hope’. Thus you may begin writing a draft report hopefully, but never write; Hopefully, the VFM investigation will be finished in 1989. It is better to say: If all goes to plan (or with great good luck)...

However

4.32 In the meaning nevertheless, not to come first in its sentence or clause.

Incorrect	Correct
The roads were almost impassable. : However, we at last succeeded in reaching camp.	The roads were almost impassable. At last, however, we succeeded in reaching camp.

When however comes first, it means *in whatever way* or *to whatever extent*. For e.g.
However you advise him, he will probably do as he thinks best.
However discouraging the prospect, he never lost heart.

Hypens

4.33 Use them in the following words:

- Fractions
- Most words beginning with anti and non: anti-government (but note anticlimax, antitrust), non-combatant, non-payment (but note nonaligned, nonstop)
- A sum of money followed by the word worth: Rs.10 lakh-worth of stocks
- To avoid ambiguities: a little-used vehicle (low mileage) and a little used vehicle (an old Mini)
- Separating identical letters: Book-keeper, re-entry, pre-eminent.
- Nouns formed from prepositional verbs: build-up, call-up, get-together, shake-up.

A list is attached of commonly used words which do not require a hyphen.

Information over-load.

4.34 As discussed earlier, do not provide all the details you have just because you have it. Information overload can distract readers' attention from the main issue. For e.g., while making a comment on the non-utilisation of a building constructed at a cost of Rs.55 lakh for more than 3 years, do not discuss salary of Rs.1.25 lakh paid to a watch and ward for the security of the building.

Inverted commas

4.35 If an extract ends with an exclamation or question-mark, put the punctuation before the closing inverted commas: the Director said to him, 'Haven't you finished that draft yet?'

If the question or exclamation mark is part of a lengthy sentence within which the quotation stands, put it outside the inverted commas: Why did the Director say, 'Haven't you finished that draft yet'?

-ise or -ize?

4.36 Always use -ise for it will never be wrong, whereas -ize sometimes will be criticise, solemnise etc.

It's versus Its

4.37 There's no shortcut; all you can do is memorize the rule. *It's* with an apostrophe means *it is* (or, a little less often and a little less formally, *it has*); *its* without an apostrophe means *belonging to it*.

Jargon

- 4.38 The C&AG's Reports are not addressed to IA&AD staff or to the audited bodies, but to the Parliament and the public. Jargon must therefore be avoided, especially legal and technical terms and those conventional phrases invented by government departments that are unintelligible to outsiders. You may have to think harder if you do not use jargon, but you can still be precise. You should ask yourself – will the reader understand this term properly? Could I replace it with everyday language? Should I still use the term but explain it?

Read through your completed draft and try to remove all jargon to make the result intelligible to everybody.

Less and fewer

- 4.39 Less qualifies degree, quantity or extent and takes a singular noun. Fewer relate to number and take a plural noun. Thus: less spending; less distance; fewer miles, fewer opportunities.

Literally

- 4.40 Use the word *literally* with care and only where what you are saying is *literally* true. 'We were *literally* flooded with work' is wrong because the *flood* is a metaphorical one, not an actual deluge. Don't use *literally* where *really*, *very* or *extremely* will do.

Majority

- 4.41 Do not use the major part or the majority when most should be adequate; reserve them for occasions when the difference between a majority and a minority is significant. Thus: the majority of CIPFA students is likely to vote for the proposal.

-ment

- 4.42 Avoid adding –ment to verbs indiscriminately. Do not use words like schdulement, reallocationment etc.

Metaphors

- 4.43 Metaphors can be useful, enabling ideas to be conveyed succinctly without tedious explanation. But if used indiscriminately they become stale and lack precision. Orwell put it as follows : 'A newly invented metaphor assists thought by evoking a visual image, while, on the other hand a metaphor which is technically 'dead' has in effect

reverted to being an ordinary word and can generally be used without loss of vividness. But in between these two cases there is a huge dump of worn-out metaphors which are merely used because they save people from the trouble of inventing phrases for themselves.

Multiple negatives

- 4.44 Avoid using multiple negatives in a sentence. For e.g., ‘common’ could be used instead of ‘not uncommon’.

Nature

- 4.45 Often simply redundant, used like character. For e.g. ‘Acts of hostile nature’ could be replaced with ‘Hostile acts’.

None

- 4.46 None takes a singular verb. So does neither X nor Y, unless Y is plural. For example, neither the minister nor the officers have done it – where the verb agrees with the element closest to it.

Nor

- 4.47 Although there are other possibilities, you can’t go wrong if you use nor only after the word *neither*; instead of ‘Keats did not write novels nor essays’ , use either ‘Keats did not write novels *or* essays’ or ‘Keats wrote *neither* novels *nor* essays’. (You *can*, however, say ‘Keats did not write novels, nor did he write essays’)

Only

- 4.48 Put only as close as possible to the word it qualifies if it could reasonably be thought ambiguous elsewhere. Thus these sections produce accounts only in September. To say that they only produce accounts in September could suggest to a careful reader that in September they do nothing else or that in other months they do something other than ‘produce’ them.

Optimum

- 4.49 Optimum is not an alternative for best. It should be used only of the product of conflicting forces. An auditor’s optimum work rate is not the fastest he can do, but the rate which reconciles in the most satisfactory way the conflicting needs for speed, accuracy and a satisfactory result.

Paragraphs

4.50 Long paragraphs can confuse the reader. One thought – one paragraph.

Parameter

4.51 Parameter is a mathematical term with a precise meaning. It is normally better to use boundary, limit, framework or condition.

Particular

4.52 This particular word, in many particular circumstances, serves no particular purpose. Give particular attention to the particular prospect of cutting it out.

Per

4.53 Avoid the habit of using *per* instead of *according to*, as in *per manufacturer's guidelines*.

Plus

4.54 The use of the word plus where *and* or *with* would be better is a bad habit picked up from advertising copy. Try to limit *plus* to mathematics, and use *and* or *with* where they're appropriate.

Presently

4.55 Does not mean at present but soon. Example: presently the department will act on their decision. Probably best avoided.

Punctuation

4.56 The specific punctuation marks are dealt with in the relevant section of this guide. However, remember that:

- The only purpose of punctuation is to make clear to the reader what you want to say;
- Keep punctuation marks to a minimum.

Semicolon

4.57 No hard and fast rules here, except to encourage consistency throughout a report. Remember that a semicolon is simply a stronger version of the comma.

Shall versus will

- 4.58 *Will* is usually the simple future indicative; ‘This *will* happen’. ‘You will be surprised’. *Shall* is related to the subjunctive, and means ‘Let it be so’, which you might see in legal or business writing; ‘The employee *shall* produce all required documentation’. ‘A committee shall be appointed ‘ and so forth. (They ‘re not just predicting that the employee’s going to do it or the committee is going to form; they’re declaring that they *must*, or at least *should*, happen.) But this rule works only for the second person (you) and the third person (he, she, it, they). The first person – I and we - reverses the rule. So ‘I *shall* do it’ means I’m going to get around to it, while ‘I *will* do it’ shows a mustering of resolve (let it be so).

Sentences

- 4.59 These must be short and have unity of thought.

Short words

- 4.60 Short words should always be used in preference to long words unless there is a good reason not to. Use the language of everyday speech. Not that of Auditors, Accountants, Lawyers, Bureaucrats and Computer Experts.

So

- 4.61 Avoid using ‘so’ as an intensifier, as in ‘It’s *so* hot’, unless there’s a *that* clause (though the word ‘that’ needn’t appear in less formal writing); for e.g. ‘It’s so hot that the asphalt is melting’. Usage of ‘so’ instead of ‘very’ is a no-no.

Spelling

- 4.62 Always use English spelling and not American. A list of commonly mis-spelt words is attached.

That versus which

- 4.63 The relative pronoun that is restrictive, which means it tells you a necessary piece of information about its antecedent: for example, ‘The word processor that is used most often is Word Perfect’. Here the that phrase answers an important question: which of the many word processors are we talking about? And the answer is the one that is used most often.

Which is non-restrictive: it does not limit the word it refers to. An example is ‘Penn’s ID center, which is called CUPID, has been successful so far’. Here *that* is unnecessary: the *which* does not tell us which of Penn’s many ID centers we’re considering; it simply provides an extra piece of information about the plan we’re already discussing. ‘Penn’s ID Center tells us all we really need to know to identify it.

It boils down to this: if you can tell which thing is being discussed without the *which* or *that* clause, use *which*; if you can’t, use *that*.

Unnecessary words

- 4.64 Use adjectives and adverbs to make your meaning more precise but beware of using them for emphasis alone. *Very* is often used so freely that it ceases to have any meaning; it must be used discriminatively to be effective. *Necessarily* and *inevitably* are overworked; they often add nothing to the meaning of the words they qualify.

The knife may also be wielded on many other words and phrases; for e.g. Track record(record), cutbacks (cuts), large-scale(big).

Verbs

- 4.65 Comments made in the side-margins and tables should be complete English sentences. Avoid a temptation to save space by omitting verbs like *is*, *are*, *was*, *were*, etc. in the sentences contained in tables and side-margins.

While

- 4.66 Avoid the indiscriminate use of this word for *and*, *but*, and *although*. Many writers use it frequently as a substitute for *and* or *but*, either from a mere desire to vary the connective, or from uncertainty which of the two connectives is the more appropriate. In this use it is best replaced by a semicolon. For e.g., instead of ‘The office and salesrooms are on the ground floor, while the rest of the building is devoted to manufacturing’ use ‘The office and salesrooms are on the ground floor; the rest of the building is devoted to manufacturing’.

Who versus whom

- 4.67 While it’s possible to memorize a rule for distinguishing *who* from *whom*, it’s easier to trust your ear. A simple test to see which is proper is to replace *who/whom* with *he/him*. If *he* sounds right, use *who*; if *him* is right, use *whom*. For example; since *he* did it and

not him did it, use *who* did it; since we give something to *him* and not to *he*, use to whom. It gets tricky only when the preposition is separated from the *who*; *Who/whom* did you give it to? Rearrange the words in your head: ‘To *whom* did you give it?’.

Would versus should

The equivalent of *shall* in indirect quotation after a verb in the past tense is *should*, not would. *For e.g.* He predicted that before long we should have a great surprise.

5. Words and phrases to be used with care.

5.1 Unnecessary words:

Instead of

A great deal of
 A majority of
 A number of
 Accounted for by the fact that
 After the conclusion of
 Along the lines of
 At the present time
 Based on the fact that
 By reason of
 Call a halt to
 Come to an end
 Consensus of opinion
 In connection with
 In order to
 In respect of
 In relation to
 In the course of
 In the event of
 In this connection
 In view of the fact that
 Is dependent upon
 Is equipped with
 Is such that
 Is to be found
 It is known that
 It may be that
 It was found that
 Lies in the fact that
 Due to the fact that
 During the time that
 For the purpose of
 For the reason that
 From the standpoint of
 Higher degree of
 In consequence of

Write

Much
 Most
 Many, few
 Because
 After
 Like
 Now; at present
 Because
 Because
 Stop
 End
 Most agree/consensus
 About
 To
 About
 About
 During; at
 If there is
 About; this
 Since; because
 Depends on
 Has
 Is
 Is
 I know; we know etc.
 If
 I found, we found etc.
 Is because
 Because
 While
 For; to
 Because
 For
 Higher; more
 Because

In addition to	Also; besides
In close proximity to	Close to
More economically viable	Cheaper
One of the reasons	One reason
On the part of	By
Owing to the fact that	Because
Subsequent to	After
Take steps to	Start
The question as to whether	Whether
There is reason to believe	I think, we think
This is a subject that	This
Through the use of	By; with
With a view	So that
With reference to	About
With regard to	About
With the exception of	Except for
Worthy of consideration	Should be considered

5.2 Cut out phrases such as

According to
As far as..... is concerned
In respect of
In terms of
Found to be
Having regard to
In a condition
Other things being equal

5.3 Words which do not require a hyphen

One word	One word
Airfield	Postwar
Bypass	Prewar
Ceasefire	Profitmaking
Comeback	Seabed
Commonsense(adj)	Shipbuilding
Forever	Shipbuilders
Halfhearted	Soyabean
Handout	Stockmarket
Handpicked	Subcommittee
Lackluster	Subcontinent
Machinegun	Submachinegun
Nevertheless	Takeover
Offshore	Underdog
Onshore	Underpaid

Overpaid
Override
One word
Petrochemical
Policymaker
Two words
Air base
Air force
Aircraft carrier
At least
Ballot Box
Three words
Capital gains tax
In as much

Wartime
Workforce
One word
Worldwide
Worthwhile
Two words
Coal miner
Common sense (noun)
Under way
Well known
Three words
In so far

5.4 Plurals

-Oes
Cargoes
Echoes
Embargoes
Manifestoes
Noes
Potatoes
Provisoes
Tomatoes
Tornadoes
Torpedoes
Vetoes
Volcanoes

-eus
Bureaus
Plateaus
-uses
Buses
Circuses
Focuses
Geniuses
Prospectuses

-ums
Crematoriums
Forums
Memorandums
Moratoriums
Quorums
Referendums
Sanatoriums
Stadiums

-Os
Commandos
Embryos
Folios
Ghettos
Silos

-ies
Monies

-eaux
Chateaux

-i
Termini
Nuclei
Stimuli

-a
Consortia
Corrigenda
Data
Media
Phenomena
Strata

**Where singular &
plural is same**

Ultimatums	Equipment
Vacuums	Furniture
-ves	-fs
Wharves	Dwarfs
Lives	Roofs
-as	-ae
Agendas	Formulae
-exes	-ices
Indexes (of books)	Indices (indicators/index numbers)

5.5 Correct spellings of words that are commonly mis-spelt

Accommodate	Acknowledgement	Adviser
Advisory	Aeroplane	Aesthetic
Aging	Battalion	Benefited
Benefited	By-law	Channelled
Connection	Defendant	Dependant (noun)
Dependent (adj)	Detente	Disk (in computer Context)
Disc (other contexts)	Dispatch	Enrol
Enrolment	Ensure(make certain)	Insure (against risk)
Farther (distance)	Further (additional)	Focused
Focusing	Forbid	Forgo (do without)
Forego (precede)	Forestall	Fulfil
Fulfilling	Fullness	Incur
Incurring	Inculate	Inquire, Inquiry
Install	Instalment	installation
Intransigent	Labelled	Learnt
Levelled	Licence (noun)	License (verb)
Manoeuvre	Manoeuvring	Mileage
Occur	Occurring	Paediatric
Practice (noun)	Practise (verb)	Principal (Head/adj)
Principle (code of conduct)	Programme (in computer Context)	Programme (other contexts)
Recur	Recurrent	Recurring
Sanatorium	Seize	Specialty(in context of medicine, steel and chemicals)
Specialty (in other contexts)	Strategy	Superseded
Trade Unions	Trades Union Congress	Vaccinate
Withhold	Word processor	

5.6 Official words' and alternatives worth considering.

Instead of	Consider	Instead of	Consider
Absence of	No; none	Disseminate	Spread
Accede to	Grant; allow; agree	Diminish	Drop; lessen; reduce
Accompanying	With	Disclose	Tell; show
Accomplish	Do	Disburse	Pay
In accordance with	Because of; under	Discrete	Separate

Is in accordance with	Agrees; follows	Discontinue	Stop; end
Accordingly	So	Dispatch	Send
According to the records	The records show	Dominant	Main
Additional	Extra; more	Donate	Give
Adjustments	Changes	Due to the fact that	Because; as
Admissible	Allowed	Duration	Time
Adumbrate	Sketch; outline	Emphasise	Stress
Advantageous	Useful; helpful	Enable	Allow
Aggregate	Total	Endeavour	Try
A large number of	Many; most	Enquire	Ask
Alleviate	Ease; reduce	Enquiry	Question
Alternatively	Or	Entitlement	Right
Ameliorate	Better; improve	Equivalent	Equal; the same
Annexure	Annexe	Erroneous	Wrong
Anticipate	Expect	Establish	Show; find
Apparent	Clear; plain; obvious	Evaluate	Test; check
Appreciable	Large; great	Evince	Show; display
Application	Use	Exceptionally	Only when; in this case
Apprise	Inform; tell	Excessive	Too many; too much
Ascertain	Find out	Excluding	Apart from
At an early date	Soon	Exclusively	Only
Commence	Begin; start	Exempt from	Free from
Auditee	Audited body	Expedite	Hurry; hasten
Component	Part	Expeditionally	As soon as possible; quickly
Concerning	About; on	Extent	Current; in force
In connection with	About	Fabricate	Make
As a consequence of	Because	Facilitate	Help; assist
Consequently	So	Factor	Reason; cause; feature
Constitute	Make up; form	Following	After
Customary	Usual; normal	For the duration of	During; while
Deem	Treat as; consider	For the purpose of	To
Defer	Put off; delay		
Deficiency	Lack of	Forthwith	Now; at once
Denote	Show	Forward	Send
Desire	Wish	Determine	Decide
Function (verb)	Work; operate; act	Obtain	Get; receive
Furnish	Give	Occasioned by	Caused by
Furthermore	Then; also	On behalf of	For
Generate	Produce; give	On the grounds that	Because
Implement	Carry out; do	Ordinarily	Normally; usually
In accordance with	As; under	Otherwise	Or
In addition to	Also	Overall	Total; supreme; general; overriding
Infructuous	Wasteful	Owing to	Because
In case of	If	Partially	Partly
In connection with	For; about	Participate	Take part in
In conjunction with	And; with	Particulars	Details; facts
In consequence	Because; as	Permissible	Allowed
In excess of	More than	Peruse	Read; look at
Indicate	Show	Pursuant to	Under
Inform	Tell	Practically	Almost; nearly
In isolation	By itself	Predominant	Main
Initiate	Begin; start	Prescribed	Set; fixed
Institute	Begin; start	Preserve	Keep

In lieu of	Instead of	Principal	Main
In order to	To	Prior to	Before
In receipt of	Get; have; receive	Proceed	Go
In relation to	About	Provided that	If; as long as
In respect of	About; for	Provisions	Rules; terms
In the course of	In; while; during	Purchase	Buy
In the event of	If	Regarding	About
Irrespective of	Whether or not; even if	Reimburse	Repay; pay back
Issue	Give; send	Remainder	The rest
Jeopardise	Risk	Remittance	Payment
Locate	Find	Remuneration	Pay; wages; salary
Magnitude	Size	Render	Send; make; give
Major	Main; important; Big; chief	Report	Tell
Manufacture	Make	Represents	Shows; stands for; is
Mandatory	Compulsory	Request	Ask
Material	Relevant; significant	Require	Need
Marginal	Small; slight	Retain	Keep
Modification	Change	Reverse	Back
Necessitate	Need; make; necessary	Revised	New; changed
Notify	Tell; let....know	Select	Choose
Notwithstanding	Even if; despite; still; yet	Solely	Only
Nevertheless	But; however	submit	Send; give
Subsequently	Later	Subsequent to	After
Substantial	Large; great; a lot of	Sufficient	Enough
Supplementary	Extra; more	Terminate	Stop; end
Thereafter	Then; afterwards	Timeously	In good time
Transmit	Send; forward	To date	So far
To the extent that	If; when	Ultimately	In the end; at last
Unavailability	Lack of; absence	Uniform	Same
Utilise	Use	Undertake	Agree
Variation	Change	Virtually	Almost
Visualise	See; predict; imagine	Whereas	But
With reference to	About	With regard to	About; for
With respect to	About; for		

ANNEXURE-IV (A)

Title Sheet of Inspection Report

Para 3.18 (i)

**OFFICE OF THE PR. ACCOUNTANT GENERAL (CIVIL AUDIT)
ORISSA: BHUBANESWAR**

Title sheet of Inspection Report No.....of 200.....on the accounts of
.....for the period
from.....to.....

PARA-I-A

(To be filled in by the SO/AAO of the field party)

1.	(a) Present Postal address of auditee unit	:	
	(b) Latest Telephone No.	:	
	(c) Date of commencement of audit	:	
2.	Date of completion of audit	:	
3.	No. of working days taken for the audit	:	
4.	No. of working days allowed for the audit	:	
5.	Reasons for excess, if any, of time taken with full justification and reference to application already sent.	:	
6.	(a) Whether any increase or decrease is necessary in the existing frequency of audit; if so, the extent thereof and full reasons for the same (Vide OAD-Cir. No.286,dated the 6 th July 1965)	:	
	(b) Whether any increase or decrease is necessary in future in the time allowed for the audit; if so, the extent thereof and full reasons for the same (Vide OAD-Cir. No.53 of July 1963).	:	
7.	Months' accounts which have been checked in details (Vide OAD-Cir.No.34, dated November 1958 and Cir.No.30 dated the 30 th December 1958).	:	
8.	Name of the works whose accounts have been analysed in detail (Vide OA-Cir.No.34, dated November 1958 and OA-Cir.No.30, dated the 30 th December 1968).	:	
9.	Registers and records checked.	:	
10.	Whether a test check of property records has been conducted and if so, whether any para, thereof has been incorporated in Inspection Report as required in OA-Cir.No.177, dated the 20 th April 1962).	:	
11.	Whether the nominal audit certificate as required under OA-Cir-No.696 dt.20.12.82 is furnished along with the DIR.	:	

12.	(a) Whether a test check of T.A Bills as required under OA-Cir.No.196, dated the 5 th July 1960 and OA-Cir.No.111 dated the 26 th October 1960.	:	
	(b) Check of Establishment Bills with reference to Attendance Registers (Vide OA-Cir.No.329, dated the 15 th September 1966).	:	
13.	Whether a test check of the records connected with payments and recoveries of festival advance has been conducted as prescribed in O.O.A-4239, dated the 10 th May 1962 and a separate note attached to the DIR.	:	
14.	Whether cent per cent check of payments of gratuities made by the Head of the Office has been conducted with reference to paid vouchers (Vide OA-Cir.No.345, dated the 16 th March 1967).	:	
15.	Whether a statement showing year-wise analysis of the closing balance of cash as on the 31 st March of the preceding year is enclosed and audit comments thereon included in the draft report where necessary (Vide Cir.No.OA-212, dated the 22 nd February 1962).	:	
16.	Whether a statement of outstanding dues to Government on account of credit sales and advances including loans made by the departmental agencies pending recovery for 2 years and more has been enclosed to the DIR (Vide OA-Cir.No.302, dated the 3 rd December 1965).	:	
17.	Whether the condition laid down by Government Central/State has been complied with by the administrative department concerned while sanctioning grants-in-aid (Vide O.O.A-3409, dated the 4 th June 1960 and OA-Cir.No.105, dated the 9 th September 1960).	:	
18.	Whether position of the old outstanding objections as mentioned in Part-I(b), has been reviewed and a statement in the prescribed form showing the result of review attached to the DIR (Vide Cir.No.O.O.A-182, dated the 3 rd November 1955 and OA-Cir.No.228, dated the 5 th November 1965).	:	
19.	Whether challans for two months and drawals for selected months have been verified with Treasury records (Name of the months) (Vide Cir.No.OA-44, dated the 9 th June 1959).	:	
20.	Whether check of rates have been conducted (Vide Cir.No.OA-5 of 1959-60).	:	
21.	Verification of note of arrear claims in the office copies of the original bills (Vide O.O.A 3218, dated the 19 th November 1959 and OA-Cir.No.95, dated the 30 th June 1960).	:	
22.	(a) Number of Important paras of the DIR which are fit for inclusion in the Audit Report (Vide OA-Cir.No.46 of 6/59).	:	

	(b) Whether draft paras have been prepared in respect of these paras shown to the head of the offices and his remarks thereon, if any, retained (Vide OA-Cir.No.46, dated June 1959).	:	
	(c) Whether certified copies of all documents referred to in the paras have been obtained and specified documents attached to the report (Vide OA-Cir.No.46, dated 6/59).	:	
23.	Whether the DIR was shown to the Head of the Office and important points discussed with him (Vide OA-Cir.No.234, dated the 21 st February 1964).	:	
24.	Date of submission of preliminary objection memo to the Reviewing Officer (OA-Cir.No.59, dated the 28 th September 1959 and OA-Cir.No.235, dated 25 th February 1964).	:	
25.	Whether a list showing allocation of duties amongst the members of the party has been attached to the DIR (Vide OA-Cir.No.210, dated the 5 th December 1962 and No.339, dated the 15 th December 1966).	:	
26.	Whether the check of Administrative Regulation and procedure to ensure proper and effective check upon the monetary transactions in purchase of stores, etc. is made (Vide OA-Cir.No.230, dated the 21 st November 1963).	:	
27.	Whether the information called for in OA-Cir.No.336, dated the 29 th November in respect of Stores and Stock Accounts furnished along with DIR.	:	
28.	Other remarks (if any): Full details may be given in a separate sheet if the space opposite is insufficient.	:	
29.	Whether the irregularities remaining unsettled have been carried forward to the current Test Audit Note with suitable remarks to their non compliance or carried forward to Part-II of Inspection Report (Vide OA-Cir.No.298, dated the 30 th October 1965).	:	
30.	Whether check of Service Book, leave account, etc. conducted and statement of Service Books, etc, checked furnished to OAI (OA-Cir.No.346, dated the 20 th March 1967).	:	
31.	Whether review note of the work done by the Auditors/Sr.Auditors is attached to the DIR (OA-Cir.No.576, dt.4.7.79).	:	
32.	Whether list of paras contributed by the party personnel is attached to the DIR (vide O.O.B 3 dt.14.3.84)	:	
	Camp.....		Asst. Audit Officer SO
	Date.....		OAD/ABA/ECPA/Party No

(*) Full details may be given in a separate sheet if the space is insufficient.

(To be filled in by Supervising / Reviewing Officer)		
33.	Date of commencement of Supervision / Review	:
34.	Date of completion of Supervision/Review	:
35.	Categorical comments of the Supervising / Reviewing Officer on items 1 to 30 above (particularly items 5, 6 and 8).	:
36.	Recommendation of the Supervising/ Reviewing Officer on the paragraphs of the Inspection Report suitable for preparation of draft para and whether action as required under Circular No.OA-46, dated 6 /1959 has been taken by the Reviewing Officer (Vide also item 16 above).	:
37.	Recommendation of the Supervising / Reviewing Officer whether in future Gazetted Officer's Supervision/Review for this item should be (1) hundred per cent, (2) partial during closing stage of audit or (3) nil.	:
38.	Whether the DIR was shown to the Head of the office and important points discussed with him. If not, reasons may be recorded (Vide OA-Cir.No.234, dated the 21 st February 1964).	:
39.	Other remarks	:
40.	Date of submission of DIR to Headquarters (Vide OA-I-Cir.791 dt.18.8.88) (The forwarding letter No. and date may be quoted).	:
	Camp.....	Reviewing Officer <hr/> Reviewing Officer
	Date.....	
	(*) Full details may be given in a separate sheet if the space is insufficient.	
AT HEADQUARTERS		
1.	Date of receipt of Inspection Report at headquarters	:
2.	Date of submission of Inspection Report to B.O / Sr. Dy. Accountant General (OAD)	:
3.	Date on which Inspection Report was given for typing	:
4.	Date of final issue of Inspection Report	:

ANNEXURE – IV (B)
ADDITIONAL TITLE SHEET
Para 3.18(ii) (a)

1.	Whether any contingent / unforeseen expenditure is incurred out of available cash. If so, to what extent.	:	
2.	Whether the undisbursed amount of pay & allowances retained without depositing into the treasury within the prescribed time limit.	:	
3.	Whether the records are checked with reference to Press Report if noticed in connection with auditee organization	:	
4.	Whether non-production of vouchers / records to audit has been duly commented upon including the list of records not produced to audit.	:	
5.	Whether instruction received from Central audit has been fully complied with.	:	
6.	Whether Budget Allotment, expenditure thereof has been checked. If so, whether excess / savings if any, have been commented upon.	:	
7.	Whether P.L Accounts of the auditee unit has been checked. If so, detailed balance / analysis of the same may be given.	:	
8.	Whether Government revenue / receipts are being deposited in the Government Treasury promptly (within prescribed time limit) and irregularities not noticed has been adequately commented upon.	:	
9.	Whether a list of incomplete work / advance paid long since but work not started / abandoned work for which advance paid or expenditure incurred has been called for and list thereof attached to the DIR analyzed.	:	
10.	Whether the handing over and taking over reports of the relieved DDO and the relieving DDO is checked.	:	
11.	Whether accounts of the Non-Formal Education Scheme a Centrally sponsored plan scheme has been checked (OA-I-Cir- 975 dt.22.08.2000)	:	
12.	Whether expenditure on the National Watershed Development Project under the Soil Conservation Department has duly been checked and commented in separate para in the DIR (OA-I-Cir-975 dt.22.08.2000)	:	

13.	Whether expenditure relating to one time/CRF/NCCF/CMRF has been checked and necessary information obtained in the prescribed proforma and attached to the DIR (OA-I-Cir-978 dt.08.12.2000).	:	
14.	Whether Register of Assets has been checked and a list of the assets created out of centrally sponsored scheme is enclosed to the DIR. (OA-I-Cir-990 dt.04.01.2001).	:	
15.	Whether pay fixation statements in the units /institutions under Education Department has duly been checked. In case no irregularities are noticed the same should be certified. (OA-I-Cir-1000 dt.30.05.2001)	:	
16.	Whether the system of purchase of stores, periodicity of review etc, leading to accumulation of life expired drugs has been proved into. (OA-I-Cir-1001, dt.30.05.2001)	:	
17.	Whether expenditure on Drought relief measures has duly been checked and required information in prescribed proforma has been obtained and enclosed to the DIR. (OA-I-Cir-1004 dt.07.08.2001)	:	
18.	Whether physical verification of closing cash balance has been conducted in presence of SO/AAO/AO/SR.AO of the Audit Party & statement enclosed with the DIR. If irregularities, if any noticed, commented upon suitably in the DIR.	:	
19.	If Risk analysis required for ranking of Inspection Report has been conducted. Whether statement of risk analysis and ranking of the DIR has been enclosed with the DIR.	:	

SO / Asst. Audit Officer

Audit Officer / Sr. Audit Officer

ANEXURE-IV-C

AUDIT NOTE BOOK

Para-3.18 (iii)

1.	Name of the Controlling Officer/Head of Office/DDO	
2.	Activities of the Organisation	
3.	Number of Schemes under implementation and other major works under execution/pipe line.	
4.	Budgetary provisions for the auditee organization and expenditure incurred there against.	
5.	Sources of funds with break-up as Central share and State Share.	
6.	Registers and records maintained.	
7.	Planning of audit work by distribution of man days on the areas of work to be studied during local audit.	
8.	Important audit observations floated (fraud, embezzlement, advances paid without supporting proof like receipts, excess drawals/excess expenditure etc.) giving reference to P.O.Ms	
9.	List of incomplete works under execution and reasons and accountability for non-execution and delayed execution	
10.	Details of important records, if any not produced by the auditee during the period of inspection.	
11.	Specific areas and aspects which could not be seen and warrant attention by the next party.	
12.	Position of Civil Deposits and P.L. Account balances and reconciliation with treasury figures and discrepancies, if any.	
13.	Whether observations on closing cash balance are incorporated in the Inspection Reports.	
14.	Position of outstanding paras of previous Inspection Reports.	
15.	Whether drawal of salaries of staff was in accordance with sanctioned strength.	
16.	Amount involved in paid vouchers and audit observations thereon.	

S.O / A.A.O

A.O / Sr.A.O

ANNEXURE – IV (D)
SUPPLEMENTARY TITLE SHEET FOR BANKS

Para 3.18(iv)

1.	Whether Income Tax is deducted at source where required and certificate of tax deduction is issued in April each year.	:	
2.	Whether payment is made upto the date of death of the pensioner and over payment made has been received and refunded to the Government.	:	
3.	Whether payment of life time arrears of pension has been made to the heirs of pensioners.	:	
4.	Whether the P.P.O is returned where pension cases to be payable by the paying branch to the Treasury Officer through the like Branch Office and entries in P.P.O as well as in the scroll of the Bank have been made.	:	
5.	No. of amendments or charges made in the P.P.O by the Branch itself.	:	
6.	Whether the correct amount of pension has been credited to pensioners' accounts on the basis of P.P.O issued by the Accountant General (A&E) received through Treasury Officer.	:	
7.	Whether the amount claimed by the link Branch of the Public Sector Bank on account of pension payment agrees with total amount credited to account of pensioners.	:	

SO / Asst. Audit Officer

Audit Officer / Sr. Audit Officer

CHAPTER 4

GENERAL PRINCIPLES AND PROCESS OF AUDIT

4.01 Introductory

The General Principles and method of the audit of the initial accounts of Civil Offices are set forth in the following paragraphs. They are explanatory of, or supplementary to, the rules and instructions in the C&AG's MSO (Audit) 2nd Edition and other appropriate rules and orders issued by the C&AG.

4.02 Lines on which Investigation should be carried out during Local Audit.

The C&AG has laid greater emphasis on local audit of expenditure than on the central audit, the intention being that they should be in a position to spot out irregularities with reference to initial records, to collect all relevant materials, and contribute in good number of suitable draft paras for the Audit Report. To achieve this, the SOs / AAOs and Reviewing Officers will have to apply themselves diligently in picking up important cases to examine all relevant records thoroughly and minutely and to apply the audit checks intelligently. The lines, on which investigation should be carried out by the local audit parties in respect of certain important items, are indicated below:

- (i) The SOs / AAOs / (Sr.) AOs should probe into tenders where high rates have been admitted by the officers concerned with a view to ascertaining whether competitive tenders were called for in all cases and the acceptance of higher rates is justified. Facts should be verified in respect of tenders rejected from being taken into consideration and the recorded reasons should be analysed.
 - (ii) They should scrutinise stock accounts in greater detail with a view to ascertaining whether there has been huge stock piling of stores without corresponding issues, or whether stores have been purchased much in advance or in excess of actual requirements. In addition to the usual check, prescribed in the codes, scrutiny should be directed to see that adequate measures are taken by the Officers to scrutinise and segregate all unserviceable and obsolete stores and to dispose them of before their condition deteriorates. It should also be seen whether the accounting and maintenance of unserviceable stores which cannot be utilised by the offices in whose custody they are, involve waste of labour and space besides avoidable expenditure of their safe custody.
 - (iii) In case of works expenditure, the cases on which works have either been discontinued or stopped after incurring considerable expenditure, should be investigated to ascertain the
-

reasons for the same and to find out if the stoppage of work is not due to any default on the part of the contractor / executant. If so, it should be examined if action under the relevant clauses of agreement has been taken. The stoppage of work may also be due to default on the part of the departments / offices in not supplying materials etc. agreed to by them for completion of the work. A careful examination of such cases would afford material for commenting upon in the Audit Report.

(Based on OA Circular No, 193 dated 28th September 1962)

(iv) It had once come to the notice of the C&AG that as a result of non-supervision of stock, a clerk of an office was able to embezzle a certain sum of money representing sale proceeds of tender forms. The usual audit inspection of that office also failed to bring the fraud to light. Investigations revealed that a comparison of entries in the cash book with the counterfoils of receipt granted and the treasury remittance book could have enabled the audit to detect the fraud. The Inspection party, however devoted most of their time to the examination of executive financial orders, service books etc. and the important initial record, namely the cash book was not examined at all. In the zeal for finding out materials for “Higher Audit” by examining such cases, etc. the examination of the initial accounts which is the primary object of local Audit did not receive sufficient attention.

(v) During audit inspection the SO / AAO / (Sr.) Auditor has often to study the system of accounts and books prescribed to see how far they fulfil the desired end.

(vi) Audit cannot be held to be completed without a proper study and review of various schemes and programmes executed by Government. Accountant General observed that each party will study the Schemes and give a brief resume in the Inspection Report. The Reviewing Officers / AAOs / SO should ascertain from the offices they visit what are the schemes / programmes that are being executed there. This information will be easily forthcoming from the Annual Administrative Report of the office and the budget proposed and expenditure incurred. They should call for the connected files and records and make a critical study of some big schemes where expenditure is substantial and collect such materials which would enable them to prepare a review type para. The following points should therefore be kept in view.

- (a)** What was the programme of the department relating to the scheme?
- (b)** Plan outlay, budget provision, expenditure, receipts for the period under review relating to Capital and Revenue.
- (c)** Financial and physical targets fixed, basis of such fixation, physical and financial targets achieved compared to the targets fixed.

- (d) Deviations, if any from the original plan / programme, reasons for the deviation should be studied in detail.
- (e) If the original scheme is framed by the Government of India and the deviation has been made by the State Government whether the deviation has been got approved by the former Government.
- (f) If there are short-falls in achievements, the reasons attributed should be collected and studied critically. Whether the short-fall could have been avoided and steps taken for prevention in future.
- (g) The estimated cost of the scheme in terms of establishment and contingencies can be compared with the actual. If the goods to be supplied (this will be reflected in the contingencies) has fallen short while the establishment cost has remained the same the reasons for the shortfall will be self-evident.
- (h) Whether evaluation of the scheme was ever made by the department or other authority. Suggestions, if any, given by the department or other authority for improvement.
- (i) How the department satisfied itself that the execution of the scheme is running satisfactorily in achieving its aims and objectives as contemplated.
- (j) Whether the scheme/programme provided for engagement of additional staff and this has been done according to norms fixed in the programme.
- (k) Items purchased every year and if they require to be purchased every year, whether stocks in hand have been taken into account before effecting purchase for the current year. Correct accounting of stocks received, physical verification at prescribed intervals, survey reports of old and obsolete stocks, purchase procedure etc., should be studied carefully.
- (l) Whether any machinery was purchased and if so its efficiency or otherwise can be ascertained.

It is not possible to give any exhaustive and elaborate guidelines as each scheme / programme contains peculiar feature of its own. Therefore the party, SO / AAO / RO should study according to their own skill and intelligence and bring out the position in a comprehensive manner.

The party should fill in the *PROFORMA-I* given below and send the same to the OAD headquarters along with the DIR., copies of the schemes circulated by Government of India / State Government, expenditure sanctions, evaluation note and other relevant documents should invariably be sent along with the proforma. The proforma should be signed by the Reviewing Officer in case of review items and SO / AAO in case of non-review items. If no scheme / programme is executed by any office these should be indicated in the proforma and certified by the Reviewing Officer / AAO / SO.

OAD headquarters section should ensure while scrutinising the DIR that the party has submitted the proforma filled in all respects along with the DIR

P R O F O R M A - I

1. Name of the scheme / programme.
2. Objectives of the Programme / scheme.
3. Brief description.
4. How long in operation and whether the period is considered sufficient to attempt audit evaluation.
5. Whether operated (Name of district, Number of units etc)
6. Expenditure till date (please mention the head of accounts in each case)
 - (a) Capital.
 - (b) Revenue.
7. Year-wise:-
 - (a) Receipts.
 - (b) Plan out-lay
 - (c) Budget provision
 - (d) Expenditure
8. Nature of accounts maintained at the unit
9. Whether declared commercial
10. Agency through which the Programme / Scheme handled and whether records of such agencies are auditable under C & A. G's (DPC) Act, 1971
11. No. of districts / units required to be covered under test check.
12. Audit findings (Reference to DIR para or Review note may be quoted).
13. Points covered in review
14. Whether the subject was covered in any earlier audit.
15. List of enclosures:-
 - 1.
 - 2.

Reviewing Officer

AAO / SO of the party

(Based on OA-I circular No. 616 dt.28.2.80)

(vii) In view of the raising of the monetary limit for draft paragraphs it is imperative that the field parties should concentrate their efforts to find out irregularities etc. especially in heavy transactions involving considerable expenditure and proposed draft paragraphs wherever feasible and send the draft notes with complete key materials to OAD headquarters for further processing. Where the money involved is less than the prescribed limit but the case presents

some special features e.g. instances of system failure, etc. the field parties should clearly bring out such special features of the case so as to justify inclusion of the Draft Para in the Audit Report. From IRs it is found that common irregularities exist in various offices of the same department. Field parties conducting functional audit and visiting various field offices of the same department in succession should propose Draft Paras even if the amount involved is less than the prescribed limit in one single unit and collect similar materials uniformly from all the units visited so that a consolidated Draft Paragraph can be attempted in OAD headquarters.

Whenever it is feasible to propose a draft para (Individual or for consolidation) the field parties should prepare a draft note, discuss it with the Head of the Office, get the factual position indicated confirmed, obtained his comments thereon and send the same with complete key materials to the Group Officer by name in advance without waiting for completion of inspection or finalisation of DIR.

(OA Circular No. 596 dated 11.10.1979)

(viii) A para is included in the Audit Report in respect of cases of delay in disposal of suspension cases. The para is to include case of suspension not finalised by 31st March of every year. In order to meet the requirements it is necessary that the field parties while conducting local audit in various offices should look into this aspect. They may ascertain from the office they visit, in writing, if any case of suspension pending finalisation has been existing in that office. Wherever information is received that there are cases, the concerned files should be called for and carefully studied. The following information should be collected relating to each case and para incorporated in the DIR.

1. Name and designation of the Government servant placed under suspension.
2. No. & Date of suspension order.
3. Date from which placed under suspension.
4. Amount of expenditure incurred in each case up to date.
 - (a) T. V. No. & Date.
 - (b) Amount.
 - (c) Major head of Account.
 - (d) Designation of the Drawing Officer.
5. Reasons for delay in finalisation of each case.
6. Pay & Allowances paid to the substitute, if any, appointed in place of the suspended officer.
7. Remarks.

OAD headquarters Section after finalisation of the DIR should prepare an extract of the para and send the para to the concerned CASS to register the case in the respective records of the CASS.

(OA Circular No. 632 of 6/80)

4.03 Audit of Expenditure

The audit of expenditure is mainly central and is conducted in accordance with the provisions of Section II of chapter 2 of the C&AG's MSO (Audit) 2nd Edition.

(i) The OAD Auditors should, however, follow the general principles detailed below in regard to the audit of expenditure during the local inspection.

- That sub-vouchers not required to be sent to the Audit Office are cancelled or so defaced that they cannot be used again nor are they destroyed before the expiry of the prescribed period of preservation;
- That there is proper sanction, either special or general accorded by the Competent Authority authorising the expenditure;
- That the payment has been made to the proper persons and that it has been so acknowledged and recorded that a double payment on the same account is impossible;
- That the charges do not exceed any rates or scales fixed under the rules or orders issued by the competent authority;
- That the expenditure has been incurred with due regard to financial propriety e.g. supplies in excess of requirements have not been obtained, the purchases have not been made at higher rates than reasonable prices and the expenditure has been incurred only for legitimate objects, etc.;
- That tenders have been invited as required by the prescribed rule for supply of articles required for the public service; and
- That the expenditure has not been unnecessarily incurred to prevent the lapse of budget allotment or that charges incurred in one year have not been met from the budget allotment of the next year.

(ii) ***Diversion of funds to Civil Deposit and end use of the fund:*** Huge funds are drawn from Consolidated Fund and diverted to Public Account by crediting to Civil Deposit in order

to avoid the lapse of budget grant. It affects the concerned schemes resulting in denial of benefits to the beneficiaries.

Government of Orissa in Finance Department have instructed all departments of Government, Heads of Department and Collectors that Civil Deposit is not to be shown as a part of closing cash balance. It is also seen that a separate register for Civil Deposit has been maintained in each Government organization with full details to watch the subsequent withdrawal from this deposit.

Hence, all the field parties may examine the concerned records relating to the fund drawn from the consolidated fund and diverted to public account by crediting to civil deposit while conducting audit of accounts of various offices and incorporate suitable comments in the DIR with reference to objective of the scheme and end use of such funds after they were diverted to civil deposit and the mode of utilization.

All the vetting sections in OAD headquarters should watch the funds diverted to civil deposit by opening separate audit register and the end use of funds diverted must be examined by ascertaining the details from the concerned departments.

(O. A. Circular No. 976 dt.31.8.2000 & G.O.F.D No. TRB-68/2004/51442 (260) dt.03.12.2004)

Further, the Government of Orissa in Finance Department have issued (26.12.2006) instructions to all departments of Government, Heads of Department regarding ban on transfer of budgeted fund to the Civil Deposit as extracted under:

- Budgeted funds shall not be allowed to be transferred to Civil Deposit under any circumstances and Civil Deposit is banned at all levels. The concerned Controlling Officers / DDOs are to be held personally liable for unauthorized transfer of funds to Civil Deposit. The Treasury Officers/ Sub-Treasury Officers are also to be liable for disciplinary action for violation of Government orders in this regard.
- Money after drawal from Bank / Treasury should not be kept outside Public Account. Drawing and Disbursing Officers having untulised cash balance shall face disciplinary action for violation of the provisions of Orissa Fiscal Responsibility and Budget Management Bill, 2005. These officers are to be held accountable to the Public Accounts Committee for the lapses, if any noticed by the Audit, on this account.

(GO, FD No. 52231 / F / WM-14 / 2005 dated: 26. 12.2006)

(iii) *Audit of 'nil' payment vouchers*

Considerable amounts of funds are transferred at the year end from the Consolidated Fund to the Public Account through 'nil' payment vouchers. The said expenditure figures under

the consolidated fund are artificially increased while there is no actual cash outgo from the Government funds.

All the OAD field parties should critically analyse the schemes / works affected by such transfers to Public Account (Civil Deposit / P.L account / other deposits) as well as the use of such funds otherwise during the course of local audit of the units. Apart from incorporating the findings on this issue in the concerned DIR, the same may be intimated to CASS-IA section separately through OAD headquarters, for detailed examination at their end and for inclusion in Chapter I & II of Audit Report.

(iv) *Audit of expenditure on Foreign Travel:*

Audit of vouchers of foreign travel expenditure is to be conducted both in central audit, as well as, in field audit every year. In this sensitive audit, correctness of the facts reported should be given most importance and officers responsible for reporting the facts as well as the Reviewing Officers including Group Officers should be personally responsible for the correctness of the findings being reported.

Travel by permissible Airline, T.A. advance and adjustment bills, acquittances, paid vouchers, debit advice from the Embassies etc. should be checked with reference to tour programme to ensure that the Ministers and officials of the State Government have actually undertaken the foreign travel and that there was no last minute cancellation. Number of foreign travel cases audited in each auditee unit may be indicated in the title sheet of the concerned DIR.

CONTINGENT CHARGES

4.04 Audit of contingent vouchers

(i) While checking the contingent charges, auditors should see that: -

(a) The sub-vouchers available contain pay orders signed by the competent authority and they are supported by payee's acknowledgement with dates of payments. Cases of non-availability of supporting stamped receipts and sub-vouchers are to be checked in detail to guard against any omissions and it is to be ensured that effective checks have been exercised on all the records connected with detailed audit. A general review may be conducted during local audit as prescribed in C&AG's secret memorandum of instructions. The non-production of any such records / documents may also be pointed out and a suitable comment made in the DIR

(OA Circular No. 522 dated 6.6.1978)

(b) The details given in the sub-vouchers agree with the entries in other registers or records maintained in the office e.g. the number of days for which witnesses are paid

with the number of attendance in court as shown in the Witness-Register of the Court, or the stores purchased with the stores ledgers etc.

(c) The details of work to the totals, and the totals are in words as well as in figures. Any alterations in the figures have been attested by the officer authorising payments;

(d) The Sub-vouchers have been duly cancelled or defaced; and

(e) Stamped Receipts have been affixed to the payee receipts in all vouchers for sums over Rs.5000 and they have been defaced.

(ii) Money orders acknowledgement may be accepted in audit as sufficient vouchers in support of payment as the payee cannot be compelled to furnish any other receipt but the nature and particulars of money remitted should be written by the sender after the words printed "Received the sum specified" before the money order is issued or by the payee when signing receipt of the amount remitted.

(iii) Value payable covers may be accepted as sufficient proof for audit purposes in lieu of receipts from actual payees for amounts paid on account of articles received through the post office per Value Payable Post. The fact of payment should, however be supported by a bill or invoice of the payee (firm sending the article) and payment endorsed on the cover by the disbursing officer.

(iv) (a) The audit of contract contingent expenditure is an important duty of the Auditors engaged on outside audit; they should follow the provisions of paragraph 3.4.8 of the C&AG's *MSO (Audit) 2nd Edition*. In the case of other contingencies a general review should be conducted on the principles laid down in paragraph 3.4.6 & 3.4.7 *ibid*.

(b) Apart from the normal checks prescribed for contingent audit, the following checks pertaining to payments made from contingency to job-contract staff working in survey and settlement operations in the field should be applied by the field parties while checking the accounts of settlement offices.

(1) That there is proper sanction of the competent authority to entertain the job-contract staff.

(2) That proper acquittance is taken from all persons to whom payments are made.

(3) That certificate of entertainment of staff etc. given on the bills is correct, as per the particulars available from the records maintained in the office.

(4) That the out-turn fixed for each category is itself realistic as per the actual out-turn.

(5) That proportionate reduction of pay is made for less out-turn where so prescribed.

- (6) That the staff paid under a particular category are actually employed for that work and not for job for which less pay is prescribed.

(OA Cir. 406 dated 30.5.69)

(v) Check of Contingent Register:

It should be seen that a contingent register is maintained according to the financial rules of the Government concerned. While auditing the entries in the contingent register it should be seen that –

- Each entry is initialled by the drawing officer;
- They are correctly classified and entered in the appropriate columns.
- The total of the entries of the sub-vouchers agree with the total of contingent bills drawn;
- The total expenditure during the years under each head of classification does not exceed the allotment noted at the top of the respective column; and
- The details of stores and other articles purchased as shown in the entries in this register, for which no sub-vouchers are available, agree with those in the entries in the stock books or other Register or records maintained in the office.

4.05 Check of Register for drawal of advance in A.C. Bill

(i) According to the provisions contained in the Government of Orissa, Finance Department Circular No. TR-A-124/61-22364(156)/F dated 26TH June 1961 all drawing officers shall maintain a Register for watching the drawal of advances in A.C. Bills and submission of D.C. Bills in adjustment thereof. Similarly all Treasury / Sub-Treasury Officers shall maintain the Register of temporary advances. The drawing officers should maintain the registers by allotting separate pages for separate work and projects for which A.C. Bill is drawn and the Treasury / Sub-Treasury Officers should maintain their registers drawing officer-wise by allotting separate folios for each work or project under each drawing officer for which he draws A.C. Bills.

(ii) Field Parties will see that

- (a) the registers are properly maintained,
- (b) the certificate furnished to the Treasury Officer with the first A.C. Bill presented by the drawing officer after 10th of every month is authentic and is supported by facts,
- (c) the instructions contained in para 2 of the Government of Orissa letter dated 26th June, 1961, are being followed by the Treasury Officers scrupulously They should

comment upon the extent and efficiency of check exercised by the Treasury Officers in this regard.

(OA Cir. 151 dated 27th October 1961 198 dated 30th October 1962)

NOTE-1. All cash memoranda that do not contain an acknowledgement of the receipts of money from the persons named in them are not receipts within the meaning of Section 2(23) of the Indian Stamp Act. (II of 1899) as the mere writing of the Purchaser's name and address on a cash memorandum for delivery purpose does not transform it into an acknowledgement to the purchaser that the money has been paid. Cash Memoranda do not, therefore, required to be stamped when the amount exceeds Rs.5000 and they should not be regarded as sub-vouchers in audit under *paragraph 3.4.18 of the C&AG's MSO (Audit) 2nd Edition* unless they contain an acknowledgement of the receipt of money from the persons named (with stamp affixed when the amount exceeds Rs.5000).

NOTE-2. *Acceptance of cash memos, as sub-vouchers* – Any supplier who receives money from Government for supplies made by him in excess of Rs.5000 is under legal obligation to give a stamped receipt when demanded as provided in Section 30 of the Indian Stamp Act, 1899 and in default he is liable to be punished with fine which may extend to Rs.100 vide Section 65 *ibid*. If, however, a disbursing officer is, in spite of this best endeavour unable to produce the required stamped receipt, such payments may be admitted in audit on the authority of Certificates of Payments prescribed in the Central Treasury Rule 206.

(Comptroller and Auditor General's letter No. 478 –Admn 481-49 dated 16th March 1950 to A.G.C.R. Copy received with Memo No.480-Admn. 481-49 dated 16th March 1950 (Dy. TM-1-33-2739)

NOTE-3. Thumb impressions of illiterate payees should be attested by the Government servant responsible for payment of the money. (based on provisions under OTC Vol-I)

(iii) The local audit parties should analyse the cash book and audit the expenditure in respect of abstract contingent bills for which D.C. Bills have not been submitted not only in respect of amount drawn on AC Bills during the period of accounts subject to audit but also in respect of amounts drawn on AC Bills relating to the years whose accounts have already been locally audited but DC Bills not submitted. The detailed check of the DC Bills should be conducted with reference to the duplicate copies kept in the concerned offices. The reasons for delay in submission of DC Bills should be specifically enquired into. Advances made out of such drawals to other offices and accounts rendered by the latter should be scrutinised in detail. The observation on the check of the AC Bills should be brought out in a separate para. A statement showing the position of outstanding DC Bills and details of DC Bills checked in local audit should be furnished along with the report in the *PROFORMA-II* given below:

OAD headquarters Sections while scrutinising DIRs send these statements to the concerned CASS for verification and taking necessary action.

P R O F O R M A - II

Year	A.C. Bill No. & Date	Amount	T.V. No. & Date	Head of Account
(1)	(2)	(3)	(4)	(5)

Name of the Drawing Officer	Designation of the controlling / Countersigning Officer	No. & Date of the letter with which the D. C. Bill has been sent to the controlling officer	Remarks
(6)	(7)	(8)	(9).

(Based on OA Cir-475 dated 3.10.74)

In the office of controlling officers also the parties may furnish similar statements showing of each D.C. Bill received by them (date of sending to audit office or drawing officer) so as to check the delay in controlling offices. The statement received from field parties may be sent to concern CASS.

4.06 Audit of Trunk call charges

The following procedure should be observed in making payment of Telephone Bills which include Charges for Private calls: -

(i) The trunk call bills when received from the Post and Telegraph Department should be circulated to the officers who will indicate the private calls as "Private" in the bill itself with reference to the trunk call charges register maintained by them and make payment of charges of such calls.

The receipt number and date of such payment should be quoted in support of payment against the private calls made by them. The charges for private calls and official calls should be noted on the bills separately, the total agreeing with the amount of the bill. The charge for official calls will then be passed for payment and the amount recovered from officers concerned on account of private calls paid to the Posts and Telegraphs Department.

(ii) A certificate to the effect that '*the charges for private calls included in the Bill have been recovered in full*' should be recorded on the bill over the signature of the Drawing Officer.

[G.O FD NO.OE / M-80 / 64-23264 / F dated 29th July 1964- Dy. OA-I

A/R-250 (61-62) - 1813]

4.07 Audit of Cash Book

(i) The cash book should be checked in detail for the months selected for test check and for the other months a general scrutiny should be made. In addition to the check prescribed regarding audit of Receipts, the Cash received from the Treasury by Bills as shown in the Bill Register should be traced in the Cash Book.

(a) The quantum of checks to be exercised with regard to arithmetical accuracy of Cash Book and tracing of receipts entries therein is as per O.A. circular No. 519 dated 22.4.1978. This check will include checking of opening balance with proper carry forward from closing balance of previous month, and that of closing balance of month selected for scrutiny to the next month. SO / AAO or the particular (Sr.) Auditor who has actually verified the correctness of such totals should specifically record in the Cash Book a certificate in the following manner under his dated (with year also specified) initials: **“TOTAL CHECKED”**

Dated signature of the audit personnel.

In case of P.L Accounts, Deposit accounts and Loan accounts for which audit certificates are given, the cash book should be subjected to check of 50 *per cent* of receipt tracing and arithmetical accuracy *hundred per cent*.

(OA Circular No. 481 dated 30.4.75)

(b) Checking of opening balances and closing balances in the cash book

While checking the Opening Balance on a particular day, the correctness of the Closing Balance of the previous day may be checked by deducting the expenditure of the day from the Grand Total (which constitutes sum total of day's expenditure and the Closing Balance) and then both the Closing Balance and Opening Balances be ticked in the CASH BOOK and a certificate with dated initials of the person doing the job may be recorded therein to this effect. This procedure may be followed scrupulously by all the OAD field parties.

(Vide OA-I-Circular-850 dt.02.06.1992)

(ii) It should be seen that:

- Whether expenditure shown as permanent advance in the permanent advance column justified the retention of the full amount of the permanent advance.

- Whether expenditure has been incurred in excess of the permanent advance by spending from the departmental receipts which is a serious irregularity?
- All cash transactions are entered as soon as they occur.
- The Cash Book is closed regularly and checked as per the provisions of rule 77 of the Central Treasury Rules Volume I and SR 37 of the Orissa Treasury Code Vol. I.
- Whether the Security furnished by the Cashier is adequate.
- Whether all of money received is remitted into the treasury in full and without undue delay.
- Whether the surprise inspection and check of the actual cash balance at least once in every month as required under Note 6 below S.R. 37 of the Orissa Treasury Code Volume I has been conducted by the proper authority, and the results of such inspection and check recorded in the Cash Book.

(iii) Many drawing officers have a tendency to draw large amounts from the treasury particularly at the close of the financial year in anticipation of requirements mainly to avoid lapse of budget grant. This tendency to draw in haste and spend at leisure is indeed a serious irregularity. With a view to collecting instances of all such cases for preparation of suitable draft para and for special report to the Finance Department the following instructions should be borne in mind.

(a) In every DIR pertaining to audit of “Cash and contingencies”, there should invariably be a para in Part- II on “Closing cash Balance” at the close of March focussing various irregularities.

(b) If the closing balance exceeds Rs. 10,000 (Excluding cash relating to pay and allowance) a statement showing the year wise analysis of this balance in the *PROFORMA-III* given below should be appended to the DIR. Such a statement is also necessary in cases where the closing balance is less than this amount but includes very old drawals.

P R O F O R M A – III
Statement Showing the Details of Closing Cash Balance

Closing Balance (excluding Pay and Allowance) as on 31 st March of the preceding year	Amount (excluding Pay and Allowance) drawn during March of the preceding year	Balance at the close of the month immediately preceding the month of audit (as on ...)	Mode of keeping the money					
			Of the amount at Col.1					
			In cash	In shape of advance and paid vouchers	Deposit at Call Receipt	Postal Savings Bank	Bank Draft	And so on
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(Year wise analysis of the closing balance as shown in Columns No.1 to 3)								

Mode of keeping the money						Remarks*
Of the amount at Col.3						
In cash	In Advance / paid vouchers	Deposit at Call Receipt	Postal Savings Bank	Bank Draft	And so on	
(10)	(11)	(12)	(13)	(14)	(15)	(16)

*Note (1) In cases where money is kept in the form of cash, arrangement made for the safe custody of the same may be examined and indicated in column - 16

*Note (2) If the balance is kept in a Banking account etc. full details viz., Name of the Bank, date of deposit, in whose name the account was opened etc., may be furnished in column-16.

(c) The details in support of this statement may be got prepared and authenticated by the departmental officers concerned for necessary check. No detailed statements showing the voucher wise drawals of the closing balance need, however, be enclosed to the Inspection Report, except where any specific comments, is made on the closing balance basing on the date of drawal etc. In such cases, T.V Nos. and date of drawal may be quoted in support of such comment.

(d) The statement referred to in the Sub-para (b) above should, however invariably be authenticated by obtaining the signature of the Head of the office inspected in the Statement.

(iv) Apart from the observance of the above instructions, important cases of drawals included in the closing balance should be carefully reviewed to see the *necessity for the drawal*, the reasons for not utilising it for the purpose for which it was drawn within the stipulated period etc. and suitably commented upon in the DIR, including inter alia the purpose for which the amount was drawn and the purpose for which it was actually utilised.

(Based on OA-Cir-212 dated 22.12.62)

(v) *Rush of expenditure* during the last three months of the financial year is a topic which merits comment in Chapter II of the Audit Report (Civil). The financial rules require that the expenditure is evenly phased throughout the year, as far as possible. But, in practice, much of the expenditure is incurred towards the end. The disproportionate expenditure during the last three months with particular emphasis on 'expenditure in March' is required to be highlighted. For this purpose, the field parties should collect the information in *POFORMA- IV* enclosed. While commenting on this in DIR, SOs / AAOs / and the Reviewing Officers should bear the following points in mind:

P R O F O R M A – I V

Name of the Office	Major Head of Account	Allotment for the year	Expenditure from April to December	Expenditure in January
(1)	(2)	(3)	(4)	(5)

Expenditure in February	Expenditure in March	Total Expenditure from Jan. to March (Col. 5+6+7)	Remarks
(6)	(7)	(8)	(9)

(OA Circular No. 645 dated: 8.9.80)

(a) Due allowances would have to be made for factors like expenditure incurred earlier but adjusted in the accounts towards the end of the year (e.g. for supplies).

(b) Due allowances should also be made for expenditure due towards the end of the year (e.g. interest payments, loan repayments, interest on G.P.F etc.)

It would be desirable to include specific comments on the causes and consequences of the rush of expenditure like non-finalisation of proposals resulting in money being drawn and remained unutilised and payments made before receipt of goods etc.

The information relating to (a) and (b) above should be shown in remarks column of **Proforma IV**.

(vi) Another important aspect which should be seen in Local Audit is the *short-fall in expenditure against the budget allotments for various welfare activities and rural development under social and community services and agriculture and allied services*. Persistent short-fall in the expenditure and failure to utilise the money provided by the Legislature for these activities is a matter which needs to be highlighted in the Audit Report. SO/AAOs of the field

parties and the Reviewing Officers should, therefore, attempt a comparative study of the budget provision and utilisation during the last three years pertaining to sectors/sub-sectors like social and community services and Agriculture and allied services and comment in the DIRs the major areas which account for the unutilised provision supported by broad reasons.

(vii) During the course of Inspection or local audit it should be seen that the Head of an office authorised to draw money from the treasury maintains a register of un-disbursed pay and allowances in [form O.T.C. 28-B](#). This register has been prescribed by the Orissa Government. It should be seen whether the register has been reviewed regularly once a month by a Gazetted Officer and the results of review recorded thereon, and whether columns of the register are correctly filled in and attested by a Gazetted Officer.

(viii) All Cash orders, drafts payable on demand, cheques etc. received in payment of Government dues should initially be entered in the subsidiary Cash Book maintained in [O.T.C. Form No. 81](#) for watching the encashment of the same.

(G.O. F.D. Notification No. T.R. 85/59-24975/F dated 5th August 1959 incorporated as Noted below S. R. 37(ii) of O.T.C. Vol.-I)

(ix) Tracing of bills entered in the Cash Book from the Bill Register, Books of Drawals and also the Contingency Register and other Registers maintained.

(a) Bills concerned should be examined to ascertain that the amount for which they have been passed are in accordance with the totals of abstracts of bills maintained in the office.

(b) Bills should be examined and seen that the number of persons for whose pay and allowances drawn are within sanctioned posts. It should also be seen that pay is not drawn in respect of persons who are on extraordinary leave or absent without leave.

(x) The acquittance rolls should be reviewed to see that every payment is supported by a legally valid acquittance, in the form of stamped receipt wherever required and if the payment is made to any persons authorised for the purpose, it should be seen that there is no noticeable flaws in the acknowledgement. It should also be seen that amount ordered to be withheld have not been paid without the formal release order and that amount directed to be refunded are either refunded or adjusted by Short Drawals in the subsequent month's bills.

(xi) The undisbursed pay and allowances register should be reviewed to see that amounts remaining undisbursed for more than three months are refunded by Short Drawal or otherwise.

(xii) Procedural lapses noticed if any, in the course of audit check should be brought to the notice of the Head of the Office for necessary remedial action.

(xiii) Payments of advances and recouplements of advances are correctly exhibited in the cash book as well as in the closing abstract.

Payments of advance to the officers and staff for various purposes including private purposes, out of available cash in hand is irregular as no expenditure should be incurred other than the purpose for which it was drawn. As such an exhaustive list of all cases where part of cash balance is kept in shape of sub-vouchers without taking them into account in the Cash Book should be prepared showing therein amount involved, T.V. No. and date in which the amounts were drawn, purpose for which they were drawn; purpose for which they were utilised, reasons for which they are kept unaccounted for in the Cash Book and action taken for settlement and the attention of the Head of Office should invariably be invited by the Reviewing Officer / AAO / SO. A suitable comment wherever necessary may also be made in the Inspection Report.

(OA Cir. 472 dated 29.8.74 and OA Cir. 490 of 27.2.76)

4.08 Cash verification

The Reviewing Officers are not required to verify by counting the cash balance of the office inspected. It is however, not the intention that Reviewing Officer is debarred from verifying the Cash balance of an office. If the circumstances of any case warrant this, in such a case the verification should be undertaken as soon as the necessity for the same is felt and this should preferably be done at a time when the officer-in-charge is present. Reviewing Officers / AAOs / SO may also arrange for the verification of the cash balance in similar circumstance.

(CAG'S D.O. No. 1965 – Admn./244-50 dated 28th July 1951)

NOTE-1 (i) Regarding the question whether the Reviewing Officer should take up verification of cash balance where circumstances warrant or ask the Departmental officer to verify the cash in the presence of the Reviewing Officer, it has been decided that where the cash verification by the departmental officer had not been done for a long time, or cash balance are very heavy or there is a suspected or actual case of defalcation or misappropriation or any other special circumstances warranting the adoption of such a procedure, the Reviewing Officer may request the Officer-in-charge of cash for physical verification of cash balance in the presence of the Reviewing Officer who should not however, sign the verification report. Thus recent or latest cash verification reports would be available to him to facilitate detection of irregularities in the cash book or cash balance if any. In such a case, of course, all cash balances are to be got verified simultaneously where there are more than one cash balances.

(OA Cir. No 47 dated 6/59)

(ii) **Physical verification of cash in presence of Audit**

As already communicated to secretary to Government of Orissa, Finance Department, Bhubaneswar, vide letter No. OA-I Genl 678 dated 7.6.1999, all the DDOs are to conduct physical verification of cash, in presence of audit viz. (Sr.)AO / AAO / SO of the audit party as the case may be and record the result thereof in the Cash Book with dated signature. All the audit parties should give their comments on the findings thereof in the DIR.

The Reviewing Officer (R.O) should not delegate this duty to his sub-ordinate and should perform this duty personally.

(OA Circular No. 907 dt. 23.7.1997 No. 935 dated 11.06. 1999 & CAG Circular No.1/1999)

NOTE-2. Verification of cash balance and audit of paid voucher kept as a component of cash balance

Though a mere mention of value of paid voucher is made in the DIR, no comments are made as regards the existence of the voucher as well as irregularities if any, in the payments made through such vouchers.

The (Pr) Accountant General (CA) had observed that as the value of money held in the shape of paid vouchers has assumed alarming proportions, the matter warrants a scrutiny during field audit and the DIR should contain the following information.

- Details of paid vouchers, date, amount and purpose for which paid / spent.
- Source from which money was diverted.
- Whether the payments made through such vouchers have been approved by competent authority and pass order recorded on the body of the voucher by the Head of the office.
- Action taken to obtain funds and to incorporate such payments in the cash book.
- Reasons for making payments on such vouchers and analysis of the purpose for which such payments were made.

(OA Circular No. 907 dt. 23.7.1997)

4.09 Bill Register: The Bill register should be checked to see that –

- It has been maintained in the prescribed form and in accordance with the provision of note 4 below SR 235 of OTC. Vol-I.
- All bills drawn have been entered in the bill register date wise and the entries duly attested by the drawing officer in charge under his dated initials.
- In the cases of bills endorsed to parties, audit to see that they have been entered in the register and a note to this effect has been made therein.
- All bills have been encashed and treasury voucher number / date have been noted in all cases.

- In case of cancelled bills a note to that effect has been made in the register.
- All Bills shown as encashed have been promptly accounted for in cash book as well as the other subsidiary registers.
- The Bill register has been reviewed monthly by a Gazetted Officer and the result recorded therein as required under Note 4 below SR 235 of OTC Vol-I. / [Note 3 below Rule 283 of CTR](#) / [Note 3 below rule 277 of CTR](#)

4.10 Book of Drawals

(i) It should be seen that Book of Drawals is maintained by the Drawing Officer in the prescribed form and in accordance with instructions issued by the Government of Orissa in Memo No. 2518 (54)F dated 28.1.1961 (OOA-3755 of 18.2.1961) and subsequent instructions issued from time to time in this behalf. It should be ensured that all drawals by bills from treasury are passing through Book of Drawals.

(ii) “As per F.D Memo No. IRC-47/79/56619(35)/F.dt. 4.12.1979 all the drawing and disbursing officers in the state other than those in the Secretariat, have been permitted to operate the second Book of Drawal, where the number of Gazetted Government servants are five or more. At the Secretariat, the number of Book of Drawals will be as determined by each drawing and disbursing officer in the Secretariat.

OAD field parties should therefore ascertain while taking up audit of any office the number of Books of drawals maintained by them and proceed with tracing of receipt accordingly to see that no Book of Drawals is left out / omitted from audit scrutiny.

(vide OA-Circular 633 dt 8.6.80)

4.11 Advance Register

(i) A register of advance should be maintained in the simple form as prescribed in Note 9 below SR. 37 (viii) of OTC. Vol. I and all payment of advances should invariably be entered in that register. The local audit parties should see that the register of advance is maintained in accordance with the above provision.

(ii) The field parties should in addition to check the records relating to sanctions and recovery of the advances, segregate the advance remaining un-recovered for over two years and comment about them suitably in the DIR with full details of the advances remaining unadjusted so that they can be taken to the Objection Book (OB) and their recoveries watched. The details of the advances should be given in the revised *PROFORMA-V* as given below:-

**Statement of outstanding Advances against Government Servants /
executants**

P R O F O R M A – V

Sl. No.	Year, month & date of Disbursement	Name of the Government Servant / executants	Amount of total advance	Source from which advance was paid
(1)	(2)	(3)	(4)	(5)

Specific purpose of Advance	Amount for which account is rendered by Government Servant.	Balance advance outstanding as on the date of Audit.	Reasons for outstanding and action taken to recover
(6)	(7)	(8)	(9)

(Vide OAC. 651 of 11/80)

Besides, the audit comment should include findings relating to the adequacy of the system of records kept for watching the recovery and the accuracy of the records.

The reviewing officers should see in course of their review that the party examines the records relating to those advances.

OAD Headquarters sections should take into the respective OBs of the advances outstanding for more than two years and watch them till finality.

(vide OA Circular 637 daated 9.7.80)

(iii) In order to attempt a consolidated draft para on the subject, the local audit parties may include separately a sub-para in the DIR on unclassified advances where possibility of their recovery and adjustment has become remote in the light of following guidelines:

(a) Whether the amount of advances shown in the analysis of cash balance agrees with the aggregate of those outstanding in the advance register. If there is any difference between the two then the reasons may be ascertained from the office.

(b) Whether the advance register is reviewed from time to time and yearwise outstanding balances worked out. The latest analysis may be collected from the departmental records.

(c) Whether the advances are granted under proper acknowledgements. All such receipts in support of outstanding advances should be specifically verified and omissions got explained by the departmental officer concerned.

(d) Whether the accounts with vouchers are rendered promptly by the officer concerned and the same are checked and adjusted by the disbursing officer without any delay. In case of delay, the time lag between grant of advance and submission of accounts in support of such advances may be analysed and the reasons for delay may be ascertained.

(e) Whether the advance register is maintained properly with all details as per Note -9 under rule 37 of OTC Vol-I. If not the details wanting and their effect on exercising proper control over advance may be seen.

[*Note 9 under rule 37 of OTC-Vol-I* states that all amounts to be drawn from the Treasury should be included in the cash book including those which have to be advanced wholly or partly to other officers entrusted with their disbursement. The amount so advanced should be treated as forming a part of the cash balance of the Drawing Officer until proper accounts of the payment made (supported by necessary paid vouchers) are rendered by the officers receiving the advance. As the advance given to the officials for making local purchase, etc. are not final payment, they should be written in red ink in the right hand side of the inner column of the cash book and should also be noted in a simple register styled as Register of Advances showing herein all particulars regarding the date, the name and designation of the officers receiving the advance, the purpose for which it is given, date of submission of the accounts of purchase made (supported by necessary vouchers), the total amount adjusted and the balance refunded. The accounts so rendered should be checked and passed by the Disbursing Officer and the transaction incorporated in the cash book as usual. The Advance Register should be reviewed frequently to see that all the advances are cleared by adjustment without delay.]

(f) Whether genuineness of any outstanding advances is suspected for want of requisite details or proper acknowledgements. If so the same should be pointed out to the disbursing officer and their explanation obtained.

(g) When advances are outstanding for more than two years the prospect of expenditure out of such advances and obtaining accounts in support of it may be ascertained from the Disbursing Officer.

(h) Nature of advance and departmental rules and regulations governing such advances.

(i) Any suggestion for improvement of the system.

(j) Any other point of interest.

(iv) Audit of (a) long term advances taken by Government employees and (b) No Demand Certificates

While conducting audit (local audit or central audit) of long term advances taken by Government employees and no demand certificate (NDC) issued by the A.G (A & E) office or

Departmental Officers maintaining the detailed accounts, the checks prescribed vide para 3.13.14, 3.13.15 & 3.13.16 of CAG'S MSO (Audit) 2nd Edition may be exercised. Suitable comments on the deficiencies may be included in the DIR along with a compliance report. The vetting sections (at Headquarters) should watch the compliance.

(OA Circular No.959 dt. 3.3.2000)

4.12 Audit of Stores and Stock Accounts

(i) At present the OAD Wing is checking the following store and stock Accounts.

Name of the Office / Departments where Store and Stock accounts are checked.	
Name of the Department	Name of the Accounts
(1)	(2)
1. Agriculture	Chemical fertilizers, seeds, agricultural implements etc.
2. Health & Family Welfare	Instruments and appliances, drugs and medicines, bedding and clothing, Crockery and diet and Miscellaneous stores of the Government. Headquarters Hospitals including Medical College Hospitals. Custody and sales of life saving drugs (Medicines)
3. Home	Orissa Police Motor Transport Workshop (Spare parts and vehicles etc.) Gril Manufactory (Manufactured stores, raw materials etc.) Jail Maintenance (Rations, equipments) Public Relations (Radios, Batteries, spare parts of radios and internal spare parts)
4. Forest and Environment	Tools and Miscellaneous Stores of the Forest Department, stocks related to plantation etc.
5. Commerce	Stationery articles, watermark, plain paper, printing and binding materials, plant and machinery, Spare parts and miscellaneous Stores of Orissa Government Press.
6. Industries	Engineering Instruments, equipment, miscellaneous Stores etc. of Orissa School of Engineering.
7. Revenue	Medicinal Opium.
8. Finance	Judicial Stamps, Non-judicial Stamps.

(Authority: TM Circular NO. 8-194-88 dated 6.4.74 filed in OA-I 4-7 Store 75-76 Vol. I P/49)

NOTE-1: The Store and stock accounts should show transactions in connection with stores actually consumed during the year and should not include articles of dead stock, such as plant, machinery, furniture, equipments, fixtures etc.

(Based on G.O. F.D. Memo No. AR-21-61-11046/58 F dated 20th March 1962 circulated in OA. Circular No. 179 dated 17th May 1962)

NOTE-2: It has been ordered by the C&AG that where expenditure of special nature involving manufacture of some products comes to notice of audit and where such transactions find a place in the Audit Report, there should be a review by audit with reference to results and output based on local subsidiary accounts for the outturn.

Where large contingent expenditure is incurred particularly in manufacturing processes, local audit should invariably be conducted carefully with reference to subsidiary accounts of expenditure and works- on –cost, if any.

(Based on CAG's letter No. 590 Admn./C-6/A-49 dated 3rd April 1950 vide Dy.T.M. – 1:-47-69)

(ii) *In the course of local audit of the stores accounts* maintained in any office it should be ascertained that departmental regulations governing the purchase, receipt, issue, custody, condemnation, sale and stock taking of all stores are well devised. If there exist no such regulations, the omission should be brought prominently in the DIR.

(OA Cir. 230 dated 21st November 1963)

(iii) The regulation for the conduct of the audit of stores and stock accounts will be found in **Chapter 4 of Section II of the C&AG's MSO (Audit) 2nd Edition** which should be mainly borne in mind. The following instructions are explanatory or subsidiary to those regulations. In auditing the accounts of stores, the quantity account of the receipts, issues and balances as well as the account of values (where they are maintained) should be examined with a view to ascertaining that they fall in all respects with the expenditure and other transactions connected with the stores. The essential points to be seen in the audit of stores are that-

- (a)** Every article purchased or otherwise obtained for store is entered in the store account. This should be verified at the time of audit of contingent vouchers or the contingent register;
- (b)** There is a proper requisition for every article issued;
- (c)** Steps are taken to dispose of unserviceable and surplus Store.
- (d)** Where the priced Store account is maintained:-
 - The Stores are priced correctly and the rates are reviewed from time to time and revised where necessary; and
 - The value of the balance of stock is worked out at reasonable rates within the current market rates and includes cost of storage, etc. and it agrees with the

value deducted from the accounts, for which purpose an adjustment entry may be made if necessary.

(e) There is a certificate recorded in all stores registers or ledgers etc. signed by a responsible officer that the articles in stores have been periodically counted or otherwise physically verified with the balance shown in the accounts.

(f) In addition to the points noted above the following general financial points should be looked into in auditing store accounts:

- The acquisition has been effected in the most economical way
- There is a proper order of the competent authority for every purchase, and purchase orders have not been split up so as to avoid obtaining sanction of the higher authority required by the total amount of the orders
- The value accounts as a whole are correct and the allocation of the debits to the various heads of accounts for the cost of stores issued is correct
- The balance in hand does not exceed the maximum limits if any, prescribed by competent authority and is not in excess of the requirements for a reasonable period and
- The staff responsible for the verification of stores is independent of the staff entrusted with the custody of stores or for keeping their account.

4.13 Audit of Property Accounts

(i) Various assets in the form of immovable property of various nature, which may be classified broadly under land, buildings (residential and non-residential) and other assets (such as dams, canals, roads, culverts, bridges etc.) are created out of expenditure incurred by various departments. Necessary property accounts in regard to those items are required to be maintained by them which are also subject to audit

(ii) The department which acquires properties will maintain the following registers.

(a) ***Register of Buildings, wells, Tanks, reclaimed lands etc., constructed or purchased:***

The details of those assets such as locality and value thereof, the voucher No. and date, agency of execution estimated amount, date of commencement and completion etc. are recorded in this register, a separate page being allotted for each building, well etc. Expenditure, if any, on repairs to such buildings etc. is also similarly recorded in the respective pages where the original cost is recorded.

(b) ***Register of Roads and Bridges etc.:*** The register of Roads, Bridges, Culverts, Causeways etc., constructed out of Community Project funds should contain the details

of the assets such as : the length, breadth, locality, value, nature, of road, bridges etc, total cost with reference to vouchers and dates, etc., a separate page being allotted to each road, bridge, etc. Expenditure on repairs should also be similarly recorded in the relevant pages.

(c) Register of immovable Government Property: The Register of immovable Government property maintained in the offices of the Civil Departments, holding administrative charge of Government buildings should be scrutinised intelligently during audit/inspection to see whether -

- (1)** It is being maintained in the proper form.
- (2)** Standard licence fee has been correctly assessed;
- (3)** What are the reasons for loss of licence fee, if any, etc.

NOTE-The “Register of immovable Government Property has been introduced in (i) Government of India, Ministry of Finance letter No. D. 5977-EBI/52, dated 22nd August 1952 (Dy.TM-I-42-1649) and (ii) Government of Orissa Finance Department letter No. 4017(22)/F/F-78/52 dated 2nd March 1954 (Dy. TM.I-42-3821). The Orissa Government have further decided that Relief and rehabilitation Department, Works Departments (excluding works electricity) and Police Department will continue to maintain their existing registers.

(iii) Cases where the property registers are not maintained or not properly maintained should be mentioned in the DIR.

4.14 Audit of Library Books

The position of library books is somewhat different from that of other stores and therefore, the following procedure should be followed for the physical verification of books in the libraries attached to the various offices of Government.

- (i)** Physical verification should, if possible, be conducted every year.
- (ii)** If, having regard to the size of the library, the time, the cost and the personnel involved etc., it is not possible to have physical verification done annually, the whole of the collection of the books should be physically verified at intervals of not more than three years. At least one-third of the library being checked every year.
- (iii)** Where it is not feasible to entrust the work of verification to officers not connected with library, the work may be entrusted to those members of the staff of the library, who are not connected with the custody of the books of the particular section taken up for physical verification.

- (iv) The verification should always be subject to surprise test check by some independent officers.
- (v) The decision regarding the periodicity and selection of staff envisaged at (ii) and (iii) above should be taken by the Administrative Departments / Heads of Department / Heads of Offices.

(Based on G.O.F.D., O.M. No. Codes-226/62-19254/F dated 24th May 1963, OA Cir. 195 dated 14th October 1962 (for central) 225 dated 22nd July 1963 (for State)

4.15 Security Deposit

The following instructions apply generally to securities to be taken from the officials (other than Treasury) entrusted with the custody of cash or stores:

- (i) Subject to any special rule or order made by Government in this behalf every cashier, store-keeper and other subordinate who is entrusted with the custody of cash or stores should be required to furnish security, the amount being regulated according to circumstances and to local conditions in each case under the sanction of the competent authority, and to execute a security bond setting forth the conditions under which Government will hold the security and may ultimately refund or appropriate it.
- (ii) The competent authority will determine whether the amount of security shall be paid in a lump sum or by deduction from pay.

(Rule 269 of the Orissa General Financial Rules-Vol. I and Note-6 under the rule ibid inserted by F.D.O.M No.39077 dt.25.08.73)

- (iii) When promissory notes are deposited as security, their realizable cash value should approximate to the amount of the security required.
- (iv) Under rule 269, the amount from a Government servant entrusted with the custody of cash, should be determined on the basis of actual cash handled and should not include account payees cheques or drafts, the cash of which is not handled by him.
- (v) The security bond from the Government servants handling cash / stores may be taken in the form given in Appendix 17A of OGFR Vol-II

(Note 5 below rule 269 ibid)

- (vi) The security taken from a Government officer should be in one of the forms (such as Cash, Promissory notes and Stock Certificates of Central / State Government, Post Office Savings Pass Books, National Savings Certificates, Post Office time Deposit Account, Kisan

Vikas Patra, Deposit Receipts of Scheduled Banks specified in the RBI Act, 1934, Fidelity Bonds from Nationalised Insurance Companies, Mortgages on real property, personal securities and other forms of security specifically approved by Government) as per rule 272 of O.G.F.R Vol-I subject to the conditions noted against each, or partly in one and partly in another of these forms, when this is specially permitted by the departmental authority authorised to accept the security.

(Rule 272 of O.G.F.R Vol-I)

The other conditions of handling these securities are envisaged under Rules 273 to 279 of O.G.F.R Vol-I which may be referred to.

(vii) It should be seen in audit:

- (a)** That the amount of security deposit has been fixed correctly by the competent authority and taken from the persons entrusted with cash or stores.
- (b)** That the security deposits are covered by a properly executed bond or agreement setting forth the conditions under which the security is held.
- (c)** That the Government paper tendered as security is taken at its market value and that a re-adjustments is made if there is subsequent depreciation in value;
- (d)** That the registers of receipts and disposal of securities is properly made and that all entries since last audit are correct, and specially that acknowledgement of depositors for return of securities exists;
- (e)** That the registers of securities as well as the securities are examined at least once a year by a Gazetted Officer;
- (f)** In the case of Post Office Savings Bank Pass Books, that they are hypothecated to Head of the office for the full amount of security required and kept in his custody;
- (g)** That in case of recovery of security deposits from subordinates in instalments the monthly instalments are regularly recovered and correctly accounted for in Government account and promptly deposited into the Post Office Savings Bank and the prescribed registers are maintained correctly; and
- (h)** That either the securities or the acknowledgement of their authorised custodians (vide Government securities manual) are produced for inspection.

(Based on OA Circular N. 217 dated 27th February 1963)

4.16 Audit of Establishment Pay Bills

- (i) The following points require the auditor's special scrutiny.
- (a) The names of the persons and their pay shown in the office copy of the bill as well as in the acquittance rolls agree.
 - (b) The total amounts shown in the office copy of the Bill and Acquittance rolls (AR) should agree. The AR should bear the following certificate as prescribed in SR 235 of OTC Vol. I. "*Certified that acquittance roll has been checked in accordance with the instructions contained in subsidiary Rule 235 of the Orissa Treasury Code*".
 - (c) The absentee statement attached to the office copy of the bill; and
 - (d) The details of the absentee statement are correctly shown with reference to the Service Books, leave accounts and other records such as Attendance Register, etc.
 - (e) Verification of the note of arrear claims in the office copies of original bills in respect of both Class III and Class IV staff whose names are not required to be entered in the pay bills should be conducted in respect of the month's pay bills selected.
 - (f) A check of average pay statements of non-gazetted staff whose names do not appear in establishments' bills should be conducted.
 - (g) Besides the checks mentioned above, the establishment bills are also required to be checked with attendance register and service books to ascertain (1) if the persons are actually on duty and (2) if the persons are not actually on duty whether their absence is covered by sanction of regular leave or casual leave with suitable entries in Service Book or Casual Leave Register.

(OA Cir. 329 dated 15.9.66)

- (ii) Initial pay fixation of Government Servants in revision of pay scales is to be checked in local audit as per the percentage fixed.

(Vide OA-I Cir No. 655 dt. 6.2.81)

- (iii) Payments of cash equivalent of leave salary:-

- (a) to the family of the Government servant who dies in harness,
- (b) at the time of retirement,
- (c) on account of surrender leave

are to be checked in all cases arising in the months selected for detailed audit, and also the prescribed percentage of cases coming within period of audit.

(iv) The manner and extent of checks to be exercised during local inspection under the revised arrangements are as follows.

(a) The local audit of pay and allowances drawn for individuals will be conducted in respect of the month(s) selected for detailed audit.

(b) The nominal checks should be exercised with reference to initial and primary records containing the authority for the events necessitating the regulation of pay and allowances of Government servants, such as increment certificates, sanctioning the increment orders, orders of promotion / reversion and fixation of pay on such promotion / reversion, sanction of leave and leave salary, suspension orders, if any, and subsistence allowances granted, general orders of Government governing pay scales, different types of allowances admissible, specific orders of government granting special pay and compensatory allowance admissible to any member of establishment or member of ex-establishment.

For this purpose the audit party should maintain a guard file of general and specific orders of Government governing the pay and allowances of establishment. Such orders can be had from the various office orders and OA Circulars sent from OAD headquarters and can be collected from the local offices while examining the initial and primary records. CASS will also send to the field parties through the OAD headquarters copies of specific orders of Government relating to specific establishments.

(c) The parties should compare the pay and allowances drawn for each government servant in the pay bills of the selected month(s) with corresponding entries in the pay columns of Service Books. The acquittance rolls should also be checked to ensure that the pay and allowances drawn have been disbursed and proper and accurate acquittance obtained. The admissibility of the pay and allowances drawn for each individual Government servant in these pay bills should also be checked completely in the manner indicated above.

(d) The above checks should be integrated with the checks of SBs & leave accounts for which instructions already exist in the various OA circulars issued from time to time.

(e) In addition to audit of pay and allowances drawn in the Estt. Pay Bills of the selected month(s) (a) cases of increments sanctioned and (b) cases of fixation of pay on promotion / reversion during the period covered under audit should be checked to the extent of 20%.

(f) Supplementary and arrear claims should be generally reviewed during local audit. The following points should be seen in the review.

- (1) That the cases are not pending unnecessarily.
- (2) That there are valid reasons for claiming them in arrears or supplementary claims.

However, the above category of cases appearing in the months selected should be subjected to detailed check.

(g) (1) The office copies of the pay bills relating to the test audit month(s) selected for check of the initial and subsidiary records kept in the departmental offices should be checked by the Inspection parties with cash book, acquittance rolls, treasury bill books etc.

(2) Acquittance rolls and the register of undisbursed pay and allowances are examined to see that each amount shown as disbursed has been disbursed to the persons entitled to receive them and the arrangement for keeping a proper watch over the undisbursed amount is satisfactory.

(3) Besides, claims of the overtime allowance, children's education allowance, reimbursement of tuition fees and TA bills are checked with reference to the local records kept in the departmental accounts offices in favour of which the claims have been drawn and to see that the rules and regulations in regulating such claims have been followed.

The Reviewing Officers should include in separate part of the DIR either in Part-II (A) or (B) or part-III as the case may be, the results of local audit of establishment, Service Books and leave accounts. Certificate should be given by the party that necessary checks have been exercised in respect of nominal audit, audit of increments certificates, fixation of pay on promotion / reversion, check of Service Books and leave accounts, suspension orders and subsistence allowance, check of office copy of bills, orders regulating special pay, compensatory allowances etc.

The vetting sections of OAD headquarters should see while scrutinising the DIR that the parties invariably record the certificates in the title sheet and that the certificate is in the required manner. In case of any omission to record the certificate or the certificate not being in order the same should be pursued with the party at once to obtain the certificate in its complete form and keep it attached to the title sheet for future reference.

(OA Circular No. 64 dated: 28.08.1980)

(4) Field parties should check the office copy of pay bills relating to Gazetted Officers in local audit. The check of Service Books and leave accounts of Gazetted Officers is to be conducted in local audit by the field parties in the same manner as the service books and leave accounts of non-gazetted staff. Field parties should ensure that the check of service books and leave accounts of Gazetted officers are not omitted while taking up the check of Service Books and Leave Accounts of non gazetted establishment. The check of office copies of establishment bills should be integrated with the check of Service Books and Leave Accounts. The results of establishment audit and check of service books and leave accounts should be included in a Separate Para in Part- II (A) or (B) or Part-III, as the case may be in the DIR, and no separate report need be issued to the Head of Office on the spot.

(O.A Circular No. 664 dated: 21.7.1981)

(h) Deduction of Income Tax and Professional Tax at source

(1) Audit parties should check the calculation of Income Tax / Professional Tax recoverable / recovered from the salaries of eligible officers and comment upon deviation and irregularities, if any while arriving at the amount of tax and deduction of the same at the source.

(2) A separate note should also be attached to the DIR in case no irregularities are noticed.

(OA Circular No. 898 dt. 25.9.1996 and

Orders issued on Professional Tax by the Government of Orissa)

(v) Irregular appointments in various Department of Government

(a) All field parties and vetting sections of OAD group are required to review the irregular appointments made by the Departments / Heads of Departments / Sub-ordinate Offices of the Government of Orissa flouting the Government restrictions issued by Finance Department from time to time.

(OA Circular No. 1026 dated: 8.8.2002)

(b) In order to detect irregular appointments in various departments of the Government it was instructed by (Pr) Accountant General (CA) that while conducting nominal audit of a particular establishment, the following aspects need be examined and irregularities noticed be suitably commented in the report.

(1) The orders of the Government in which the posts were sanctioned and the orders allowing the temporary posts be examined to see that no extra staff are employed.

(2) In case of ad hoc and temporary appointments, orders of the Government / Directorate be examined with reference to Recruitment Rules framed by Government.

(3) In case of Group B Officers it is to be examined whether concurrence of OPSC was obtained or not. If not, how long they are continuing on ad hoc basis and under whose orders.

(4) Whether the Officers (Group-B) appointed on ad hoc basis were allowed to transact cash business of the office. If so, orders of Government, if any, are to be verified.

(5) The details of expenditure incurred on the pay and allowances of the irregularly appointed staff be collected and commented in the DIR.

(6) Propriety of sanction of annual increment in these cases may also be examined.

(OA Circular No. 925 dated: 15.5.1998)

All the reviewing officers (AAO / SO in case of non review items) are instructed to follow the above instructions strictly. Lapses in this regard shall be viewed as dereliction of duty and action should be taken on erring officers.

4.17 Audit of T. A. Bills

(i) As the responsibility of audit in regard to checks exercised by controlling officers in T. A bills has to be discharged by occasional test checks, audit should check a few specimen cases at the time of local audit / inspection of Government offices, to ensure that the duty assigned to controlling officers is properly exercised by them and draw attention to any cases that may come to notice in which the controlling officer did not discharge the responsibilities assigned to him.

(CAG's letter No. 478-A -11/72-Admn. 11/59 dt. 8.5.59 OA Cir. 96 dt. 5.7.60)

(ii) The correctness of the headquarters (of the claimants) shown in TA Bills of non-gazetted officers for the month(s) selected should be checked. The result of check should be commented in the DIR.

(Based on OA Circular – 111 dt. 26.10.60)

(iii) The justification for the Grade –IV staff accompanying the official may be ascertained. In case of any irregularities, comments thereof may be included in the DIR.

(OA Circular 505 dated 15.10.1977)

4.18 G. P. Fund Accounts of Group ‘D’ Staff

The departmental officers of the Central Government have been entrusted with the work of maintenance of GPF Accounts of Group ‘D’ employees. The audit of G.P.F Accounts of the Group ‘D’ will be conducted with reference to the GPF (C) Rules 1960 as amended from time to time. The accounts are to be checked hundred per cent in local audit. It should be seen *inter alia* that:

- Accounts have been opened in respect of all the Group ‘D’ employees who have put in one year’s service and account numbers have been allotted to them.
- Account number have been noted in the General Index Register and receipt of nominations noted in the Register of Nominations (GIR Form III) under the signature of the officer accepting the nominations.
- Separate ledger folio is opened for each subscriber.
- The rate of subscription is not below the minimum rate prescribed by Government and that the subscriptions are regularly recovered and credited to proper account.
- Each entry in the account is attested by the head of the office.
- The advances / withdrawals sanctioned are in accordance with rules.
- Recoveries of advances have been effected correctly.
- The annual interest credited to each account is correctly worked out.
- Nominations have been obtained from all the subscribers and that they are in order and valid and they have been accepted as valid by the officer competent to do so and kept in safe custody.

- Cases of final withdrawal are checked thoroughly and it is ensured that the payment has been made to the party concerned and proper acquittance obtained.
- The monthly return of debits / credits and the annual return of interest figure are sent to the Accountant General (A&E).
- Account slips indicating the opening balance, credits during the year, withdrawals, if any during the year, interest accrued and the balance at credit at the end of the year have been supplied to the subscribers and their acceptance obtained.
- The opening and closing balance in the unit Broad Sheet should also be carried with that of G.P.F ledgers.
- Posting of credits and debits for two selected months each year reference to Bill and GPF Drawal Register shall be conducted.

(OA Circular No. 496 dated 9.6.77)

4.19 Audit of Children's Educational Allowance, Reimbursement of Tuition Fees and Hostel Subsidy

(i) The terms and conditions under which Children's Educational Allowance etc. are allowed to Central Government employees under a consolidated order issued by Government of India in their OM No.18018 / 1/ 80-Estt.(Allowances), dated 24 March 1984 superseding all the previous orders on these subject. This was amended by the GOI under their OM No. 18018 / 1/ 87-Estt.(Allowances), dated 31 December 1987, OM No.21011 / 11/ 88- Estt (Allowances), dated 17 October 1988 and OM No. 21017 / 1 / 97-Estt. (Allowances) dated 12 June 1998.

(ii) The field parties will check-

(a) The eligibility of the Government servant for the drawal of the allowances with reference to the conditions of service envisaged in para 2 of Government of India Memos cited above.

(b) Whether the amounts drawn conform to the rates prescribed. by GOI from time to time.

(c) Whether the conditions laid down by the GOI from time to time for the grant of the children's educational allowance etc. have been fulfilled.

(iii) The above checks should be exercised in all cases of payments with reference to the certificates prescribed in para 25 (in Form-1, 2, 3 and 4 as the case may be) of the Government

of India Memo ibid furnished by the Government servants and the records maintained in the offices audited.

(iv) It should also be seen that the verification of the correctness of the certificate furnished is conducted by the drawing officers regularly.

(v) The compliance of this item should be indicated separately in the title sheet.

(Based on CAG's 3337 –Admn.I/679-62 dated 22nd December, 1962 circulated in OA Cir. 223 dated 10th May 1963 read with GOI OM No. 21017 /1 / 97-Estt. (Allowances) dated 12 June 1998).

4.20 Audit of Contracts and Agreements

(i) It has been decided that in respect of contracts and agreements for purchase of Rs. 70,000 and above, copies of contracts should invariably be obtained and examined and the payments made against them watched in Central Audit. In all such cases there should be proper co-ordination between Central and Local Audit. To ensure this, intimation of such purchases should be sent to OAD Section without delay so that they may arrange a programme of local audit, which should include a scrutiny of the relevant purchase files. To achieve this object properly, a note of all such cases should be kept by the audit sections concerned in the "Register of Special points for scrutiny in local Audit". (Also refer para 2.06 of this manual). Receipt of the copies of contract should be watched through the sectional Calendar of Returns.

(ii) Audit of contract and contractors' bills

Whether the contracts are placed by a Central Purchase Agency or by the Department generally fall under the following heads.

(a) Audit of contracts and agreements with reference to indents and tenders (see para 4.21 below).

(b) Audit of payments of contractors' bill against contracts, purchase order and agreements (see para 4.21 below).

(c) Audit of accounting of stores, equipments etc. purchase against such contracts by the consignee, (for this provisions under Chapter 8 of Central Government General Financial Rules, 1963 & Chapter 8 of OGFR may be referred to.)

4.21 Audit of Contracts and Agreements with reference to Indents and Tenders

- (i) The general checks to be exercised are indicated in Chapter 7 of Section II of the C&AG's MSO (Audit) 2nd Edition.
- (ii) General principles for entering into contracts envisaged in Section IV under Chapter 2 of OGFR Vol.I and corresponding provisions made in Section IV under Chapter 2 of CGFR may be gone through while checking the contracts and agreements.
- (iii) In scrutinising an acceptance of tenders it should be seen –
 - (a) that the particulars regarding quantity and rates are furnished and the prices stipulated are firm. Particulars of the contracts providing price variation clause of provisional rates should be examined.
 - (b) that there is no omission of any important clause e.g., inspection of stores, date and place of delivery, despatch instructions, name of consignee, etc.
 - (c) that it is signed by a authority which is competent to enter into the Contract. In case the signature on the order is that of an authority who is not competent to enter into the contract, a certificate to the effect that the purchase has been approved by the competent authority is recorded thereon mentioning also the designation of authority whose approval has been obtained.

NOTE- In the copies of acceptance of tender, supply orders, etc. all the sheets containing rates, prices and other important conditions should be signed in ink by the purchasing officer concerned.

- (d) that, if the acceptance of tender provides for payment to a party other than the contracting firms, a power of attorney has already been registered on the books of the office.
- (e) The provision for the payment of Value Added Tax (VAT), excise duty, Service Tax (wherever applicable) etc. should be checked with reference to the instructions issued by the Government from time to time. Vague provisions such as "VAT will be paid if legally leviable" should be objected to and the contracting officers asked to state in definite terms whether VAT, excise duty, service tax, etc. are payable and if so at what rate and on what amount.
- (f) Acceptance of tenders placed in the later part of financial year should be specially scrutinised and any tendency to rush of expenditure brought to notice. Requests for despatch of heavy goods by passenger train, at a cost (in freight) which is disproportionate to the value of the materials should be examined in detail by the Local Audit Party. In such cases, the party should see whether a higher rate was also paid for urgent delivery and whether the circumstances really justified the extra expenditure.

(Based on CAG's letter No. 1521 Admn.!! / 87-59 dated 12th May 1960 OOA 3420 dated 15TH June 1960)

(iv) The main types of cases that may be examined in Local Audit are-

- (a) Acceptance of tender including Rate, Running contracts, Supply orders.

- (b) Amendments, against acceptance of tenders etc.
- (c) (1) Contracts placed from India direct on suppliers in U.K., U.S.A and other overseas countries.
(2) Contracts placed by the Indian Missions, Trade Commissioners abroad (other than those in U.K and U.S.A).
- (d) Timber purchase orders.
- (e) Office orders, etc. issued by the Purchase Organisation on the subject of VAT, Excise duty, Service Tax etc.
- (f) Disposal contracts.
- (g) Arbitration cases, etc.

4.22 Audit of Payment of Contractor's Bills against Contracts, Purchase orders and Agreements

The following points should be kept in view in Local Audit-

- (i) Whether, so far as can be ascertained from the purchase files, demands of other indenting officers received at the time have been bulked together as far as possible to secure the advantage of bulk supply rates, etc. and if so whether the total quantity in respect of all the individual contracts issued against bulked indents, does not exceed the quantity of bulked indents.
- (ii) Whether purchase has been effected by single tender or negotiation, if so, whether sanction of the competent authority has been obtained and reasons recorded for resorting to this method of purchase.
- (iii) Whether all tenders were opened on the due date, and numbered and initialled with date by the officers opening them.
- (iv) Whether the comparative statements are on record and have been checked with original tenders
- (v) Whether tenders received belatedly have been incorporated in the comparative statement and considered, and whether orders of the competent authority have been obtained to the consideration and acceptance of these tenders.
- (vi) Whether the lowest offer has been accepted in each case; if not, the difference between the lowest offer and the offer accepted and the reasons recorded for rejecting the lower offer should be examined. It should also be seen whether the reasons are adequate. When favourable quotations are rejected on the ground that the firms are untried it should be

seen if the matter regarding placing of a trial order with the firm with a view to secure economy in future purchases has been considered and appropriate action taken.

(vii) Whether the successful tenderer has indirectly derived any advantage over the other tenders by the insertion of special conditions which have the effect of raising the rate quoted by him.

(viii) Whether the purchase price accepted is within the required limit of the estimated price of the indentor and if not, it should be examined whether confirmation about the availability of additional funds was obtained.

(ix) Whether the contract has been placed on a registered firm and if not, it should be examined whether it is with or without security and whether sanction of the competent authority has been obtained.

(x) Whether in case of direct contracts placed on firms in U.K. from India, advances / progress payments have been agreed to after a prior reference has been made to the India Stores Department, London and their practice ascertained.

(xi) Whether the rates accepted have changed in any case after the conclusion of the contract and if so, whether the change in price has been effected with the approval of the competent authority, and whether the reasons justifying such changes are adequate.

(xii) Whether any supplementary contracts has been negotiated or payment authorised for any additional service required of the contractor subsequent to the placing of the acceptance of tenders and if so the action taken should be examined with regard to propriety and competency.

(xiii) In case of items for which a rate contract exists either by DGSD or by the Director of Export promotion and Marketing, Orissa, it should be seen that the items are purchased at the approved rate from the concerned firm and purchases are not made from other sources without approval of competent authority.

4.23 Audit of Register of Assets created out of centrally sponsored schemes

All OAD field parties should scrutinise the register of assets created out of centrally sponsored schemes, maintained by respective DDOs and see that the revenue earned from the assets is credited timely to Government accounts and deficiencies if any noticed in this regard may be commented in the DIR.

(OA Cir. No.990 dated: 29.12.2000)

4.24 Use of Departmental Vehicles by Gazetted Officers on Tour

In order to check in Central Audit, the T. A. Claims for which hire charges have been paid it has been ordered by the (Pr) Accountant General that SO / AAO of the field parties should furnish a statement (*with the following particulars*) of the Departmental vehicles used by officers as well as other unofficial members for both official and unofficial purposes for all departments in which Government vehicles are used on tour for one month only in each year or part thereof. In this connection a reference is invited to Rule 2(a) and 2(e) of the “Rules for regulating the control and use of Government vehicles maintained by different departments of Government”. If any hire charges were paid by any gazetted officers or unofficials, the credit thereof may please be verified and the information furnished in the statement.

- (i) Name and designation of the officer or unofficial using the vehicle.
- (ii) Name of the department to which the vehicle belongs.
- (iii) Journey: Vehicle No.
- (iv) Date of journey.
- (v) No. of Kilometres travelled.
- (vi) Period of absence from Headquarters (Time of departure and arrival).
- (vii) Whether hire charges have been paid, the credit thereof may be verified.

(Based on A. G's orders on 12th September, 1960 on the notes of IAD see p.11 of D.9 1958 Misc. file (OA Circular No. 109 dated 22nd September, 1960 and A. G's order dated 5th September, 1961 in the File OA –I Gl-60-61-Vol. II (OA. Circular No. 153 dated 27th October 1961)

4.25 Check of Log Book of Government Vehicles

The Log Books of Government vehicles should be examined to see-

- (i) that the Log Books are maintained in respect of each vehicle in the prescribed form,
- (ii) that the vehicle is used for bonafide public purpose permissible under the rules with the order of the competent authority,
- (iii) that full details of all the journeys undertaken are recorded covering the kilometrage per litre of petrol / diesel, places visited and relevant kilometers covered as per meter recordings;
- (iv) that in the case of authorised private or non-official journeys, the charges recoverable at the prescribed rates have been recovered and credited to Government,

- (v) that the purpose of journey is always recorded in detail under the signature of the official using the vehicle and counter-signed by the Controlling Officer of the vehicle,
- (vi) that all issues of petrol / diesel, mobil oil and other lubricants and consumable stores are duly recorded in the log books,
- (vii) that the log books are closed after the prescribed periodical intervals and average number of kilo meters run per litre of petrol or diesel oil worked out,
- (viii) that the yield of the meterage per litre is not unduly low and where it is so, the causes leading thereto should be investigated,
- (ix) that the petrol / diesel in tank of the vehicle is periodically verified by dip stick measurement or by any other standard method of estimation and a certificate recorded in the log book.
- (x) that the list of equipment and tools kept with the driver of the vehicle is entered in the log book.
- (xi) that a full details of all repairs to vehicle and replacements of parts are duly recorded in the Log Book.
- (xii) that in cases where frequent repairs to vehicles, engines or replacement of some parts have been carried out, they are not indicative of any foul play.
- (xiii) that a stock account of the condemned and replaced parts and accessories is maintained and their final disposal has been made to the best advantage of Government.

4.26 Audit of Recovery of Municipal Taxes of Service nature

There are a quite large number of departmental residential buildings within the municipal / NAC areas which are borne in the books of the departments other than the PWD and municipal taxes both of the nature of Property Tax and Service Tax are paid by the Department from contingencies.

Under Section 131-B (Chapter-XIII) of Orissa Municipal Act, 1950, the State Government shall, in respect of buildings belonging to theme liable to the payment of the taxes specified in clauses (a), (b), (c), (d) and (e) of sub-Section (1) of section 131 *ibid*. These taxes are: (a) a tax on holdings situated within the municipality assessed on their annual value, (b) a latrine tax on the annual value of holdings, (c) a water tax on the annual value of holdings, (d) a

lighting tax on the annual value of holdings and (e) a drainage tax on the annual value of holdings.

However, the tax at (a) above shall not be levied in respect of any such building which is used for the purposes of (i) any court or of any police station or fire station, (ii) any Government office not being an office of a commercial nature or (iii) any educational, medical, public health or cultural institution. But, if any portion of the above buildings is used for residential purposes aforesaid exemption shall not be applicable in respect of such portion.

While auditing exempted buildings of the medical / educational institutions etc. the local audit parties should see whether any such payment was made by those institutions. If so the payment may be objected to in Audit and a suitable comment made in the DIR. While scrutinising such payment, the following further material may be supplemented to strengthen the comment.

- (i) Yearwise amounts paid upto the date of audit and the period to which payment relates.
- (ii) Reasons for making such payments as ascertained from the concerned authorities.
- (iii) Other relevant materials in this regard.

(Based on Circular No.507dated

Further, ***as per Article 285(1) of the Constitution properties of Government of India are exempt from all taxes imposed by a State or by any authority within a State.*** However, on such properties only service charges (not property tax) are payable to local bodies for specific services rendered by them. This was communicated by GOI to all the State Governments vide their letters MF(DoEA) No.14 (1)-P / 52-I dated 10 May 1954, MF(DoC) No.4(7)-P/ 65 dated 29 March 1967, MF (DoE-PF Divn) No. 4 (2) / PFI / 74 dated 28 May 1976 and No.4(2) / PFI/ 74 dated 26 August 1986.

*(C&AG's Circular No. Estates / 4 / 1999 (issue No. 98-Estates / 19-98) dated 27
December 1999 and No. 53-Estate / 19-98 dated 14 February 2001)*

This should be carefully borne in mind during the time of local audit of Central Government Offices located in the state of Orissa.

4.27 Audit of Group Insurance Scheme

(i) Checks to be exercised in the Office of the Drawing and disbursing Officers

While conducting local audit of the accounts of Group Insurance Scheme relating to various drawing and disbursing officers apart from checking of Accounts of drawal of Advance under Group Insurance Scheme and watching their recovery as prescribed, the field parties may carefully scrutinise and examine whether the advance drawn has been transmitted in the shape of Bank Draft to Finance Department promptly.

The procedure followed for making refund of one time deposit in case of retirement, death etc. and payment of prescribed amount for obsequies in death case and prompt reporting of such cases to L.I.C. and noting of the payment in the pass book and other records in order to prevent double payment should be scrutinised and any defects noticed pointed out.

The following checks may also be conducted in course of audit of advances granted to make deposit under the scheme.

- That payments drawn are properly taken to the register of advances to Government servant.
- That recoveries are regularly made in accordance with the rules and posted in the register to watch the balance outstanding.

(ii) Checks during the course of audit in Finance Department

The following checks should be conducted during the audit of Group Insurance Scheme in Finance Department.

- (a)** Whether the one time deposit of each employee is maintained correctly.
- (b)** Whether payment of annual premium to L.I.C. is made correctly and apportionment thereof in the *ratio of 1: 9* between L.I.C. and State Government has correctly been made after deduction of Administrative or any others charges admissible under the rules and state share correctly credited to Deposit Accounts.
- (c)** The master policy has been issued and is kept under proper custody.
- (d)** Whether intimation in the proper form prescribed under the scheme has been received from all concerned and consolidated accounts of payments of obsequies and its adjustment in the relevant Deposit Accounts at Bhubaneswar treasury is carried out correctly, periodically or at the latest annually.

- (e) Investment of the funds of the Deposit accounts into other banks is made according to the rates of the fund.
- (f) Interest realized out of the investment has been correctly accounted for and credited to accounts of the fund.
- (g) Whether the interest derived out of the investment of the fund is sufficient to meet the net payment to L.I.C and payment on accounts of obsequies, refund of one time deposit etc. and the scheme is self sufficient.
- (h) Whether the rules of the fund are sufficient to regulate the day to day transactions and working of the scheme and sufficient to safeguard the interest of the depositors.
- (iii) Whether any staff are exclusively entertained in the Finance Department for the scheme and whether these establishment costs are taken into account while working out the economics of the scheme. Any other points to be looked into as would be necessary according to scheme.

(Authority: O.A Circular 525 dt.17.6.78)

4.28 Issue of Audit Certificate to the Central Government for the State Plan Schemes and Centrally Sponsored Schemes

In order to issue Audit Certificate to Central Government for the State Plan Schemes and Centrally Sponsored Schemes eligible for assistance from the Government of India, the OAD headquarters sections are to send the copies of objections raised during Local Audit to the CASS-I (A) as base materials.

In order to facilitate the OAD headquarters sections to supply the materials in a comprehensive manner along with the copies of objections to the concerned CASS the local audit party should collect the following information for the State Plan Schemes and Centrally Sponsored Schemes.

- (i) Name of the scheme with category i.e., State Plan Scheme or Centrally Sponsored Scheme or Central Plan Scheme
- (ii) Code Number
- (iii) Head of account (with full classification).
- (iv) T.V Number and date of drawal of the amount.
- (v) Money value of the objection in respect of the scheme under the following categories:-
 - Diversion of funds
 - Unutilised funds

- Receipts if any under the scheme
- Recoveries if any (nature of recovery to be specified)
- Refunds out of the drawal if any with particulars of date and challan Number
- Any other objection pertaining to propriety or efficiency audit

(Authority: O.A. Circular 540 dated, 15.9.79)

4.29 (i) Audit of Personal Ledger Accounts

Personal Ledger Accounts (also known as Personal Deposit Accounts) broadly fall into two categories viz. those operated within the Consolidated Fund of the State, and those in the Public Account. The opening of a Personal Ledger Account under the Consolidated Fund of the State requires the approval of the Government in consultation with the Accountant General (A&E). Personal Ledger Account under the Consolidated Fund can be opened in special circumstances when normal procedure of drawal from the Treasury by presentation of bills proves unworkable in respect of a special scheme undertaken by Government. Further such schemes should have gross working expenses of an amount exceeding Rs.5 lakh in a year and should have considerable receipts.

The Personal Ledger Accounts under the Public Accounts are opened after the sanction of the Government is issued in consultation with the Accountant General (A&E)

[Vide SR-423(2) of O.T.C. Vol.I]

Local Audit parties while conducting the audit of Personal Ledger Accounts should make a thorough examination of all the expenditure and receipts under the Scheme, in respect of the months selected for detailed check and the stores accounts, if any maintained by the Administration, proforma accounts prepared by the Administrators on the Scheme during the previous financial year and results should be incorporated in the DIR. A copy of the proforma accounts should be sent along with the DIR.

In respect of inoperative accounts, it should be seen as to how the store and stock balances, if any have been disposed of.

(ii) Audit of Panchayat Samities

The Local Audit Parties of the office of the Senior Deputy Accountant General (Local Bodies Audit and Accounts) under the (Pr) Accountant General (Civil Audit) created from October 2006, is conducting audit of both Government accounts, Panchayat Samiti's accounts for the specified periods, whether audited by Local Fund audit or not / or the reports were

available or not. These instructions are based on the provisions of Manual of Instruction for audit of autonomous bodies etc. (para 5.7 of C.A.G.'s compendium for conduct of Autonomous Bodies Audit).

(O.A. Circular 967 dtd. 31.5.2000)

The Inspection Report on Government Accounts are sent to OAD Headquarters. On receipt of the Inspection Report on Personal Ledger Accounts the O.A.D Section should send the extracts of Inspection Report paras on Maintenance of P.L Accounts to the concerned CASS Section.

(Authority: OOB-1770 dated 18.6.79)

4.30 Audit of expenditure from the Discretionary Fund

Following are some guidelines, which should be kept in view while auditing expenditure from discretionary fund of Governors / Ministers / Speakers / other officials of State Governments.

- (i)** Such discretionary funds have been created with the approval of the Legislature and budget provision for the fund has also been voted by the Legislature.
- (ii)** Where the State Government have prescribed guidelines for Administration of the fund relating to its corpus, identification of beneficiaries, purpose for which fund can be sanctioned, accountal of expenditure and audit thereof etc. such guidelines have been followed.
- (iii)** Where no such guidelines are prescribed by the State Government the expenditure has been sanctioned without violating the standard financial propriety and provisions of the State General Financial Rules and Treasury Codes for incurring expenditure from the Consolidated Fund.
- (iv)** That the grant has not been made for personal purpose but has been sanctioned and spent for serving interest of general public.
- (v)** The grant has not been made by appropriation from contingency fund.
- (vi)** That there is a proper system for identification of beneficiaries.
- (vii)** That while sanctioning the amount the purpose for which the amount should be spent is clearly spelt out and the utilization certificate is received in due course from the recipient certifying that the purpose has been achieved.

(viii) There is a payee's receipt in support of payment against each payment made from the discretionary fund.

(ix) That the grant has been sanctioned by the competent authority and it is not of recurring nature.

(CAG Circular No.5 Audit-MOM/255-95 dt.18.05.1996)

4.31 Audit of Payment of Minimum Wage

CAG in his letter No.1043-Rep(s)/287-2006 has sought a report on ensuring minimum wage payment which are actually paid by the Ministries / Departments of Central and State Government as well as Government organisations including Public Sector Undertakings on the basis of request made to him by the Secretary to Government of India, Ministry of Labour & Employment.

Hence all the party heads are instructed to examine during audit, to see if minimum wages to the labourers, if any, are actually paid. If they come across any violation in payment of minimum wage during their audit of Ministries / Departments of Central / State Government as well as Government organization, the position may be cross checked with Trade Union / workers representatives to make an accurate assessment. The assessment report should be made available to OAD headquarters and this process will be continued as a regular item.

(OA-I-Gen-Cir-V-1073 dt.20.11.2006)

4.32 Audit of construction works: Local Inspection Parties should see the following points while checking of expenditure with respect to works:

(i) that for every work executed there is a sanctioned estimate and administrative approval is obtained from the competent authority

(ii) That a properly detailed design and estimate has been sanctioned and recorded in the departmental office

(iii) That sanction, either special or general, of competent authority is obtained authorising the expenditure

(iv) that the expenditure on a work does not exceed the allotment

(v) That funds to cover the charges during the year have been provided by competent authority

(vi) That orders for its commencement have been issued by a competent authority.

- (vii)** Check the accounts of expenditure in respect of the works completed / works in progress shown in the works register and point out the irregularities,
- (viii)** See that advances for petty construction and repair works which are carried out departmentally are regularly adjusted and that unexpended advances are not retained in hand after 31st March. Report cases of advances which have been outstanding for a long time.
- (ix)** See that all new buildings constructed are duly entered in the concerned Asset Register / handed over to the user organization.
- (x)** When the work is executed departmentally see that –
- (a)** Muster rolls are maintained for the workmen on which the thumb impression or acknowledgements of labourers are taken in token of their having received their wages
 - (b)** The cost of materials obtained departmentally should be drawn in contingent bills supported by sub-voucher where necessary
 - (c)** Check the muster rolls and sub-vouchers with relevant records.
- (xi)** When a work is done by contractors see that:
- (a)** A deed of contract is executed laying down the conditions, rates etc.
 - (b)** Advances given to the contractors should include sums “on account” only i.e. they should not exceed the value of work done or materials supplied or brought to site and the bills for an advance should contain a certificate from the disbursing officer to the above effect.
 - (c)** A final bill is submitted for the total amount payable supported by full details. The amount payable on this bill is the net amount after deduction of the payments “on account” made previously from total value of work done, the details of which are given in the final bill.
 - (d)** Measurements of the work done are taken at the time of drawing up the final bills and produced for inspection and check at local audit.
 - (e)** No money on account of construction is retained in hand after 31st March. All that has been drawn and remains unexpended on that date is refunded to the Treasury

(f) In no case a final bill is prepared and paid before a work is completed. Completion certificate signed by a responsible officer should be attached to the final bill.

(g) The following records (wherever maintained / available) should also be examined:

- (1) Cash Book.
- (2) Case records of work.
- (3) Measurement books.
- (4) Stock Register of materials.
- (5) Plans and estimates.
- (6) Correspondence files relating to works.
- (7) Sub-vouchers.
- (8) Bill Register.
- (9) Contingent Register.

4.33 Non-inclusion of clause regarding the incidence of taxation in supply contracts / Notice inviting Tenders

C&AG's office vide letter No.998- Rep (s) / 279-2006 dated: 10.10.2006 has conveyed that the benefit of Central Excise Duty exemptions given for a certain period of time to manufacturing units (set up within a time frame) are not passed on to the Government departments / agencies by the suppliers / manufacturers in making supplies to them. In most of the cases, the manufacturers include excise duty component in the cost of goods on the pretext that the excise duty exemption has been given to them by way of incentives and as such the benefit will not be passed to the buyer.

It was noticed in audit that some Auditee entities do not lay down in the Notice Inviting Tenders (NIT) that the supplier should indicate in his quotation whether he is liable to pay any excise duty on the goods supplied to Government agencies and if so, the incidence of taxation. This omission results in additional payment to the suppliers / manufacturers on account of excise duty which the manufacturer may be collecting but not depositing in Government account.

Therefore, all the field parties of OAD group while conducting audit of accounts of purchases / supplies made by the departments are directed to ensure that non-inclusion of clauses regarding the incidence of taxation in the NIT is examined critically and comment in

audit, the additional payment made to the suppliers / manufacturers, if they have cleared the goods under exemption notification or without availing the exemption duty though available.

(OA-I-Cir-1075 Dt.22.11.2006)

4.34 Levy of Electricity duty as a percentage of Energy charge

The Orissa Electricity (Duty) Act, 1961 was enacted to levy duty on the consumption of electricity. The rate of duty for various classes of consumers is amended from time to time last being on 30 September 2005 by a Cabinet decision to link Electricity duty as a percentage of energy charge payable by different class of consumers as indicated below:

Different class of consumers	Per centage of energy charges to be levied as electricity duty
All categories of non-industrial consumers like domestic, general purposes, street lighting, public institutions, irrigation etc. availing power supply at low voltage equal to or less than 500 volts for their use	4
All industrial class of consumers availing power supply at low voltages equal to and less than 500 volts for their use.	6
All class of consumers availing power supply at high voltage above 500 volts up to including 33000 volt for their use.	7
All class of consumers availing power supply at Extra High voltages above 33000 volts.	8
Agriculture including lift irrigation	2
All small scale industries.	4

Under Section 13 of the above said Act, the consumption or sale of electricity produced by a Government or other persons which is

(i) Consumed by the State Government or by the Government of India or sold to the Government of India for consumption by that Government; or

(ii) Consumed in the construction, maintenance or operation of any railway of the Government of India, or sold to that Government for consumption, maintenance or operation of any railway,

are exempted from paying electricity duty on the energy consumed.

Hence all the party heads are instructed to examine payment vouchers related to energy charge during audit, to see if the electricity duty is paid as per the prescribed rates and excess / irregular payment of the duty should be commented upon and found place in

CHAPTER 5

INSPECTION / AUDIT OF PUBLIC SECTOR BANKS

5.01 Audit of the Accounts of Public Sector Banks (Including State Bank of India and its Subsidiaries) Conducting Government Business under the Departmentalised set up

(i) Under the departmentalized 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 for the particular Ministry / Department by the Reserve Bank of India. The Public Sector Banks also transact Government business in respect of the National Defence Fund, Annuity Deposit Scheme, Compulsory Deposit Scheme, 1963, Government Deposit Scheme, 1968, Public Provident Fund Scheme and Special Deposit Scheme 1975 of the Government of India. Under the scheme for payment of pension through public sector banks, these banks also make pension payments to Central and State Government pensioners (Central Civil Pensions, Defence Pensions, Railway Pensions, and State Pensions).

(ii) The C&AG of India has decided that all the Public Sector Banks (including State Bank of India and its subsidiaries) conducting Government business should be inspected annually on the lines of treasury inspection in accordance with the general principles contained in *Para 6.3.1 to 6.3.5 of Chapter 3 under Section VI of M.S.O (Audit) 2nd Edition* and Section V of S.M.I.

(iii) **The primary objective of inspection by IAAD is to**

- Assist the banks and the Government in establishing a system of sound functioning, strictly in accordance with the rules prescribed for dealing government transactions
 - Hence, the inspection by IAAD is to supplement and not to replace the audit or inspection arrangements existing in the banks.
 - Apart from undertaking any special enquiries that Government may desire, IAAD inspection can do no more check generally that the rules prescribed by the Government are observed.
 - Inspection of banks by IAAD staff should be on the line of treasury inspection.
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(iv) Responsibilities of Inspection / Audit Staff:

It will be ensured during local audit that:

- (a) The procedure observed at the Public Sector Banks transacting Government business meets all requirements of audit and that the accounts are properly maintained;
- (b) The scrolls and challans are being despatched in time and credits are being afforded to the Ministry, Department or office or Government concerned without any delay;
- (c) The specimen signature of all drawing officers are properly recorded and are referred to by the bank officials before they make the payments;
- (d) The procedure for dealing with cheques, the encashment of which is subject to the limitation or assignments, letters of credit etc. should be examined to ensure that the rules are complied with.

For discharging the above responsibilities, records connected with the transactions relating to business / schemes mentioned in para 5.01 (i) above should be checked in audit with reference to the provisions of the schemes concerned and in accordance with the instructions in the Secret Memorandum of Instructions regarding the extent of audit.

Any irregularities in observance to the procedure laid down in memorandum of instructions on banking accounting arrangements in connection with receipts and payments on Government account by Public Sector Banks under the scheme for the departmentalization of the system of accounts (and the appointment of integrated Financial Advisor for the various Ministries or Departments) issued by the Reserve Bank of India, Mumbai and non-observance of the above points, should be raised in audit and included in the DIR.

(Authority: C& AG's letter No.349-TA-1/227/78 dt. 24.4.79 and O.A Circular 481 of 9/79)

5.02 Records relating to payment of pension by Public Sector Banks to be examined by the local inspection parties:

- Application for drawal of pension through Public Sector Banks submitted by the pensioner,
- Index register of pension payments authorized through branches of Public Sector Banks,

- Pension Payment Accounts,
- Life Certificate, Non-employment Certificate and Certificate of Re-marriage / Non-marriage submitted by the Pensioner;
- Application for Family Pension Scheme,
- Bond of indemnity executed by the Bank in favour of the concerned Government in connection with the scheme for payment of pension to government pensioners.

5.03 Checks to be applied in case of pension payments through Public Sector Banks:

- (i) The C&AG of India in the guidelines issued in his letter No.2795-TA- II/186- 76 dated 24 December 1976 laid down the following instructions.
- (ii) The (Pr) Accountant General (Civil Audit) in whose jurisdiction the payment of pension is made by the concerned Bank may conduct the local audit.
- (iii) Local audit should be conducted in such a way that it supplements the checks exercised in central audit. While doing so it should be ensured that the provisions of the scheme are strictly followed by the Public Sector Banks. If they are not following the provisions strictly they may be asked to do so. Such a check may inter alia include the following points particularly.
- (a) Income tax is deducted at source wherever required and certificates of Tax deduction is issued in April each year.
 - (b) Payment is made only up to the date of death of the pensioner and any over payments made has been recovered and refunded to Government.
 - (c) Payment of life time arrears of pension has been made only to the heir of the pensioner.
 - (d) When a pension ceases to be payable the Pension Payment Order (PPO) is returned by the paying branch to the Treasury office through the link branch, after making necessary entries in the PPO as well as in the records of the bank.
- (iv) In addition to the above checks with reference to the provisions of the schemes, the following checks may also inter alia be applied:

- (a) No amendment or change is made in the PPO by the Bank itself.
 - (b) The arrear amount of pension has been credited to the pensioner's account on the basis of the PPO issued by the Accountant General (A&E) and received through the Treasury under proper authorization.
 - (c) The amount claimed by the link branch of the Public sector Bank from Government on account of pension payments agrees with the total amount credited to the accounts of the Pensioners.
- (v) The following points should be scrupulously followed by all the field parties of OAD Group, while checking the pension payment records in Public Sector Banks, wherein there are possibilities of excess payment / irregular payment of pensions.
- (a) Non-reduction of family pension to lower rate after expiry of the prescribed period.
 - (b) Payment of dearness relief, interim relief continued on pension / family pension during period of re-employment/employment.
 - (c) Pension and relief paid at higher rates than admissible.
 - (d) Payment of pension continued on original rates even after commutation.

(O.A.D.-I Circular -1047 dt.08-10-03)

The OAD Party / Reviewing Officer will make the selection on the spot and conduct the detailed check in cases of all the categories of pension payments by Public Sector Banks.

5.04 Audit of disbursement of pension by Public Sector Banks

(i) Audit of disbursement of central pension by Public Sector Banks

The scheme for disbursement of Central Pension by Public Sector Banks was extended to Orissa with effect from 01 February 1977 vide Government of India, Ministry of Finance (Department of Economic Affairs) New Delhi Letter No.F-10-(23)-B (TR) / 76 dated 11 June 1976 read with letter of even Number, dated 30 June 1976.

(ii) Audit of disbursement of State Government Pensions by Public Sector Banks

The above instructions as well as the provisions of the scheme shall apply mutatis mutandis to the check of disbursement of State Government pensions by Public Sector Banks (O.M. No.TRA-4 / 77-15539 / F, dated 02 September 1977). Payment of pension to the State Government pensioner through the Public Sector Banks was introduced with effect from 01 December 1977.

(iii) Audit of disbursement of Railway and Defence Pensioner's pension through Public Sector Banks.

The C&AG of India has decided in his letter No.2604-TA-11/242-76 dated 4- 11-76 that the audit of records of the Public Sector Banks in respect of payment of Defence and Railway pensions should also be conducted by the Civil Accountants General. The object is that one single authority should conduct the audit of records in respect of pensions paid through public sector banks of all categories. Therefore local audit parties, conducting audit of pension payments through public sector banks should also check the Bank records in respect of payment of pension to Defence and Railway pensioners. The guidelines for conducting check of payments of pension to Central Civil pensioners will apply mutatis mutandis to the Defence / Railway Pensioner's also.

5.05 Audit planning of Pension Payments through Public Sector Banks:

C&AG of India has suggested the following periodicity and norms for audit of branches of Public Sector Banks responsible for pension payments on behalf of Governments.

(i) Periodicity

	No. of Pensioners catered to	Periodicity of audit
(i)	200 and above	Annual
(ii)	50 and above but less than 200	Biennial
(iii)	50 and below	Triennial

Note : Audit of Link Branches is, however, to be undertaken annually. In branches that are audited biennially and triennially, vouchers of two months and three months respectively are to be checked during local audit.

(ii) Norms

	No. of Pensioners	No. of Party days
(a) Paying Branches		
(i)	Upto 25	Nil
(ii)	Between 26 and 100	1
(iii)	Between 101 and 200	2
(iv)	Above 200 but less then 400	3
(v)	400 and above	An extra day for every additional 100 or less cases
(b) Link Branches		2 to 3

Note : Audit of branches dealing with 25 pensions or less should not, however, be ignored altogether, but should be clubbed with other visit.

[Para 6.3.6 of M.S.O(Audit)2nd Edition]

5.06 Preparation and Issue of Inspection Report:

(i) The DIRs should be prepared separately for

- (a) Central Civil Pensions
- (b) Defence Pensions
- (c) Railway Pensions
- (d) State Pensions

Copies of the Inspection Reports relating to payment of pensions should be sent to the Bank inspected, its Head office, the Link Branch and the authorities indicated below.

Sl.No.	Category of Pensions	Authority to whom I.R to be issued
1	Central Civil Pensions	Controller General of Accounts
2	Defence Pensions	Controller of Defence Accounts (Pensions)
3	Railway Pensions	Designated Financial Advisor and Chief Accounts Officer of the respective area
4	State Pensions	Finance Department or the Head of Department administering the scheme.

[Authority: OAC-523 dt.14.6.78/4.7.78 & Para 6.3.8 of M.S.O (Audit)]

(ii) For each of the branches of banks visited, the party should indicate the total number of pensioners receiving pension payments from the bank and also the numbers of each category viz. State Pension, Central Civil, Defence & Railway pensioners.

(iii) Headquarter section dealing with the Inspection Reports on Pensions may maintain a suitable register and post the Number of pensioners of each category in each branch of a bank from the title sheet. The total time taken for the Inspection may also be posted in the register for each branch of the bank.

(Authority: O.A.C.548 DT.12-12-1978)

5.07 Audit of Receipt of Income Tax and other Direct Taxes by Public Sector Banks.

A scheme for receipt of Income Tax and other direct taxes by Public Sector Banks was introduced from 1.4.76 in specified areas and covered the whole of India from 1.4.77.

The outside audit parties while checking the collection of Income Tax and other direct taxes such as Corporation Tax , Interest Tax, Estate Duty, Wealth Tax, Gift Tax etc. by public sector banks will conduct a test check of the records maintained by the designated main branches of the banks mentioned in the Memorandum of Instructions issued by the Reserve Bank of India 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 the Reserve Bank for credit to Government account. It may not be necessary to audit the records of the receiving branches of the bank unless any suspicion arises in any particular case, where credit may be traced in the records by a reference to the Reserve / State Bank of India concerned.

(Authority: O.A. Circular-535 dt.27.7.78)

5.08 Audit of receipt of Indirect Taxes at Branches of State Bank of India, its subsidiaries and other Public Sector Banks.

A scheme for receipt of Central Excise and other Indirect Taxes by nominated Public Sector Banks (at Bhubaneswar, United Commercial Bank) in addition to Reserve Bank of India and State Bank of India was introduced from 1-4-77.

The outside audit parties while checking the collection of Receipt of Central Excise and Custom branches of State Bank of India, its subsidiaries and other public sector banks (at Bhubaneswar, United Commercial Banks) will conduct a test check of records (copies of the stiched scrolls without challans, but together with the copies of the forwarding letters under which the remaining copies of scrolls and challans preserved by the link branch of receiving banks) maintained by the designated main branches of the banks mentioned in Para-40 of the Memorandum of Instructions for collection of Central Excise, Customs and Other dues and payment of Refunds etc., in the formations under the Central Board of Excise and Custom issued by Reserve Bank of India, to ensure that the indirect taxes received by the banks have according to the scrolls maintained in the designated main branches, been actually remitted to Reserve Bank for credit to Government of India account. It has not been found necessary to subject to audit the records of the receiving branches of the banks but if suspicion arises in any particular case, the credits may be traced in the records by a reference to Reserve Bank/State Bank of India concerned.

(Authority : O.A.C. 556 of 2/79)

5.09 Audit of Special Deposit Scheme

The Government of India introduced a “Special Deposit Scheme for the benefit of non-Government Provident, Superannuation and Gratuity Fund” effective from 01 July 1975 and

the accounting Procedure for this scheme vide Notification No.F.16 (1)-PD / 75 dated 30 June 1975 and No. FI (43) / B / 75 dated: 19 September 1975 respectively.

The local audit parties while auditing the Special Deposit Accounts maintained at the Branches of State Bank of India and nationalized banks should especially verify the correctness of the refund / repayments and Interest Payment to ensure that:

- (i) The repayment / refunds do not exceed the original credit.
- (ii) The repayment / refunds have been made in accordance with the provisions of the scheme.
- (iii) Pre-mature refund has been made in accordance with the provisions of Para-9 of Government of India Notification dated 30-6-75.
- (iv) Matured refund has been made in accordance with the provisions of Para-11 of the Government of India Notification *ibid*.
- (v) Payment of interest has been correctly worked out and made and the rate of interest is what has been fixed in the Scheme. The quantum to be checked has been fixed in O.A. Circular 577 dt.8/79.

In addition, all the records maintained in connection with Special Deposit Scheme are also subjected to general review during local audit and each item of deposit received should be verified with reference to the entry in the ledger maintained for the purpose and the receipt issued to the depositor in Form B as prescribed in Government of India, Ministry of Finance Notification dated 30.6.75.

(Authority: O.A.C.-577 DT.17.7.77)

CHAPTER 6

CHECK OF SERVICE BOOKS AND LEAVE ACCOUNTS

6.01 GENERAL

The local Audit Party is required to check the following items of work during the course of Inspection:

- Test check of leave accounts.
- Examination of Service Books.

This check is intended to see interalia that annual verification of service books laid down in rule 12 of Appendix 11 of the Orissa Service Code and Para 70 of the Orissa General Financial Rules, Volume-I (for State Government) and Rule 81 of Central Government Compilation of G.F.R. for Central Government servants has been done by the head of the office in the manner contemplated in these rules and that the requisite certificate has been recorded in the service book.

(Based on O.A. Circular No.346 dt. 20.3.67)

6.02 Lines of Scrutiny

The Service Books should be examined to see –

- That a service book / service roll is maintained in duplicate for every Government Servant.
 - That entries of all events in the official career of Government Servant are made in his service book and attested by the competent authority.
 - That no alteration is made in the date of birth without the sanction of competent authority.
 - That entries on the first page are re-attested every five years.
 - That entries of pay and allowances in the service books agree with those shown in the pay bills of the respective period. This should be ensured by verifying the entries with the office copies of the pay bills for the selected months or the months to be selected by SO / AAO /Reviewing Officer. The correctness of pay and allowances allowed from time to time should be checked.
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- That a certificate of annual verification of service is properly recorded by the Head of offices in the service books of officials concerned.
- Regularisation of period of suspension is duly noted in the Service Book.
- That GPF account number is noted in the Service Book.
- That notes regarding receipt of nomination for DCRG and GPF are kept in the Service Book.
- That no Government Servant is retained in service beyond the date of superannuation without specific orders of the competent authority. Any such case coming to notice should promptly be reported to OAD headquarters and a para in this regard incorporated in the DIR.
 - *(O.A. Cir. 488 dated 17.1.76)*
- Increments are drawn on due date and calculated properly with reference to the last date and spell of duty including leave counting towards increment.
- Stepping up of pay with reference to the juniors has been done properly as per Government of Orissa, Finance Department No.8353/Fdt. 16.3.68 (OOA 5911 dt.5.4.68) No.20741/F dated 26.5.75 (OOA 7305 dt.4.7.75), No.18728/F dated 14.4.76 (OOA 7558 dt.9.6.76) and No. 41665/F dt.29.7.78 (OOA 8046 dt. 9.8.78).

6.03 Increment Certificate

Test check of increment certificates of Government servants should be conducted, as per the percentages prescribed in Government memorandum of instructions. The same are circulated vide OA-I-Cir-639 dt.18.7.80.

Verification of service for pension is conducted with reference to the entries in the service books. The local check of the service books has therefore, assumed much more importance. Hence, special care should be paid to see the following:

- Verification of service is up to date.
- Ex-state service has been duly certified.
- Suspension period has been duly regularized.
- Counting of war service / Ex-military service towards civil pension has been duly certified.

- Any discrepancies in pay are duly reconciled.

Adequate attention should be paid by the local audit parties to this item of work.

In this connection the following procedure should be followed:

- (i) If the service books of any office could not be test checked, the same should be indicated in the statement of service books checked to be sent to headquarters for making arrangement for check on the next occasion.
- (ii) Service Books checked should bear an audit endorsement duly signed (with date) by the Official-in-charge of the audit party.
- (iii) A list of the persons whose original and duplicate Service Books have been checked by the party in course of audit should be kept in the DIR to enable the next party to select other service books to be checked by it omitting the service books already checked in the last audit. Those cases should invariably be checked first before taking up other cases. The list of service books checked should include the name of the official and his designation mentioning gazetted officers and non-gazetted staff distinctly.

(O.A. Circular No.346 dt.20.3.67)

6.04 Quantum of Check

- (i) The quantum of check of original service books and leave accounts to be completed by a party on a day has been fixed in the SMI by Headquarters letter No.526- O&M / 7- 81 dated 10-6-82. When duplicate copies of service books are readily available, check should be ascertained as per the prescribed quantum in the said secret memorandum of instruction.

Note: In offices where duplicate service books have not been opened, or opened for a part of the staff, the party should see that the check of service book is conducted with reference to the number of service books maintained, according to percentage prescribed, care being taken to ensure that the duplicates are checked only in respect of service books for which the originals also have been checked.

- (ii) **Check to be exercised in duplicate service books**

It will be sufficient if tracing of the entries from the original service books to the duplicate is restricted to see that the essential entries such as date of birth, date of commencement of continuous service, breaks in service, extra-ordinary leave which has a bearing on the pension of the official are correctly entered in the duplicate service book under proper attestation.

(O.A. Circular 381 dt.12.6.68)

It is the responsibility of the Head of the office to see that duplicate service books are also maintained for all Government servant vide GOFD Memo No.Pen-B-108/62-36073(32)F dt.18.9.62 and GOFD No.Trig. III-37/79-40121F dt.24.8.79, Non maintenance of same should be included in DIR by the field parties.

(Appendix 11 of O.S.C)

6.05 Check of Leave Accounts

The following procedure may be followed in checking the leave accounts:

- (i) The total number of employees in the office visited should be ascertained with reference to the gradation list, Establishment bills or other records. This will enable the auditor to make sure that all Service Books and leave accounts have been put up for inspection.
- (ii) The object of inspection of leave accounts is mainly to educate the local officers to maintain these accounts correctly and to discover any mistakes with a view to their ultimate rectification. The auditors should not make any corrections or alteration in the leave accounts themselves but get them corrected by the offices concerned.
- (iii) The leave accounts of the persons likely to retire within next five years should be selected first and checked carefully, thereafter those of the persons who have taken long leave and finally of those who have taken leave rather frequently.

6.06 Check of service book; leave accounts etc. in respect of primary school teachers coming under triple benefit scheme

It has been decided that necessary check of the service books of the teachers coming under the 'Triple Benefit Scheme' should be conducted by the local audit parties visiting the office of the District Inspector of Schools.

- (i) **Quantum of checks:** The quantum of check of service books is hundred percent. In case, all the service books are not made available for check, list indicating the names of incumbents (with designation, address etc.) whose service books could not be checked should invariably be furnished to OAD headquarters along with DIR. OAD headquarters Sections will ensure that priority is given for check of these service books during next audit.
- (ii) **Process of check:** It should be seen that:-
 - (a) Service books have been opened in duplicate, for all teachers coming under the scheme.
 - (b) the service books have been maintained properly

- (c) entries have been recorded in the services books as per rules; and
- (d) the periodical verification of services has been carried out properly and regularly and necessary certificates recorded.

(iii) Results of audit: The results of audit should be embodied in a separate para in the Inspection Report, as “Service Books of teachers coming under the Triple Benefit Scheme”. The Inspection Reports will be issued to the District Inspector of Schools.

(O.A Circular 374 dated 1/68 and (Government of Orissa Resolution No. Education Department No.19434-LI-B-34/66 dated 22.7.66)

Note:- The Government of Orissa in Finance Department O.M. No.30015(116)F dated 22.8.69 and O.M. No.8801/F dated 10.3.70 have decided that Temporary Government Servants under Government of India on deputation to the services under State Government on getting absorbed under the State Government should be allowed to count the period of service under the Government of India immediately preceding under the State Government for the purpose of pensionary benefits admissible under the rules of the State Government. As this benefit is not allowed to those who secure jobs under the State Government on their own volition. Specific entries to the effect that the absorption in service under the State Government is in public interest or otherwise and whether the continuous service under the Government of India prior to absorption in the service under the State Government counts for service or not should be made in the service book at the time of absorption under the State Government. This may be looked into at the time of check of Service Book.

(O.A Circular 413 dt. 25.4.70)

6.07 Cash payment on unutilised earned leave

(i) Cash payment in lieu of unutilized earned leave on the date of retirement

The Government of Orissa in their Finance Department O.M. No.CS-11-54/77-60319/F dated 28.11.77 decided that the State Government Servants may be paid cash equivalent of leave salary in respect of period of earned leave at their credit at the time of retirement on superannuation. The concession will be applicable to those Government Servants retiring on superannuation on or after 30.11.1977 with the following conditions:

- (a) Payment of cash equivalent of leave salary shall be limited to a maximum of 240 days of earned leave.
- (b) Cash equivalent of leave salary thus admissible will become payable on retirement and will be paid in one lump as a one time settlement.
- (c) Cash payment under this order will be equal to leave salary as admissible for earned leave and dearness allowances admissible on that leave salary, at the

rates in force on the date of retirement. No compensatory allowances / House rent allowance will be payable.

- (d) The authority competent to grant earned leave shall also be competent to issue order granting cash equivalent of earned leave.

Note: -Persons who are compulsorily retired as a measure of punishment under the Orissa Civil Service (Classification Control and Appeal) Rule 1962 will not be covered under this benefit scheme.

Government Servants already on leave preparatory to retirement who have been allowed to return to duty in accordance with Rule 142 of the Orissa Service Code shall be entitled to the benefit under this scheme on the date of retirement.

Refusal of earned leave preparatory to retirement embodied in Rule 162 of the Orissa Service Code and Rule 6 of Orissa leave Rules will no longer be necessary. A Government Servant can also avail of as leave preparatory to retirement, a part of earned leave at his credit. In that case he will be allowed benefits of earned leave that remains at his credit.

(Authority: OOA-7917 dated 13.12.77)

(ii) Cash equivalent of leave salary in case of death while in service

The Government of Orissa in their order No. CS-11-63/77-441/F dt.3.1.78, has decided that cash equivalent of accumulated earned leave up to period of 240 days shall be payable to the family of the deceased where a Government servant dies while in service within the frame work of the earlier order CS-11-54-77-603/60319/F dated 28.11.77.

(Authority: OOA-7948 of 10.1.78)

The local audit parties while auditing the cash payment in lieu of unutilized earned leave on the date of retirement and payment of cash equivalent of leave salary in case of death in service should see that the payments are in accordance with the Government orders. Any irregular / excess payment on the subject should be incorporated in the Report.

6.08 Service benefits to State Government servants and outsiders who render approved military service on return to employment under the State Government

The Government of Orissa in their order No.2R/120/63-6225 (88) Gen dt.2.5.1963 (P&S Department) decided that the Government Servants of the State Government who are permitted to join Military Service and persons who are recruited directly to the said service should get the concessions with respect to the following matters on their return (or retirement) to post under Government when they are released from the Army after satisfactory Military Service, revised from time to time.

Category of military service personnel	Concessions available on return to State Government services
Service benefits to which employees of Government of Orissa will be eligible on their return to Civil employment after satisfactory Military Service (as approved) and on their release from such service:	Retention of Lien, Promotion, Pay, Provident Fund, Leave, Pension, Fixation of Initial Pay etc.
Service benefits which will be available to persons who are directly recruited to approved military service and who on their release from such military service are recruited to Civil Employment under the State Government:	Reservation of posts, Relaxation of age for recruitment, Relaxation of educational qualification, Conditions of service with regard to Pay, Seniority and Pension.

Note: Approved Military Service would include Service in the Armed Forces and Service in the Territorial Army on mobilization, Auxiliary Air Force, Indian Naval Reserve, Indian Naval Volunteer Reserve, Military Police and Armed Force Reserve in service in frontier states.

The local audit parties while checking the Service Books of such persons should see that the benefits extended to those persons are in accordance with the provisions of Annexure-I and II of this Chapter. Any irregularity noticed, should be brought out in the Inspection Report.

(Authority: - OOA-4785 dated 21.2.64 and 8011 dated 6/78)

CHAPTER 7

AUDIT OF TRANSACTION OF COLLECTORATE INCLUDING SUB-DIVISIONS

7.01 Functions of the Collectorate

Collector is the Chief Revenue Officer in charge of the Revenue administration of the District acting under the direction / guidance of the Board of Revenue. Basic Revenue Unit of the Collectorate is the Tahasil under the charge of a Gazetted Officer through whom the functions are got executed. Besides, the Collector is the custodian of law and order of the district.

The following are the main functions of the Collector:

- (i)** To watch collection of revenue against demands i.e., rent, cess, water taxes, sale proceeds of attached properties due to arrears of revenue etc.
 - (ii)** Revisions and appeals.
 - (iii)** Survey, settlement and maintenance of land records.
 - (iv)** Acquisition of land and payment of compensation therefor under the provisions of land Acquisition Act, implementation of various Acts relating to land reforms and assessment of compensation and payment under Estate Abolition Act.
 - (v)** Grant and realization of the following categories of loans and advances under various Acts and rules:
 - (a)** Loans under AL and LI Act.
 - (b)** Loans under housing scheme (Lower / Middle Income Group Housing and other housing schemes distributed through Blocks).
 - (c)** Loans under Urban Development (Municipalities and NACs for development works).
 - (d)** Loans under Social Securities and Welfare (Relief and rehabilitation of Burma repatriates, displaced persons and backward classes).
 - (e)** Loans under other Social Securities (Relief for natural calamities).
 - (f)** Loans to Government Servants for house building, conveyance.
 - (vi)** Relief operations due to natural calamities i.e., flood, cyclone tidal bore and drought etc. and providing various assistance of permanent nature to the victims and development of the area affected through test relief and other schemes.
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- (vii) Election and Census.
- (viii) Distribution of development grants and donation for charitable purposes.
- (ix) Collection of mining fees and royalties and fees for issuing various licences viz., Arms, Cinema House and Public exhibition for gainful purposes.
- (x) Administration of Trust under Endowment Act.
- (xi) Fixing and payment of compensation under Workmen's Compensation Act.
- (xii) Payment of fees to Public prosecutors and Government Pleaders.
- (xiii) Operation and maintenance of accounts of Criminal Court (Executive) and Revenue Deposit.
- (xiv) Coordinating authority: Collector is responsible for ensuring effective coordination between various departments and agencies of the Government in the district and in laying down precise responsibility at key level in the implementation of the planned programmes relating to development and socio-economic projects. For this purpose he is assisted by an officer (District Development Officer).

The following are the different sections of the Collectorate:

- (a) Establishment (Bills & Budgets), Expenditure out of Governor's Discretionary Grant, Grants to private bodies and institutions.
- (b) Nizarat (Cash, Stationery, Maps and Stores etc.).
- (c) Land Acquisition.
- (d) Election.
- (e) Compensation under Orissa Estate Abolition Act.
- (f) Emergency (Relief and Rehabilitation).
- (g) Touzi (Loans).
- (h) Revenue (Revenue and Cess works).
- (i) Development (Section under the District Development Officer).
- (j) Judicial (Licence, Workmen Compensation, Law and Order, Criminal fines and Deposits).
- (k) General.

The following are the main schemes operated under the control of the Collectorate.

- Well construction programme (Dug well), sanitary, drinking water well.
- Rehabilitation of freed bonded labour.
- Village Reconstruction Programme.
- Land to Landless and other under Land Ceiling Act.
- National Rural Employment Guaranty Scheme and other labour intensive work through the Block Development Officers.
- Miscellaneous deposit works executed through Public Works Department.

7.02 Nizarat Section

The Nizarat Section of the Collectorate deals with the cash transaction of the collectorate under the control of Nizarat Officer who is responsible for the correct maintenance of cash transactions and other connected initial records. For this purpose he is assisted by the Nazir of the Collectorate.

(Authority – Based on correction slip-16 dated, 26.8.77 of Orissa Nizarat Manual)

The following accounts records which are maintained in the Nizarat Section of the Collectorate as prescribed in rules 33,48,50,55 and 56 of Orissa Nizarat Manual, 1963 are to be checked during local audit:

(i) A Cash Book as provided in Rule 48 of the Nizarat Manual in Form O.T.C. 4 slightly modified (vide Appendix 28 of Orissa Nizarat Manual, 1963).

(ii) The following subsidiary Registers where all Cash Transactions in the first instance are recorded as soon as they occur and the daily totals carried over to the Cash Book referred to at (i) above after due check by the Nizarat Officer at the end of each day as prescribed in Rules 48 to 50 of Nizarat Manual, 1963.

- Register of Miscellaneous Receipts.
- Register of Receipt, payment, and repayment of loans.
- Register of Receipts and disbursement of money received on account of Land Acquisition.
- Register of money realized through sales and attachment.
- Register of receipts and disbursements on account of pay, dearness allowance and traveling allowance etc.
- Register of undisbursed pay and allowances.
- Register of receipts and disbursement of money on account of Development Grants.

- Register of receipts and disbursement of money on account of Flood, Fire and Famine Relief.
- Register of receipts and disbursements of money on account of Election and Census etc.
- Register of Security Deposit.
- Security Deposit Ledger.
- Register of Drawal and Disbursement of contingencies.
- Register of Miscellaneous payment.
- Pass Book.
- Register of Money Orders sent.
- Register of Money Orders received.
- Daily account of saleable forms sold.

The procedure of maintenance of the Cash Books and the various subsidiary registers vis-à-vis the responsibility of the Nazir and the Nizarat Officer, is embodied in Para 47 to 50 of the Orissa Nizarat Manual.

In some of the Collectorates there are more than one drawing Officer in addition to the regular Drawing and Disbursing Officer, who draws money by preparing a bill in their respective section against a sanction / allotment for a particular purpose / scheme and keeps the money with the Nizarat Officer of the Collectorate. This transaction which also passes through the accounts records of Nizarat Section are to be checked with reference to sectional bill register and subsidiary cash book of the section concerned and Nizarat Section. It has also to be seen whether the appointment of more than one drawing officer has been approved by the Government as required under note below of S.R. 102 of O.T.C. Vol-I.

In addition to the above, the following accounts registers should be also checked at the time of local audit.

- Stock and Store Register (Vide Rule 55 *ibid*).
- Stock Account of Receipt Books (checks receipt books on schedule XIV-Form No.517 *vide* Rule 33 *ibid*).
- Visitors books of Circuit House, Revenue Inspection Bungalows and Revenue Rest sheds wherever they exist (which should be enquired into) *vide* para 65 of Orissa Nizarat Manual.
- Stock account of Maps (*vide* Para 54 of the Orissa Nizarat Manual).

- Log Books of telephones (vide Chapter 4 of the OAD Manual).
- Log Book of vehicles (vide O.A. Cir. 372 dated February '68 as modified from time to time and para 425 of OAD Manual).
- Bill Register.
- Contingent Register (para 4.04 of OAD Manual).
- Book of drawal, Bill Register (Para 4.09 of OAD Manual).
- A.C. Bill Register (Para 4.04 of OAD Manual).
- Pay and Travelling Allowance Acquittance Rolls.
- Library Register (Para 4.14 OAD Manual).
- Register of advances as required under note 9 below S.R. 37 of O.T.C. Vol-I.
- Register of Cash orders, cheques, drafts etc. received and adjusted in Form O.T.C. 81 as required under Note I below SR 37 (ii) *ibid*.
- Register of Demand Drafts etc. obtained for payment in Form O.T.C. 81 A as required under note 2 below S.R. 37(ii) *ibid*.

Besides this, the detailed accounts of short term loans and advances i.e., loan for purchase of bicycle, Festival Advances, trade deposit advances, G.I.S. Advance, Cyclone Advance, etc., which are required to be maintained by the Drawing and Disbursing Officer should be test checked during local Audit to ensure that they are maintained in the prescribed forms. Loans and Advances paid to Government servants are duly recorded in the prescribed registers and balances outstanding at the time of transfer are indicated in the L.P.C. in case of transfer. Any omission, arrears in recovery and other important and interesting points noticed during test check should be indicated.

7.03 The procedure for local audit of transactions of the Collectorate is indicated below:

- (i) The items covered by local audit of Collectorate are given below:
 - (a) Cash & contingencies of all Sections of Collectorates.
 - (b) Revenue Works.
 - (c) L.D. Works.
 - (d) M.I. Works.
 - (e) Loans under A.L. Act.
 - (f) Loans under Intensive Cultivations Scheme.

- (g) Loans under M.I.G.H. & L.I.G.H. Scheme.
 - (h) Loans under Jute retting tanks.
 - (i) Accounts under flood and drought relief including grants-in-aid and loans.
 - (j) Mining royalties and Mining cess and other revenue receipts.
 - (k) Payment of compensation for Land taken under Land Acquisition Act, I of 1894.
 - (l) Loans to Burma Repatriates and displaced persons.
 - (m) Various schemes as mentioned in Para 7.01 of this chapter.
- (ii) The local audit of the undermentioned sections of the Collectorate may continue to be done separately according to the periodicity as prescribed and in accordance with general principles laid in Chapter 4 of this Manual.

- (a) District Election Officer.
- (b) District Relief and Rehabilitation Officer.

(Vide OA Cir. 280, dated 25.6.65)

- (c) Compensation Officer (under Orissa Estate Abolition Act).

(iii) The Audit of Gram Panchayat and Mining Sections etc.

(a) The Audit of Gram Panchayat and Mining Sections of the Collectorate should be conducted at the Collectorate if those accounts form a part of Collectorate accounts and all the accounts records are available in the Collectorate. In that case the position or arrears in Mining receipts may be commented upon in the DIR Vide O.A. Circular 430 dated, 12.5.71. The audit of those transactions will however be provided for in the office of the respective drawing officers where accounts are maintained separately.

(b) At places where the amounts drawn by the Collector for execution of M.I. / Revenue works and L.D. Works are placed at the disposal of Public Works Department and Panchayat Samitis respectively for execution of the works, a detailed list of drawal and allotments should be prepared by the field party and sent to OAD headquarters in order to arrange local audit of those transactions by P.W. Inspection parties and Local Body Audit parties visiting the Panchayat Samitis for audit of their accounts.

(c) The audit of loans under A.L. and L.I. Act and loans under Intensive Cultivation Scheme will be taken up in the office of the Tahasildar where complete records will be available, along with the accounts of Tahasildars. The audit of Gram Panchayat loans will also be separately provided in the office of the District Panchayat Officer. The

audit of other loan accounts will however continue to be done in the loans section of the Collectorate.

(O.A. Cir.344 dated 18.12.67)

(iv) Relief for natural calamities

The audit of expenditure incurred under Relief viz., Drought, Flood, Famine, Cyclone and other Natural Calamities will be conducted in the emergency section.

In respect of expenditure under relief for natural calamities incurred through the Block Development Officers the detailed accounts are available in the Panchayat Samitis and necessary check will be exercised in respect of their accounts during the audit of the accounts of the concerned Panchayat Samitis. There shall not be separate IR for this item of work alone and the observations on the accounts of Relief for natural calamities shall be included in the Main IR as a separate section as per the provisions of para 7.07 of this Chapter.

Expenditures incurred under this head are classified under two categories viz.,

- Expenditure on gratuitous relief and
- Expenditure on Relief Works.

In respect of the first category, expenditure is directly incurred by the Collectorate and the Sub-Divisional Officers and the detailed accounts are available in those offices. In respect of the other category, expenditure is incurred through the Block Development Officers, Public Works Department and placing the funds at their disposal for execution of relief work. The detailed contingent bills in support of the expenditure are required to be received in the Accountant General (A&E)'s after countersignature by the Controlling authority and the drawing officers are required to furnish with the first A.C. Bill presented for payment after the 10th of each month with a certificate as prescribed in S.R. 261 of O.T.C. Volume-I vide Government of Orissa Finance Department No. Tr. A-24/61/22634 (156)/F. dt. 26.6.61. It should be seen that the register for drawal of advance and submission of D.C. Bills in adjustment thereof is maintained and the certificate furnished to the Treasury Officer is authentic and is supported by facts.

(O.A. Circular 151 dt.27.10.61 and No. 480 dt.17.6.75)

(v) *Audit of Integrated Housing Scheme and Village Reconstruction Programme in the Collectorates / Sub-Divisional Offices*

In order to help the flood / cyclone affected people to reconstruct their houses, the Government of Orissa introduced two schemes namely Integrated Housing Scheme and Village Reconstruction Programme executed through Block Development Officers under the control of Collector and Sub-Divisional Officer. In course of Audit, the local audit parties while auditing the payments / construction programme / allotment / repair of the houses under the Schemes should see the following points carefully and furnish the information to OA-Headquarters section for further action on them. The following points may also be raised in audit and incorporated in the DIR:

- (a)** Targets and achievements both financial and physical for each year in respect of houses as well as community services.
- (b)** Criteria adopted for selection of beneficiaries and whether the beneficiaries were selected before the commencement of the construction.
- (c)** Whether the houses have been actually allotted to the selected beneficiaries? What documents have been kept to prove the allotment and occupation of the houses?
- (d)** Whether the houses allotted are being occupied by the beneficiaries continuously? If not, number of houses deserted or not allotted.
- (e)** Reasons for desertion.
- (f)** Whether beneficiaries' contribution (cash or kind) was realized? If not, the reasons may be got specified by the authorities.
- (g)** Whether construction conforms to approved plan and estimates.
- (h)** A.C. Bill and D.C. Bill position and position of completion certificates.
- (i)** Estimated amount of expenditure on each house and actual expenditure (paid or unpaid).
- (j)** Unspent amount lying with Block Development Officer with dates of drawal / receipt of funds.
- (k)** Infertuous expenditure due to collapse of houses, change of site, dry wells, reasons for each category.

- (l) How the community services are being utilized?
- (m) Date of first item of expenditure with reference to date of drawal.

(Authority: O.A.C.-513, dt. 2/78)

(vi) D.C. Bills:

The audit of D.C. Bills should be conducted in accordance with instructions contained in Chapter 4 of this Manual.

(vii) Loans in Touji and Emergency Sections

(a) The audit of loan accounts should be conducted in accordance with the instruction contained in Chapter 18 of this Manual and the arrear outstanding position, indicated in the proforma prescribed therein.

(b) Rehabilitation assistance in the form of business loan, Housing loan or agricultural loan may be sanctioned to such of the repatriate families from Burma or Ceylon who may have attained the age of 18 years and above and are otherwise eligible for rehabilitation assistance under the pattern of schemes sanctioned by the Department of Rehabilitation of the Government of India, Ministry of Labour and Rehabilitation.

(Government of India, Ministry of Labour, Rehabilitation, Department of Rehabilitation No.1 (13)71/RH dated, 10.11.71 read with Government of Orissa, Urban Development Department No.27747 (10) dated, 29.11.71 circulated O.A. Circular-434 dated 12.1.72)

(c) It has been decided by the Government of India that adult female repatriates from Burma may also be granted business loan. If such female repatriates do not have the business background but have the aptitude for running small trade / business and the loan sanctioning authorities are satisfied that such families would settle themselves by grant of business background may be waived in deserving cases, women who have lost their husbands or have been deserted by their husbands in Burma and arrive in India without children will be covered by this decision. Women who have lost their husbands or have been deserted by their husbands in Burma and have come to India with children (male or female) will not fall under this category of single member repatriates and as such they may be granted business loan under the normal pattern scheme. Women who have been deserted by their husbands after their arrival in India will not be treated as single member families for purpose of rehabilitation assistance. They may be granted

assistance by the State Government under their normal programmes in the State Sector for destitute / unattached women.

(G.I.-Ministry of Supply and Rehabilitation No. 6(33)/73-RH-IV, dated 21.6.74)

(d) While auditing the above loans by the local parties a thorough scrutiny should be made in local audit regarding the accuracy of accounts and their completeness.

Inter-alia the following points may be seen-

- (1)** Eligibility of persons to whom such loan had been granted.
- (2)** Whether necessary bonds have been executed.
- (3)** The basis on which loans are sanctioned and whether sanctions are in order and accorded by competent authority.
- (4)** Whether instructions issued by Government of India in this regard have been adhered to by the State Government.
- (5)** A list of total loans sanctioned from the beginning according to category of loans be prepared categorywise showing.
 - Total amount repayable (Principal and interest separately).
 - Total amount repayable (Principal and interest separately analyzing the details of the outstanding loans person-wise, purpose-wise, loan-wise, year-wise).
- (6)** Interesting cases of (i) Persons who had left the resettled area (with details of amount / advanced purpose-wise) (ii) who could not undertake the type of work for which loan was sanctioned and their repayment was not made/remained unpaid.
- (7)** Any other type of interesting cases.
- (8)** The system of accounts prescribed should be examined to ensure the correctness and completeness of the accounts.
- (9)** Whether registers / records prescribed fulfil the object of keeping the detailed information of grant of loan and payment thereof.
- (10)** Whether the accuracy of the accounts can be proved from the records maintained, if not the defects, deficiencies in the procedure followed should be pointed out.

- (11) Action taken to realize the outstanding loan and interest from the persons concerned should be examined. Cases of adjustment of deposits against the loan outstanding instead of against the outstanding interest should also be seen.
- (12) List of cases that were not pursued effectively may be pointed out.
- (13) Any other important irregularities should be commented in the DIR.

(O.A. Circular 495 of 1976)

(viii) LAND ACQUISITION

At the time of audit of Land Acquisition Section of the Collectorate the following points should be kept in view while checking the Land Award Statement and compensation payments.

- (a) Payment of compensation to private parties for land, which according to records, may belong to Government resulting in entirely wrong payment.
- (b) Payment of compensation to Private Parties for land which might not have been finally acquired due to some reasons or other resulting in wrong or excess payment.
- (c) Payment for land in excess of that actually acquired and taken possession of resulting in over payment.
- (d) There may be instances where possession of land might have been taken long before the drawing up of the proceedings for acquisition of land, resulting in avoidable expenditure, due to increase in the cost of land, houses, trees, standing crops etc. for such belated action. The manner in which the assessment of compensation at a belated date is made may be studied.
- (e) It should be seen whether the trees, standing crops and house materials for which compensation paid has been disposed of to the best advantage of the Government and the sale proceeds has duly been brought to account.
- (f) It should be seen that no payment of Compensation was made for damages to crops standing on land without assessing the nature and extent of damage caused.
- (g) It should be seen whether to avoid lapse of Budget grant money has been drawn (against sanctions) in lump in advance of actual requirement and kept in Revenue Deposit. The balance of such amounts held in Revenue Deposits at the end of 31st March preceding should be commented upon.

- (h) No advance payment of compensation can be made to a title holder whose land is under acquisition before completion of actual assessment and other formalities except in special circumstances in which Government otherwise directs. Such payment, if any, is required to be checked with reference to the specific orders of Government.
- (i) It should be seen that payment of compensation has been made to correct persons who are entitled to receive it.
- (j) It should be seen that after an award is made under the Land Acquisition Act, no other authority of equal status can enhance the amount of compensation which is in contravention of the rules.
- (k) The instructions contained in Appendix-7 of O.T.C. Vol-II regarding payment of compensation for land taken up under Land Acquisition Act, I of 1894 may be kept in view while conducting the local audit.
- (l) It has been decided by the C&AG of India that the transactions relating to acquisition of land by the Collector / Land Acquisition Officer on behalf of Defence Service (except in cases where the Defence works are entrusted to a Public Works Officer and the land is acquired as part of the construction work) should be dealt with as under :

When the local audit of the office of the Collector / Land Acquisition Officer is conducted by the Civil Accountant General in the normal course, he would see whether the acquittances and vouchers relating to land acquired for Defence Department had been sent to the concerned Comptroller of Defence Accounts (C.D.A). promptly with all relevant documents. He should also spotlight all deficiencies in this regard in his inspection report with suitable intimation to the CDA concerned, D.A.D.S. Ministry of Defence etc.

If however during the course of detailed audit of the selected month in the office of the Collector / Special Land Acquisition Officer, the local audit party considers it necessary to refer to the original vouchers relating to such transactions of the Department (as appearing in the month's account) they may call for immediately from the C.D.A. concerned and necessary checks exercised during the tenure of local audit. In case such vouchers are not received from the C.D.A. before the completion of local audit, the local audit party should mention distinctly in the DIR the particular thereof so that they may be seen at the time of next audit. The local audit party should also indicate in the forwarding note (accompanying the DIR) the reasons for calling for those vouchers from the C.D.A. The OAD headquarters should keep a note of these

and ensure that necessary checks are exercised during next audit, by arranging for the supply of the vouchers to the Local Audit Party concerned.

Whenever it is considered by the Controller General of Defence Accounts that a special audit of the accounts of an L.A.O. connected with acquisition of land for Defence purposes is necessary in view of incomplete recondition of vouchers for substantial amount, the CAG may be addressed through the D.A.Ds for a special audit. When special audit is approved by the CAG, the Civil Accountant General may obtain the vouchers from the concerned C.D.A.

(C.A.G's letter No,942-TA.II/301-72 dt.15.6.74 read with No. 1637-TA II/301-72 dt.3.10.74 circulated as O.A. Circular-477 dt. 25.3.75)

(ix) Revenue Section

(a) Settlement of Ferry Ghats, shops, canteens, etc. in the office of the Collectors / Sub- Divisional Officers has to be examined with reference to Sairat Register etc. to see that:

- (1)** The procedure of settlement of auction or otherwise strictly conforms to the rules / Procedure
- (2)** Fixation of reserve fee is according to rule in each case. These are not settled below reserve fee without approval of competent authority.
- (3)** The dues are realized in time.
- (4)** Adequate action is taken for realization of arrears.
- (5)** Year wise demand, collection, balances statement in respect of outstanding dues to be collected and commented upon.
- (6)** If any item remained unsettled in any year the reasons for the same is to be enquired into.

(b) Government land leased out by Collector/Sub-Divisional Officer may be examined to see that:

- (1)** It is approved by the competent authority.
- (2)** Advance premium realized before finalization if the rules so provide.
- (3)** Amount of the lease has been fully collected before the occupation is given.
- (4)** Terms of lease including usages for the agreed purpose not contravened.
- (5)** Conditions for revision of premium after fixed years are implemented.

(c) *Entertainment of State Guests at the State Guest House and at the Collectorate or Sub-Divisional Offices:*

The following procedure has been prescribed for conducting local audit of expenditure in connection with the entertainment of State Guests at the State Guest house / Circuit House and at the Collectorate or Sub-Divisional Offices.

(1) Necessary orders / notifications issued by Government declaring a particular individual or individuals as State Guest may be called for and examined whether the entertainment expenditure was incurred in respect of that particular guest.

(2) It should be seen that the rates of expenditure at which the guests are entertained satisfy the scale fixed by the Government from time to time. The scales for different categories of guests latest being effective from 1st August 1999 by the Government of Orissa, Home (SGH) Department in their Resolution No.4272-SGH (R) -31 / 98-R dated 17th July 1999.

(3) The audit party conducting the audit of the accounts of Guest House, Collectorate / Sub-Divisional Offices should call for a list of State Guests who were entertained during the period under audit in advance, so that the information may form the basis to go into further details of the expenditure.

(C.A. Circular No.484 dated 25.7.75)

(ix) *Development Section*

(a) The Collection of house rent from the residential quarters at the disposal of Collectors / Sub-Divisional Officers may be examined to see:

(1) If there are arrears to be realized, the yearwise statement may be collected.

(2) Action taken for recovery.

(3) The quarters are not left unallotted for a long period.

(4) If any quarter is left unallotted for a long period the reasons to be enquired into to find out its effect on Government Revenue.

(5) Recoveries of Municipal taxes of the nature of service tax are properly made vide Para 4.26 of O.A.D. Manual.

(b) Watching the reports and returns on various developmental schemes executed through subordinate agencies.

(xi) General Section

- (a) Licence fee for Cinema halls, etc. procedure for grant of licences, fixation of amount, arrears in realization, if any may be examined.
- (b) Payments for fire Relief are also to be examined with reference to verification reports, acquittance etc.

(xii) Process Servers Establishment

- (a) The number of process servers appointed in excess of requirement (1200 processes per annum at the minimum per server) may be examined and commented, vide rule 8 of Orissa Nizarat Manual if the margin is appreciable.
- (b) It may be seen if the fees charged for executive Revenue process is in accordance with the Scale fixed vide Rules 13, 14, 15 of Orissa Nizarat manual.
- (c) Realisation of money by the process server towards demurrage (Rule 17) and debt may be checked to see if these are regularly checked and credited to Government Account (Rule No.10, 27 of Orissa Nizarat Manual).
- (d) The limitation of maximum amount as per rule 28 of Orissa Nizarat Manual is not exceeded in any case.

(xiii) Emergency Section

Expenditures incurred under this head are classified under two categories viz.

- (a) Expenditure on gratuitous relief and
- (b) Expenditure on Relief Works

The details of audit of these expenditures mentioned in **Sub-Para (iv) and (v) of this Para** which may be referred to. Further, number of boatmen entertained is to be ascertained to see if it corresponds to number of boats lying in working order.

(xiv) Audit of Charitable Endowment Fund Accounts

The Collectors / Sub-Divisional Officers are the District / Sub-division level Controlling / Co-ordinating officers of the Charitable Endowment Fund Account. In course of audit of this fund the local audit parties should see the following points.

- (a) He has a control over the Fund.

- (b) There is no diversion of Trust Fund towards unintended purpose in deviation from the desire of the Doner.
- (c) Non-utilisation of the Fund.
- (d) Non-maintenance of proper accounts.
- (e) Proper notification for creation of the fund.
- (f) Aims and objects are properly followed in utilization of the Fund.

In course of audit if it is noticed that the fund accounts have any short comings so far as the points mentioned above the same should be immediately objected to in Audit and such points incorporated in the DIR.

7.04 General

The general principles of audit of initial account records of Civil Offices which have been embodied in Chapter 4 of this manual may be referred to.

7.05 Judicial Section

(i) Criminal Court Deposit (Executive) –

(a) After separation of judiciary from Executive, the accounts of Criminal Court Deposits (Executive) are maintained by the Revenue Authorities viz., Additional District Magistrate (Civil) and Sub-Divisional Officer (Civil). The parties visiting Collectorate / Sub-Divisions may inter-alia check the plus and minus memorandum and verify whether the detailed accounts are duly submitted to the consolidating officers and that the consolidation officers are submitting the deposit accounts returns (i.e. memo statement of lapsed deposit etc.) to the Treasury Officers for verification and for final submission to Accountant General (A&E)'s office. It may also be seen that the balances have been bifurcated in respect of criminal court Deposits into Executive and Judicial after separation. In case of repayment of deposits it should be ensured that the refund was given to the persons in whose favour the original deposit was made and necessary note to avoid double refund has been made.

(b) Registers to be maintained as per provisions of General Rules, Circulars and Orders

The following registers as prescribed in General Rules, Circulars and Orders (Criminal) of Orissa High Court are required to be maintained by the Collectorate:

- (1) “A” Deposit Register.
- (2) “B” Deposit Register.
- (3) Repayment Register
- (4) Clearance Register.

In order to ensure perfect and accurate maintenance of Deposits account the proper maintenance of the above registers is necessary. The local audit party should see that they are maintained as per Codified procedure and if not, the point may be raised in audit and incorporated in the DIR.

(ii) Payment under Workmen Compensation Act-

In course of audit of payment of workmen’s compensation the local audit party should see the following points carefully:

- The case register of compensation has been maintained properly.
- The payment has been authorised to the proper person or his legal heir.
- It should also be seen that the compensation payment has been made as soon as the entitlement to the payment has been finalized and payment made by the employer.
- All the provisions of payment of compensation Act has been given due regard and payment made accordingly.
- Any deviation from the above provisions should be pointed out in Audit and commented in the DIR.

7.06 Sub-Division

(i) The accounts of the Sub-Division in the Districts will be subjected to local audit separately either immediately before or after the audit of the Collectorate concerned by the same audit party as far as possible. Separate IRs will be issued for each Sub-Divisional Office for facilitating prompt compliance and a copy endorsed to the Collector concerned. Replies to IRs when furnished by the Sub-Divisional Officers should, however, be routed through the Collector.

(ii) The local audit of the accounts of the Sub-Divisional Offices will be done on the same lines as that of the Collectorate, i.e. section-wise.

(iii) The Sub-Collector of the Sub-Division is the **Drawing authority** regarding Payment of post-matric scholarships to Scheduled Caste / Scheduled Tribe students in respect of colleges, District Institutes of Education and Training and CTs located in places other than the Sadar Sub-division (vide: GoO ST&SC Development Department No.31199/ SSD dated 1st September 2005 and **sanctioning authority** in respect of State Old age Pension / Widow Pension, National Old Age Pension, Orissa Disability Pension Schemes.

The local audit parties while auditing the payment of post-matric scholarships to Scheduled Caste / Scheduled Tribe students should see that:

- (a) The general principles of payment of scholarships to the students residing in Hostels and the day scholars as prescribed by Government from time to time have been followed.
- (b) That the beneficiaries have been properly selected after observing the procedure prescribed by the Government.
- (c) Whether the receipt of acquittance rolls against the advance paid to the Principal of respective educational institutions are being properly watched in the office of the Sub-Divisional Officer. A test check of such accounts rendered by the Principal of respective educational institutions should be conducted in order to see that payments have been made in accordance with the rules, agreed with the total advance received and the unspent balance, if any, refunded without any delay.

(iv) ***Audit of old age pension***

While auditing payments of old age pension the following points should be kept in mind:

- (a) Checking of sanctions issued in Sub-Divisional Office as well as that of records maintained in the Block Development Office are to be conducted simultaneously.
- (b) Checking of sanction issued in selected month as per quantum fixed in O.A. Circular 552 dated 3.2.79.

- (c) To see that all the prescribed records and registers are maintained properly and that sanctions issued are correct with reference to the original records available in the local office.

(Authority: O.A. Circular 552 dated 3.2.79)

(v) Audit of Widow Pension, National Old Age Pension, Orissa Disability Pension Schemes

Audit checks enlisted in sub-para (iv) above will also apply for check of above mentioned pension schemes.

(vi) List of records to be checked in Sub-Divisional Office

The following are the main records which should be seen by the local audit parties in addition to the files / papers relating to various schemes / programmes executed through the Sub-Divisional Office:

- Cash Book and Subsidiary Register.
- Bill Register.
- Book of Drawal.
- Stock Register of Miscellaneous.
- Miscellaneous Receipt Books.
- Visitors book and rent collection Register of Revenue Rest shed.
- Lease files.
- Register of Bank Drafts.
- Stationery Stock Register.
- Log Book of vehicles.
- Dead Stock Register.
- Stock Register of Emergency Section.
- Stock Register of Supply Section.
- Stock Register of TRW Section.
- Duplicate Key Register.
- Service Postage Account.
- Log Book of Phone.
- Advance recovery Register.
- Permanent Advance Cash Book.

- Attendance Register.
- Sanction Register / file of old age Pension.
- Allotment Register / Sanction / file of stipend / scholarship and Acquittance Rolls of stipend / Scholarships.
- Register of Certificate cases.
- T.A. Bills.
- Files relating to different on going Programmes and schemes.
- Files for VRP / VHP / Integrated Housing Scheme.
- Stock Register of Education Section.
- Service Books and Leave Account.
- Certificate reduction files (to be seen with reference to cash book)
- Stock Register of maps and forms.
- Register of demand, collection and balance relating to receipts.
- Records relating to Criminal Court Deposit (Executive).

7.07 Inspection Report

A consolidated IR for all the accounts of Collectorate audited may be issued in respect of items mentioned at para 7.03. For this purpose the paras of the IR may be grouped section-wise (i.e. Cash and contingencies, Revenue Works, L.I.G.H. Loan, etc.) to facilitate compliance.

(O.A. Circular 281, dated 25th June, 1965)

Similarly a consolidated IR covering functions of all sections of the Sub-division may also be issued.

CHAPTER 8

ACCOUNTS OF POLICE OFFICES

8.01 Introductory

The accounts of the police offices including the accounts of stock and stores in the various districts of Orissa are audited locally.

8.02 Conversant with the provisions of Orissa Police Manual

Before commencing audit, the Auditor should go through Chapter XXIX (dealing with accounting procedure) of the Orissa Police Manual and other relevant portions relating to stores, clothing etc. It should be seen during the course of test audit that the instructions contained therein are properly observed.

8.03 List of Records and Registers to be checked

The following registers, books, etc. are examined generally:

- Committee Books
 - District Order Books
 - Cash Book
 - Book of Drawals
 - Bank Draft Register
 - Bill Register
 - Contingent Registers, Bills and Vouchers.
 - Treasury Challans
 - Remittance Book.
 - Cash Balance Certificate
 - Station Cash Accounts
 - Acquittance Rolls
 - Security Deposit Register
 - Register of pay and allowances held over
 - Register of undisbursed pay and allowances.
 - Register of Miscellaneous Loans and advances
 - Festival Advance Account
 - Muster Rolls.
 - Postage and Stamp Account other than service postage stamp register
 - *(O.A.I. Rev. 4951 dated 2.3.83)*
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- Service books
- Leave Register
- Log Book of vehicles and spare parts Register
- Arms and Ammunition Register
- Clothing Register.
- Store and Stock Register other than Dead Stock Register
- Petrol Account
- Hospital Accounts Statement of Charges and Recoveries in Police Hospital
- Stock Account of Medicines
- Casualty Register.
- Mal-Khana Account
- Prisoners Feeding Charges etc
- Register of Properties.
- Register of Police Building

While checking these registers and records, provisions and guide lines contained in Chapter I to IV and VI of this Manual should be followed. In addition, the following further specific checks should be exercised.

8.04 Cash Book

Check the entries on both the receipt and payment side of the cash book for the selected months with receipt cheques, advice slips, copies of establishment, travelling allowances and miscellaneous bills encashed, contingent Register etc. The receipt tracing should be done for the minimum period of two months even if the selection for detailed audit is for one month.

8.05 Checking of Advice Slips and Receipt Cheques

- (i) Generally examine the receipt cheques (**P.M. Form No.23**) and advice forms (**P.M. Form No.124**) for one month to see that they are in order and that every advice slip is supported by a receipt cheque.
- (ii) See that the forms are economically used.
- (iii) See that no counterfoils are missing.

(Rule 937 of the Orissa Police Manual, Volume-I)

8.06 Audit of Establishment Bills, Acquittance Rolls, Abstract Acquittance Rolls and Register of Pay held over

- (i) Examine the method of preparation of the bills of the force and see that Rules 962 to 967 of the Orissa Police Manual are strictly followed. Check the bills with the connected records.
- (ii) Compare the abstract of acquittance roll with the pay bills of the force and check the abstract with Acquittance Rolls.
- (iii) See that the pay disbursement certificates prescribed in Rule 976(a) of the Orissa Police Manual are given on all acquittance rolls and that undisbursed pay is promptly refunded and entered in the Cash Book.
- (iv) See that the bundling of acquittance rolls are speedily completed by obtaining all acquittance rolls and are signed by the Superintendent when completed.
- (v) See that when the pay of any member of the staff is held over, an entry is made in the register of pay held over and the entry is scored through when the amount is disbursed subsequently.

8.07 Check of Security Deposit Register

- (i) The entries in the register should (i) in the case of personal securities be checked with original bonds and (ii) in other cases with savings bank pass books, cash book and the investment register. Further, it should be seen that:
- (ii) All persons dealing with cash and stores have furnished adequate securities as required under rules.
- (iii) In cases of personal securities the solvency of the sureties is verified at intervals.
- (iv) If the security is in the form of a post office savings bank account, it has been duly pledged to the proper authority.
- (v) The return of the Savings Bank Pass Book or other document when finally delivered back is duly acknowledged by the party concerned.

(Rules 992 to 997 of the Orissa Police manual)

8.08 Postage Stamp Account

- (i) Trace the purchase of postage stamp etc. in the register from the contingent register.
- (ii) Check totals and balances.
- (iii) See that the accounts are periodically verified by the Accountant or the Head Clerk.

8.09 Check of Station Cash Account (P.M. Form No.22)

- (i) See that the accounts are written by the Station Officer or in his absence by the Officer-in-Charge of the Station and that the relevant entries are signed by the latter and are subsequently countersigned by the former.
- (ii) See that all receipts are covered by receipt cheque.
- (iii) See that all remittances to the Magistrate's Office are covered by proper certificates of having been duly accounted for. Such certificates should be obtained from the Magistrate's clerks who are not connected with the accounts.

[Orissa Police Manual, Rules 124(c) and 944]

- (iv) See that the remittances made to court Officer are supported by corresponding credit in Malkhana Register.

[Orissa Police Manual Rules 124(g) and 307(b)]

- (v) See that remittances made direct to the Treasury are covered by necessary challans.

[Orissa Police Manual Rule 124(f)]

- (vi) See that the monthly comparison of the Accounts with the accounts of the Superintendent and the Treasury is done by some officer other than the Accountant.

(Orissa Police Manual Rule 944)

8.10 Check of Malkhana Register (P.M. Form No.51)

- (i) Examine the register generally to see that all properties received are disposed of under the orders of the court.
- (ii) Check the entries in the register with the sale papers, challans and acknowledgement and
- (iii) See that no articles are disposed of without the orders of the court.

(Rule 307 of the Orissa Police Manual)

8.11 Check of District Order Book (P.M. Form No.149)

- (i) Trace all entries in the District Order Book in the Deposition Register, Leave Register, Casualty Register, Service Books, Force Register and Punishment Register.
- (ii) See that all changes ordered are promptly noted in the different registers.
- (iii) See that a certificate regarding the postings of the District Order Book to the relevant registers is given by the Sergeant Major, Vide Orissa Police Manual Rule 962(g).

(Orissa Police Manual Rule 1037)

8.12 Check of Register of Police Building (P.M. Form Nos. 172 & 177)

The construction works under Police Housing Scheme, other construction and repair works of Police Department as well as deposit works are now executed by the Orissa State Police Housing and Welfare Corporation Ltd., a wholly State owned company incorporated in 1980. The company is audited regularly by the Commercial Audit wing of AG, CWRA, Orissa.

The OAD Local Inspection Parties should enquire about the works which have remained incomplete and the buildings which have remained idle. However, in respect of these works the following points may be scrutinized

- Incomplete works: The reasons for non completion of the work in time, period of delay, and the total amount locked up in such work may be ascertained during local inspection and commented upon.
- Idle buildings: If any building after its completion and handing over to the District Police Administration, found as kept idle, the reasons for keeping such building idle may be ascertained. Further the steps taken to make the building utilised may be inquired into.
- See that all new buildings constructed are duly entered in the register.

8.13 Check of Muster Rolls (P.M. Form No.22)

The muster roll is the most important Register. It is posted directly from the Order Book. All the monthly bills are posted into it. It is in reality an Audit Register which serves the purpose of seeing that each man gets his pay correctly and that no man is paid twice in respect of the same item.

- (i) Compare the details of strength of the force with the sanctioned scale of the District.
- (ii) Check the postings in the Register with reference to the District Order Book.
- (iii) See that the postings are made promptly by a clerk other than the Accountant and unconnected with the Reserve Office and that there is evidence of the Sergeant Major's comparison of the Muster Roll with District Order Book.

(Rule 962 of the Orissa Police Manual)

8.14 Check of Leave Register

- (i) See that the Register is kept up-to-date.
- (ii) Compare a few of the most recent orders in the Order Books with the Leave Register.
- (iii) See that leave granted is regular.
- (iv) See that all leave other than casual leave is duly entered in the register and that orders are not passed on petitions.

8.15 Check of Arms and Ammunitions Register

See that the register is maintained properly, the Arms are handed over to the Inspector-in-Charge for safe custody and those confiscated to Government are brought to account; see that arms and ammunitions remaining unclaimed after the prescribed period have been forfeited to Government and sent either to the Ordnance Depot or disposed of or destroyed. Trace the counterfoils of receipt issued by the Inspector-in-Charge for arms received for safe custody into the register concerned. Trace items in the auction sale list for the respective register and the sale proceeds realized in the cash book. The payments of account of amount realized for sale of Arms received from private persons should be checked with their acknowledgements; see that the register is verified periodically by competent authority and a certificate of verification is recorded under his dated initial and any discrepancy arising therein must be suitably explained. Entries may be checked in detail, but the register has to be examined generally to see that it is free from all irregularities.

8.16 Check of Clothing Register

- (i) Check postings in the register from the Committee Book.
- (ii) Check the issue side of the register with issue forms.

- (iii) Check issue forms with acknowledgements and a few clothing hand books, collected at random.
- (iv) See that purchases are covered by proper sanctions.
- (v) Test check totals and balances.
- (vi) See that unserviceable clothing has been disposed of to the best advantage of Government.
- (vii) See that write off, if any, are supported by sanction of competent authority.

8.17 Check of Stationery Register

- (i) Trace the purchases made through annual and supplementary indents.
- (ii) Examine the scale of issue and see that accounts are periodically checked by the Head Clerk or the Accountant and verified once a month by a Gazetted Officer.
- (iii) Check the accounts with acknowledgements and see the correctness of the totals and balances.
- (iv) See that previous year's balances have been correctly brought forward to the register for the current year.

(Rule 1054 of the Orissa Police Manual)

8.18 Check of Stock and Store Register

- (i) Trace new purchases in the register from the Committee Book.
- (ii) See that the initial accounts are in order and that the receipts and issues are recorded in the order of occurrence.
- (iii) Check totals and balances of the register.
- (iv) Check the accounts in the distribution register.
- (v) See that there is evidence of periodical verification of the book balances by physical count.
- (vi) See that in all cases of loss or damage to any Government property, the full cost of replacement or repair is recovered from the officers responsible, in accordance with Rule 1045(d) of the Police Manual.

- (vii) Comment upon unoperated store and heavy balances.

8.19 Check of Petrol Accounts

See that all receipts and supplies of petrol are promptly brought into account in the vehicle log book register. All issues of petrol and journeys of vehicles are made only on the order of the competent authority; verify whether the distances and purposes of the journey and the description of the vehicles used are noted. See that a fairly correct calculation of the petrol consumption (Metres per litre) of each departmental vehicle is made and petrol is issued on that basis. See that the register is verified periodically by some responsible officer and a certificate of verification is recorded under his dated signature.

8.20 Check of Hospital Accounts

Stock register of medicines and instruments

- (i) Check postings of the articles in the respective accounts from the indents.
- (ii) See that the purchases have been sanctioned by competent authority.
- (iii) Check totals and balances of the accounts.
- (iv) See that proper orders exist for all writes off from the accounts.
- (v) See that the register is physically verified twice a year by some superior officer other than the doctor in charge and a certificate of verification is recorded under his dated signature.

8.21 Check of Register of diet (P.M. Form 129) Monthly Abstract of cost of diet (P.M. Form 130) and Statement of charges and recoveries on accounts of Men in Hospital (P.M. Form 131)

- (i) See that there is a sanctioned scale of diet for the hospital and that issues are made on the basis of prescribed scale.
- (ii) Check the monthly abstract of cost of diet.
- (iii) Check the statement of charges recoverable and see that recoveries are regularly made.

(Rules 957 to 959 of the Orissa Police Manual)

8.22 Check of Committee Book (P.M. Form No.165)

While examining this book the Auditor should see that the provisions of rule 1044 of the Orissa Police Manual are duly observed.

8.23 Check of Accounts in respect of Festival Advance granted to Non-Gazetted Government Servants on the eve of important Festivals

- (i) See that proper accounts of such advances are maintained.
- (ii) See that the conditions attached to the grant of such advances are fulfilled and the full recovery of such advances is properly watched.

(Based on Government of Orissa, Finance Department letter No. M.P.A. 3/62 (Pt) 33633/F, dated 27th August 1962 (O.O.A. 4365 dated 23rd September 1962, O.O.A. 4239 dated 10th May 1962)

8.24 General

- (i) See that all registers are page numbered before being brought into use and that a certificate as to the number of pages each book contains is given in the cover.
- (ii) See that the bills for feeding charges and travelling charges of prisoners are prepared according to the rules.
- (iii) Examine the monthly Malkhana Statements submitted by the Officer-in-Charge of Police Stations and see that they bear adequate evidence of having been compared and cross checked as required in the Police Manual Rules.
- (iv) See that all the basic documents on which claims are based i.e. Railway Warrant, Court Certificate, Command Certificate; Escort Requisition etc. in support of traveling allowance are defaced in such manner that a second claim in respect of the same is impossible.
- (v) The Auditor should bring to the personal notice of the Superintendent of Police any points that require his attention, especially those which in any way indicate that the accounts and registers are not properly maintained. He should also give advice on any account matter that may be placed before him by the Superintendent or his staff.
- (vi) See that adequate action has been taken on the last Inspection Report.

Discuss all pending objections both of the last and current audit with the Superintendent of Police or the officer in charge of the Accounts. In addition to the checks prescribed in foregoing paragraphs the Auditor is expected to exercise such additional checks as his experience and intelligence suggest.

CHAPTER 9

ACCOUNTS OF JAILS

9.01 Introductory

The accounts of the jails are audited locally by the Outside Audit Department. Orissa Jail Manual contains among other things accounting procedure of transactions of the Jail Department.

9.02 Conversant with the provisions of Orissa Jail Manual

The account registers and books maintained in jails are described in Rules 1237 and 1245 of the Orissa Jail Manual. Before taking up the audit of the jail accounts, the rules contained in Chapter XIII of the Orissa Jail Manual should be carefully gone through.

9.03 Registers and Records to be examined

The following register, documents, etc. are to be examined:

1. Cash Book (General and Manufactory Departments)
 2. Contingent Registers (General and Manufactory Departments)
 3. Detailed Contingent Bills
 4. Treasury Pass Books
 5. Acquittance Rolls
 6. Book Adjustment Invoices
 7. Day Book of Raw Materials
 8. Ledger of Raw Materials
 9. Ledger of Manufactured Articles
 10. Stock and Sale Book
 11. Credit Ledger
 12. Costing Book
 13. Stock Register of Provisions
 14. Diet Rolls
 15. Lock up Register
 16. Milk Account.
 17. Hospital Diet Register.
 18. Stock Register of Medicines.
 19. Dead Stock Register.
 20. Security Register and Pass Books.
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21. Prisoners Private Cash Account.
22. Gratuity Register.
23. Prison Clothing Register.
24. Warder's Uniform Register.
25. Ammunition Register.
26. Garden Produce Register.
27. Jail Returns.
28. Bill Register.
29. Book of Drawal.

9.04 General Cash Book

The accounts for one month should be audited in detail. The cash books, however, should be subjected to hundred-percent check.

- (i) See that all the entries on the receipt and payment sides have been ticked off by comparison with other relevant registers and acquittance rolls, etc. Check the daily totals and balances and verify details of the balance in hand worked out at the end of the month and see that no amount has been in hand for long time.
- (ii) Check all receipts and payments of Prisoner's private cash with prisoner's private cash register and see that they are all correct. See that there is no item in the prisoner's private cash register which does not appear in the cash book.
- (iii) Check all gratuities drawn with the Gratuity Register. See that no amount was drawn in excess.
- (iv) See that security amounts have been deposited in the pass book concerned.
- (v) Check the receipts on account of diet money of civil prisoners with receipts issued.
- (vi) See that the cash book is signed daily by the Superintendent and that the reconciliation statement and the verification of the prisoner's property are carried out properly.
- (vii) See that payments to contractors for big supplies are made by endorsing bills in their favour for payment at the Treasury.
- (viii) Check fines shown as paid at the Jail with the counterfoils of receipts and cash book. See that such amounts are credited into the Treasury or paid to the courts at once.
- (ix) See that the amounts drawn from the Treasury on account of salaries and TA are entered on the receipt side and disbursement thereof on the payment side of the cash book.

Check those with the acquittance rolls and trace the credits of the amounts deducted on account of securities into the Saving Banks Pass Book.

(x) Remittances into the Treasury should be checked with reference to both the cash books (General and manufactory) simultaneously.

9.05 Clothing Register - (Orissa Jail Register No. 31) Compare this register with invoices of clothing received from other jails or purchased during the period under the audit. See that those struck off have been initialed by a responsible officer and that verification is periodically made. If any article of the warder's kit is supplied before it is due, see that its price is duly recovered and credited. The admissibility of the issue of an article of clothing to a warder should be verified with reference to his service book. Check the issue of convict clothing with the Superintendent's orders. Check the entries on the receipt side of the convict clothing account with the store and sale book of manufacture articles. Check the list of unserviceable clothing with the Superintendent's orders.

9.06 Contingent Register

- Trace purchase of stores in their respective stock books.
- See that the articles were purchased in the cheapest market by inviting tenders.
- Check the totals and see that they are correct. See also para 418 of this manual.

9.07 Diet Accounts

Check diet purchases in detail with relevant register as regards the number of prisoners dieted. See that due regard has been paid to the number of Civil Prisoners and those receiving private diet or on special diet as noted in the punishment register. Also see that the scale of diet fixed in the Orissa Jail Manual is not exceeded. The Medical Officer's Journal should be seen with a view to ascertain that the special diet charged is covered by his orders. See that whenever the dietary of the whole jail or any large section thereof is altered, the approval of the Inspector General of Prisoners is obtained. The issues shown in Stock Book should be checked with the Diet Register, for a few months. The quantities of milk, eggs, meat and other supplies obtained daily from the bazaar should be checked with the entries in the prescribed register. See that vegetables etc., which are usually grown in the Jail Garden, are not purchased from the Bazaar.

9.08 Prisoner's Private Cash

The receipt and disposal of all money belonging to prisoners are entered in the cash book as well as in the register of Prisoner's Private Cash (Orissa Jail Manual, Form No.29). The date of entry of every receipt and disbursement is noted on the prisoner's warrant and history ticket. (Rule 493 of the Orissa jail Manual).

- See that payments are supported by payee's receipts.
- Check the receipts of private cash for the selected months, with convict warrant and under trial register.
- Check the amounts of private cash returned to the released prisoners for the selected months with the amounts shown in the cash book and the warrants.
- If the amount of the Prisoner's Money accumulated is large see that so much of it as is not required for current payment is deposited into the local treasury supported by a challan which should be in favour of the Magistrate. The deposits are treated as "Criminal Courts Deposits" vide Rule 493(g) of the Orissa Jail Manual.

9.09 Garden Product

Review the garden register with a view to see that it is properly maintained and inspected by the Superintendent from time to time and that the dry produce is duly accounted for. See that vegetables issued free to the Jail officials are also entered in the register and in case of cash sales to outsiders the No. & date of the cash receipts is noted in the register and sale proceeds credited in the cash book.

(Chapter XXXVII of the Orissa Jail Manual)

9.10 Purchase of Provisions, Grains etc.

(Rules 1010 to 1016 of the Orissa jail Manual)

- See that tenders are invited and accepted by competent authority for the supply of articles of Food.
- Check the charges for the purchase of provisions with reference to contract rates and agreements.
- See that the year's supply of grain and firewood and all articles of ration are purchased in the cheapest season and under proper authority.
- See that the supplies have been made within the stipulated period.
- Check the purchase with the counterfoils of purchase order and invoices paid.

- Check the calculations and tract the payments into the cash book.
- See that the scale of rations for bullocks, if any, has not been exceeded.
- Check in detail receipts and issue of provisions according to scale for one month.
- See that purchases of huge quantities of articles in excess of the requirement of a month at the fag-end of the year, are not made when definite information regarding the availability of those articles at lowest rates in subsequent year are known before hand (i.e. at the time of finalization of tenders for purchase of dietary provisions for the ensuing financial year in the month of February)

(O.A. Circular 453 dated. 23 Nov. 73)

9.11 Stock Register of Medicine, Instruments etc.

Check the Registers of Medicines, Instruments etc., with invoices in respect of new purchases. See that the monthly balances of articles remaining in stock at the close of the year are correctly carried forward as opening balances in the next year. See that no articles have been struck off as unserviceable without the orders of the competent authority and that they are duly disposed of and their sale proceeds credited into the Treasury after being accounted for in the cash book. See that deficiencies in the stock of medicines, etc. are made good by the persons responsible or written off under the orders of the competent authority.

9.12 Milk Account

The Milk Account should be checked with the Live Stock Register (or with the gate register if it is purchased from outside). See that milk is duly accounted for. Verify how the surplus is disposed of. Check the register of milk account with the diet registers. Where the surplus milk is converted into milk products see that the outturn is in proportion to quantity of milk used and is properly accounted for and see that the instructions contained in Rule 1034 of the Orissa jail Manual are complied with.

9.13 Gratuity Registers of Convict Officers- (Orissa Jail Register No. 34)

- See that the gratuity earned by convict officers every month has been correctly calculated in accordance with the rules in Chapter VI of the Orissa Jail Manual and entered in their history tickets and is then transcribed to their account in the Remission Register.

(Orissa Jail Form No. 11)

- That fines and values of articles sold to them have been debited to their account.
- See that the net amount due has been paid to them on release after taking their acquittances in the receipt book and that it agrees with the entries in cash book.

- See that the convicts for whom gratuity has been drawn were actually in the jail.
- See that the percentage of appointment of convict officers does not exceed 10 percent of the daily average population in the jail without the sanction of the Inspector General of Prisons.

(Rule 350 of Orissa jail Manual)

9.14 Ammunition Register- (Orissa Jail Register No. 36)

- Check the entries in this register with invoices received from Arsenal or Depot and see that necessary verifications are duly made and empties returned to the Arsenal or Depot.
- Check the total and see that the balances are struck correctly.

9.15 Warders' Uniform Register -(Orissa Jail Register No. 44)

- See that this register is maintained properly.
- Check the receipts with invoices.
- Check issues of a selected month with warders' record of uniform attached to the service books.
- See that the issues of uniforms to warders are made as per scale laid down in Rules 326 and 327 of the Orissa Jail Manual; and
- See that the balances are correctly struck.

9.16 Register of Security Deposit - (Orissa Jail Register No. 35)

- See that those who are required to furnish security have furnished the same according to the prescribed scale.
- See that the security deposits received have been properly accounted for with least possible delay.
- See that the rules 195 to 198 of the Orissa Jail Manual are complied with in this regard.

9.17 Dead Stock Register- (Orissa Jail Register No. 37)

See that the closing balances of the last year have been brought forward as opening balances in the register under audit. Check the new purchases with bills. See that condemnations, if any, are supported by sanction of competent authority and disposed of duly and sale proceeds credited into the treasury. See that the stock is verified periodically by responsible officers and result of such verification recorded under the dated signatures of the verifying officers.

9.18 Gate Register - (Orissa Jail Register No. 21 & 22)

The gate register plays an important part in ascertaining the actual quantity of goods passing through the jail gate.

Thus in the case of purchase of coal, rice, pulses, etc., loss is often shown in transit although as a matter of fact the full quantity of supply without such loss may have been exhibited in the gate register. While checking entries of purchases made by the jail in the relevant registers a comparison should be made with the respective entries in the gate register for the selected month(s). All cases of losses shown to have occurred during transit should, however, be admitted only after checking the entries of purchases in the Gate Pass Register.

Check two months transactions in detail and see that the cash shown to have been received and disbursed in the cash book duly passed through the gate register.

9.19 Check of Service Books and Leave Accounts

The checks should be exercised according to the instruction laid down in Chapter 6 of this Manual.

9.20 Jail Manufactory Accounts (Section III of Chapter XLII of Orissa Jail Manual)

(i) Before the commencement of the audit of the Jail factory Accounts the Auditor should go round all the Branches of the Factories running in the jail and understand its technicalities. He should also study the relevant chapters of the Orissa Jail Manual.

(ii) The following registers are generally maintained in connection with Jail Factories Accounts.

- (a) Manufactory Cash Book (Register No 28)
- (b) Register of Contingent Charges of Manufactory Department.
- (c) Ledger of Raw Materials, Dead and Live Stock (Register No 40)
- (d) Register showing raw materials in process of Manufacture.
- (e) Stock register of manufactured articles (Register No 41)
- (f) Manufactory Order Book.
- (g) Register showing outstanding balances.
- (h) Store and Sale Book of Manufactured articles (Register No 39)
- (i) Day Book of Raw Material and Stock belonging to Manufacturing Department (Register No 38)
- (j) Purchase Order Book
- (k) Gate register of articles (Register No 22)

- (l) Indent for stores, etc.
- (m) Costing Books (Register No.45)

9.21 **Manufactory Cash Book**

Trace the receipts from the counterfoils of the receipt books into the cash book. Tally both the receipt and the payment sides. See that the receipts are promptly credited into the Treasury. Check the payment side for the selected months with vouchers. Enquire into all suspicious erasures, over-writings and corrections and see that the cash book is daily checked by the Superintendent and signed and dated certificate given at the end of the month that the cash balance was checked and found correct. See that the details of the balance are worked out at the end of the month.

(Rule 1238 of the Orissa Jail Manual)

9.22 **Register of Contingent Charges of Manufactory Department**

See that the charges are of obvious necessity and are paid at fair and reasonable rates. If a contract for purchases of certain articles has been sanctioned by the Inspector General of Prisons, Orissa (Vide Rule 25 of the Orissa Jail Manual), see that all the conditions laid down there have been duly fulfilled both by the supplier and the Superintendent and the rates sanctioned therein are adhered to. See that their account is maintained strictly according to the rules. See also *Paragraph 4.04 of this Manual*.

9.23 **Stock Ledger of Raw Materials (Form 40)**

- (i) Check opening balances with the previous books (in full if a new book has been brought into use).
- (ii) Check issues with the issue register of raw materials for the selected month(s) and the latter with the requisitions for the corresponding month.
- (iii) Check postings of purchases made for selected month(s) with invoices. Check the receipts with the gate pass register (One month).
- (iv) Check returns from workshop, if any, with credit notes or Return Notes for selected month(s).
- (v) Check transfers to other Departments, if any for selected month(s).
- (vi) Check sales of raw materials with the sale book for selected month(s).

- (vii) See that the closing balances both quantity and values are correctly struck.
- (viii) See that issue rates adopted for all important articles are correctly worked out.
- (ix) See that the list of balance of stock at the end of the year is correctly prepared.
- (x) See whether there are any losses in transit and if so, whether they are inevitable and reasonable. Any unusual items should be examined carefully and commented upon.
- (xi) See that the stocks in the godown are effective and are usable in the factories and are not in excess of periodical requirements of the jail.
- (xii) See that the stocks are checked every six months(preferably by 15th June and 15th December of each year) by the Superintendent and note thereof is made in the register against each article as well as properly recorded in the journal.
- (xiii) See if the Raw materials consumed are relatable in some standards to output.

(Rule 73 of the Orissa Jail Manual)

9.24 Register showing Raw Materials in Process of manufacture

- (i) Trace the issues into the receipt side of stock register of manufacture of articles.
- (ii) See that the totals on both the receipt and utilisation sides for the selected month(s) are correct.
- (iii) See that the materials shown as utilised is actual and not estimated and is not in excess of the sanctioned scale. Similarly see that the loss shown in column for the purpose does not exceed the sanctioned rate.
- (iv) Trace manufactured articles shown in the register showing raw materials in process of manufacture.
- (v) See that the process register is checked monthly by a responsible official in all respects and he signs the same at the end of each month in token of having checked it.
- (vi) See that the closing balance is not over valued for the purpose of the statement of Affairs or profit and loss accounts.

9.25 Stock Register of manufactured Articles - (Orissa Jail Register No. 41)

- (i) Check opening balance with the previous year's closing balances and see that all articles manufactured were actually taken into stock register
- (O.A. Circular-454-11/73)*
- (ii) Trace the issues of manufactured goods into the receipt side of the cash book in case of cash sales and into sold ledger or debtors ledger in case of credit sales.
 - (iii) In case manufactured goods are issued to the general branch, trace the issues in the relevant records of this branch.
 - (iv) Check rates and values with the cost book price list or other authority of the Inspector General of Prisons.
 - (v) See that raw materials and manufactured goods in stock with the store-keeper are not accumulating and that all the articles are saleable and serviceable. If there is

large or unnecessary accumulation of stock of raw materials or manufactured goods which are likely to deteriorate, some cases should be detailed in the DIR with suitable comments.

9.26 Manufactory Order Book

- (i) See that orders are entered in this register at the time of their receipt.
- (ii) See that the register is examined by the Superintendent occasionally and that he satisfies himself that no delay occur in the execution of orders and that such orders are carried out as far as possible in order of priority.

9.27 Register of Outstanding Balances See that the balances are not old and that their realization is pursued properly. Where there are credit balances, probe the reasons therefor and point out delinquencies in the DIR.

9.28 Sold Ledger

- (i) Check opening balances with the outstanding list of the last year.
- (ii) Trace credit sale for selected month(s).
- (iii) Check postings of realizations of dues with the cash book and counterfoils for selected month(s).
- (iv) See that list of closing balances is correctly made out and the total agrees with the total shown in the register of outstanding balances.
- (v) Review the balances to see that they are not outstanding for a long time.

9.29 Sales Day Book

- (i) Check with invoices (Otherwise known as register of bills) for selected month(s).
- (ii) Check postings into debtors' ledger in respect of credit sales for selected month(s).
- (iii) Check totals of cash and credit sales struck daily or monthly (one month in each half-year).
- (iv) Prepare a list of outstanding bills in respect of supplies to Government Departments.
- (v) Trace the goods sent out with gate passes and see that every item leaving the jail premises has been properly accounted for.
- (vi) See that the analysis of sales to jails and other Government Departments are correctly made.

- (vii) See that credit sales are not allowed to private individuals.
- (viii) See that sale prices have been correctly worked out and charged.

9.30 Purchase Order Book

- (i) See that purchase is posted from the indents correctly without undue delay.
- (ii) See that the supplies are made by the contractors within the allotted time and the payments are promptly made and not unduly delayed.
- (iii) See that all columns have been properly filled in.
- (iv) Check receipt of stores with office copies of invoices or abstract bill books for selected month(s). The receipts of all important items purchased, however, should be checked in full.
- (v) Check rates and calculations in the invoices with quotations and contracts for selected month(s).
- (vi) Check postings into stock ledger of materials for selected month(s).
- (vii) Check purchases of dead stock into Dead Stock Register.
- (viii) Check dates of payments noted in the register with the cash book.
- (ix) Check the list of unpaid bills at the end of the year.

9.31 Physical Verification

- (i) See that half-yearly (by 15th June and 15th December) verification of stocks is regularly made by the Superintendent and the results recorded in Journals as well as in Ledgers. Also see that excesses and deficits are properly accounted for under proper orders.

(Vide Rule 73 of the Orissa Jail Manual)

- (ii) See that stock account of receipt books has been maintained. See that the balances of receipt books have been verified and that they are kept in safe custody. Also see that the return of the completed receipt books is watched vigilantly.

9.32 Indent for Stores

- (i) See that there are no unauthorized or unauthenticated corrections and that the blank space is crossed out.
- (ii) That the prices of articles not fixed previously have been entered before the payment is made.

9.33 Costing Book - (Orissa Jail Register No. 41)

- (i) See that costing book is maintained in each jail where there is manufactory section and it is properly kept.
- (ii) That the prices of articles not fixed previously have been entered in the register in conformity with the provisions of rule 1223 of the Orissa Jail Manual.
- (iii) The date on which the selling prices on articles are fixed should be examined to see that all relevant costs have been taken into account in fixing the prices.
- (iv) That no alteration of the fixed price has been made without the sanction of the Inspector General of Prisons.

(Rule 1124 of the Jail Manual)

9.34 Book Transfers

In respect of book adjustments, the Auditor should see that the provisions of Rules 1227 to 1233 of Orissa jail Manual are observed.

9.35 Service Stamp Register

See that this register is properly kept both in the accounts branch and in the store-keeper's Office.

9.36 Other Important Matters

- (i) See that Stores brought inside the jail appear in the gate register of articles.
- (ii) Tenders are invited for all important purchases and agreements taken from contractors with suitable provisions for defaulting contractor etc.
- (iii) Check rates charged in the abstract bill with tenders, Inspector General's sanction and the contracts. See that contracts for raw materials, grain, etc., are made in the proper season and that the time by which the orders are to be supplied is mentioned in the contract.
- (iv) See that charges on account of railway freight, etc., on materials purchased have been added to the cost of materials.
- (v) Conduct a percentage check of the fixation of prices for manufactured articles to see whether the prices have been fixed on the basis of specified principles.
- (vi) See that the unused raw materials have been returned to the Storekeeper and duly accounted for. Note the percentage of wastage and comment if it is abnormal

- (vii) Scrutinise all items written off as dryage, wastage, losses, etc., See that the annual stock of raw materials in the stores and in the workshop has been taken by the Superintendent and agreed with account books.
- (viii) See that dues from customers who have been given credit are promptly recovered and that outstandings at the end of each quarter have been correctly shown in the quarterly return submitted to the Inspector General and that suitable action is taken to recover longstanding amounts.
- (ix) See that no articles have been sold or despatched from jail without a gate pass.
- (x) Check the securities furnished by the jail staff and see whether prescribed scale has been adhered to.
- (xi) Check the dairy accounts including the stock accounts of milk.
- (xii) See that the registers of factory and prison contingent charges are correctly maintained in accordance with prescribed rules.
- (xiii) If convict labour is supplied to municipalities and other private department it should be seen that necessary recoveries of the cost of labour are made and credited in the Cash Book. See also that the sanctions of the Inspector General of Prisons is obtained in all such cases. If convict labour is supplied to the P.W.D. see that the cost of labour is recovered in all cases except when labours are employed on works which are treated as jail works.
- (xiv) The issue of Kerosene oil, etc., for the jail lamps should be checked with the Dead Stock Register which shows the number of lamps in the jail.

9.37 Inspection Report

- (i) The local Audit parties required to append to the IR relating to the Accounts of the District Headquarters jails, a statement showing receipts and expenditure pertaining to the year or years under audit and another statement of stock account in terms of money value under broad heads such as 'Ration', Clothing and Bedding', 'Live-stock', 'Tools and Plants' showing opening balance, total receipts, total issue, closing balance, shortages and excess on actual verification and actual closing balance. Defects in maintenance of stock accounts and the absence or delay in periodical local verification of balance of stock properly by authorized officers should be indicated in the body of the report.
- (ii) In the case of manufactory department of jails statement in Form XII-A of the Jail Manual should also be appended. The stock account should show the figures under raw

materials, tools and plants and finished articles separately. The above statement should be signed by the Superintendent. Clerks responsible for the preparation of stock Accounts, jailors and Superintendent of jail and Medical Officer-in-charge of the hospital as the case may be and the particular agency employed for stock verification should also sign below the stock statement.

(Based on O.A. Circular 24 dt.19.5.58)

9.38 Assessment of the adequacy of various welfare measures / activities

In addition to the above, the local audit party while conducting audit of jail establishment should **assess the adequacy of various welfare measures / activities** implemented in the jails for the well being and welfare of the prisoners under the following points and incorporates their observation in the Inspection Report without fail. Non-compliance of instructions will be viewed seriously as per the instructions of (Pr) AG (CA).

(i) Position of Under Trial Prisoners (UTP)

- Period of detention
- Reasons for detention for unusual length of time
- No. of death cases of Under Trial Prisoners (UTP) during the last 3 years
- No. of UTP acquitted after long confinement.
- No. of UTP convicted

(ii) Over crowding of Jails

- Requirement of space as per norm
- Capacity of wards
- Actual no. of inmates
- Action taken by jail authority to solve the accommodation problem.

(iii) Medical facilities for prisoners

- Provisions
- Posting of medical staff
- Expenditure on medicine
- No. of death cases during the last 3 years

(iv) Attending to the grievances of prisoners

- Procedure for registering the complain
- Whether prompt attention was given
- Unattended grievances

(v) Modernization of the Jail

- Whether there was any scheme
- When implemented
- Amount spend
- Result of the scheme

(vi) Constraints in Jail administration for non-opening of more number of District Jails after re-organisation of districts of Orissa.

(vii) Besides the above, it is also instructed that copies of relevant amendment of the Criminal Penal Code (CrPC) regarding release of Under Trial Prisoners (UTP) from jails if they have stayed in jail more than half of the time of the actual penalty / punishment for the offence committed, if established, may be obtained and kept on record to check up its implementation.

[Pr.A.G(CA)'s instruction circulated vide Memo No.OA-I-Gen-Cir-IV/1091]

CHAPTER 10

AUDIT OF ACCOUNTS OF GOVERNMENT HOSPITALS

10.01 Introductory

The Health and Family Welfare Department Government of Orissa, is responsible to formulate and execute schemes to ensure adequate health care services to the people in line with the National Health Policy to make improvements in the health care system in the State.

There are 6 Directorates under Health and Family Welfare Department as detailed below:

- Director of Medical Education & Training, Orissa
- Director of Health Services, Orissa
- Director of Family Welfare, Orissa
- Director of SIHFW, Orissa
- Director of IM & Homeopathy, Orissa
- Drugs Controller, Orissa

There are 3 Medical Colleges attached with Hospitals, Capital Hospital, Bhubaneswar, Government Hospital, Rourkela, District Headquarters Hospitals, Sub-divisional Hospitals, Other Hospitals (exclusively for Eye, Dental, TB, Leprosy etc), Community Health Centres (CHC) and Public Health Centres (PHC) to cater the health care system in Orissa, besides the Ayurvedic and Homeopathic Medical Colleges and Hospitals, the accounts of which are subject to local inspection by the OAD group. The transactions of selected month or months of the year under audit are subjected to detailed check while those of other months are examined generally.

10.02 Registers and Records to be checked

The following registers and accounts documents are checked and examined in audit-

- Register of Government Grants.
 - Cash Book.
 - Bill Register.
 - Book of Drawals.
 - Bank Draft Register.
 - Counterfoils of Receipt Books
 - Treasury challans.
 - Register of Fees and Miscellaneous Receipts.
 - Contingent Register.
 - Acquittance Rolls.
-

- Contingent Bills and vouchers.
- Users' Fee Registers
- User's Charges cash book
- Register of Receipt Books.
- Register of Rent realized from patients occupying paying wards.
- Distribution of fees to Medical Officers.
- Diet Register.
- Clothing Register.
- Stock Register of Furniture.
- Stock Register of 'X' Ray Articles.
- Stock register of Instruments.
- Stock register of Medicines.
- Stock registers of Anti-Rabic-and other Vaccines.
- Stock Register of Miscellaneous Articles.
- Register of stoppage Account Book (Berhampur Hospitals).
- Register of security deposits of contractors, Employees and Nurses etc.
- Endowment Account (Berhampur Hospital).
- Tender.
- Service Books and leave Accounts of Non-Gazetted Government servants.
- Register of Festival Advance.
- Log Book of vehicles.
- Stock Register of spare parts, Lubricants etc.
- Trunk call charges Register.

10.03 Cash Books (General and Users' Charges)

(i) Check of General Cash Book

The Audit should -

- (a) Trace the amounts from the counterfoils of receipt books into cash book;
- (b) See that the receipts are credited into the treasury without undue delay.
- (c) Check the totals and balances in the cash book and the totals in the contingent register and also trace the amounts drawn on abstract bills into the cash book.
- (d) Check the payment side of the cash book with the contingent register, challans, acquittances passed by Hospital staff and office copies of pay bills;

- (e) See that refunds are noted on the payment side of the cash book as distinct entries with a corresponding note of the refunds made against the original entries in the cash book;
- (f) See that refunds of miscellaneous receipts (e.g. Hospital stoppage charges received in excess) are noted against the Original credits in the cash book as required under S.R-346 of the Orissa Treasury code;
- (g) See that the cash book is closed, balanced and signed by the Medical Officer of PHC / CHC, Chief District Medical Officer or the Superintendent of the Hospital every month, vide S.R. 37 of the Orissa Treasury code;
- (h) See that the details of the amount in hand are worked out at the end of each month under the signature of the Medical Officer of PHC / CHC, Chief District Medical Officer or the Superintendent of the Hospital.

(ii) Audit of Accounts of user's charges:

(a) On the recommendation of the Committee constituted for review of the health care system, the State Government decided, among other things, to revise the existing rates and to cover new area for levy of **fees / charges in respect of Accommodation (Cabin, Nursing Home, Paying wards), Transportation (Ambulance service-outdoor), Radio-diagnosis (X-ray, Dental Film, Ultrasound etc.) and Minor & other Major Medical Investigations (Pathological)** with effect from 1st July 1997.

(b) Considering the relative affluence and poverty of different areas, the **hospitals haven divided into following categories with differing rates for each:**

Category- A	Three Medical Colleges, Capital Hospital, Rourkela Government Hospital, City Hospital, Cuttack and Berhampur, District Headquarters Hospital, Sambalpur
Category -B	District Headquarters Hospitals: Angul, Balasore, Bhadrak, Dhenkanal, Jajpur, Jagatsinghpur, Kendrapara, Khurda, Nayagarh, Puri.
Category -C	District Headquarters Hospitals: Baragarh, Boudh, Bolangir, Deogarh, Gajapati, Jharsuguda, Kalahandi, Koraput, Keonjhar, Mayurbhanj, Malkangiri, Nawarangpur, Nuapara, Phulbani, Rayagada, Sundergarh, Sonapur

(c) Exemptions from payment of fees / charges:

- No fees are proposed to be charged for treatment either for outdoor or for indoor patients.
- Patients of poor families living below the poverty line (BPL) on recommendation of the treating physician and CDMO / Superintendent of the Hospital and on production of document(s) in support of their coverage under BPL. However, the number of such patients should not exceed 40 per cent of the total patients from whom charges are collected
- The facilities at present extended to Government servants will continue, but where payment is being made the revised rates shall apply.

Note- Officials and members of their families who are entitled to free accommodation, medical advice, nursing and medicines, under the state and the All India Service (Medical Attendance) Rules will pay only diet charges. Accommodation in the Nursing home will be available at the concessional rates to the entitled persons on payment of diet charges only. The Government servants and their family members, who do not take hospital diet, are required to pay the diet charges while occupying the cabins in the capital hospital.

(Government of Orissa Health and F.P. Department. Letter No. 9577/H Dated. 13.5.73 and 13004/H dt.19.5.73 and O.O.A. 6903 dt.26.2.73 and O.O.A. 7007 dt. 22.11.73)

(d) Collection and Utilisation of Users' fee / charges:

- Societies / Zilla Swasthya Samitis formed at the level of each hospital for which the fees / charges become leviable from 1st July 1997, are responsible collection and utilization of the funds so collected.
- Funds collected towards users' charges are to be utilized for the day to day expenditure towards maintenance and improvement of the hospitals to ensure qualitative health care services in the respective hospitals, without being deposited in the concerned treasuries.
- Money, if required for expenditure should be drawn by cheque signed jointly by the Chairperson and Secretary of the Society. Payment above Rs. 100 should be made in the shape of crossed cheque or bank draft.

(e) Maintenance of Accounts of Users' Fees:

- Users' charges are to be collected from the patients on issue of proper money receipts
- Money Receipts should be in printed forms / books duly inscribing Serial Numbers of Money Receipts (original and duplicate) / Books.
- A Register of money receipt books should be maintained showing columns of receipt, issue and balance stock.
- For different types of Users' fees Money Receipts of different colours should be used.
- Users' charges collected should be recorded in a **cash book** (receipt side) daily indicating the source, serial number of money receipt used from the receipt book on a particular day.

- Money collected towards users' charges should be deposited in a Savings Account in a Nationalised bank.
- Expenditure should be reflected in debit side of the cash book and be authenticated by retaining corresponding vouchers numbered serially.
- The money receipt book and cash book should be maintained by a staff having accounting knowledge and should be countersigned by the Controlling Officer daily.
- For patients who are exempted from payment of users' fees, a slip book should be maintained similar to a money receipt book with the serial number of receipts (original and duplicate) and books with separate colour distinct from the money receipts.
- A register of expected patients should be maintained indicating daily numbers and the services for which fees have been exempted.
- Another Register for bank deposits and bank withdrawals should be maintained.

(Based on GoO,H&FWD-IVM-40 /97 / 21908 /H dated 24.06 1997)

(f) Although the audit of Zilla Swasthya Samiti / Societies is undertaken by the ABA group, OAD field parties should check to ascertain that the users' fees are collected as per the norms fixed by the Government / Societies and deposited into the accounts of Zilla Swasthya Samiti / Swsthya Bikash Samittee / Societies of concerned Medical College and Hospitals regularly. Misutilisation / unauthorized utilisation of users' fees collected as well as deficiencies in collection and timely deposit, if any, in this regard may be pointed out in audit.

As ordered, all the OAD field parties are hereby instructed to make necessary arrangements for verification of user's charges cash book

(OA Cir. 768 dtd.16.6.2000)

10.04 Other Hospital Charges

- (i) Check the deposits made by the patients for *charges other than the users' charges* during the selected months and see that those have been duly accounted for in the demand and collection register and cash accounts maintained.
- (ii) See that the amounts realized are brought to account in the general cash book.
- (iii) See that the cost of articles supplied to the paying patients over and above the diet scale is recovered from them.

(iv) There should be a sanctioned diet scale and the cost per diet as worked out from the diet register should be compared with this scale. Any marked excess over the sanctioned scale, should be properly explained.

10.05 Diets

(i) The different kinds of regular and extra diets from the daily diet sheets of the wards should be traced from the diet Register. The totals in the Diet Register for each kind of diet should be checked and then agreed with the relevant contingent bills.

(ii) It should be seen whether tenders are invited for all articles of diet required for the hospital and whether all such articles are obtained from the persons whose tender has been accepted.

(iii) Crates, Containers, Packing Cases, etc., should be accounted for in a register to be maintained for the purpose to watch their disposal to the best advantage of Government.

10.06 Medicines and Medical Instruments

(i) See that the opening balances are correctly brought forward from the previous registers.

(ii) Verify the receipts of medicines / instruments from the invoices into the Stock Register of medicines / instruments and see that items of medicines, instruments, equipments are properly brought to account.

(iii) See that the issues of medicines are supported by indents in the proper form and are duly acknowledged.

(iv) See that the quantity of medicines issued is according to the quantity indented.

(v) See that the totals and balances are correctly arrived at.

(vi) See that separate registers are maintained for costly drugs, so that the issue of drugs, the cost of which is recoverable from patients may be noted in the prescribed register.

(vii) See that medicines which have lost potency and instruments condemned are entered in the Register of unserviceable articles on proper order and entries are made in the issue register.

(viii) See that the stock of medicines / instruments etc. is verified by a responsible officer at least once a year and the results of verification recorded in the registers.

(ix) See that losses or deficiencies are either made good or written off with the sanction of competent authority.

(x) See that if for medicines or other stores of similar nature issued to other offices or departments on loan, a separate register is maintained to watch the receipt (return back) of the stores.

(xi) Check the stock register of instruments / equipments to ascertain whether any costly medical instruments / equipments are kept idle / unserviceable before their life period and comment in DIR along with cost involved, period of idleness, reasons thereof, and inadequate steps taken by the hospital authorities to make it serviceable.

10.07 Miscellaneous

(i) In respect of following mentioned items, check the opening balances; trace purchase from contingent bills into the stock registers. The issues towards petty supplies should be verified with the ward requisitions and the issues of articles of dead stock etc., with the receipt entries in the ward registers. See that the stock is verified by a responsible Officer and that a certificate on the result of such verification is recorded in the registers under the signature of the verifying officer.

- Petty supplies
- Articles of Dead Stock.
- Crockery
- Clothing and
- Books.

(ii) “Register of unserviceable articles”

See that all articles returned from the wards as unserviceable or requiring replacements have been entered in a “Register of unserviceable articles” and the sanction of competent authority obtained for disposal. In case, the same are disposed of by auction, the sale proceeds should be credited into the Treasury and note kept in this Register.

(iii) Ambulance-Log Book

- (a) It should be seen that log book of Ambulance is properly maintained in the prescribed form and journeys are recorded clearly and chronologically.
- (b) The amounts recoverable as per rules from each patient is worked out and the recovery is effected promptly, and
- (c) Sanction of the competent authority has been obtained for the remission of fees either wholly or in part.

(iv) Register of Miscellaneous recoveries from staff

In addition to watching recoveries of festival Advance, Advance of T.A. on tour and /or transfer etc., the following kinds of recoveries are also required to be watched:

- Loss or breakage of articles of crockery, instruments, appliances etc.
- Electric Energy charges / Water charges.
- Municipal Taxes.

It should be examined:

- Whether the entries are made promptly in respect of cost of articles broken, damaged or lost and ordered to be recovered from the staff.
- Whether monthly postings have been made in respect of dues on account of electric current/water charges, municipal taxes etc.
- Whether postings have been made as and when any advances have been granted.
- Whether the recovery is affected monthly from the salary of the person concerned.
- Whether the register is closed periodically with a statement of demand, collection and balance, so as to keep a close watch on overdue items, and
- Whether prompt action is taken to enforce recovery from persons transferred to other offices or who have left service.

10.08 Security deposits

Check the security deposit register of nurses, other employees and contractors, etc., and see that the amounts received during the period covered by audit are duly accounted for in the General Cash Book. Any refunds should be verified with the original credits. If savings bank pass books have been pledged as security, it should be seen that such pass books are sent to the Post Office every year for calculation of interest. It should also be seen that the security deposits have been realized according to the scale laid down by the Government. Also refer to Para 4.15 of this Manual for checking of security deposits.

10.09 Registers of Property of Patients

Review this register and trace the cash items in the general cash book. When the property is returned, the acknowledgement of the owners is taken in the Register itself.

10.10 Receipt Books and Register of Receipt Books (connected with General Cash Book / Users' Charges Cash Book)

OAD parties should, while checking the use of receipt books, ascertain that:

- The authorized Receipt books with prescribed form should be used by the hospital authorities receiving hospital service charges on behalf of Government.

- Before a receipt book is brought into use, the number of forms contained therein shall be counted and the result recorded in the book over the signature of the incharge of the receipt book.
- The receipt books should be kept in safe custody and used chronologically.
- A register of receipt books should be maintained to keep the accounts of the receipts books received, used, stock of unused books available with the custodian of the receipt books.
- This register along with the physical stock of receipt books should be verified regularly by the Superintendent / CDMO / MO / Chairperson of Society as the case may be.

10.11 Register of Stoppage Account Book

- (i) See that the dates of admission and discharges of paying patients are invariably noted in this register.
- (ii) Verify that the amounts due from the paying patients have been correctly calculated. (A percentage check may be conducted).
- (iii) Check recoveries in cases of the selected months.
- (iv) See that the demands are recovered timely and not allowed to fall into arrears.
- (v) Trace the credits into the cash book.
- (vi) In the case of write off amount, see that sanction of competent authority is forthcoming.

10.12 Tenders and Comparative Statement

See, whether tenders have been publicly invited for the supply of articles and check the comparative statement of tenders with the tenders received. Examine, whether the lowest tenders have been accepted or proper reasons have been recorded for not accepting such tenders. The additional cost to Government due to the non acceptance of the lowest tender should be worked out and indicated in the Inspection Report. See that there is a written agreement as to price with the selected contractor and that the contractor has deposited sufficient earnest money as security against loss and that the terms of the contract once entered into have not been materially varied without the previous consent of the competent authority.

10.13 Government Grants

It should be seen that grants made by Government are spent for the purpose for which they were intended and within the prescribed period.

10.14 Poor or Charity Box

The collections from the charity box are brought to account in the *Poor Fund Cash Book*. See that this book is properly maintained and the collections accounted for according to the prescribed rules or orders.

10.15 Endowments

If there are Endowment funds in respect of any hospital the following checks should be exercised -

- That the accounts of the fund are maintained properly.
- That the half yearly interest is duly realized, and
- That the amount of interest is utilized for the purposes of the endowments.

10.16 Register of Contingent Expenditure

- (i) Review the register to see that it is maintained in accordance with the financial rules of the Government.
- (ii) See that the rates allowed are according to the approved tenders of the contractors.
- (iii) Refer to paragraph 4.04 of this Manual.

10.17 Service Books and Leave Accounts

The checks prescribed in Chapter 7 should be applied during audit.

10.18 Free Medical Facilities to the Freedom Fighters, Political sufferers and accredited press correspondents of the State

Government of Orissa in the resolution No.28412/H dated 1.9.77 and No.16919/H dated. 20.5.78 extended certain free medical facilities to the freedom fighters, political sufferers and accredited press correspondents of the State such as free Pathological, Bacteriological, Radiological, cardiographic E.C.G. examination with free hospital accommodation when they are occupying a paying ward i.e., nursing home, cabin, cottage etc. in Government Hospital, Medical College Hospital when such facilities are for a period not exceeding 60 days. The benefit is only extended to Freedom fighters, political sufferers and accredited press

correspondents *and not to their families*. The concerned medical authorities may when necessary ask such personnel to produce such relevant records in support of the receipt of pension from Central Government / State Government or records as a state journalist.

While auditing the Hospital accounts, it should be seen that such facility was extended to the person concerned only on proper identification and not beyond 60 days. Any deviation from the Government order should be commented in audit.

(O.A. Circular 508 dt.11/77 and 531 dt. 17.7.78)

10.19 Family Welfare Programme

(i) The Family Welfare Programme is a centrally sponsored scheme and is being implemented with the help of and through the State Governments. As huge sums flow to the states for being spent on the various aspects of schemes, it is necessary to see during audit that funds are not diverted to any other programme and are spent exclusively and only for the family welfare scheme. It should be ensured that the expenditure incurred on the Family Welfare Programme is strictly in accordance with the sanction issued by the competent authority.

The following points may be borne in mind while conducting audit of family welfare:

- (a) Whether the compensation money at different rate as prescribed from time to time includes payment to Government Doctors who are looking after family welfare work on whole time basis.
- (b) Whether the remuneration exceeds the above rates. The payments to Government doctors and remuneration in excess of these rates are not payable by Central Government.
- (c) Whether the payment of salaries and allowances etc., claimed for Family Welfare Funds are in respect of the official and staff working exclusively for family welfare (including MCH) In cases, the officer concerned is looking after other health activities, such as Malaria, T.B. etc. the central assistance will have to be correspondingly reduced.
- (d) In regard to non-recurring expenditure on buildings it may be ensured that the buildings are constructed according to the specifications approved by competent authority and within the ceiling fixed.

(e) As regards the additional beds for sterilization, the maintenance expenditure is to be allowed only if the additional sterilization beds are constructed exclusively for sterilization or the IUCD cases and some of the existing beds only are not earmarked for sterilization purposes. The audit should see that the minimum number of sterilization observations are performed per bed per year for admissibility / claim / payment of annual assistance for maintenance of bed prescribed by the government from time to time

(f) It may also be ensured that the vehicles purchased out of F.W Funds are exclusively used for F.W Programme; if they are used for any other purposes, the expenditure is not debited to the F.W budget to the extent of diversion.

(g) The payments to motivators, persons getting I.U.C.D. insertion / undergoing sterilization, doctors etc. should be checked to see that they are according to the patterns laid down by the State Government. No money will be given to Government servants as promotor, motivator etc.

(h) The ex-gratia payment made to the family in case of fatality after sterilization operation, vasectomy operation, I.U.D. insertion and payment of compensation in case of complications arising out of such operation of I.U.D. insertion are in accordance with the Government of India or State Government orders.

(i) Besides, checks mentioned, above, general principles and instructions relating to audit of scheme expenditure are to be followed. In this connection Chapter 20 of this manual may please be referred to.

(j) The accounts of 25% of sub-centres and units to be selected locally keeping in view not only the transaction of each centre but whether they have been done in previous audit.

[(Based on O.A. Cir. No.527 dt.21.6.78) Government of Orissa, Health and F.W Deptt. Notification No.F.P. Vr.1/75-21257/H dt. 1.7.77]

(ii) Involvement of Private Medical Practitioners in the Family Welfare Programme

With a view to encouraging the private medical practitioner's involvement and for securing their cooperation in the programme, the Government of India decided to extend the scheme to the private medical practitioner on a pilot basis through the Indian Medical Association and its branches in the States. At present only those private medical practitioners of modern medicine who are recommended by the I.M.A. will be covered under the scheme to

undertake Vasectomy Operations and I.U.D. Insertions. *The tubectomy operations on females have not been covered under the scheme.* The salient features of the scheme are highlighted below:

(a) *Payment to private Medical Practitioner and acceptors for Vasectomy Operation / I.U.D.*

(1) If the Private Medical Practitioner renders the Vasectomy Operation / IUD Insertion free of cost, he / she will be entitled to receive a portion of compensation amount for each case of vasectomy and I.U.D fixed by the Government from time to time, towards meeting the cost of drugs and dressings etc. and for operations / insertions and for post operative insertion follow up. The Private Medical Practitioner will have to prefer his / her claim for such amount alongwith details of the acceptors to the Dist. Family Welfare Officer concerned after fulfilling the other conditions prescribed.

The acceptors will be entitled to receive the balance amount of compensation if he undergoes vasectomy and if she had an I.U.D. Insertion.

(2) If a Private Medical Practitioner charges fees for rendering vasectomy / I.U.D. services, he / she will not be entitled to any payment from the Government but I.U.D's would be supplied to him free of cost on request. However, the acceptor of vasectomy / I.U.D. would be entitled to receive the balance of compensation amount as mentioned at (1) above for vasectomy & I.U.D. insertions. This amount will be paid to the acceptors by the District Family Welfare Officer directly only on production of a certificate by the approved private Medical Practitioner to the effect that the person had actually undergone vasectomy operation / I.U.D. insertion.

(b) *Private Medical Practitioners as motivators*

It is desired by Government of India that the private Medical Practitioners would also during the course of their professional work, extend their co-operation in educational and motivational aspect of Family Welfare Programme. The local branch of the Indian Medical Association will be supplied Family Welfare literature, oral pills, I.U.D.'s., Nirodh etc. for the purpose by the State Family Welfare Bureau which (I.M.A. Branch) in turn will make those available to the Private Medical Practitioners. The doctors will however, not charge any consultation fee from the patients for giving advice on Family Welfare, as the contraceptives are supplied to them free of cost for distribution.

(c) Ex-gratia payment in the event of death after Sterilisation Operations effective from 1.9.78

In the event of death of the person as a consequence of sterilization operation, I.U.D. Insertion by the above categories of private medical practitioners, a sum of ex-gratia payment will be paid to the spouse or the natural heirs of the deceased person. The amount of ex-gratia payment will be regulated by the instructions contained in Government of India, Ministry of Health & Family Welfare (Deptt. Of Family Welfare) No.23011/26/76 Ply. Dated 2.12.76 read with letter No.11011/11/77 Ply. Dt. 28.09.77.

The local audit party while scrutinizing the payment of any sum to the private medical practitioner against the above scheme should see that the payments are in accordance with the above provisions. If any payment is noticed which has been made in contravention of the provisions of the above order, the point should be raised in audit and a suitable Para incorporated in the DIR.

(Authority: OAC-542 dt. 24.10.78)

(iii) Payment of Ex-gratia financial assistance for post operative complications / fatalities

The Government of India have from time to time issued various orders / instructions relating to the scheme of payment of ex-gratia financial assistance in case of post operation fatality / complications under the family welfare programme. The provisions contained in those orders have been summarized below for the sake of convenience.

(a) Objectives

The main aim of the scheme is to give immediate relief to the acceptors of F.W Programme who have to make extra expenditure on medicines etc., for the treatment of post operative complications and to the spouse of the acceptor who dies as a consequence of sterilization operations / I.U.D. Insertions.

(b) Liability for payment and amount admissible

The acceptors of the sterilization / I.U.D. Insertion are entitled to receive the ex-gratia payment in the manner indicated below:

(1) Death Case -

If any acceptor of sterilization/I.U.D. insertion dies within a period of 10 days of such operation / insertion, an amount fixed from time to time shall be paid to the surviving spouse or if no spouse is living to the natural heir. In cases where the cause of

death is not definitely known or established and it is possible that the death may have resulted as a consequence of the sterilization operation / I.U.D. Insertion, ex-gratia relief should be paid. However, even within 10 days of the sterilization operation / I.U.D. Insertion, where the cause of death is definitely known and is entirely unrelated to the operation / I.U.D. Insertion, ex-gratia relief is not payable. While reckoning the period of 10 days the day of sterilization operation / I.U.D. insertion is to be treated as day one and thus is to be included in the reckoning of the period. In other cases where any complication arises within a period of 4 weeks of operation / I.U.D. insertion and subsequently results into death, the ex-gratia payment of Rs. 5000 will be given in such cases also. The time limit of 4 weeks specified in this regard is not meant for the occurrence of death but for the fact of the complication coming to light.

*[Authority :- Ministry of Health Letter No.23011/26/76-Ply. Dt.2.9.76
(ii) 11011/77/77/Ply. Dt. 9.5.77 and (iii) 11011/7/77/Ply. Dt. 23.9.77]*

(2) Death due to recanalisation operation -

Similar to the cases of fatality after sterilization operation ex-gratia payment of Rs.5000 is admissible to the living spouse/natural heirs of those persons who die as a consequence of the recanalisation operation.

(Authority :- Ministry of Health letter No. 93011/39-76 Fly. Dt. 19.1.78)

(3) Post operation complications :-

- In case of post operation/I.U.D. Insertion complications arising within 4 weeks of the operation/Insertion, which require further treatment whether as indoor patient or as on the purchase of medicines for hospitalization and treatment as prescribed by the Medical Officer of the F.W. Centres or Government Hospital/institution shall be paid to the acceptors.

(Authority :- Ministry of Health letter No.23011/24/76 Ply. Dt.2.9.76)

- In case an acceptor has to remain absent from duty due to treatment of post operation complications beyond the normal period of Spl. Casual leave admissible to him/her, leave with pay is admissible to him/her in such cases.

(c) Payment

The payment of ex-gratia financial assistance should invariably be made within a period of two months after the receipt of the information/request for the grant by the district

authorities. The payment would be made out of the imprest for compensation money available with the District F.W. Officer which will be recouped from time to time from the amount created by contribution of Rs. 0.50 per case of sterilization / I.U.D. insertion. Orders for payment of ex-gratia assistance may be issued by the Collector in consultation with the Dist. F.W. Officer and in accordance with the recommendation of the District Level Ex-gratia payment committee.

(Authority: Ministry of Health No.19-19/71-Ply dt.16.2.72, No. 5-1-(13)/72 Ply of 11.7.72, No.5-1-(11)-73 Ply. Of 19.10.74, No. 23011/26/76Ply dt. 2.9.76, No. 11011 / 5/78 Ply. dt. 11.7.78 and O.A. Circular-555 of 21.2.79)

(d) Audit

In course of audit of ex-gratia payment made to the living spouse / natural heirs of the deceased sterilization acceptors / IUD insertion in the office of the CDMOs / Medical College Hospital etc. it is to be seen by the local audit parties in particular, whether such payments have been made in accordance with the instructions issued by Government of India vide their letter No.11011/11/77 dt. 28.9.77 circulated by Family Welfare Directorate of Orissa vide their No.EPE-203-77-16269 of 4.11.77 to all Chief Dist. Medical Officers etc.

In case any payment is made in contravention of the above orders and noticed by the local audit party, the point should at once be raised in audit and included in the DI.R. The following further informations should also be collected by the party and enclosed with the DI.R as key materials to the Para.

(1) Statement showing the following particulars :-

- Name and address of the deceased sterilization acceptors.
- Name and place of the sterilization operation.
- Date of death.
- Cause of death as recorded in the Investigation report/Medical report.
- By whom the Death case was investigated.
- Whether any review was conducted by the C.D.M.O., if so a copy of the review report is to be endorsed.
- T.V No. and date and amount in which the ex-gratia amount was drawn.
- Actual date of payment.
- To whom paid and the amount.
- Remarks.

- (2) Copy of the Investigation Medical Report.
- (3) Copy of the review report of the C.D.M.O., if any.
- (4) Copy of Provisional Sanction by the C.D.M.O.
- (5) Copy of the proceedings of Dist. Level ex-gratia committee.
- (6) Copy of the final sanction.
- (7) Copy of the Proceedings of State Level ex-gratia committee, if any.

Note: -In case where the Medical / Investigation report do not clearly indicate that the cause of the death is entirely unrelated to the sterilization operation IUD Insertion but according to our common knowledge other disease (Unrelated to the operation) the field parties should as far as possible obtain in writing a reply from the CDMO to that effect by issue of a Preliminary Objection Memo.

(Authority: - O.A. Circular 547 dt.5.12.78)

10.20 Post Partum Programme

(i) Objectives

Recognising that unique opportunities to approach women in a systematic manner concerning future child bearing exist during their antenatal period of pregnancy period (three months following delivery or abortion), Government of India introduced in 1969 a new scheme for family welfare called “All India Hospital (Post Partum) Programme” The entire programme has been organized and is administered by the Department of Family Welfare, Government of India working in co-operation with state family welfare directorates. The objective of the programme is to maximize the extent of effective contraceptives among target population in the community surrounding the hospital and for institution, by focusing primarily on the obstetrical and abortions cases and secondarily on the types of patients.

(ii) Programme Aims

- (a) Strengthen, expand and /or initiate family welfare procedures within the hospital setting.
- (b) Emphasize the responsibility of the Medical sector for family welfare.
- (c) Hospital should fully participate in teaching programme of Family Welfare for undergraduates, Post graduates, nurses and Para medical personnel.
- (d) Involve in the family welfare programme of other departments, besides obstetrics and gynecology particularly pediatrics, preventives and social medicine and surgical departments.
- (e) Services to the community at large i.e. man and woman hearing about this programme and coming to the hospitals will also be eligible for contraceptive services at the hospitals rendering post-partum services.
- (f) Services to the husbands viz. Vasectomy programme will be conducted at the hospital.

- (g) The programme immediately aims to extend to the rural areas via the Public Health Centres and rural field practice areas for which many of the medical colleges and attached hospitals have medical service responsibilities.

(iii) Services to Clients

Under the programme, services as detailed below would be made available to the clients, contraceptive advice and services should be provided during the lying in period (immediate direct acceptors); at the time of post-partum with check-up (other direct acceptors) and at any time to non-peripheral women and men (indirect acceptors).

The hospitals should offer a free “Cafeteria” and selection of all contraceptive methods including:

- (a) Female tubal sterilization (Tubectomy).
- (b) Male sterilization (Vasectomy).
- (c) I.U.C.D. Insertions.
 - Post Partum and post abortal.
 - Non Post Partum.
- (d) Conventional contraceptive, foams, fellies diaphragms and condoms.
- (e) Oral contraceptives.
 - Post abortal.
 - At six weeks or latter post partum.
 - Non post partum women.

Follow up services should also be provided both at the hospital and if necessary at the client’s home.

(iv) Targets

The minimum targets for this programme are –

Tubectomies	20% of the No. of Obstetric/abortion cases
Vasectomies & other methods	10% of the No. of obstetric/abortion cases.
Indirect acceptors	30% of the No. of obstetric/abortion cases

(v) Inputs

The inputs under the programme for Type-A (hospitals having more than 3000 obstetrical and abortion cases annually and all medical college hospitals) and Type-B (hospitals with less than 3000 obstetrical and abortion cases annually) are indicated below.

	<u>Personnel / other inputs</u>	<u>Hospital type</u>	
		<u>'A'</u>	<u>'B'</u>
<i>(a) Hospitals</i>			
(1)	Asst. Professor Obst. /Gy. Or Senior Medical Officer	1	1
(2)	Anesthetist(Registrar)	1	
(3)	Nurse-Midwife(Pending approval)	1	1
(4)	Projectionist-cum-Mechanic	1	--
(5)	Steno-typist	1	--
(6)	Lower Division Clerk	1	1
(7)	Male Peon	1	1
<i>(b) Urban Welfare Family Welfare Centre</i>			
(1)	Full/Part time Medical Officer	1	1
(2)	Extension Educator	1	1
(3)	F.W Welfare worker	1	--
(4)	Public Health Nurse/Lady Health Visitor	--	--
(5)	Auxiliary Nurse-Midwife	--	--
(6)	Store Keeper-cum-Clerk-cum-Accountant	1	1
(7)	Attendant	1	1
(8)	Sweeper	1	--

<i>(c) Sterilisation Ward</i>			
For hospitals with			
(1)	3000-5000 annual confinements		10 beds
(2)	5000-7000 annual confinements		12 beds
(3)	Above 10,000 annual confinements		20 beds
Non recurring grants per bed and Recurring grant for maintenance per year as fixed by the Government from time to time.			
<i>(d) Operation Theatre</i>		1	1
		Amount as fixed by the Government from time to time.	Amount as fixed by the Government from time to time.
<i>(e) Surgical equipment</i>		-Do-	-Do-
<i>(f) A.V Equipment and Medical Equipment</i>			
(1)	Movie Projector	1	--
(2)	Movie Screen	1	--
(3)	Tape Recorder & blank tapes	1	--
(4)	Slide-cum-film strip Projector	1	1
(5)	Vacuum Aspirator	1	1
<i>(g) Vehicle-Ambassdor station wagon</i>		1	1

(vi) Special points to be seen in Local Audit

The scheme though executed by the State Government is fully financed by GOI. As huge sums are spent on the programme the local audit parties, while auditing the accounts of post partum programme centres under a separate project Administration in the Medical College Hospitals and also while auditing the accounts of the CDMOs in districts / hospitals where the programme is implemented should among other things cover the following points:

- (a) It should be ensured that the funds allotted/sanctioned out of Government of India funds for this scheme are not diverted to any other programme and spent exclusively for post partum programme only.
- (b) It should be ensured that the expenditure incurred on this scheme is strictly in accordance with the sanctions issued by the Competent authority.
- (c) It should be ensured that the vehicles/other instruments/equipments etc. purchased out of funds of the programme are fully utilized for the purpose and not diverted for any other purpose.
- (d) It should be particularly seen whether the targets fixed are achieved and the position in this regard incorporated along with comments and statistical data in the DIRs.

Besides the checks mentioned above, general principles and instructions relating to audit of scheme expenditure and audit of expenditure as contained in Chapter 4, 5 and 20 of this manual should be followed.

10.21 Inspection Report

- (i) The local Audit Parties are required to append to the DIR relating to District Headquarters Hospitals a statement showing the receipts and expenditure pertaining to the year or years under audit and another annual statement of stock account in terms of money value under broad heads such as “Bedding and Clothing”, “Instruments and Appliances”, “Medicines and Drugs”, “Crockery and Miscellaneous” relating to Hospital Accounts showing opening balances, total receipts, total issues, closing balance, shortages and excesses on actual verification and actual closing balance. Defects in the maintenance of stock accounts and the absence or delay in the periodical physical verification of balance of stock properly by authorized officers should be indicated in the body of the report.
- (ii) The above statements should invariably be signed by the Superintendent, clerk responsible for the preparation of stock accounts, Medical Officer-in-charge of the Hospital concerned and the particular agency employed for stock verification should also sign below the stock statement.
- (iii) Besides, the field parties visiting the CDMO offices for audit of their accounts are required to prepare three separate Inspection Reports for three wings viz. ADMO (Medical) ADMO (P.H.) & ADMO (FW) as these drawing officer functioning under the CDMO is having separate accounts records and there is no connection among them. Moreover, the controlling

officer for ADMO (Medical) and ADMO (PH) is the Director of Health Services, Orissa, Bhubaneswar and for ADMO (FW), the controlling officer is the Director of Family Welfare, Orissa Bhubaneswar. To obviate the difficulties in getting replies to the objection Memos and also in preparing a statement of outstanding paras relating to each wing to settle the Paras on the spot, the Reviewing Officers / AAOs / SO should issue POM.s separately to each drawing officer. However, the DIR should be discussed with the CDMO and his dated signature obtained on each report. Separate title should be appended to each report.

(iv) On receipt of the DIRs the concerned OAD-I Headquarters section should allot separate numbers to each IR. The IRs should be despatched to the concerned drawing officers and copies of each report taken together should be sent to CDMO, copies of DIR relating to ADMO (Medical) & ADMO (PH) should be sent to the Director of Health Services, Orissa, Bhubaneswar and one copy of the IR relating to ADMO (FW) to the Director of Family Welfare, Compliance to the IRs shall also be watched separately.

(Based on O.A. Circular No.716 dt. 1.9.83)

(v) IR of Medical College Hospitals should be despatched to the Superintendent of the Hospitals with copy to the Director of Health Services, Orissa, Bhubaneswar.

CHAPTER 11

THE ACCOUNTS OF THE MEDICAL COLLEGES

11.01 Introductory

The accounts of the following Medical Colleges are audited locally:

- (a) SCB Medical College, Cuttack.
- (b) V.S.S. Medical College, Burla, Sambalpur District.
- (c) M.K.C.G. Medical College, Berhampur, Ganjam District.

11.02 Registers and Records to be checked

The following registers, documents etc., are examined during the local audit

- | | |
|-------------------------------------|---|
| (1) Cash Book | (2) Contingent Register. |
| (3) Daily Collection Register | (4) Receipt Books. |
| (5) Admission Register | (6) Treasury Challans. |
| (7) Bill Book. | (8) Demand Register of Fees. |
| (9) Stock Account of Receipts Forms | (10) Stock Ledger of Medicines |
| (11) Stock Ledger of Instruments | (12) Stock Ledger of Furniture |
| (13) Stock Ledger of Library Books. | (14) Library Catalogue. |
| (15) Stock Register of Journals. | (16) Catalogue of Journals. |
| (17) Sub-Vouchers. | (18) Acquittance Rolls. |
| (19) Stock Register of Athletics | (20) Festival Advance Register |
| (21) Book of Drawals. | (22) Bank Draft Register |
| (23) Register of Security Deposits | (24) Log Book of Vehicles and
Spare Parts Register |
| (25) Register of Properties. | |

While checking these registers and records the provisions and guidelines contained in chapters I to IV, VI & X as well as those contained in the succeeding paragraphs shall be followed.

11.03 Demand and Collection Register

- (i) Check amounts received with (a) Counterfoils of receipts and (b) orders of the Principal of the colleges regarding fines recovered from students. Check totals and trace them in the cash book.
- (ii) See that cash receipts are issued for all college dues and these are accounted for in the Cash Book promptly.
- (iii) See that college fees are charged according to the rates prescribed in the college prospectus or other orders of the competent authority.
- (iv) See that admission fees have been realized in all cases.

11.04 Demand, collection and balance statements of College Fees

The demand, collection, remission and balance statement of college fees should be checked and appended to the Report.

11.05 Scholarships

- (i) See that scholarship bills are correctly prepared from the general roll call register in accordance with the rules detailed in the college prospectus. Acquittance Rolls of Scholarships should be checked.
- (ii) Review the ledger of private scholarship to see that no payment is made in advance of the receipt of money from donors.

11.06 Trust Funds

The accounts of Trust funds under the control of the college authorities should be checked. It should be seen that all receipts from the Trust funds are credited by book transfer instead of in cash as far as practicable. The above audit checks detailed in this chapter are not exhaustive. The proceedings book, inspection notes, etc., should be gone through by the Auditor to see what particular checks are necessary in each particular case.

11.07 Inspection Report

The Inspection Report is addressed to the Principal of the respective medical colleges and a copy of each report is forwarded to the Director of Health and Family Planning, Medical Education and Training, Orissa, Bhubaneswar.

CHAPTER 12

INDUSTRIAL TRAINING INSTITUTES AND DISTRICT INDUSTRIES CENTRES

12.01 General

The Manual of and /or standing orders regulating the running of the institution approved by the Competent Authority should be referred to while conducting the audit.

12.02 Registers and Records to be checked

The following account books, documents and registers are examined and test checked during local audit.

- | | |
|------------------------------------|------------------------------------|
| 1. Cash Book. | 2. Challans. |
| 3. Counterfoils of Receipts. | 4. Stock account of Receipt Books. |
| 5. Credit Bills. | 6. Contingent Register. |
| 7. Sub-Vouchers. | 8. Apprentices Deposit Register |
| 9. Postal Savings Bank Pass Book. | 10. Acquittance Rolls. |
| 11. Register of Security Deposits | 12. Bill Register. |
| 13. Book of Drawals | 14. Festival Advance Register |
| 15 Stock Register of Raw Materials | |

Carpentry and Smithy Sections

- | | |
|---|--------------------------|
| 16. Finished Stock Book. | 17. Log Register. |
| 18. Costing Book | 19. Indents and Invoices |
| 20. Works Order Register | 21. Credit Ledger. |
| 22. Stock Register of show room articles. | |
| 23. Tools and Plant Register of Tannery Section | |

While checking these registers or records, the provisions and guidelines contained in Chapter 1 to 4 & 6 as well as those detailed in this chapter shall be followed.

12.03 Audit of Industrial Training Institutes' Credit Ledger

The following points may be inspected in the local audit:

- Trace the outstanding amounts in the credit ledger at the close of a year into the next year's ledger and check with the credit bill books.
-

- See that no amount has been outstanding for a long period, and that timely steps have been taken for recovery of the amounts due.

12.04 Stock Register of Raw Materials etc.

- Check opening balances. Trace the articles purchased during the year into the receipt side of the ledger.
- Similarly trace the articles received by book adjustment into this register.
- Check issues of raw materials for jobs with indents.
- Check rates paid for the articles purchased with the rates agreed upon in the approved tender or with prices paid in neighbouring areas.
- Test check totals and balances.

12.05 Finished Stock Book

- Check opening balance and receipt of finished articles during the year.
- See that bills are promptly issued for sales.
- Trace recoveries for sales into cash book/credit ledger.
- See that no article is sold below the cost price without proper sanction.
- See that articles are not in stock as undisposed of for a long time and that adequate action has been taken for their disposal. In the case of articles sold by auction see that the auction was properly notified and the bids recorded.
- Check list of balances on the last day of the year.
- Scrutinise outstanding amounts and examine terms of credit, method of recoveries etc.
- See that articles prepared are brought to account in the stock book without delay.
- Trace articles prepared and issued for the use of the institution into the dead stock register.
- See that physical verification of stock is carried out annually. Abnormal shortages and excesses found in stock taking may be commented upon.

12.06 Log Register

See that timber purchased in logs for subsequent sawing is entered in this register and the various columns filled therein.

12.07 Cost Book

- See how cost of the articles manufactured in the institutions is fixed.
- Whether proper overhead charges are included in determining the cost of the articles.
- Whether there is any other irregularity in pricing the articles.
- Compare the cost of production with that of the previous year and investigate the reasons for any variation. Offer comments, if found necessary.

12.08 Work Order Register

See that every work or job undertaken by a section of the institution is entered in the work order register. The dates of commencement and completion are given and that the register is closed and balanced annually and the jobs remaining incomplete at the close of the year are carried forward as opening balances in the next year.

12.09 Register of Tools and Plants

- See that the balance of articles are properly carried forward from year to year.
- Verify whether the items of tools and plants purchased or manufactured as the case may be, have been duly entered in this register.
- Check issues to various departments with the requisitions signed by appropriate authorities.
- Ascertain that purchases have been made economically either by inviting tenders or calling for quotations from the dealing firms.
- See whether the stock has been periodically verified and necessary certificates recorded.
- See that the articles are not stocked in excess of the reasonable requirement of the institution as it would mean blocking of public money and ultimate loss due to depreciation.
- Verify that there is proper sanction for all writes-off.

12.10 Apprentices' Deposit Register

- See that the Register is properly maintained.
- Check that each apprentice has paid the deposit prescribed under rules and orders applicable to the institution.
- Trace a few items of the deposit register with entries in the cash book.

12.11 Idle Plants and Machineries

Idling of Plants and Machineries with details in different departments may be examined with reference to the reasons furnished and justification. In case of deviation, it may be pointed out in the Inspection Report.

12.12 Idle wages / pay and allowances paid to Instructors.

Similarly the idle wage paid to the instructor for an idle/non-functioning trade may be commented in the Inspection Report with full details.

12.13 Irregular payment to under-qualified instructors

Besides the above, instructors are to have minimum qualification / training to impart training/teaching to students in a particular trade. So, irregular payment of pay and allowance towards under- qualified instructors may be commented suitably in the Inspection Report.

12.14 Audit of District Industries Centres

Test check of records and documents in local audit should not be confined merely to the routine check of the same as per the norms laid down for local inspection. Besides the said checks, the party should also look into the following records locally to assess the performance and objectives achieved by the DIC –

- (i) Files containing the instructions, guidelines, sanctions etc., issued by the Central Government, the State Government, Director of Industries, Additional Director of Industries, Joint Director, Khadi and Village Industries, etc.;
- (ii) Minutes of the District Advisory Committee to ascertain if the meetings have been held at prescribed interval;
- (iii) Whether proper co-ordination among the functional managers, financing agencies, etc., and the Industrial units exist for smooth and timely implementation of the approved schemes;

- (iv) Whether effective control has been exercised by the D.I.C. to ensure that the land, shed, raw materials, loans, subsidy, etc., made available to the industrial units have been utilized by them properly and a proper mechanism exists to watch the same. Any misutilisation of the same noticed during local inspection should be brought out in the report collecting necessary data from the records of the DIC;
- (v) If the cost of raw materials supplied from the DIC godown to the entrepreneurs e.g. iron and steel has been realized and credited properly in the accounts.
- (vi) Whether repayment of loan and interest disbursed by the DIC are being made timely by the industrial units. A statement showing the arrears of loan and interest dues at the end of 31st March preceding the year under audit indicating inter alia, the opening balance (Principal and interest), principal and interest due for the period under audit, Total (Principal and Interest), Principal and interest paid during the period under audit and closing balance (Principal and interest) should be appended to the report with suitable comments thereon regarding the age of the over due instalments and non-recovery of penal interest if any, thereon. Reasons for the outstandings may also be examined itemwise of outstanding against each unit.
- (vii) It should be seen whether proper scrutiny has been made by the DIC before recommending grant of power subsidy, central investment subsidy and State Government subsidy to the industrial units. Any mis-utilisation of the said subsidies, if noticed in the records of the DIC, should be commented suitably in the report indicating the money value thereof.
- (viii) If the store and stock account and other account records which the DIC is required to maintain, have been maintained properly. Un-economic purchases of stores and loss of stores due to pilferage, etc., noticed therein should also be commented suitably in the report.
- (ix) It should also be seen whether reports and returns which are due to the different authorities have not been held back with a view to concealing any fact materially affecting the functioning of the scheme;
- (x) Whether the targets fixed for implementation of different programmes under the scheme by the D.I.C. have been achieved, if not, reasons for the shortfall may be enquired and commented in the Report.
- (xi) Information in the proforma attached in respect of the enterprises which have been received assistance from the DIC should be collected and attached to the Inspection Report..

- (xii) Public Work Inspection Parties should scrutinize the expenditure on construction of buildings for the DICs and incorporate details of delays and instances of wasteful expenditure in the Inspection Report in a separate para.

A copy of the report containing the para along with all key documents may also be sent direct to the OAD Section for necessary action at their end.

12.15 Inspection Report

(i) Inspection Report (DIC)

The Inspection Report should be addressed to the Superintendent/General Manager of the respective Industrial institution and copy thereof sent to the Director of Industries, Orissa, Cuttack / Directorate of Technical Education & Training, Orissa, Cuttack.

(ii) Inspection Report (ITI)

The Inspection Report should be forwarded to the Principal of the respective Industrial Training Institute for necessary action. A copy of the Report drawing attention to specific irregularities, if any, or to definite suggestions for improvement should be sent to the Director of Technical Education and Training.

(Vide O.A.C. 593 dt.24.9.79)

CHAPTER 13

ENGINEERING SCHOOLS,

13.01 Introductory

The accounts of the following Engineering Schools are subjected to Local Audit:-

- Engineering School, Berhampur.
- Orissa School of Engineering, Cuttack.
- Jharsuguda Engineering School.

*(Government of Orissa, Finance Department letter No. 670-F
dated 22nd July 1938 in T.M. 14-8-File)*

13.02 The following registers and accounts documents are examined in audit:

- | | |
|--|-----------------------------------|
| 1. Cash Book. | 2. Treasury Challans |
| 3. Cash Memos | 4. Advance Memos |
| 5. Receipts for realization of sale proceeds | 6. Sale proceeds register |
| 6. Bills book for sale proceeds | 8. Miscellaneous receipt register |
| 7. School fees register | 10. Contingent register |
| 11. Store Books | 12. Stock register of furniture |
| 13. Stock book of instruments and sports articles | |
| 14. Requisition slips | 15. Daily out-turn register |
| 16. Register of practice article | 17. Mark Register |
| 18. Register of Timber logs and Timber out-turn Register | |
| 19. Treasury Pass Book | 20. Library stock register |
| 21. Pass Book of the subsidiary funds | 22. Register of subsidiary funds |
| 23. Hostel Stock Book | 24. Acquittance Rolls |
| 26. Stock Register of Receipt Forms | 25. Credit Ledger |
| 27. Bill Register | 28. Book of Drawal |
| 29. Festival Advance Register | 30. Register of Security Deposit. |

While checking these registers and records the provisions and guidelines contained in Chapter 1 to 4, 6 and 12 as well as those detailed in this chapter shall be followed.

13.03 Register of Subsidiary Funds and Pass Books

The audit should see –

- That proper account of receipts and expenditure of the subsidiary funds have been maintained.
- That the receipts have been promptly credited. It should be checked with counterfoils of receipt books.
- That the payments from the funds are supported by payees' receipts.
- That the object for which such funds are created are strictly adhered to.
- The accounts of the funds, viz., the receipts and disbursements should be checked with the entries in the pass books.
- That the pass books are written up in the Treasury and that each entry is authenticated.

13.04 School Fees Register

This should be checked with the monthly attendance rolls of classes which show the number of students paying fees. The fees and fines received should also be checked with the counterfoils of receipts. It should be seen that the amounts realized are according to the prescribed rates and that fines have been realized in every case of non-payment of school fees within due dates. See that the amounts have been credited into the cash book in full. See that the balances outstanding are brought forward from month to month till final realization or write off with the sanction of competent authority.

13.05 Outstanding Dues

See that there is a regular scrutiny of all outstanding credit dues every quarter and that suitable action is taken for their realization.

13.06 Register of Timber logs and out-turn Register

The audit should see that the timber logs purchased for subsequent sawing is entered in the register of timber logs, that all out-turn is noted in the register of timber out-turn and that separate record is maintained for abnormal wastages and scantlings. It should further be seen how the wastages and scantlings have been disposed of.

13.07 Check of other registers and records

Other registers, accounts etc. are self-explanatory and suitable checks should be applied to see that there are no defects or irregularities.

13.08 Idle Plants & Machineries

Idling of plans and machineries with details in different departments may be examined with reference to reasons furnished and justification. In case of deviation, it may be pointed out in the Inspection Report.

13.09 Idle wages / pay and allowances paid to Instructors

Similarly the idle wage paid to the instructor for an idle / non-functioning trade may be commented in the Inspection Report with full details.

13.10 Irregular payment to Under-qualified Instructors

Besides the above, instructors are to have minimum qualification / training to impart training / teaching to students in a particular trade. So, irregular payment of pay and allowances made towards under-qualified instructors may be commented suitably in the Inspection Report.

13.11 Inspection Report

The Inspection Report, after approval, should be forwarded to the Principals of the respective Engineering Schools for necessary action. A copy of the Report drawing attention to specific irregularities, if any, or to definite suggestions for improvement should be sent to the Director of Technical Education and Training, Orissa. Cuttack.

CHAPTER 14

ACCOUNTS OF THE ORISSA HIGH COURT

14.01 Rules to be followed during local audit

- (i) While auditing the accounts of the Orissa High Court the field parties shall look into the provisions contained in this Chapter in addition to the provisions and guidelines contained in Chapter 1 to 4 and Chapter 6.
- (ii) The Auditor should go through the rules of the Orissa High Court especially Chapters IV, V, VII, VIII, XI, XII, XIV and XV to XVIII thereof and also subsidiary rules 436 to 439 of Orissa Treasury Code before taking up the audit of Orissa High Court.

14.02 Check of Registers and Records

Trace the daily receipts from the Register of Judicial Deposits received from the Register of Receipts and from the Register of money orders received and also trace withdrawals from Treasury from the Establishment, Travelling Allowance and Contingent Bill Books. Check the remittance to Treasury on the disbursement side with Treasury challans and the Bank Pass Book and Judicial deposits also with Treasury advice lists.

14.03 Special precaution to be adopted in High Court Audit

- (i) The audit of High Courts must be properly planned and supervised personally by the Group Officer taking into account aspects of the High Court establishment Rules, etc. Whenever interpretation of Rules and regulations are involved, these must be done with utmost care. The Inspection Report should be personally checked and approved by the (Pr) Accountant General so that unnecessary cross-reference from the CAG's Headquarters to the field offices is avoided. Please refer also to the sub-para 14.19 (v) of this Chapter with regard to **action to be taken on any objection or over payment in respect of a judge.**
 - (ii) The DIR must be discussed by the Group Officer with the Registrar of the High Court and to that effect a certificate should be endorsed while forwarding the Inspection Report to CAG's Headquarters indicating as to who discussed the DIR, with whom and on what date.
-

- (iii) Audit of the establishment of the High Court is to be taken up in course of regular audit in central audit as well as field inspections. It is presumed that this audit is included in the annual programme of the audit of the office and audit taken up regularly.

Audit of the establishment expenditure of the High Court Judges may be conducted with specific emphasis on the following items:

- T.A and L.T.C claim
- House rent, conveyance and entertainment allowance.
- Perquisites as per Government of India decision.
- Furniture etc. supplied in the residential offices of Judges.
- Office expenditure and contingency expenditure in respect of the Judges.

[Vide CAG DO.No.892-Rep(s)/97-98 Dt.04.09.1997]

14.04 Register of Deposits received and Deposit Challans

Check the receipt side of the Register of Deposits received with court challans. Check the daily totals of receipt and trace the credits into the General Cash Book under the Head “Judicial Deposits”.

14.05 Register of Payment orders issued

Trace refunds from the Register of payment orders issued in the Register of Depositors to see that refunds are posted regularly, check the total amounts of refunds against deposits fully refunded.

14.06 Counterfoils of payment order and Register of payment made at the court

Check the register of payment orders issued with the counterfoils of payment orders. Check all payments made to Government by transfer with Treasury Challans, payees’ receipts and money order acknowledgements for all refund orders for payments in cash drawn in favour of the Deputy Registrar through the Register of payments made in cash at the court. See that all refunds of deposits to parties are supported by applications for refund in the prescribed form.

14.07 Register of Payment made at the Treasury

Check the register again with the Register of payment orders to see that no payments are made except those as per payment order. Check the totals of the monthly refunds.

14.08 Plus and Minus Memo

Check the plus and minus memorandum, opening balances of April with the last balance of March, total receipt of the month with the totals as per the Register of Deposits, total refunds of the month with the totals as per the Register of payments at the Treasury. Check the closing balance of March by deducting the total refunds during the year from the total receipts during the year plus the opening balance. Verify the figures of the memo with the statement of the Treasury signed by the Treasury Officer.

14.09 Statement of lapsed deposits

- (i) Check the statement of lapsed deposits with the Register of Deposits in the column for lapsed deposits (S.R.436 of O.T.C., Volume I).
- (ii) Report the figures of total deposits, Total refunds during the year under audit and the outstanding balance to the Head Office for agreement with the figures of the Deposit section of the Accountant General (A&E)'s Office and embody the figures in the Inspection Report.
- (iii) Check the final accounts prepared for paper books with the relevant rules and orders and verify sums credited for papers with the copies of Challans. Verify the correctness of amounts refunded with reference to the payment orders quoted in the final accounts recorded in each case file.

14.10 Miscellaneous sale proceeds

Check the sale proceeds of old books of the Library and other miscellaneous stores condemned by the Competent Authority with auction bid lists and sanction for sale.

14.11 Stock book of saleable forms

Check the sale proceeds of saleable forms as per the Register of saleable forms with the Register of Receipts. Trace the receipts of saleable forms from the Register of forms into the register of saleable forms. Check the balances in stock.

14.12 Copyists Remuneration Bills and copyist ledger

Check the amounts of the copyists Remuneration bills as per the Contingent bill book with the copies of bills kept in the file. Check the correctness of the claim of each copyist on the basis of words and folios copied at the sanctioned rates (The rates may be obtained locally).

Check the number of words and folios copied as per the bills with copyists personal ledgers for checking the totals of words and folios copied

14.13 Press Bills for printing of paper books for criminal appeals

- (i) Check the press bills for second and criminal appeals as per the contingent bill book with the monthly statement of press bills. Check the monthly statements with the press bills themselves especially in respect of pages and matter printed. The total pages printed in a month, may then be checked and also the calculations of the bills at sanctioned rates. The tenders and agreements of the press for the rates, if any, may be looked into with the prevailing rates for job contract of printing works
- (ii) Check the deposits of fees for printing of second appeals as per the press bill statement Register of Deposits received and the refund Register of refund order issued. See that all refunds of such deposits have been made to Government by transfer as the bills have been paid by Government on contingent bills. See that excess over the prescribed rates in the cost of printing has been recovered from the parties.

14.14 Cost of roneoing exhibits

It should be checked that the cost of roneoing exhibits has been realized from the parties.

14.15 Bills for polishing and Cleaning Furniture

Check the rates of bills for polishing and cleaning furniture with sanctioned rates as per estimates and quotations. See that the number of articles polished does not exceed the number in the stock and store register.

14.16 Bills for binding books and registers

Check the rates of bills for binding books and registers with the sanctioned rates and quotations. Verify the binding of journals, etc., of the Library with the Register for the same issued and returned by Daftries and also with the entries in the Library catalogue.

14.17 Library Books

Trace entries of Books etc., purchased from bills into the books purchased Register and also Register of journals, weekly notes and also Register of courts, chambers, residences of judges and of different departments. See that each and every book purchased is entered in the catalogue. Glance over the catalogue to see if any item has been scored through as written off

by sale or otherwise. Enquire if presentation copies are received and accounted for. Check the entries in the revised catalogue with those of the old catalogue.

14.18 Check of Livery Register of Cloth with Tailors' Estimate

Trace entries of cloths for braids, laces, etc. purchased for liveries from bills into the Register of cloth for liveries. Check the rates for cloth and making charges with quotations, and approved rates, check issues of cloth in the cloth register with the requirements as per the Tailors estimates sanctioned by the Registrar or the Deputy Registrar. See that surplus cloth has been carried over for the next year's use.

Trace entries of liveries from the estimates into the Livery Register on the receipt side. Then check distribution with acknowledgements and balance carried forward.

14.19 Audit of Establishment of High Court

While auditing the accounts of the Establishment of High Court the following points may be scrupulously Examined:-

(i) Furnishing

As regards furnishing of the official residence of the Judges in excess of prescribed value under the Central Act and Rules made there under, the excess furnishings were provided to Judges in most of the cases under separate orders of State Government. In such cases, it has been decided to take up the matter with Law Ministry as they violate the Supreme Court observation in this regard as reproduced in the Law Ministry Letter No. L.11016/14/95-Jus dated 7.3.1996. Therefore, these objections may be dropped from the Inspection Report.

In some cases objection was raised regarding the excess furnishing due to reckoning the furnishing provided to "Home Office" of the Judges. It has been decided that furnishing of "Home Office" should not be reckoned for the purpose of ceiling since "Home Office" is infact an office of the Judge such objections may be dropped.

(ii) Free Water and Electricity

The point regarding excess consumption of water and electricity over and above the prescribed ceiling by Judges might be due to consumption by "Home Office" provision of security lighting, up keep and maintenance of garden in the residences of the Judges. It is proposed to take up the matter with Low Ministry suggesting provision of separate meters for residence and other purposes. The objection may not be included in the Inspection Report.

(iii) Leave Travel Concession

Audit parties (in some of the offices) have objected to journeys undertaken by the Judges by private/own car between places connected by Rail/Air transport. However, as per the Notification dated 10.5.95 amending the High Court Judges (T.A) Rules, 1956, the Judges of the High Court are entitled to use private car while availing L.T.C. The claim is, however, to be restricted to rail fare by entitled class by shortest route. Therefore, the objections may be raised against the cases, which are not regulated as per rail fare by shortest route.

(iv) Staff Car

As per section 22 B of the High Court Judges (conditions of service) Act, 1954, every judge will be entitled for a staff car and 200 litres of petrol per month/every month or actual consumption of petrol whichever is less. Most of the offices (Audit Parties) have objected to non-maintenance of log books to ensure in audit the actual consumption of petrol. It has been decided that audit party (we) may not insist on maintenance of log books for the Judges' car and a certificate from the Judge or his personal staff that the actual consumption was not less than 200 litres may be accepted. Such points may not be included in Inspection Report.

(v) Action to be taken on any objection or over payment in respect of a judge

(a) After the clearance of the I. R if any objection or over payment in respect of a judge is noticed, the matter should be brought to the notice of the Judge through a D.O letter by the **Principal** Accountant General (CA)/Accountant General(CA). A model draft D.O letter is enclosed as “*Annexure*” to this Chapter. On receipt of the reply, a final view in this regard should be taken. If the Judge agrees to the audit view point, the objection may not be included in the I.R and the matter may be treated as closed. In case the Judge does not agree to the point, the matter may be referred to Head Qrs.

(b) In future too, all Inspection Reports involving audit of personal entitlements of High Court Judges should continue to be cleared by C& AG's Headquarters as per the existing practice and (Pr) Accountant General (CA) should take personal care to ensure that no I.R is issued without the Head Qrs.' Clearance.

ANNEXURE

The model confidential DO letter

[Para 14.19 (v) (a)]

Confidential

DO No.

Dear Sir / Madam,

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 wherever necessary arrange to adjust the over payments etc. as pointed out in audit. In case you are not in agreement with audit observations, I would request you to kindly let me 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 so consider the points can be discussed at your convenience.

Yours sincerely

Pr.A.G / A.G (Audit)

To

Justice

High Court of.....

CHAPTER 15

AUDIT OF AGRICULTURAL FARMS

15.01 Introductory

The accounts are audited locally by the Outside Audit Party of this office. The Accounts of smaller farms are audited in the District Agriculture office and those of Independent farms in the office of the Farm managers concerned audited independently. The accounts of the selected months will be checked in detail. Before taking up the audit of the current accounts, the auditor should examine the last Inspection Report and the Inspection notes of departmental and other officers. Valuable hints as to the lines to be followed in conducting a proper audit of the accounts may be obtained from a perusal of the previous papers.

15.02 Registers and records to be checked

The following registers and documents are examined in the local Audit –

- | | |
|---|----------------------------|
| 1. Cash Book | 2. Cash Memos |
| 3. Credit Memos | 4. Receipt Book |
| 5. Stock Account (Except Dead Stock Register) | |
| <i>(OAI-Review 4951 dt.2.3.83)</i> | |
| 6. Produce Register | 7. Crop Register |
| 8. Muster Rolls | 9. Overseer's Diary |
| 10. Contingent Register | 11. Deposit Ledger |
| 12. Advance Ledger | 13. Bill Register |
| 14. Book of Drawals | 15. Register of properties |
| 16. Treasury challans | 17. Outstanding lists |
| 18. Fodder Book (Cattle Food Register) | |
| 19. Attendance Register | 20. Livestock Register. |

While auditing these registers the provisions/guidelines contained in chapter 1 to 4 & 6 as well as those detailed in this chapter shall be followed.

15.03 Audit of farm produces and sale proceeds thereof

- See that the entries in the Yield Book are authenticated with a delivery memo by a responsible officer. Trace them to the stores ledger through the stores journal.
- Check issues in the stores ledger with counterfoils of receipts for cash sales and with bills for credit sales.
- See that the quantity shown as sold in the receipts agreed with the quantity shown as issued in the stores ledger and the issue indent.
- See that the sale rates are approved by the Deputy Director of Agriculture and Food Production and that the prices recovered are correct.
- In case the farm produce is sold by auction, see that the sanction of the competent authority is obtained.
- Call for the auction papers and see that the auction was properly notified and the bids recorded.
- Also ascertain that the auction was held in the presence of some responsible official of the farm.
- See that the whole of bid money has been recovered before the produce is allowed to be removed.
- See that cartage and other incidental charges are not paid out of the sale proceeds but are drawn separately and paid under proper authority.
- Check the Journals and trace the entries into the Ledger

15.04 Check of Contingent Register

The checks prescribed in Chapter 4 of this Manual should be applied.

15.05 Check of purchase and consumption of Cattle Feed

- (i) See that a scale has been prescribed with the sanction of the competent authority, for the issue of the various articles of fodder, grams, oilcakes, Cotton seeds etc., to the cattle of the farm, check the issues with the scale and number of heads of cattle as shown in the Live stock register and verify the totals and balances of the months selected for audit.

(ii) Purchase of cattle feed

Piecemeal purchase of cattle feed from the local market is open to the risk of unfavourable market fluctuations and may entail loss to Government. Hence it has been decided that all such purchases should be made in bulk subject to availability of storage facilities. Tenders for this purpose should be invited 2 to 4 times during the year in the optimum seasons and lowest tenders accepted unless good reasons exist to act otherwise, in consideration of quality.

(Based on Director of Agriculture and Food Production letter No.11A (DI) 22/68-2025/Agril dated 26.11.68 circulated in O.A.I. Cir. No. 386 dated 13.12.1968)

15.06 Check of Credit ledger

- (i)** Trace the outstanding in the credit ledger at the close of a year into the next year's ledger in detail and see that no amount has been outstanding for a long time especially against the farms' officials and see that suitable steps are being taken for their recovery. Also trace the outstanding balances from the last Year's Ledger.
- (ii)** Huge amounts are generally shown as due from various parties. The audit should make an analysis of the 'age' of these dues and examine the reasons of their remaining outstanding. Any amount due from the farms' officials or Government officials should be pointed out in the report, indicating inter alia, steps taken by the departments for their recovery.

(Based on O.A. Circular No.214, dated 18th January, 1963)

Note- Sale of agricultural farm produce on credit either to private parties or officers of any department including members of the farm staff has been stopped. During local audit of farm accounts the inspecting officers should look into this aspect and include a para giving full details of any such credit sales.

(Based on Director of Agriculture and Food Production Cir. No.2-M(DI) 117-70-1295 dt. 27.4.70 circulated with O.A.Cir. No.459 dt.4.2.74)

15.07 Check of Crop Register

- (i)** Ascertain the area of the farm.
- (ii)** See that the cropping scheme is duly approved by the competent authority. Compare the scheme with the crop register and see that deviations, if any, from the sanctioned scheme are duly approved by the authority who sanctioned the original scheme.

- (iii) See that all the columns in the crop register are duly filled in and that the produce is accounted for in the column provided for the purpose under the initials of the officer-in-charge of the farm. Trace the farm produce into the stores ledger for the months selected for audit.
- (iv) See that labour if paid in kind, is according to the approved scale.

15.08 Comparison of Produce Register and yield

- (i) The produce register should be examined to ascertain the area of each plot brought under cultivation and the produce obtained therefrom during the last 4 or 5 years with a view to comparing the yield for several consecutive years. Any insufficient yield thus discovered should be satisfactorily explained.
- (ii) The Register should be checked with a view to see whether the efficiency or otherwise of the farm in the matter of production remains the same year after year while the expenditure in the maintenance, etc., of the establishment of the farms goes in increasing considerably. If that is so, suitable comments should be given by the audit party comparing the 'yield and expenditure' & for these years on percentage basis.

(Based on O.A. Circular No.214)

15.09 Muster Rolls

- (i) Check the Muster Rolls with the daily labour and cultivation sheets.
- (ii) See that an account of advances given to 'Mazdoors' is kept and the necessary adjustment made at the close of each month.
- (iii) See that a regular account of the hire of labourers to the staff or to the outsiders is kept and that proper recovery is made from them.

15.10 Outturn of finished goods from raw materials etc.

Where manufacture of finished goods from raw materials is carried out, the Auditor should see that after allowing for normal driage, shrinkage, wastage due to refraction etc., the outturn of finished goods is fair.

15.11 Register of dead stock, live stock and building etc.

Besides the normal checks, it should be seen that depreciation is worked out at the different methods approved by Government for dead stock, building and live stock.

15.12 Additional Audit points to be seen

In addition to the general instructions detailed in the preceding paras, the following points should also be examined fully by the field parties:

- (i) If there is wide variation between the allotment and the actual expenditure, the reasons therefor should be investigated. If the actual expenditure is much more than the allotment, should be examined whether it was due to delay in the working of the scheme which in its turn might be due to inefficient handling, planning and coordination of the work.
- (ii) If the achievements (i.e. production of seeds etc.) fall short of the targets fixed, the reasons therefor should be critically examined.
- (iii) It should be ascertained whether the entire area (acreage) targeted to be covered by the farm has actually been covered. If not, the shortfall may be indicated and the reasons therefor investigated and explained.
- (iv) Whether the farm has been developed to the fullest extent particularly by provision of irrigation facilities, fencing, lay out etc.

Any other important point which the Astd. Audit Officer / SO and the Reviewing Officer may think as deserving mention for this purpose.

(Based on O.A. Circular No.218 dated 4th April, 1963)

Note: -Where petrol is used for Motor, Tractor, Lorries, etc., an account of the consumption is kept and verified with the quantity of work done. The auditor should see that the petrol account is maintained properly and that there is not excessive consumption or wastage of petrol.

- (v) Examine whether the productivity in seed multiplication on paddy is commensurating with the inputs, find out the reasons for low productivity
- (vi) Examine the corrective steps taken to increase the productivity in case of non-paddy seeds and comment on the improper planning and failures in this case
- (vii) Delay in each stage of farming which affects productivity and production of the different crops should be examined in audit. Particularly 'Delay in harvesting and processing ' could harm in time tagging and timely supply on requirement of seeds. This should be examined accordingly

(Based on Circular No. 1203 dated 6 May 1995 issued by DAFP, Orissa, Bhubaneswar)

15.13 Annual Account

The correctness of the annual accounts should be certified by the SO / AAO of the party.

(O.A. Circular No.214 dt.January, 1963)

15.14 Profit and loss account and balance sheet

- (i) If in respect of any farm, the State Government have prescribed profit and loss account and balance sheet to be maintained these should be carefully checked to see inter-alia whether all the outstanding liabilities and standard depreciation charges of machineries and equipments have been provided. A copy of the profit and loss account and balance sheet should be appended to the report.
- (ii) A statement should be made out incorporating the profit and loss position of the farms from its inception (as per records maintained by the farm) and the last three years position may be generally reviewed and a comparison of expenditure under various heads, liabilities, etc. and also of the out-turn made.

(Based on O.A. Circular No.214)

- (iii) Examine the economic viability of the departmental farms ie. the revenue receipt through sale of farm produces shall be more than the total investment, both on contingencies and establishment. Reasons of losses should be brought out clearly and commented upon in the DIR in terms Circular No. 1203 dated 6 May 1995 issued by DAFP, Orissa, Bhubaneswar

15.15 Inspection Report

The IRs should be addressed to the Farm Managers or any other officers directly incharge of the Farm for necessary action and copies sent to the Director of Agriculture and Food Production, Orissa for information

CHAPTER 16

AUDIT OF ACCOUNTS OF SEEDS, MANURES AND IMPLEMENTS

16.01 Introductory

The accounts of the Seeds and Manures in District Agricultural offices and in the office of the Deputy Director of Agriculture are audited locally by this office.

16.02 Registers and Records to be examined

The following register, documents, etc., are generally examined in audit:

- | | |
|--|------------------------|
| 1. Cash Book | 2. Bill Register |
| 3. Contingent Register | 4. Vouchers |
| 5. Advance Ledger | 6. Treasury Challans |
| 7. Cash Memo | 8. A.C. Bill Register |
| 9. Stock Books of Blocks | 10. Treasury Pass Book |
| 11. Stock Books except Dead Stock Register | |

(Vide OA.-I-Review-4951 dated 2.3.1983)

12. Annual Account of Seeds and Manures

While auditing the above Records / Registers the provisions/guidelines contained in Chapters 1 to 4 and 6 shall be looked into. In addition, the provisions detailed in this chapter shall also be borne in mind.

16.03 Audit of procurement and distribution of manures and seeds

(i) The seeds and manures are procured and distributed by the District Agricultural Officers to the Gram Panchayats from which they finally reach the agriculturists. In this process the District Agricultural Officers watch recovery of advance through the Panchayats Samitis. While auditing the accounts of seeds and supply to the DAOs and accounts of block Development Officers of Panchayat Samitis through whom the seeds and manures are distributed to Gram Panchayats, recoveries of advances watched are also to be called for and audited. Any irregularities noticed while conducting audit of these accounts as well as non-production of accounts by Block Development Officers may be mentioned in the DIR.

Among other things the following points may be seen-

- (a) Left over stock, quantity estimated for procurement, actual quantity procured and the cost paid.
- (b) Utilisation of stock of seeds and balance left over.
- (c) The manner of disposal of left over stock and losses incurred.
- (d) Shortage beyond the permissible limits and consequent loss.
- (e) Advances paid to departmental officers for procurement of seeds but remaining outstanding.
- (f) The position of finalization of seeds Accounts.
- (g) Other important points of irregularities and any irregularities noticed while conducting audit of these accounts and with reference to B.D.O.'s accounts and non-maintenance of B.D.O's accounts should also be commented upon.

(OA. Circular-506)

(ii) While auditing the accounts of the offices of the Deputy Director of Agriculture, the field parties are required to check only 25% periphery units i.e. Accounts of Agriculture Extension Officers attached to Blocks and to the extent of 100% in case of Agriculture farms. The selection of periphery units for check to the extent of 25% is to be made in such a way as to cover all the peripheries within a cycle of 4 years. For this purpose the full name of peripheries whose records were checked should be listed out in the list of records checked to enable the next party to make further selection.

(O.A. Circular No.706 dt.13.3.83 and 720 dt.12.12.83)

(iii) The auditor should carefully study the system of accounts and see whether the procedures prescribed for distribution of seeds (for Kharif and Rabi seasons) by the Government of Orissa, Agriculture Department from time to time are strictly followed.

16.04 Additional points to be seen in audit

Besides the general checks prescribed, auditor should further see:

- That all receipts are remitted into the Treasury intact without any delay;
- That the credit sales are duly authorised and are not allowed to persons on the arrear list and that such sales are also not made for small items unless the person is a regular customer;

- That a regular account of receipts and issues of receipt books is maintained and the stock of these books is kept by a responsible official in his own custody, that duplicate copies are made by carbon process and also that the receipts are signed by responsible officers;
- That the foil and counterfoil of a spoilt receipt are marked cancelled in red ink, the foil being destroyed at the time of audit;
- That the stock of manure and seeds has been verified at least once a year and also when there is change of officers, that the excess or shortage disclosed at the verification has been reported to the Director of Agriculture, and that a certificate of verification has been recorded in handwriting of the verifying officer in the stock register (Rule 55);
- That the losses have been written off under sanction of the competent authority;
- That the cash book is properly maintained, closed every month and checked and certified by the officer-in-charge and reconciled with Pass Book and that money drawn from the personal deposit account at the treasury does not exceed the sanctioned limit, if any prescribed from time to time;
- That advances paid as shown in the cash book are properly accounted for in the advance ledger, that a separate account is opened in this ledger for each person to whom an advance has been given and that recoveries are made regularly and credited to his account;
- That regarding the grant of advances, the provisions of rules in this respect are duly observed and that quarterly lists of advances are prepared in the prescribed form;
- That purchases are made economically;
- That rules have been followed in the matter of petty cash sales of articles.
- That the bills for cash sales are prepared in duplicate by the carbon process, that a list of outstanding bills is made out at the close of each month, outstanding bills being brought forward from month to month in red ink until they have been recovered or written off by competent authority, and that every effort has been made to realize the outstanding;

- That the seeds and manures have been supplied to agriculturists at prices fixed from time to time by general or special orders of the Director of Agriculture and Food Production Orissa or by any other competent authority;
- That the imprest stock account of supervisors are correctly maintained;
- That the procedure for issue of seeds on credit for payment in kind is properly followed.

16.05 Maintenance & Operation of P.L Accounts and utilization of Grants / subsidies received from Government of India relating to Agriculture Department

As desired by (Pr.) AG (CA), the following aspects have to be looked into during normal audit / review of transaction of account of Agriculture Department in respect of PL Accounts.

- Irregularities due to over-lapping of expenditure, if any between the Debits shown in the PL Accounts and Expenditure charged against the Head “Manures & Fertilisers” & “Seeds” and Authority for money drawn if any, by debiting the Heads and crediting the PL Accounts.
- Whether subsidies received from Government of India were passed on to the cultivators, if not, mode of utilization of subsidies.
- Whether sale proceeds of seeds and fertilizers were correctly assessed and promptly collected & credited to PL Account.
- Correlation between sale proceeds of seeds & subsidies allowed to the farmers as per norms has to be checked to examine payment of excess / less subsidy to the farmers.
- Order of Government, if any, for retention of sale proceeds in P.L Accounts for further procurement without crediting to Revenue.
- Whether reconciliation of balance in the PL Account maintained by the department with that of the filed office (PL Account holder) was done & discrepancies, if any analysed.
- Whether seeds were procured after proper assessment of requirement and under proper authority.

- Losses on account of excess procurement, non disposable seeds, low germination, storage, handling losses need be examined. Reasons for losses should be analysed.
- Discrepancies, if any, between the book balance & available stocks found on physical verification.
- Position of submission of utilization certificates for the Government of India grants wherever required by the sanctioning authorities.

CHAPTER 17

AUDIT OF ACCOUNTS OF GOVERNMENT COLLEGES & SCHOOLS & of NCC (BATTALION AND CAMP ACCOUNTS)

17.01 Introductory

The audit of the Government colleges and schools is conducted by OAD and selected months are subjected to detailed check. Provisions of the Orissa Education Code regulate the running of these institutions. Section-II of Chapter 13 of this code deals with matter in connection with accounts and maintenance of various accounts registers. So provisions of this code may be studied locally for guidance while conducting local audit of these institutions. Besides checking registers and relevant records mentioned in Chapters 1 to 4 & Chapter 6 of this Manual, any other registers/records maintained under the provisions of Orissa Education Code may also be checked.

17.02 Registers and Records to be checked in audit

The following registers and accounts documents are examined in audit:

- (1) Cash Book (Maintained in the form prescribed in para 924 of Education Code).
 - (2) Bill Register.
 - (3) Book of drawal.
 - (4) A demand and collection register.
 - (5) Advance fee register.
 - (6) Daily collection register.
 - (7) Abstract collection register.
 - (8) Register of hostel fee collection.
 - (9) Contingent register.
 - (10) Security Deposit register.
 - (11) Caution money register.
 - (12) Stock Register of Receipt Book.
 - (13) Stock Register of consumable goods.
 - (14) Stock Register of Library Books.
 - (15) Hostel stock book.
 - (16) Hostel account (where hostels are managed as Government institutions vide para 922 of Education Code).
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- (17) Register of subsidiary funds.
- (18) Cash Book and subsidiary register maintained in connection with Educational Deposits.
- (19) Treasury pass book.
- (20) Register of Festival Advance/Flood Advance/Cyclone Advance
- (21) Register of Misc. Receipts and Recoveries.
- (22) P.L. Accounts and Bank Accounts.

17.03 Check of (i) Cash Book of Educational Institutions, (ii) Free Studentship awarded by the Educational Institutions, (iii) Demand, collection and balance statement of fees and (iv) Register of caution money

(i) Check of Cash Book should be conducted in accordance with principles and rules given in Chapter IV of this manual. Besides, additional checks are required for examination of the followings.

(a) In the case of audit of educational institutions, the High Schools, Colleges etc., the following procedure should be followed in regard to checking of the receipts of fees from the students:

(1) Tracing out of receipts in the attendance Register with reference to original counterfoils of receipts and then from attendance register into the Abstract Collection Register.

(2) Tracing the totals of collections as per abstract collection register, into the cash book including checking of totals

(O.A. Circular 261 dt. 2.12.64)

(b) The collections from students in schools / colleges fall under the following categories:

(1) Collections which are credited to Government Account Viz.

- Admission Fees/Transfer Fee.
- Tuition Fee.
- Fines for late attendance / Late payment of Fees.
- Hostel Rent.

(2) Collections which are credited to Deposit Account.

(Vide S.R.498A of O.T.C. Vol-I).

- Examination fee.
- Games Fee.

- Magazine Fee.
- Library Fee.
- Poor Boys' Fund.
- Caution money.

It should be seen that the fees etc. are recovered from the students at the rates prescribed in the Education code or fixed by the competent authority and that no unauthorised realization (like realizations on account of development fund or for performance of pujas and other kinds of ceremonies) are made.

(ii) Grant of free studentships in schools and colleges is regulated under Article-284 and 125 of Orissa Education Code respectively. In addition to free studentships, the following concessions are also given to students of secondary schools and colleges.

- (a)** Pupils of scheduled castes and scheduled tribes are exempted from payment of tuition fees, vide Art.281 and 125.
- (b)** The children of Government servants who die in harness may be exempted from payment of tuition fees upto the Higher Secondary stage subject to the satisfactory progress vide Art. 281(a).
- (c)** Education of girls is completely free upto the end of Class X in the case of High Schools and upto the end of Class XII in the case of post basic and Higher Secondary Schools with effect from the Section 1965-66 Vide Government Resolution No.20371E dt. 25.8.65.
- (d)** Girl students reading in colleges are required to pay the monthly tuition fees at half the rates prescribed. If their parents or guardians are assessed to income tax or agricultural income tax they should pay fees at full rates vide Art. 125 of Orissa Education Code.
- (e)** Free education has been afforded to the children of Class IV employees and primary teachers in the State as per Government Resolution No.12509E dt.12.5.1965.

(Government of Orissa Education Department letter No.VII-E.A.27/68. 6691 E dt. 9.3.68 Circulated as O.A. Circular 379 dated 28.5.68)

(iii) Demand, collection and balance statement of fees

The demand, collection, remission and balance statement of fees should be checked and appended to the DIR.

(iv) Register of caution money

This register should be checked with reference to provisions of paras 920 and 921 of Orissa Education Code.

17.04 Scholarships and Stipends

General rules regulating various aspects of scholarship have been detailed in *Chapter XI of the Orissa Education Code*, and as such reference to this chapter may be made while conducting audit of records in connection with scholarship. The audit has to scrutinise the connected records to verify that the educational authorities are ensuring timely and accurate payment of scholarships and stipends to the genuine recipients and lapses in this regards, if any may be commented upon in the DIR.

17.05 Accounts of educational deposit / subsidiary funds

The following points should be kept in view at the time of audit of accounts records of Educational Deposit or Subsidiary Fund. It should be seen:-

- (i) That proper accounts of receipts and expenditure have been maintained.
- (ii) That the receipts have been promptly credited and it should be checked with counterfoil of receipt books.
- (iii) That payments from those funds have been made in accordance with policy and principle formed by Director/Board of management or sub-committee as the case may be and are not in excess of receipt realized.
- (iv) That there is no diversion of fund.
- (v) That the accounts of the Deposit/Fund should be checked with Treasury Pass Book.
- (vi) That the Pass books are written up in the Treasury and each entry is authenticated.
- (vii) That annual certificate of balance is being sent to audit regularly.

17.06 Auditing accounts of N.C.C (Battalion and Camp Accounts) and Forms of Audit Certificate

(i) Maintenance of Accounts and audit thereof

The accounts of N.C.C. are kept in two parts viz. (A) Battalion Accounts (B) N.C.C. Camps Accounts.

(a) BATTALION ACCOUNTS: Registers and Records to be checked in audit are

- (1) Cash Book
- (2) Register of Sports and Amenity
- (3) Register of Misc. consumable Articles
- (4) Register of Petrol and lubricating oil
- (5) Register of Dead stock Articles
- (6) Refreshment Register.

(b) AUDIT

- (1) **Cash Book** - Check of cash book should be conducted in accordance with principles and rules given in Chapter IV of this manual.
- (2) **Register of petrol, oil and lubricants**- Check receipts with vouchers and issues with daily running account, which should be checked with duty slip, check average running mileages.
- (3) **Refreshment Register**- Check receipts with bills/vouchers check issues with parade muster roll.
- (4) **Washing allowance to cadets**- It should be seen that the correctness of the parade allowance and washing allowance are checked with Muster Rolls of Cadets as the expenditure depends on the attendance of cadets during the parade.

(c) N.C.C. CAMPS

(1) Introduction

Camps form an integral part of the N.C.C. Training, 50% of the actual expenditure incurred on camps where permissible is reimbursed by the Government of India.

(2) Camp Expenditure

The term camp expenditure included the following items of expenditure.

- Messing expenditure (Officers and Cadets).
- Pay of rank / Annual honorarium for officers.
- Expenditure on conveyance of officers and cadets to and from camp.

- Incidental expenditure.
- Expenditure on transportation of vehicles to camp site and back.
- Expenditure on T.A / D.A. of Civilians staff.
- Any other items specifically mentioned by Directorate General, N.C.C.

Notes-

- The expenditure in respect of P.O.L. for the unit vehicles employed in the camp is required to be met from the normal allotment for P.O.L.
- Expenditure connected with M.I. Room is not debitable to camp expenditure except the cost of special and costly medicines.
- Military credit notes will not be used for the conveyance of unit vehicles to the sites of Annual Training and combined Cadre and social service camps and back. The required fund will be included in the estimate of camp expenditure and sanction obtained from the competent authority.

(3) Camp Accounts

Registers and Records to be checked in audit are -

- Cash Book.
- Ledger for Articles purchased and supplies received.
- Daily Messing accounts.
- Camp store ledger (Expendable/Non-expendable).
- Daily Arrival and Departure Reports of Cadets, staff of cadets.
- Attendance Register of Cadets.
- Camp petrol and oil accounts.

(d) AUDIT

- (1) Cash Book:** Check with counterfoil of receipts and vouchers. Check totals for the entire period of camp. The balance of cash in hand and at Bank on termination of camp after meeting all charges should be remitted to the Treasury.
- (2) Ledgers for articles purchased and supplies received-** Check with bills of purchase and stock register of articles. Check the purchase policy and whether all the purchases are made either through the military store depot, or inviting regular quotations.

- (3) **Daily messing accounts** - Check with daily menu, attendance registers of cadets and camp staff and also number of officers present day to day. Check with the scale of rations laid down by Directorate, N.C.C.
- (4) **Petrol and oil accounts**- Check expenditure on running of vehicles within the camp and outside the camp. Check allocation of expenditure in the statement of receipts and payments in connection with the annual Training Camp.

(Based on Chapter XXIII of Maharashtra Manual Part I, 1971 issue)

(ii) Audit Certificate

The accounting procedure and rules to be followed by the officers of N.C.C. have been compiled in the booklets “Accounting Instructions for N.C.C. & A.C.C. Camps” which is available in the office where local audit is taken up. The accounting procedures and rules should be carefully gone through before taking up the audit. Expenditure incurred on these camps is shared between the Government of India and the State at an agreed proportion. The account adjustment of these shares is done in D.C. Section on the basis of audited accounts. Paras 191 and 192 of the accounting procedure mentioned above prescribe inter alia in respect of camps in which cadets of other States are also participating, the proforma (Form G&H copy given below) in which the camp commandant is to prepare the expenditure, statements. These statements should be obtained (in duplicate) and scrutinized carefully with reference to supporting documents and relevant records and the result of scrutiny should be embodied in the DIR. **An audit certificate** is also to be furnished in duplicate in the form given below and appended to the Inspection Report along with expenditure statements duly checked. One copy of this audit Certificate and expenditure statement indicating the amount held under objection, if any, will be sent by the Head Quarters section immediately after the Inspection Report is approved to the concerned section for necessary account adjustment.

(Based on O.A. I Circular No.364 dt.3.11.67)

APPX- H

Statement showing the share of each unit attending

Place of Camp:

Date of Camp:

Name of Units	Strength			Expenditure	
	Officer /	Cadet /	Total	Messing /	Incidentals
1	2	3	4	5	6

Total Strength	Remarks
7	8

Place

Date

Camp Commandant

The Comptroller and Auditor General has decided that audit of expenditure of all types of combined camps of N.C.C. should be conducted by the (Pr) Accountant General of the State in whose jurisdiction the camp is held soon after the termination of the camp and the certificate of audit indicating the share of each participating unit issued by him. For ensuring that there is no difficulty in arranging for local audit of camps in due time, the Ministry of Defence has been requested to intimate the period during which the camps are being held and local audit should be arranged on receipt of the intimation.

(C.A.G's letter No.1684-TA.I/665-61 dt 16.7.62 read with C.A.G's letter No.521-T.A.I./95-73 dt.24.6.75 by O.A.I.-CAG-3)

CHAPTER 18

LOANS AND ADVANCES

18.01 Scope and extent of Audit

Where detailed accounts in respect of loans and advances are not maintained in the Office of the Accountant General (A&E) local audit is undertaken alongwith the regular audit of an office or institution to verify that the initial accounts for these transactions are kept properly. The object of local audit is to see that the sanctions and disbursements of loans are according to rules and procedure prescribed and that recoveries are effected regularly and credited to Government promptly under the correct heads. An important check to be exercised in local audit is to examine the methods applied by the departmental officers to satisfy themselves that the loans and advances disbursed by them have been expended on the object for which they have been sanctioned.

18.02 Process of Audit

(i) Detailed instructions regarding the process of audit are given in Chapter 13, Section III Comptroller and Auditor General's Manual of Standing Orders (Audit) 2nd Edition. Some of the points to be seen in local audit would be as under:

- (a) Whether the authority sanctioning the loan is competent to sanction it.
 - (b) Whether the recipient has fulfilled the necessary conditions prior to the sanction of the loan and how the sanctioning authority has verified the fulfillment of the conditions.
 - (c) Whether the procedure to be followed for safeguarding the financial interest of Government Verification or solvency, obtaining security etc. have been strictly adhered to.
 - (d) Whether the purpose and quantum of loans, terms and conditions of the grant of loan conform to the rules made or the pattern approved by Government and whether any unusual concession has been given without justification.
 - (e) Whether there is tendency to grant further loans for the same purpose to the loanee, who has not utilized substantial portions of the loans granted earlier.
-

- (f) Whether adequate machinery exists in the department to verify the utilization of the loan for the specified purposes and in case of misutilisation etc. whether penal provisions are enforced and if not what are the deficiencies noticed.
 - (g) Test check the correctness of the utilization certificates furnished to central audit.
 - (h) Whether the loan accounts and registers of loans are being maintained properly, wherever necessary, whether the existing system is adequate to correctly work out, in time, the sums falling due for recovery (Principal and Interest) and to ensure prompt recoveries of the amounts and if they are deficient in any respect, what are the implications thereof.
 - (i) Position regarding the recovery of principal and interest, enforcement of penal provisions in case of default, extent of arrears, adequacy of action taken to recover them etc. Instances where deposit made by the loanees has been adjusted in the loan ledger towards outstanding loans, instead of outstanding interest, thereby reducing the balances of outstanding loans without clearing overdue interest first may be commented upon.
 - (j) Whether the disbursement and recoveries have been reconciled with the Treasury figures. (The checks mentioned against items (a) to (f) are to be exercised in the office of the sanctioning authority).
- (ii) In respect of audit of Gram Panchayat Loans maintained at the Dist. Level, the yearwise analysis of loans outstanding at the end of the preceding financial year may be obtained from the officer concerned and incorporated in the DIR.

(O.A.C. 368 dt.20.1.68)

18.03 Information for Consolidated draft para on loans

- (i) In order to enable Headquarters section to attempt a consolidated draft para on loans for inclusion in the Audit Report, the field parties should bring full details of the loans, overdue instalments, interest, reasons for non realization in the Inspection Report in the form indicated below:

The year-wise analysis of the outstanding balance should also be indicated.

LOANS AND ADVANCES OF

Statement of analysis outstanding loans for											
(each loan separately)											
Year	Opening balance		Dues		Total		Realisation		Closing balance		Reasons for non realisation of loan
	Amounts due but not paid at the beginning of the year		for the year								
	P	I	P	I	P	I	P	I	P	IPI	

P =Principal,

I= Interest

IPI= Interest with Penal Interest

(ii) Besides the points mentioned above, the local audit parties should see that the departmental officers certify at the end of each year that the balance shown as recoverable at the end of each year in their records agrees with the figures of Accounts Office.

18.04 Loans and advances to Government Servant

(i) The detailed accounts of loans and advances to Government servants, the recovery of which is made in not more than 60 instalments are maintained by the Heads of offices concerned with effect from 1-4-1975. A few types of loans and advances are given below:-

- Advances for purchase of Bi-cycle.
- Cyclone Advance/Flood Advance.
- Festival Advance.
- Trade Deposit Advance.
- Advance of pay on transfer etc.

(ii) In addition to the normal audit checks, the following checks in respect of the aforesaid advances should be exercised by the Inspecting Parties during local audit of Government offices:

- (a) That the payments drawn are properly taken to the Register of Advances/Loans to Government servants.
- (b) That individual account of each loanee / Government servant receiving such loans/advances is maintained.

- (c) That proper agreements, wherever necessary, are made and securities obtained.
- (d) that all conditions regulating the advances are fulfilled.
- (e) that recoveries are regularly made in accordance with the rules and posted in the register, to know the balance still to be recovered.
- (f) that in respect of advances / loans bearing interest the interest is calculated correctly and recovered.
- (g) that the accounts are squared up periodically and outstanding balances are carried over with due care and promptitude.
- (h) that periodical returns required to be submitted to higher authorities/Audit are being submitted regularly.
- (i) The efficiency of the systems and procedures including recovery of these advances evolved by the Departmental officers and the accuracy of the detailed records kept by them should, however be test checked during local Audit.

(O.A Circular No.601 dated 8.11.1979)
(Based on Headquarters office letter No.503-O&M/26-9-1979)

The irregularities in payment and/or recovery of such loans/advances and in maintenance of accounts in this regard should be suitably commented in the Inspection Report.

(O.A. Circular No.491 dt.28.2.1976)

CHAPTER 19

AUDIT OF ACCOUNTS TRANSACTIONS OF CENTRAL GOVERNMENT OFFICES COVERED UNDER DEPARTMENTALISED ACCOUNTING SYSTEM

19.01 Main features of Departmentalisation of Central Government Accounts

The departmentalisation of accounts was introduced with effect from 1st April 1976.

The main features of the scheme are as follows:

- (i) The C. & A.G. will be relieved of the responsibility of compiling and keeping the accounts relating to departments of the Ministries.
- (ii) The Secretary of the concerned Ministry / Department shall be the Chief Accounting Authority and will discharge his functions through the assistance of the Financial Adviser.
- (iii) The Financial Adviser, shall, on behalf of the Chief Accounting Authority be responsible for keeping and compiling the accounts relating to the concerned Ministry in consultation with the C. & A.G. of India. He will also be responsible for preparation of the Grants controlled by the Ministry.

The payments relating to Ministries / Departments, which were being made by the Bank / Non-bank treasuries have been discontinued and are being done by the departmental Pay and Accounts Offices (PAO) established under the scheme. They draw funds by means of cheques drawn on the offices/branches of Reserve Bank of India, State Bank of India and its subsidiaries or Public Sector Banks without the intervention of the Treasuries and AG (A&E). The detailed procedure in regard to banking arrangements for the PAOs have been prescribed by the Ministry of Finance (Dept. of Expenditure) in the Hand Book of Accounting instructions under the departmentalised Accounting System. In course of local Audit, it is however, to be seen, whether the financial powers delegated by the Ministry of Finance to lower authorities have been properly utilised. This can be assessed by scrutinising the quarterly schedules of sanction, which these lower authorities are required to submit to their immediate superiors in prescribed manner at regular intervals.

*[Hand Book of Accounting Instructions under the Departmentalised Accounting Systems and
Central Government (Receipt and Payment) Rules]*

19.02 Check in Local Audit of PAO and DDOs having cheque drawing powers

The checks to be exercised in the local audit of the PAOs and DDOs having cheque drawing powers are grouped under the following categories. Further, DDOs not located in the same station as the PAO are permitted to draw funds from the local branches of the Banks by means of Cheques (DDOs having cheque drawing powers). While auditing the accounts of these DDOs, the local audit parties should refer Chapter III of HAND BOOK OF ACCOUNTING INSTRUCTIONS UNDER THE DEPARTMENTALISED ACCOUNTING SYSTEM with regards to procedures to be followed by the Cheque Drawing DDOs for payments, Bank- reconciliation, List of Payments, Custody of Cheques, Cancelled / lost Cheques etc. Checks to be exercised on the transactions relating to the month selected.

- Checks to be exercised in respect of cases and records covering the period since last inspection.
- Checks to be exercised for examining the efficiency of the working of the internal audit units.
- Review of central records.

While annual audit of PAOs' offices can take care of the first three categories referred to above, an horizontal inspection for a critical review of all the central records in the PAOs under each Ministry can be undertaken with advantage once in three years for an in depth examination.

For an effective audit of contingency and intelligent scrutiny of transactions with purchase files and related documents available in the offices of the DDOs a list of important and heavy transactions under contingency should be prepared from the records of the PAO during local audit for further audit of transactions. In view of the dispersal of records in the PAOs and DDOs for the same type of transactions sequential local audit of PAOs and DDOs as far as possible would be preferable.

19.03 REGISTERS AND RECORDS TO BE CHECKED

- Pay bills of GOs and NGOs
- TA / LTC Bills.
- OTA Bills.
- Tuition fee, Children's Education allowance bills.
- Medical Bills.
- Pay fixation cases.
- Pension cases including commutation.

- Vouchers for pension, Gratuity and commutation.
- Payments on account of loans and advances to Government servants.
- Withdrawals and advances from GPF
- Contingency, GIA, Scholarships and other Miscellaneous Payments.
- Cash Book.
- Contracts.
- Losses.
- GPF accounts.
- First payment of PF
- Payment records.
- Periodical Accounts adjustments.
- Bank Reconciliation.
- PAO suspense.
- Stock Register of cheque books and accounts of cheque forms.

GENERAL REVIEW OF CENTRAL RECORDS

- Check register of outstanding pre-check cheques.
- Register of Insufficient or otherwise irregular sanctions.
- OB and Adjustment Register.
- Register of final post check of pre-check bills.
- Register of RB Deposits.
- Register of PSB suspense.
- Register of Inward claims.
- Register of Outward claims.
- Appropriation Audit Register.
- Expenditure Control Registers.
- Broad Sheet of P.F, Register of unposted items etc.
- Broad sheet of PAO Suspense (Receipts and Payments).

For examining the efficiency of the internal audit units a critical review of the Internal Audit Reports should be conducted to see that no serious financial irregularities or lacunae in the accounting procedure have escaped their detection.

Adequacy of the action taken by the PAO for remedying the defects pointed out by Internal Audit units should also be reviewed in local audit.

19.04 Check of Pension Cases

The following detailed checks have been prescribed for audit of pension cases and vouchers in the offices of the PAOs and DDOs:

(i) Check to be exercised in the office of DDOs-

(a) Statement of service should be checked with reference to the Service Book. It is to be seen that each year of service has been duly verified. In cases where a portion of service has been admitted on the basis of statement of the Government servant in the absence of proper records of service, it is to be seen that the service has been admitted after taking into account the evidences produced by the Government servant and the evidences are such which could be relied upon.

(b) Statement of leave should be checked with reference to the Service Book.

(c) In case of retiring Government servant who was on Foreign Service, the period of service should be checked from the particulars available in the Service Book. The Foreign Service contribution has been recovered and credited to the proper head.

(d) The average emoluments have been worked out correctly on the basis of entries in the Service Book. The amount of pension and gratuity has been worked out correctly with reference to average emoluments and emoluments last drawn as the case may be.

(e) A note regarding the issue of authorities for payment of retiring benefits has been kept in the Service Book in order to avoid double claim.

(f) Date of retirement / death as shown in the pension papers tallies with those shown in the Service Book.

(g) The claims of gratuity or family pension under Central Civil Services (Pension) Rules have been settled in accordance with nominations obtained from Government servants.

(h) In case of provisional pension / gratuity, the qualifying years of service and emoluments qualifying for pension are correct in accordance with the information available in office records and the information obtained from the retiring Government servant.

(i) The amounts of Provisional Pension / Gratuity have been worked out correctly.

(j) The Provisional Pension has been sanctioned for a period not exceeding six months from the date of retirement.

(k) 10 *per cent* of the gratuity or Rs.1,000 whichever is less has been withheld from the Provisional Gratuity sanctioned under Rule 64(4)(a)(ii) of Central Civil Services (Pension) Rules.

(l) The amounts recoverable from provisional gratuity under sub-rule (1) of rule 63 have been shown in the sanction letter.

(m) The amounts of provisional family pension and gratuity have been worked out correctly.

(ii) Checks to be exercised in the office of Pay and Accounts Officer-

- (a)** The amounts of Pension and gratuity have been worked out correctly with reference to the average emoluments / emoluments last drawn as the case may be.
- (b)** The amount of graded relief has been correctly allowed.
- (c)** The amount of Pension and graded relief has been rounded off as per instructions on the subject.
- (d)** Death gratuity in the absence of any valid nomination has been authorized to the legal heir / family members duly supported by legal documents.
- (e)** The apportionment of the charge between Central and State Governments has been indicated invariably in the pension report and the correct heads of accounts have been shown on the Pension payment order.
- (f)** Pension payments have been authorized strictly on the terms stated and to the persons named in the pension papers.
- (g)** In cases where there are unassessed dues, 10 *per cent* of gratuity or Rs.1000 whichever is less, has been withheld from gratuity / provisional gratuity.
- (h)** The dues as assessed including those which came to notice subsequently and which remain outstanding till the date of retirement of the Government servant have been adjusted from gratuity/provisional gratuity.
- (i)** The period for which family pension is admissible has been clearly worked out with reference to date of birth of children and has correctly been mentioned in the authority.

In addition to these broad checks, the local audit party may see that the records and register etc. have been maintained properly.

(iii) For verification of drawals in the offices of the DDOs the following procedure is to be followed:

- (a)** In the case of DDOs with cheque drawing powers the net amounts drawn as shown in the office copies of the vouchers would first be compared for the month(s) selected with the amounts noted in the counterfoils of the cheques available with the DDO. After this, the entries in the cash book and other records should be verified with reference to the amounts noted in the said office copies of the Vouchers.

The correctness of the amounts shown in the counterfoils of the cheques and the paid folios of the cheques should be verified with the bank scrolls to ensure that there is no difference in the amounts shown in the counterfoils and those shown in the paid folios. The above checks if carried out carefully can reasonably satisfy audit that all the amounts drawn by the drawing officer have entered into the initial accounts. Any important or serious discrepancy noticed during any of the foregoing checks should be promptly reported by the Party AO /AAO / SO to the PAO

concerned for immediate investigation and report, apart from making the usual mention of such cases in the DIR.

(b) In the case of DDO without cheque drawing powers, payments are made by cheques issued by the PAOs directly or by the cheque drawing DDOs. The particulars of the cheques issued are also noted by the PAOs etc. on the relevant paid vouchers.

In order to ensure that the cheques issued by the PAOs etc. have actually been entered by the DDOs on receipt in their Cash Book and other relevant records, the local Audit Party would verify these payments with reference to these records with the help of the original paid vouchers for the months selected for local Audit.

(c) In case, these DDOs are obtaining funds from the cheque drawing DDOs, paid vouchers received from the PAO should be agreed with the list of payments received from the cheque drawing DDOs so as to make sure that all payments made in these cases during the periods selected for detailed audit are duly covered by it.

As the lists of cheques and payments are not required to be sent by the PAO, the Inspection parties should not insist for production of the same and they may trace the cheque numbers etc. as marked on original vouchers in the Cash Book etc. of the DDOs.

(d) It will be the Inspecting Officer's responsibility to return the vouchers immediately after local audit of the office to which these pertain is completed. OAD Headquarters section may take the following steps in this regard:

- (1)** The programme for local Audit showing offices to be inspected as lso the month(s) selected for detailed scrutiny should be sent to the concerned PAOs by name at least a month in advance of the commencement of local audit in each year.
- (2)** A register should be maintained in the following proforma to watch the final transmission of paid vouchers to the respective PAOs.

Register showing particulars of paid vouchers furnished to local Audit Party

Sl. No.	Particulars of office to be audited	No. & Date of Requisitions	No. & Date of letter with which sent	Particulars of party to whom sent
1	2	3	4	5

Month(s) to which the	No. of vouchers	No. & date of letters with which Vouchers	No. of vouchers	No. & date of reminder ,if any
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vouchers required/pertain	sent	received back	Received back	issued
6	7	8	9	10

- (3) The Register is to be reviewed monthly for issuing reminder to the Inspecting Party in cases where the vouchers are not returned promptly.

(Para 19.02 & 19.03 based on O.A. Circular No.700 dt.31.1.83, C.A.G's Circular letter No.25-TA-1/80 received with letter No.513-TA-1/38-78 dt.9.6.80 and No.426 - TAI/40-84 dt.30.3.84)

19.05 Audit of Refund of Lapsed Deposit (Central) at PAO

Under the departmentalized accounting system the responsibility for keeping the detailed accounts of Deposit transactions will be that of the Pay and Accounts Officer except in respect of deposits for which Departmental Officers have been made responsible for maintaining detailed accounts (e.g. Court deposits, deposits with Public Works or Forest Divisions etc.).

The PAO will take action to credit deposits lapsing in terms of C.T.R. 635 to Government and maintain a record of such cases credited to Government each year. The PAO will, before authorizing refund of lapsed deposits, ascertain from these lists that the item was really received and is traceable in his account; that it was transferred to Revenue Head of the Government as lapsed deposit and was not repaid previously, and that the claimants' identity and title are certified by the officer signing the application for refund.

The PAO should also obtain from the Treasury Officer (TO) concerned complete lists of lapsed deposits credited to revenue in the three years prior to the dates of departmentalization. Before authorizing refund of deposits lapsed to Government prior to dates of departmentalization, the PAO will exercise the aforesaid checks with reference to these lists. In doubtful cases even otherwise the claim will be sent by the PAO to the TO who will verify it with reference to basic records and return it to the PAO for arranging payment.

Refund of lapsed deposits the detailed accounts of which are kept by the departmental officers will require the sanction of the PAO. For this purpose each such departmental officer should send to the PAO a list of deposits credited to revenue in terms of CTR 635 each year and also a list of such cases credited to Government during three years preceding the dates of departmentalization.

The PAO will also be responsible for reconciliation of the balance as per the Register(s) of deposits with corresponding ledger balances as per accounts by maintaining Broad sheets.

(Based on G.I. Memoranda No.F2(27)/76-Spl. Cell (Pt.II) dt.15.12.76 circulated by C.A.A. /separation (Central) A/A 673 dt.24.1.77)

19.06 **A list of Central Government Offices** located in the State of Orissa is given in the *Annexure* to this Chapter. The audit procedures of some typical offices are given in the following paragraphs.

19.07 **Local Audit of Aerodromes**

Consequent upon the introduction of public works system of accounting from 1.4.1959, the receipts as well as the expenditure on works came under the purview of the said system of accounting. *Only the accounts of pay, allowances and contingencies at the Civil Aerodromes are subjected to Inspection by this office* and items relating to work expenditure and revenue receipts should be left for the Director of Audit (Central Revenue) Calcutta.

(D.G. Civil's letter No.25014/1/72 Bud. Dt.3.10.73, O.A. Circular 352 dt.6.12.73)

19.08 **Central Reserve Police Force**

(i) Organisational set up:

The Director General at Delhi has two Sector-I.Gs Viz., Inspector General of Police, Sector I at Hyderabad and Inspector General of Police, Sector II at Calcutta. The Inspectors General exercise control over Deputy Inspectors General under their Ranges and the latter on group centres and battalions down below the line. These battalions have been categorized as attached battalions. Besides, there are some unattached battalions under the command of various Deputy Inspectors General. Unattached battalions being mobile in duty, primary drawing, and disbursements and accounting functions devolve on the Deputy Inspector General concerned. Initial records maintained by these battalions consist of such subsidiary books as cash book, contingent registers etc. and is carried by them wherever they are deployed and are stationed.

The local audit of initial accounts (of stores, ammunition, arms, equipment, imprest, mess etc.) and Cash Book, Acquittance Rolls, Service Books etc. not only of battalions moving from place to place but of all heads of offices and drawing and disbursing officers viz., Inspectors General, Deputy Inspectors General, Group

Centres, Training centres and Base Hospitals, is required to be conducted by the respective state Accountants General in whose jurisdiction they are situated. The audit of the initial records of the battalions should be conducted at the concerned group centre to which the battalion is attached, by the State A.G. within whose Jurisdiction that Group Centre is located. The Director General, Central Reserve Police Force has agreed to make available the records maintained by the battalions at the Group Centre for the purpose of Audit. The inspection programme of the visiting local audit party is to be intimated to group centres of the battalions concerned sufficiently in advance so that necessary arrangement can be made by them to obtain the records from the battalions for production at the group centres. As regards unattached battalions, they are independent units for drawal and disbursement purposes and the audit of accounts of unattached battalion may be conducted by the Accountant General in whose jurisdiction they are situated.

After the inspection is completed, the reports are to be issued to the respective heads of offices with copies endorsed to the Range DIGP/IGCP-S-II, CRPF and Director General, CRPF New Delhi-22 and audit objections pursued till finality. The Director of Audit (C.R) may be supplied with only materials for Audit Report (Civil) in respect of serious irregularities and interesting points, if any, noticed during audit of stores and stock and non-observance of rules and financial propriety etc. so as to enable him to attempt complete/consolidated draft para.

(Based on C.A.G.'s letter No.2955 T.A.I/388-68 dt.7.1.72 No.904 TA./3188-68-11 dt.1.11.74 Dy. TM-CAG-248 and OOA 7261 dt. 14.3.75)

(ii) Register and Records to be checked in local audit

- | | |
|---------------------------------------|----------------------------------|
| 1. Ammunition Stock Register | 15. New clothing stock register |
| 2. Arms stock register | 16. E.I. clothing stock register |
| 3. Equipment stock register | 17. Tentage registers |
| 4. B.K.F. registers | 18. Indent register |
| 5. Government cash book | 19. Sanction book register |
| 6. T.A / D.A. Bill registers | 20. Railway warrants register |
| 7. GPF Register of Class IV Employees | 21. Credit order register |
| 8. Muster Roll of pay | 22. Reward register |
| 9. Regimental fund cash book | 23. Vehicle ledger |
| 10. Advance and Recovery register | 24. Vehicle daily Running Ledger |

- | | |
|-------------------------------------|---|
| 11. G.P.F. Final recovery registers | 25. Casualty register |
| 12. Annual Increment register | 26. Log Books of vehicles |
| 13. Pay Bill register | 27. Petrol, Oil and Lubricant Ledger |
| 14. Contingent register | 28. Children Education Allowance Register |

19.09 Audit of Cattle Breeding Farms

(i) Organization Structure:

There are two Cattle Breeding Farms in Orissa, one at Similiguda and the other at Chiplima, each under the charge of a Director, under the Ministry of Agriculture, Government of India. The Director of the Farm is assisted in various farming activities by the Veterinary Assistant Surgeon, Accountants, Stores Assistant, Mechanic-cum-electrician, Clerks including dairy clerks, Technical Assistant, Gowala, Cattle Attendant, Mali, Livestock Officers, Drivers including tractor drivers, Stenographer, Agriculture Assistant, Milk Recorder, Agriculture Field man, Chowkidar, Calf Boy and Milk Delivery Attendant.

(ii) List of special records and files to be checked in local audit

- (a)** Livestock Register
- (b)** Feedstock and Distribution Register
- (c)** Milk Collection Register
- (d)** Medicine File/Register
- (e)** Agricultural Section Receipts and Files
- (f)** Purchase Files
- (g)** Contingent Register

(iii) Activities of the farm

The main activities of the Farm are: Maintenance of cows, Calves production, Bull Calves production and distribution, Conception programme of cows, Milk production and sale, Milk produce, Production and sale, Production of agricultural produce from the farm land such as grass, firewood, wild grass, etc. and Sale of empty containers and gunny bags of different sizes.

(iv) Points to be seen in Audit

Local Audit Party should see the following points while conducting audit of these farms

- (a) Target prescribed for the farm by the higher authority may be seen. Achievements against these targets may be examined and commented, in case of low achievement.
- (b) Accounting of sale of produces of the farm may be checked.
- (c) Receipt as to the ratio of expenditure may be examined. The profitability of the farm may be commented against the target ratio.
- (d) Standard of production of milk and milk produce may also be examined and commented upon.
- (e) Feed stock and medicine stock may be checked with respect to their receipt and issue against the standards fixed.
- (f) Budget allotment and expenditure should be examined. Any deviation may be commented.
- (g) Accounting or receipts in proper head of account may be checked.

19.10 Audit of Central Poultry Development Organisation, Eastern Region, Bhubaneswar

- (i) **Organization Structure:** The Poultry Development farm is headed by a Director under the Ministry of Agriculture, Department of Veterinary and Dairy.

The Director of the Farm is assisted in various farm activities by the Assistant Director, Head-clerk, UDC-Cum-Cashier & LDC, Store keeper, Stenographer, Computer Operator, Mali, Chowkidar, Peon, Sweeper and Night Watchman, Farm Manager, Assistant Foreman, Driver-Cum-Mechanic, Carpenter-Cum-Smith, Electrical Foreman, Junior Hindi Translator, Laboratory Attendant, Poultry Attendant and Poultry Trapmaster.

(ii) **List of special records and files to be checked in local audit**

- (a) Contingent register
- (b) Receipt Books & Register of Receipt Books
- (c) Budget/Allotment Register and Files
- (d) Purchase Files
- (e) Feed stock & consumption register
- (f) Medicine stock Register
- (g) Livestock Register
- (h) Scheme Files
- (i) Monthly Progress Register on target and achievement and on accounts and closing balance
- (j) Register of sub-centres
- (k) Hatching Production Register
- (l) Credit Sale Register

- (m) Cash Sale Register
- (n) Revenue Receipt
- (o) CARI Bird files of return

(iii) Activities of the farm

The main activities of the Poultry Breeding Farm are such as Production of eggs, Production and sale of chicks, Training of persons and trainers and Production and sale of chicken hatching egg.

(iv) Points to be seen in Audit

- (a) Hatchability percentage of eggs should be checked with the norm.
- (b) Mortality figures should be checked with the admissible norm.
- (c) Quantity of egg production should be verified with the norm fixed.
- (d) Feed consumption should be checked with the standard fixed for 100 birds of different ages.
- (e) Accounting of sale proceeds of eggs, chicks, etc. should be checked.
- (f) Training activities should be examined against the target.
- (g) Receipt of the farm should be compared with the expenditure to know the profitability.
- (h) Budget / Allotment / Expenditure figures may be examined.
- (i) The schemes / programmes may be reviewed to comment on their working.

19.11 Archaeological Survey of India

(i) Organization Structure

The Archaeological Survey of India under the Ministry of Human Resource Development has different wings, such as: construction, survey, chemical, etc. Each category of wings is functioning in the State of Orissa under a superintendent

(ii) List of special records and registers to be checked in audit

- (a) Works register
- (b) Funds receipt register
- (c) Estimates of works
- (d) Stock register of material
- (e) Annual Planning proposals
- (f) Budget / Allotment/Expenditure register
- (g) Survey registers and files
- (h) Works of State Government executed as Deposit work

(iii) Activities of the wings

The activities may include construction work, survey works and chemical analysis for protection of monuments.

(iv) Points to be seen in Audit

- (a) Annual work plan should be examined with actual receipt of fund.
- (b) Status of work conducted by Archaeology with the allotted fund of Central Government may be examined.
- (c) Status of deposit works may also be examined.
- (d) Progress of survey works may also be examined.
- (e) Incomplete works may be studied in detail and commented suitably.
- (f) Reason for keeping unspent balances should also be analyzed in detail.

19.12 Audit of the Office of the Regional Director, Health and Family Welfare, Bhubaneswar

(i) Organization Structure

The office is headed by the Regional Director working under the Ministry of Health and Family Welfare. The organization implements main schemes such as NVBDCP (Plan & Non-plan), F.W, F.S.U, N.A.M.P (Plan & Non-plan), H.I.F.U sponsored by the Central Government.

The Director is assisted by the Deputy Director (FSU), Senior Medical Officer, Epidemiologist, Research Officer (medical), Technicians (senior & junior), Laboratory Assistants, Insect Collector, Statistical Assistant and other Group 'C' and 'D' staff in implementing the programmes.

(ii) List of special records and registers maintained

- (a) Budget / Allotment / Expenditure Books
- (b) Receipt Books and Register of Receipt Books
- (c) Contingent expenditure/vouchers
- (d) Monthly Progress Report on target and achievement of each programme
- (e) Stock Register of medicines, etc.
- (f) Scheme Files

(iii) Audit points

- (a) The performance of each scheme/programme for which funds were received may be examined and commented.
- (b) All scheme files and sanctions should be examined.
- (c) Various programmes are executed by the CDMOs of the State Government. In this case, the utilization of the balance placed with the State Government may be examined.

19.13 Audit of Registrar of Companies

(i) Organisation Structure The Registrar of Companies, Cuttack functions as the Registering Authorities of Companies under the Companies Act, 1956. He is under the Ministry of Finance. He is assisted by the Assistant Registrar of Companies, Company Prosecutor and other Group 'C' and 'D' staff in implementing the schemes.

(ii) Activities of the office

- (a) Registration of companies and renewal from time to time;
- (b) Watching the receipt of required information/documents from the companies timely;
- (c) Prosecution for violation of conditions of registration by the companies;
- (d) Distribution of dividends received from the companies to the share holders

(iii) List of special records and files maintained

- (a) Register of Registered Companies;
- (b) Register of Fees realized from the Companies;
- (c) Register of dividend realized from the Companies for distribution to shareholders;
- (d) Receipt Books and Register of Receipt Books;
- (e) Register of Prosecution regarding violation of provision of Companies Act.

(iv) Points to be seen in Audit

- (a) Whether requisite fees are realized from the companies as and when required;
- (b) Whether dividends received from the companies for distribution to the share holders are actually distributed in full;
- (c) Whether timely action is taken against the companies for violation of the provisions of the Companies Act;
- (d) Whether the companies are registered after receipt of the requisite documents.

19.14 Audit of Establishment of Central Industrial Security Force

(i) Organisation Structure

The Director General is the head of the Organisation under whose authority two formations namely Headquarter Formation and Field Formations are functioning. Field Formation is comprised of Sectors headed by five Sector Inspector Generals, in turn under the sectors, seven zones (headed by zonal DIGs), five ADIGs and 12 Plant DIGs are functioning. Under the authority of Zonal DIGs, Group Commandants (11) and Units Commandants (seven) are working for the organization. The Group Commandant is the immediate superior authority of the Deputy Commandant, Units (96), Assistant Commandants (72) and Inspectors and Sub- Inspectors of the Units (12).

(ii) Registers and records to be checked in local audit

The records maintained by these establishment are almost similar to those in Central Reserve Police Force given in *para 19.08* of this manual.

(iii) Activities of CISF

They provide security and securities services to the industries and industrial establishments for which they are created and deployed.

(iv) Points to be seen in Local Audit

- The staff of the CISF units are deployed for providing security and security services to the industries. For this, the deployment charges are recovered from those establishments.
- The audit party members are to point out in case of non-realization of such deployment charges and include it in the Inspection Report.
- The head of revenue account to which the realized amount were credited may be seen. In case of non-deposit of any charge collected into revenue, the same may be commented in the Inspection Report.

19.15 Inspection of Public Debt Office of Reserve Bank of India

The details of audit are given in para 6.4.1 to 6.4.3 of M.S.O (Audit) 2nd Edition.

(i) Scope of Audit The work done in the Public Debt Office in respect of the transactions connected with these borrowings is to be test checked by the Local Audit Party by an inspection of the relevant records maintained in that office.

(ii) Points to be seen in Audit

Audit is to be conducted according to guidelines contained in the 'Manual of Instructions for the inspection of Public Debt Offices by the Indian Audit and Accounts Department' issued by the Director General of Audit, Central Revenues and other guidelines, if any, issued by him.

- (a) Interest Payments:** Loans obtained from autonomous institutions like Life Insurance Corporation of India (LIC), National Co-operative Development Corporation (NCDC) and National Bank for Agriculture and Rural Development (NABARD), etc. are managed by the departmental officers of Government. *On the other hand, the Public Debt Office of the Reserve Bank of India manages the open market borrowings of Government (other than treasury bills).*

The procedures to be followed for conducting the audit of interest payment on open market loans are outlined in paragraphs 3.13.24 to 3.13.28 of the M.S.O (Audit) 2nd Edition as described below

- (b) Audit of Interest Payments:** On open market loans managed by the Public Debt Offices is divided between the Indian Audit and Accounts Department and the Public Debt Offices concerned. *The latter's responsibilities in regard to these payments extend to verifying that:*

- the amount of promissory note is correctly stated in the vouchers, and
- the interest has not been paid twice for the same half-yearly period.

(Para 3.13.25 ibid)

- (c)** The work done in Public Debt Office is subject to test check by the local audit party of the (Pr) Accountant General (CA), who is to assume that the principal sum mentioned in the interest voucher is the correct amount on which the interest is due and that interest has not already been paid for the half year claimed in the voucher.

However, in all other respects, and especially in respect of the correctness of the calculation of interest, income tax and the casting of totals, the vouchers are subject to regular examination in audit.

The Accountant General (A&E) forwards the vouchers to the Public Debt Office on completion of their audit by the Central Audit Parties of the (Pr) Accountant General (CA)

(Para 3.13.26 ibid)

- (d) In the course of audit of these interest vouchers, it should be verified that:
- the amount entered in the voucher as the half-yearly interest in fact represents one half year's interest due on the loan mentioned in each promissory note;
 - the total amount is half year's interest multiplied by the number of half years as entered in the column provided for the purpose;
 - the amount shown as being due in the voucher has been correctly computed;
 - the receipt is properly signed; either by the person named as the holder or by his representatives; and
 - Income tax at the maximum rate has been deducted from the interest due unless the owner of the society has produced with his receipt for interest, a declaration under Section 193 or 197A of the Income Tax Act, 1961 or a certificate issued by the Income Tax Officer authorizing exemption from tax or levy of a lower rate of tax.

(Para 3.13.27 ibid)

(e) **Interest on loans from autonomous bodies**

During audit of interest vouchers relating to borrowings from institutions like the LIC, NCDC and other financial institutions, it should be seen that the payments are covered by sanctions accorded by the competent authority.

The correctness of the amount sanctioned should be verified during local audit of records in the office of the authority responsible for maintaining the detailed account of the loan.

(Para 3.13.28 ibid)

(iii) **Communication of the result of audit**

- (a) The results of the inspection should be set forth in an inspection reports in usual manner.
- (b) The (Pr) Accountant General should forward copies of the Inspection Report to the Public Debt Office, the Central office and Central Debt Section of

Reserve Bank of India at Bombay, the Director General of Audit (Central Revenues) and all State Accountant General (Audit).

- (c) The Director General of Audit (Central Revenues) will be responsible for the co-ordination of the reports in various Public Debt Offices, while the (Pr) Accountant General who conducted the audit will be responsible for settlement of the objections.

(Para 6.4.3 ibid)

19.16 Audit of Government of India Text Book Press, Bhubaneswar

(i) Organisation Structure

- (a) Manager, Government of India Text Book Press works under the Director of Printing, Nirman Bhawan, Maulana Azad Road, New Delhi which is an attached office of the Ministry of Urban Development. The Director acts as a Government Printer. He prints, stocks and distributes Government Forms. He also advises the State Governments / other Central Government Offices on technical matters relating to printing technology.
- (b) It is basically a service department running on “No Profit, No Loss” basis and is dependent largely on jobs from various Ministries and Department of Government. The entire system of printing and supply of printed materials is bifurcated into two wings i.e. Industrial (factory) wing and Non-industrial (administration) wing.
- (c) The Manager, the Government of India Text Book Press, Bhubaneswar is assisted by following staff in different sections:
- *Personal Section managed by* Deputy Manager (PL), Assistant Manager (Admn), P.M.O (Part time) and other supporting staff.
 - *Editing Section managed by* Head Reader, Reader and Copy holder
 - *Design Section run by* Senior Artist,
 - *Machine Room (Offset) run by* Offset Machineman, Offset M/c Assistant and Offset M/c Attendant
 - *Mechanical and Maintenance Section run by* Mechanic (Printing & Binding), Assistant Mechanic, Wire Man, Compounder (Qualified Pharmacist) and other supporting staff.
 - *Camera Section managed by* Camera Man, Dark Room Assistant, Technical Officer (Process & Binding) and Technical Officer (M/c).

- *Retouching Section run by Assistant Artist Retoucher, Plate Making Section, Offset Plate Maker, Assistant Plate Maker and Offset Machine Attendant.*
- *Bindery is managed by Section Holder, Binders, Assistant Binders and labour Accounts & Costing Section, Printing & Despatch Section, Procurement Section Establishment Sections I & II etc. are run by the administrative staff.*

(ii) The functions and duties of Government of India Text Book Press, Bhubaneswar

(a) Directorate of Printing, Government of India caters to the printing needs of all Departments /Ministry with due diligence and promptness. Efforts are being made here to modernize the Government of India Presses in order to cope up with the latest and modern technology, such as multi-colour jobs, etc.

In order to provide better services to the indenting departments, the following guidelines are prescribed.

- (1) The indenter should place the order for printing job to the Director of Printing. He should fill up the indent neatly (in triplicate) and provide all material complete and final with all relevant instructions to facilitate fast, error free and correct execution.
- (2) On receipt of requisition of printing job, the indenter will be be intimated the names of the Government Press which will execute the job along with the name and telephone number of the press.
- (3) As soon as the allotment of the work is received, the Press will intimate the indenter, the likely date of commencement of the execution of job or any clarification regarding paper, style of binding, etc.
- (4) In case a job is of such a nature which the Government of India Press can not execute, the Directorate of Printing will suggest alternative specifications.
- (5) The Press charges to the Department the actual cost. After completion of the job, the bill will be preferred to the Department / Ministry for making payment. Sometimes, the bills are given in two parts, one supplementary and another final bill.

The Department / Ministry should make payment of supplementary and final bills immediately on receipt of the bills by the Press.

- (6) Departments / Ministries are advised to provide computer ready copy (CRC) in order to enable the Press to execute the job fast and cheaper.
- (7) Most of the Government of India Press are equipped with offset printing and are capable of undertaking all kinds of printing job.
- (8) As soon as work is completed, the indenter will be intimated for collection of the printed copies.

- (9) In addition to printing of books and publications, the Director of Printing also arranges printing and supply of all the forms to all the Government of India Departments / Ministries including certain stationery items such as file covers, letter heads, etc. There is, however, no arrangement for printing of computer stationery at present.

All the standard forms are stocked and distributed by Government of India, Stationery Office, Kolkata

Special and other forms are printed against the specific demands of concerned Departments/Ministries.

- (10) Most of the Government of India Press are earmarked for printing of various parts of Gazettes. All extra-ordinary gazettes are printed at the Government of India Press, Mayapuri, New Delhi. The Government of India Press makes all efforts to assign top priorities in printing of Gazette notifications. One copy of the Gazette Notification is normally provided to the indenter by the Press. Additional copies, if required, by the Departments/ Ministries, the same are being arranged.

Barring certain parts, all the gazette notifications are directly received by the earmarked Presses for printing on behalf of the Department of Publications, a publishing authority of Government of India.

(b) Register and records to be checked in local audit

The following documents (unclassified) are to be checked in the local audit:

- (1) Stock and issue of ledgers of stores
- (2) Production register
- (3) Log Book of Press Vehicle
- (4) Cash Book
- (5) Register of allotment of quarters
- (6) Remittance register
- (7) Security Deposit register
- (8) Assessment and Realisation register
- (9) Receipt Books of cash/cheques
- (10) Bill register
- (11) Pay Bill registers
- (12) Muster Rolls
- (13) Vehicles
- (14) Vehicles moving register for incoming and outgoing vehicles
- (15) Visitors register
- (16) Overtime register
- (17) LTC/TA register
- (18) Court attachment details register
- (19) HBA broadsheet ledger
- (20) Medical reimbursement register
- (21) Vacancy register
- (22) Special representations rosters
- (23) Seniority list of staff
- (24) Apprentices register
- (25) Bill register of printing costs

- (26) Liability register
- (27) Expenditure control register
- (28) Report and issue register
- (29) Tender registers
- (30) File index registers
- (31) Increment register
- (32) Service Books & Leave accounts of individual employees
- (33) Rotation register of vacancies
- (34) Depreciations register
- (35) Day Book of Procurement
- (36) Inward and outward consignment register
- (37) Proforma Accounts

(c) Points to be seen in Local Audit:

Local audit party conducts the audit of Government of India Text Book Press, Bhubaneswar in relation to its transaction and activities and its Proforma Accounts. Thus, two inspection reports are prepared.

(1) Inspection report on Proforma Account

The accounts of the Press are prepared on proforma basis on commercial basis. This Proforma Account is audited by the audit party. If it is found correct, a certificate as to the correctness of this account is given by the Reviewing Officer. Otherwise, it should be objected on the grounds to be mentioned in the Inspection Report. After compliance to this objection the Accounts are to be certified.

(2) Separate Inspection Report on transaction audit

A separate DIR should be prepared including the irregularities on the transactions and activities of the Press like other offices audited.

For this the following points should be examined by the audit party.

- Audit should be conducted in the usual manner to know the correctness of payment of pay and allowances to the employees.
- The correctness and justification of payment of overtime allowance and wages may be examined.
- The various information available from accounts registers/proforma accounts if prepared may be utilized to draw various audit conclusions on different matters. It should be ascertained that the press authority works on no profit or no loss basis.
- The quarter allotment register should be examined to ascertain whether any quarter has remained unallotted or the license fee in case of allotted quarters is realized regularly.

- It was decided to transfer the Press to State Government or otherwise closed.
 - The purchase files of papers and other printing materials are to be examined to locate any irregularities. In case of any irregularity, the same may be suitably included in the Inspection Report.
 - The stock and issue of papers and other printing materials may be examined to see if there is any unnecessary procurement of these materials. In such cases, the findings may be included in the Inspection Report.
 - The correctness of cost of printing jobs undertaken by the Press may be examined. On the basis of this cost, the correctness of the bills raised for different jobs may be examined.
 - The realization of the amounts demanded in the bills may also be examined and in case of non-realization, the same may be suitably commented and included in the Inspection Report.
- (iii) (a)** In the year 2002 there was a Gazette Notification published in the Gazette of India, extraordinary, Part-II, Section 3, Sub-section 3, Sub-section (ii) dated 30.09.2002 in which Government of India Text Book Press, Bhubaneswar along with other Text Book Presses were to be transferred to the State Governments and if the State Governments do not accept the transfer of the above Presses, those would be closed by the end of April 2003. Accordingly 27 employees were allowed to avail special V.R.S who retired from service on 31.08.2005 and 15 employees were to retire within 30.11.2005.
- (b)** The Government of India has taken the decisions with regard to privatization of Government of India Text Book presses at Chandigarh, Bhubaneswar and Mysore along with reasonable operational land area with the condition that the employees will continue to be in service till completion of their balance service period. Excess land of the presses would be developed if necessary in collaboration with the State Governments. As a follow up actions Directorate of printing would immediately circulate surplus voluntary retirement scheme to all the presses and also seeks options for transfer / redeployment of employee to other nearby Government of India presses.
- (Government of India, Directorate of Printing, Nirman Bhawan, New Delhi OM No. F No. dated 7.8.2006 & GSR 443(3) dated 24.07.2006 vide General circular No. 8 / 380 / AC-I / SP-II / 58-20022 dated 9.11.06 circulated by OOA No. 2617 dated 10.012007)*
- In the light to the above decision, the idleness of the staff and underutilization of the machinery should be examined and commented suitably.

ANNEXURE

LIST OF CENTRAL GOVERNMENT OFFICES LOCATED IN ORISSA

(Para 19.06)

I. Ministry of Agriculture

- (1) Director, Central Poultry Development Organisation, Eastern Region, Bhubaneswar – 751012
- (2) Director, Central Cattle Breeding Farm, Similiguda, Sunabeda, Koraput.
- (3) Director, Central Cattle Breeding Farm, Chiplima.

II. Ministry of Human Resource Development

- (4) Principal, Eastern Regional Language Centre, Laxmisagar, Bhubaneswar
- (5) Asst. Superintending Archaeologist (for Museum), Konark, Pin – 752 111
- (6) Superintending Archaeological Chemist, Bhubaneswar (Near Kedargouri)
- (7) Asst. Programme Advisor, Ministry of HRD, National Social Service Regional Centre, Jayadev Vihar, Bhubaneswar
- (8) Superintending Archaeologist, Archaeological Survey of India, Bhubaneswar Circle, 153 VIP Area, Nayapalli, Bhubaneswar
- (9) Deputy Superintending Horticulturist, Horticulture Divison – 4 (Archaeological Survey of India) Near Ravi Talkies Chhak, Kedargouri, Bhubaneswar
- (10) Superintendent, Orissa State Archaeology, Excavation Branch – 4, Near Vivekananda Library Road, Bhubaneswa-751 002.
- (11) Asst. Superintending Archaeologist (For Museum) Ratnagiri, Jajpur

III. Ministry of Labour

- (12) Director, National Commission for SC/ST, Regional Office, Plot No.1/297, IRC Village, Bhubaneswar.
- (13) Welfare Cess Commissioner, Accounts Officer, Labour Welfare Organisation, 33-Ashok Nagar, Bhubaneswar-751 009.
- (14) Asst. Welfare Commissioner, Iron Ore, Manganese Ore and Crome Ore Mines, Labour Welfare Organisation, Kalyan Nagar, Barbil, Keonjhar.
- (15) Regional Labour Commissioner, Orissa, Bhubaneswar, Plot No.124, Kali Mandir Lane, Satyanagar, Bhubaneswar.

IV. Ministry of Health & Family Welfare

- (16) Regional Director, Health & Family Welfare, Bhubaneswar, Plot No.BJ-25, BJB Nagar, Bhubaneswar
- (17) Director, Regional Leprosy Training and Research Institute, Aska, Ganjam.

V. Ministry of Home Affair

- (18) Director of Census Operation, Bhubaneswar
- (19) Commandant, Central Industrial Security Force (CISF), Paradeep, Jagatsingpur.
- (20) Deputy Inspector General (DIG), CISF, Rourkela Steel Plant, Rourkela.
- (21) Commandant, CISF, NALCO, Anugul.
- (22) Commandant, CISF, NALCO, Damanjodi, Koraput.
- (23) Addl. DIG of Police, Group Centre, Central Reserve Police Force (CRPF), Bhubaneswar.
- (24) DIG of Police, CRPF, Bhubaneswar.
- (25) Deputy Commandant, CISF Unit, Bhubaneswar, Air Port, Orissa.
- (26) Deputy Commandant, CISF Unit, NTPC/TTPS, Talcher.
- (27) Principal, CISF, RTC, Mundali, Orissa.
- (28) Deputy Commandant, CISF Unit, MBR/KBR, Meghthhura.

VI. Ministry of Planning

- (29) Regional Asst. Director, National Sample Survey Organisation, Field Operation Division, Government of India, Acharya Vihar, Bhubaneswar.
- (30) Asst. Director, National Sample Survey Organisation, Sambalpur, HIG-4, Housing Board Colony, Farm Road, Modipada (Near Horticulture Office), Sambalpur.

VII. Ministry of Personnel Affairs & A.R, Training.

- (31) Superintendent of Police, Central Bureau of Investigation, Bhubaneswar, Unit-8, Bhubaneswar.
- (32) Joint Director, Subsidiary Intelligence Bureau, Ministry of Home Affairs, Unit-5, Bhubaneswar.

VIII. Ministry of Information & Broadcasting

- (33) Joint Director, Directorate of Field Publicity, Regional Office, Plot No.33, Forest Park, Bhubaneswar.

IX. Ministry of Urban Development

- (34) Manager, Government of India Press (Text Book), P.O-Sainik School, Bhubaneswar – 751 005 (Including Proforma Account, every year to be provided during November)

X. Ministry of Finance

- (35) Chief Commissioner of Income Tax (IT), Orissa, Vani Vihar, Rajaswa Vihar, Bhubaneswar.
- (36) Zonal Accounts Officer, Central Board of Direct Taxes, Income Tax Building, Vanivihar, Bhubaneswar.
- (37) Commissioner of Central Excise & Customs, Commissionerate of Central Excise & Customs, Orissa, Bhubaneswar.

- (38) Pay & Accounts Officer, Central Excise, Bhubaneswar.
- (39) Asst. Chief Accounts Officer, Commissionerate of Central Excise & Customs, Orissa, Bhubaneswar-II, Vanivihar, Bhubaneswar.
- (40) Registrar of Companies, Chalachitra Bhawan, Buxibazar, Cuttack.
- (41) Joint Commissioner of IT, Range-I, Ayakar Bhawan, , Sambalpur.
- (42) Addl. Commissioner of IT, Berhampur Range, Ayakar Bhawan, Ambaguda, Berhampur.
- (43) Addl. Commissioer of IT, Range-I, Arunodaya Market, Cuttack.
- (44) Addl. Commissioner of IT, Bhubaneswar Range-I, , Bhubaneswar.
- (45) Director of Income Tax (Investigation), 209-Sahid Nagar, Bhubaneswar.
- (46) Public Debt Officers, Reserve Bank of India, Bhubaneswar.

XI. Ministry of Law and Justice

- (47) Assistant Registrar, IT Appellate Tribunal, Cuttack Branch, Link Road, Cuttack – 753 012
- (48) Official Liquidator, Director of Company Affairs, Orissa, Chalachitra Bhawan, 2nd Floor, Buxi Bazar, Cuttack.

XII. Ministry of Industries

- (49) Director, Small Industries Service Institute, College Square, Cuttack-8.
- (50) Superintendent of Salt, Huma Circle, Huma, Ganjam.
- (51) Deputy Director, I/C Branch SISI, Rourkela, C-9 Industrial Estate, Rourkela-769 004.
- (52) Controller of Explosives, B-274, Sector-6, Rourkela.

XIII. Ministry of Food & Civil Supplies

- (53) Director, Regional Reference Standard Laboratory, Nayapalli, Bhubaneswar (Non-cheque Drawing Officer).
- (54) Deputy Director, Save Grain Campaign, 479 Sahid Nagar, Bhubaneswar (Non-cheque Drawing Officer).

XIV. Ministry of Personnel, Public Grievances and Pension

- (55) Registrar, Central Administrative Tribunal, Cuttack Bench, Board of Revenue Building (Near High Court), Cuttack – 753 009

XV. Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution.

- (56) Regional Director, Save Grain Campaign, Bhubaneswar, Plot No 479 Saheed Nagar

CHAPTER 20

AUDITING STANDARD AND PERFORMANCE AUDITING

20.01 General

(i) **Mandate of SAI India:** The CAG is the head of the Supreme Audit Institution of India (SAI). He derives his powers mainly from Article 149 to 151 of the Constitution of India and CAG's (Duties, Powers and Conditions of Service) Act, 1971. Under the above provisions CAG is the sole auditor of the accounts of the Central (Union) Government and the State Governments. He is also responsible for the audit of local bodies (urban and rural) under the provision of some of the State Acts and provides technical and administrative guidance for accounting and accounts functions in all States as per orders issued by Ministry of Finance, Government of India. The reports of the CAG relating to the accounts of the Union and the States are submitted to the President / Governor of the State for being laid before the Parliament / State Legislature as the case may be. The CAG is also responsible for ensuring a uniform policy of accounting and audit in the Government sector as a whole.

The above Act authorises the CAG to lay down for the guidance of Governments, general principles of Government accounting and the broad principles in regard to audit of receipts and expenditure. Thus, under the aforesaid provisions the mandate of CAG includes audit of:

- Receipt and expenditure from the Consolidated Fund of India and of the State and Union Territories.
- Transactions relating to Contingency Fund and Public Accounts.
- Trading, Manufacturing, Profit and Loss accounts and Balance Sheets and other subsidiary accounts kept in any Government departments
- Accounts of Stores and Stock kept in Government offices or departments.
- Government Companies as per the provisions of the Companies Act, 1956.
- Corporations established by or under laws made by Parliament in accordance with the provisions of the respective legislation.
- Authorities and Bodies substantially financed from the Consolidated Funds.
- Any Body or Authority even though not substantially financed from the Consolidated Fund, the audit of which may be entrusted to SAI.
- Grants and loans given by Government to Bodies and Authorities for specific purposes.
- Panchayat Raj Institutions and Urban Local Bodies.

The mandate provides for the periodic inspection of records and accounts of the Government departments to supplement the audit of vouchers and sanctions that are with the accounts compiling officers.

(ii) Increasing responsibility of SAI: The pattern of Government expenditure has undergone a radical change in the context of various departmental programmes and welfare activities. Most of the Government Departments are involved in developmental activities aimed at meeting certain vital social and economic goal. As a result, the responsibility of audit in respect of developmental activities aimed at meeting certain vital social and economic goal. Therefore, the responsibility of audit in respect of developmental expenditure extends to the following three aspects beyond mere expenditure audit:

- (a) The conventional orthodox check of expenditure which means accuracy, propriety and compliance with rules and orders and principles of orthodox audit.
- (b) Checking the efficiency and economic utilization of public resources.
- (c) Reviewing the programme aspect which means the objectives achieved i.e. whether the best programme option available have been selected from the standpoint of costs and benefits.

In the discharge of this responsibility, audit has to concern itself with examining meaningfully and in depth of the economic, planning and execution of projects, programmes, etc. assessing results, profitability and production in relation to social and economic goals and analyzing the causes of failure whether of planning or implementation. These aspects once covered in Chapter 8 of Section 3 of MSO (Audit) 2nd Edition under “Efficiency-Cum-Performance or Value for Money Audit” was replaced en-block on introduction of "Performance Auditing Guidelines". ECPA group has been abolished and in its place Special Audit Group (SAG) is working under four (Sr.) Audit Officers to discharge the functions of ECPA, Report (Civil) and PAC under the direct supervision of the Pr. AG (CA), Orissa.

20.02 Relation between INTOSAI, ASOSAI and SAI of India

The International Organisation of Supreme Audit Institutions (INTOSAI) is an autonomous, independent, non-political organization and non- governmental organization with special consultative status with the economic and social council (ECOSOC) of the United Nations Organisation (UNO). The INTOSAI was founded in 1953 at the initiative of Emilio Fernadoz Camus, the then president of the Supreme Audit Institution (SAI) of Cuba to provide an institutionalised frame work for the SAIs:

- to promote development and transfer of knowledge ,
- to improve Government Auditing worldwide , and

- to enhance professional capacity ,understanding and influence of member SAIs in their respective countries.

The SAIs of all countries which are members of UNO or any of its specialised agencies can be full member of the INTOSAI. The SAI of India i.e the CAG is a member of the INTOSAI. At the time of creation 34 SAIs were the members of the INTOSAI. The membership has now increased to 186.

INTOSAI, as per article 7 of its statute will recognise the Regional Working Group (RWG) of its members established for the purpose of promoting the professional and technical cooperation of the member Institution on a regional basis. Request for recognition shall be submitted in writing to the Govenning Board by the Secretary General of the RWG expressing their readiness to cooperate within the frame work of the INTOSAI and in accordance with its statute. The chairman of the RWGs will present at the regular sessions of the congress of the INTOSAI and report on their activities during the three years preceeding of the session of the congress.

Under the above provision of the INTOSAI, the Asian Organisation of Supreme Audit Institutions (ASOSAI) is one of the seven RWGs, which was established in 1979. The memberships of the ASOSAI consist of Charter members, members and Associate member. The ASOSAI has grown from the original membership of eleven SAIs to a membership of 43 SAIs. The CAG of India is also a member and now the Scretary General of the ASOSAI.

The objectives of the ASOSAI are -

- to promote understanding and cooperation among member institution through exchange of ideas and experiences,
- to provide facilities for training and continuing education for government auditors to improve their qualities and performances,
- to serve as a center of information as a regional link with organizations and institutions of other part of the world in the field of public audit and
- to promote close collaboration and brotherhood among auditors in the service of the government of the respective member institution and among RWGs.

As a member of both the INTOSAI and ASOSAI, the CAG of India is trying sincerely to implement the general guidelines of the above two organizations modifying them suitably accoding to the need of IAAD.

(Source: Website of INTOSAI and ASOSAI dated 24 September 2007)

20.03 Auditing Standards in consonance with the best practice standards of INTOSAI and ASOSAI

To cope with the mandate and increasing public expectations from audit, CAG has prescribed the revised Auditing Standards 2002 by suitably adapting the contemporary best practice standards of International Organization of Supreme Audit Institutions (INTOSAI) and Asian Organization of Supreme Audit Institutions (ASOSAI). The provisions of the above guidelines are described in the following paragraphs.

(i) These Auditing Standards prescribe the norms of principles and practices which Auditors are expected to follow in conducting all types of Audits. They provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The Auditing Standards consist of four parts namely

- *Basic postulates*
- *General standards*
- *Field standards*
- *Reporting standard*

(ii) **Basic Postulates:** The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply. These are:

(a) The SAI should comply with the INTOSAI auditing standards in all matters that deemed material. In addition to materiality by value and by nature, a matter may be material because of the context in which it occurs, for example, considering an item relating to:

- The overall view given to the financial information;
- The total of which it forms a part;
- Associated terms;
- The corresponding amount in previous year.

(b) Besides the above, the SAI applies its own judgement to the diverse situations that arise in the course of Government auditing

(c) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating efficiently.

(d) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process.

Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.

(e) Approximate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.

(f) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.

(g) The existence of an adequate system of internal control minimizes the risk of errors and irregularities.

(h) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.

(i) All audit activities should be within SAI's audit mandate.

(j) SAI should work towards improving techniques for auditing the validity of performance measures.

(k) SAI should avoid conflict of interest between the auditor and the entity under audit.

(iii) General Standards in Government Auditing: General auditing standards describe the qualification of the auditor and the auditing institutions so that they may carry out the task related to field and reporting standards in a competent and effective manner.

(a) The standards common to auditors and auditing institutions are :

- The auditors and the audit institutions must be independent.
- The auditor and the audit institutions must possess the required competent.
- The auditor and the audit institutions must exercise due care and concern in complying with these auditing standards. This embraces due care in planning, specifying, gathering and evaluating evidences, and in reporting findings, conclusions and recommendations.

(b) The general auditing standards for the audit institutions are that they should adopt policies and procedures to

- Recruit personnel with suitable qualifications.
- Develop and train employees to enable them to perform their tasks efficiently and to define the basis for the advancement of auditors and other staff.
- Prepare manuals and other written guidance notes and instructions concerning the conduct of audits.
- Support the skills and experience available within the audit institutions, and identify the skills which are absent; provide a good distribution of skills to auditing tasks and assign a sufficient number of persons for the audit; and

have proper planning and supervision to achieve its goals at the required level of due care and concern.

- Review the efficiency and effectiveness of internal standards and procedures.

(c) Standards with ethical significance

Besides the above general standards, the individual auditors, head of the SAI, executive officers and all individuals working for and on behalf of the SAI should have the following ethical standards:

- The SAI has the responsibility to ensure that all its auditors acquaint themselves with the values and principles contained in the conduct Rules for Government servants in India and that they act accordingly.
- The auditors and the SAI should be independent and should avoid conflicts of interest with the audited entity on matters that may impair their independence materially.
- The auditor and the SAI must possess the required competence.
- The auditor must exercise due care and concern in complying with the auditing standards.
- The auditor should at all times maintain absolute integrity and devotion to duty.
- Auditors should not disclose information obtained in the auditing process to third parties, either orally or in writing.

(iv) Field Standards in Government Auditing

The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the audit has to follow. These steps and actions represent the rules of investigation that the auditors, as a seeker of audit evidence, implements to achieve specific result.

The field standards establish the framework for conducting and managing audit work. They are related to general auditing standards which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to the reporting standards which covers the communication aspect of auditing as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

The field standards applicable to all types of audit are:

(a) Planning

The auditor should plane the audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and a timely manner. The planning constitutes the following:

- (1)** The SAI should give priority to any audit tasks which must be undertaken by law and assess priorities for discretionary areas within the SAI's mandate.
- (2)** In planning an audit of specific auditees, the auditor should :

- identify important aspect of the environment in which the audited entity operates;
- develop an understanding of the accountability relationships;
- consider the form, content and users of audit opinions, conclusions or reports;
- specify the audit objectives and the tests necessary to meet them;
- identify key management systems and controls and carry out a preliminary assessment to identify both their strengths and weaknesses;
- determine the materiality of matters to be considered;
- review the internal audit of the audited entity and its work programme;
- assess the extent of reliance that might be placed on other auditors e.g. internal audit.
- determine the most efficient and effective audit approach;
- provide for a review to determine whether appropriate action has been taken on previously reported audit findings and recommendations;
- provide for appropriate documentation of the audit plan and for the proposed field work.

(3) The following planning steps are normally included in an audit:

- Collect information about the audited entity and its organisation in order to assess risk and to determine materiality
- Define the objective and scope of the audit.
- Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.
- Highlight special problems foreseen when planning the audit.
- Prepare a budget and a schedule for the audit.
- Identify staff requirements and a team for the audit.
- Familiarize the audited entity about the scope, objectives and assessment criteria of the audit and discuss with them as necessary.

(4) The SAI may revise the plan during the audit when necessary.

(5) Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from non-compliance with provisions of contracts or grant agreements that have a direct and material effect on the determination of financial statement amounts.

(b) Supervision and Review: The work of 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 documented work. Supervision should be directed both to the substance and to the method of auditing. This supervision does not in any way absolve the lower level of audit staff carrying out field investigation from any negligence in carrying out assigned duties.

(c) Study and evaluation of Internal Control: The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control. This should be carried out in the following manner according to the type of

audit undertaken. The extent to which this will be done depends on the objectives of the audit and the degree of reliance required.

- In the case of regularity (financial), study and evaluation are made mainly on controls that assist in safeguarding assets and resources and assure the accuracy and completeness of accounting records.
- In the case of regularity (compliance) audit, study and evaluation are made mainly on controls that assist management in complying with laws and regulations.
- In the case of performance audit, they are made on controls that assist in conducting the business of the audited entity in an economic, efficient and effective manner, ensuring adherence to management policies and producing timely and reliable financial and management information.

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

(1) In conducting regularity (financial) audits, 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 that could have a direct and material effect on the financial statement or results of regularity audits.
- The auditors should also be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements or results of regularity audits
- The regularity audit is an essential aspect of government auditing. One of the objectives of this audit assigns to the SAI to make sure 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. For achieving this, SAI will examine the accounts and financial statements of the administration with a view to assuring that all operations have been correctly undertaken, completed, passed, paid and registered. The audit procedure normally results, in the absence of irregularity, in the granting of a “discharge”.

(2) In conducting performance audits, an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should design the audit to provide reasonable assurance of detecting illegal acts that could significantly affect audit objectives. The audit should also be alert to situations or transactions that could be indicative of illegal acts that may have an indirect effect on the audit results.

(3) Any indication that an irregularity, illegal act, fraud or error may have occurred which could have a material effect on the audit should cause the auditor to extend procedures to confirm or dispel such suspicions.

(e) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditor's judgement and conclusions regarding the organization, programme, activity or function under audit. The nature and kind of audit evidence should be of the following types:

(1) 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.

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

(3) 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.

(4) Auditors should adequately document the audit evidence in working papers including the basis and extent of the planning, work performed and 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.

(5) The auditor should bear in mind that the context 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 to ascertain from those working papers what work was performed to support the conclusions.

(6) 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; and

- ✓ Provide evidence of work done for future reference.

(7) Analysis of Financial Statements

❖ In regularity (financial) audit, and in other types of audit when applicable, auditors should analyze the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with. Analysis of financial statements should be performed to such a degree that a rational basis is obtained to express an opinion on financial statements.

❖ 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 thoroughly analyze the financial statements and ascertain whether :

- ✓ they are prepared in accordance with acceptable accounting standards;
- ✓ they are presented with due consideration to the circumstances of the audited entity;
- ✓ sufficient disclosures are presented about various elements 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 the SAI is required to report on the execution of budgetary laws, the audit should include

- ✓ For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity.
- ✓ For expenditure accounts, verifying credits to assist budgets, adjustment laws and for carryovers the previous year's financial statements.

❖ Where the SAI is required to report on system of tax administration or systems for realizing non-tax receipts, along with a system study and analysis of realization of revenues / receipts, detection of individual errors in both

assessment and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

(v) Reporting Standards

(a) Government auditors submit different kinds of reports to the Executive and the Legislature. 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 observation. Depending on the veracity and relevance of replies / clarifications received and the materiality of the observations in the Inspection Reports, these are further processed for reporting in the Audit Report submitted by the SAI for being placed in the concerned Legislature.

(b) Besides this basic distinction, there are audit certificates of financial statements or of statements of expenditure, which are issued to the management of company / corporation and departments dealing with them.

(c) The following standards apply equally to all these reports with variation in the scope of these reports.

(1) The report should be in 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.

(2) The auditor should issue the report in a timely manner for use by management, legislature and other interested use.

(3) The audit report may be presented on other media that are retrievable by other users and the audit organization. Retrievable audit reports include those which are in electronic formats and may be released on the Internet.

(4) Report on audit of financial statements should express opinion on the fair presentation of the financial position of the audited entity in the financial statement. Form, content and nature of this report are as follows :

✓ 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.

✓ With regard to Performance or Value for Money Audits, the report should include a description of the scope and coverage of audit, objective of audit, area of audit, main findings in respect of the efficiency, economy and effectiveness (including impact) aspects of the area (subject matter) which was audited and recommendations suggesting improvements that are needed.

✓ 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 i.e. positive or negative obtained from the tests.

✓ The report constitutes the framework for the audit organization and it contains the results of audit of regularity or performance audit or expression of the opinion of the auditor on a set of financial statements or about periodical inspection of the records of an audited entity.

(5) The audit report should be complete containing all pertinent information needed to satisfy the audit objectives and to promote an adequate and correct understanding of the matter reported. It should contain appropriate background information.

(6) True evidence and correct conclusion make a report accurate. The conclusion should flow from the evidence.

(7) The report should include only information, findings and conclusions that are supported by competent and relevant evidence in the auditor's working papers.

(8) Objectivity of a report requires that its presentation should be balanced in content and tone throughout. The audit report should be fair and not be misleading and should place the audit results in proper perspective.

(9) Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical term and unfamiliar abbreviations are used, they should be clearly defined.

(10) Both logical organization of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding.

(11) Appropriate visual aids (such as photographs, charts, graphs and maps etc) should be used to clarify and summarize complex material.

(12) The report should be concise i.e. not longer than necessary to receive greater attention.

(13) It should be constructive incorporating well thought out suggestions for improvements. Due regards should be paid to the requirements of rules and orders, operational constraints and the prevailing milieu.

(14) The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

(15) The report should be timely and made available promptly to be utmost use to all users, particularly to the auditee organizations or Government who have to take requisite action.

20.04 Performance Auditing Guidelines

(i) The comprehensive implementation of the above Auditing Standards in relation to Performance Audit was made in the preparation of the Performance Auditing Guidelines by the CAG in May 2004. The provisions of these guidelines are dealt in the following paragraphs.

(a) The salient features of the Performance Auditing Guidelines issued by the CAG will consist, among others

- of strategic planning in pursuit of strategic goals and objectives;
- of risk-based planning and selection of subjects and attainment of the ultimate objective of value addition to the public sector programmes.

(b) These guidelines inter alia provide for a very high degree of interaction with the auditees which is essential for realization of value addition to the public sector programmes through performance audit.

(c) These guidelines also aim at strengthening the quality assurance systems and procedures considerably.

(ii) Nature of the Guidelines

(a) These guidelines contain a frame-work for the entire process of performance auditing within SAI India. They provide the best practices that the SAI must follow in planning, implementation, reporting, follow-up processes and quality assurance in all performance audit.

(b) They outline consistent principles, objectives, approach, methodology, techniques and procedures.

(c) They are based on the existing guidelines of SAI India, ASOSAI Performance Auditing Guidelines and INTOSAI Exposure Draft Implementation Guidelines for Performance Auditing Standards, besides other SAI's best practices

and have been developed with the objective of ensuring consistency with the international best practices.

[Para 1.1 of Performance Audit (P.A) Guidelines]

(iii) Scope for Individual initiative and professional judgement

(a) While these guidelines are prescriptive in nature, they are not intended to supersede entirely the professional judgement of SAI management, relevant to the individual sectors of entity and within each sector to the individual subjects.

(b) The management within the SAI is expected to apply situation or subject specific adjustments to the provisions set out in these guidelines.

(c) However, Accountants General will be expected to transparently document the rationale of all significant departures from the guidelines and obtain authorization from SAI top management.

(d) These guidelines provide the minimum standards in planning, implementation, reporting, follow-up procedures and quality assurance that must be met in all performance audits undertaken by SAI India.

[Para 1.2 of P.A Guidelines]

(iv) Emphasis on practice and procedures

(a) These guidelines combines the contemporary principles and best practices in the field of performance auditing with the procedures to be followed in the context of the prevailing entity environment in India.

(b) Significant emphasis has been placed on the practical steps and procedures with a view to ensuring compliance to the SAI India and INTOSAI auditing standards and principles and the procedures in the contemporary performance auditing.

(c) These guidelines, thus, attempt to provide a link between the modern best practices in performance auditing in the context of the entity environment in the country and corresponding procedures and practices within SAI India.

[Para 1.4 of P.A Guidelines]

(v) Need for a separate performance auditing guidelines

These guidelines are the culmination of the desire within SAI India to consolidate the standards, principles and practices and codify them for uniform application in all performance audits. These guidelines are complete in all respect containing the detailed

techniques in the following matters, so the need is felt to follow these guidelines. The following Appendices are enclosed at the end of the Performance Auditing Guidelines

- (a) Appendix A - Potential impacts of the performance audits.
- (b) Appendix B - Performance auditing in IT environment.
- (c) Appendix C - Important issues in performance audit of public sectors.
- (d) Appendix D - Evidence gathering techniques.
- (e) Appendix E - Evidence analysis techniques.
- (f) Appendix F - Glossary of the terms used in performance audit

[Para 1.5 of P.A Guidelines]

(vi) Historical perspective of performance auditing in SAI India

SAI India has been carrying out performance audits over 40 years on a variety of subjects across all sectors of Public Sector programmes in Central and State Governments.

These guidelines do not intend to introduce any new practice within the SAI India, but are intended to consolidate the various instructions and guidelines in a single volume in a structured form. In this process, effort has been made to align the performance auditing by SAI India with the INTOSAI and ASOSAI guidelines issued recently and with the SAI's best practices globally.

[Para 1.6 of P.A Guidelines]

(vii) Performance Auditing: definition

(a) SAI India performs its audit functions in harmony with Audit Standards, 2002 which are consistent with the INTOSAI auditing standards. According to this, "Audit" includes *financial audit, regularity audit and performance audit*. In pursuance of the Constitutional responsibility, the SAI India is empowered to decide the nature, scope, extent and quantum of audit to be conducted by it or on its behalf.

(b) INTOSAI Auditing Standards defines the performance audit as under:

"Performance audit is concerned with the audit of economy, efficiency and effectiveness and embraces:

- ✓ audit of economy of administrative activities in accordance with sound administrative principles and practices and management policies;
- ✓ audit of the efficiency of utilization of human, financial and other resources including examination of information systems, performance measures and monitoring arrangements and procedures followed by audited entities for remedying identified deficiencies; and

- ✓ audit of effectiveness of performance in relation to achievement of the objective of the audit and audit of actual impact of the activities compared with the intended impacts.

[Para 1.8 of P.A Guidelines]

(c) Performance auditing is an independent assessment or examination of the extent to which an entity, programme or organization operates efficiently and effectively with due regards to economy.

[Para 1.9 of P.A Guidelines]

(d) In practices, there can be an overlap between regularity and performance auditing and in such cases; classification of a particular audit will depend on the primary purpose of that audit. Regularity audit embraces attestation of financial accountability involving expression of opinion on financial statements, audit of financial systems and transactions, including an evaluation of compliance with applicable statute and regulations, audit of internal control and internal audit functions and audit of probity and propriety of administrative decisions taken within the audited entity.

[Para 1.10 of P.A Guidelines]

(viii) Objectives of performance audit

(a) Performance auditing has the objective of improving public sector administration and accountability by adding value through an effective programme of performance audit. One of the main objectives of performance auditing is to assist the people's representatives in exercising effective legislative control and oversight over the policy objectives and their implementations.

(b) Thus, the performance audit may examine and report on:

- (1) the quality of information and advice available to government for the formulation of policy;
- (2) the existence and effectiveness of administrative machinery to inform the government whether programme objectives and targets have been determined with a view to fulfilling policy objectives;
- (3) whether and to what extent, stated programme objectives have been met;
- (4) the economy, efficiency, effectiveness, equity and ethics of the means used to implement a programme / activity;
- (5) the intended and unintended, direct and indirect other impacts of programmes/activities; for example, the environmental impact of government policy, etc; and

(6) compliance to applicable laws and regulations in the context of the performance audit objectives.

(c) Performance audits should not confine the objectives to ‘*what has been done*’ but should also examine ‘*what has not been done*’ to meet the policy objectives.

[Para 1.30 of P.A Guidelines]

(ix) Nature of performance audit

(a) Given the size, complexity and diversity of entity operations, it is generally not practicable to attempt assessment of overall performance of departments or entities.

(b) Consequently, performance audits are usually directed towards specific functions, activities, programmes or operation of the entity.

(c) Performance audit findings are not a random assortment of various financial and regularity audit but an assessment of either the whole or the part of the programme / subject / function / system.

[Para 1.32 of P.A Guidelines]

(x) Performance audit and programme evaluation

(a) Performance auditing shares similar approaches and methodologies with programme evaluation but does not generally extends to assessing policy effectiveness or policy alternatives. There are elements of programmes evaluation that may be executed within the scope of effectiveness audit. Apart from examining the impact of output, an evaluation could include issues such as whether entity planning reflected the programme objectives and whether the objectives were consistent with policy. While performance auditing does address many issues, which are dealt with in an evaluation, it ought to stop short of questioning the policy or embarking on suggesting policy alternatives.

(b) According to INTOSAI’s working group on programme evaluation, auditing and evaluation by SAIs may be divided into the following seven categories:

1. <i>Regularity audit</i>	: Are regulations complied with?
2. <i>Economy audit:</i>	: Do the means chosen represent the most economical use of public funds for the given performance?
3. <i>Efficiency audit:</i>	: Are the results obtained commensurate with the resources employed?
4. <i>Effectiveness audit</i>	: Are the results consistent with the objectives of the policy?

5. <i>Evaluation of the consistency of the programme with the policy</i>	: Are the means employed for policy implementations consistent with the set objectives?
6. <i>Evaluation of the impact of the policy</i>	: What is the economic and social impact of the policy?
7. <i>Evaluation of the effectiveness of the policy and analysis of the causality</i>	: Are the observed results due to the policy, or are there other causes?

The last one is more difficult to assess and the performance auditors should tread on this subject only if they are able to obtain irrefutable evidence in support of their conclusion.

(c) Common types of programme evaluation

The common types of programme evaluation techniques used in performance auditing are:

- **Process evaluation:** assesses the extent to which a programme is operating as intended. Typically, it is concerned with the programme activities conformance to statutory and regulatory requirements, programme design and professional standards or expectation.
- **Outcome evaluation:** assesses the extent to which a programme achieves its outcome oriented objectives. It focuses on outputs and outcomes (including unintended effects) in order to judge programme effectiveness, but it may also assess programme processes in order to understand how outcomes are produced.
- **Impact evaluation:** assesses the net effect of a programme by comparing programme outcomes with an estimate of what would have happened in the absence of the programme. This form of evaluation is employed when external factors are known to influence the programme's outcomes, in order to isolate the programme's contribution to the achievement of its objective.
- **Cost-benefits and cost-effectiveness evaluation** are analysis that compare a programme's outputs or outcomes with the costs (resources expended) to produce them. Cost-effectiveness analysis assesses the cost of meeting a single goal or objective and can be used to identify the least costly alternative to meet that goal. Cost-benefit analysis aims at identifying and analyzing all relevant costs and benefits.

According to INTOSAI working group, programme evaluation is defined as one of many possible 'tools' that performance auditing uses. It is an activity of increasing interest and importance which requires special skills and competence in this area of auditing.

[Para 1.34 & 1.35 of P.A Guidelines]

(xi) Expected outcome of performance audits

- (a) Performance audits have dual role
 - They provide entities and stake holders with information and assurance about the quality of management of public resources.

- They also assist public sector managers by identifying and promoting better management policies.
- (b) Performance auditing may, therefore, lead to better accountability, improved economy and efficiency in acquisition of resources, improved effectiveness in achieving public sector programme objectives, a higher quality in public sector service delivery and improved management planning and control. Thus performance audits promote accountability, insights and transparency in governance and deliver credible, objective and reliable information on implementation of policy objectives and contribute to good governance.
- (c) It is an important responsibility of the SAI management to ensure that through each performance audit one or more of the above objectives are met.
- (d) The extent of positive impact on the policies and programmes through performance audit is the most important measure of its quality.
- (e) Performance auditing is a means to an end and not an end by itself
 - It should be aimed at adding value to management by way of reliable objective and independent information, highlighting the shortcomings in programme planning, implementation, information systems affecting the outputs and outcomes specifically and quality of expenditure or management generally.
 - In addition, performance audit reports provide valuable information and independent assessment on programme management and the extent of fulfillment of the policy objectives to the stakeholders (Parliament and State Legislature).
 - Thus, good quality performance audit contributes to good governance. For this reason, all performance audits should be planned and performed keeping in view the expected outcome.
 - It is a good practice of SAI management to evaluate the real impact on entity policies and programmes attributed to performance audits. Examples of potential impacts of performance audits are contained in Appendix A of the guidelines.

[Para 1.36 to 1.38 of P.A Guidelines]

(xii) Professional behaviour of a Performance Auditor

The performance auditor should comply with ethical principles and code of conduct governing the auditor's professional behaviour and responsibility, which include:

- ❖ Integrity;
- ❖ Objectivity and fairness;
- ❖ Confidentiality and
- ❖ Technical standards.

Professional judgement remains the most important ingredient in performance audit work.

[Para 1.43 of P.A Guidelines]

(xiii) Performance Audit Process

Performance Auditing is conducted in the following stages:

- (a) Strategic planning and selection of subjects (Chapter 2)
- (b) Performance audit implementation plan (Chapter 3)
- (c) Implementing the performance audit plan (Chapter 4)
- (d) Evidence and documentation (Chapter 5)
- (e) Reporting process (Chapter 6)
- (f) Supervision, review and quality control (Chapter 7)
- (g) Follow-up procedures (Chapter 8)
- (h) Quality assurance on performance audit (Chapter 9)
- (i) Critical issues on performance audit (Chapter 10)

[Para 1.50 to 1.55 of P.A Guidelines]

(xiv) Strategic planning and selection of subject

(a) **Definition of strategic planning:** In the context of performance audit conducted by SAI / its field offices 'Strategic Planning' is the process of determining the long-term goals of the institution and the best approach for attaining them. It consists of:-

- Strategic goals (mission statement);
- Strategic objectives (more specific and detailed statements); and
- Strategic measures to attain them.

[Para 2.1 of P.A Guidelines]

(b) While no uniform time frame for the strategic planning of performance audit can be determined since there could be variation in the requirement for different audit offices in charge of various types' entity audits, a reference frame of five years, time span may be considered for performance audit strategic planning. However, this may be reviewed every year at the time of preparation of the annual operational plans as a roll over exercise. The annual operational plan will be based on the strategic plan and would depict various stages of all performance audits under the captions of brought forward, to be taken up, to be completed and carried forward in a **Programme Evaluation and Review Technique** (PERT) charts for each performance audit, broken into each stage of performance audit process. This provides an opportunity to the Audit office to review the strategic plan annually, apply adjustments in the light of new developments and gather inputs for the next strategic plan.

[Para 2.2 of P.A Guidelines]

(c) **Objective of strategic planning:** A well-structured strategic planning process, based on a sound rationale, is necessary to ensure that the resources of the SAI are used in the most efficient and effective manner. The objectives of strategic audit planning are to:-

- (1) provide a firm basis for the SAI management to give strategic direction for future audit coverage;
- (2) identify and select auditee with the potential to improve public sector accountability and administration;
- (3) provide a platform for communication with agencies and the legislature on SAI audit strategies;
- (4) produce a work programme that can be achieved with expected / available resources;
- (5) understand entity risks and take them into account in audit selection; and
- (6) provide a basis for SAI accountability.

[Para 2.4 of P.A Guidelines]

(d) **Procedure for strategic planning:**

- (1) All field offices may carry out in-depth exercise for performance audit strategic planning.
- (2) After setting the strategic goals and objectives, the physical and financial outlays and targets of the entity contained in budget papers, programme papers, annual reports, parliamentary debates and reports, media concerns, research and reports of international agencies, follow-up and leads from the past audit etc. should be analysed on the parameters of risk, materiality significance, visibility, coverage, etc. to select subjects for performance audits to be carried out over the strategic plan period.
- (3) SAI top management may conduct brain storming meetings with Accountant General from time to time in respect of audit strategy and annual operational plan and risk assessment to select the subject which addresses the SAI's concern for high risk programmes and activities.

[Para 2.5 of P.A Guidelines]

- (4) Performance audit of whole or part of programme may be taken up basing on the materiality and risk profile. This enables the Audit office to increase the coverage to a large number of relatively more important and contemporary issues which may be expected to enhance

the perceived and actual value addition through performance audits. One of the options could be to conduct performance audits of various components of a large programme or entity in the form of a series, covering a few aspects every year.

➤ Where desirable, the subjects of performance audit may be selected cutting across various departments or entities. This will provide a platform for *performance audit on a theme or thrust area over a cross-section of entities*, which are entrusted with the responsibility for the programme, activity, etc.

➤ If necessary, scope of audit may be extended to other agencies / departments to assess the effectiveness / impact of a programme, irrespective of the fact that they may be in different sectors having different status.

➤ For identifying and conducting such audit appropriate institutionalized co-ordination among various wings within the SAI and within the offices of Accountants General should be established.

[Para 2.6 & 2.7 of P.A Guidelines]

- (5) Subjects relating to governance or good governance and people-centric subjects having no budgets or insignificant budget, materiality with reference to expenditure, receipts or assets and liabilities may be selected for performance audit. In such case, the materiality could be determined with reference to the size of the population that is affected and the risk may be assessed with reference to consequence of deficient performance or non-existent intervention by the entity, expected to address such issues, some examples of such subjects are system of ensuring quality control and assurance of quality of drugs, prevention of adulteration of food and beverages, quality of information, communication and delivery of social service benefits etc.

[Para 2.8 of P.A Guidelines]

- (6) *Concurrent audits and Major Policy Shift issues:* While performance audit is mainly a posteriori exercise, it can be taken up concurrently or at the initial stage of the implementation of the programme where the apprehension of the risk and materiality considered significant. Accountant General will be expected to be aware of the issues where concurrent performance audit or audit at the initial stages of the programme may be desirable. The strategic plan should contain a list of recently introduced programmes and selection of subjects for audit

in their initial stage. Concurrent audit of long term on-going schemes should be undertaken at appropriate intervals.

- (7) Examples of subjects of concurrent performance audit could be 'retention price scheme for fertilisers', 'issue of PAN card by Income Tax Department', 'computerisation of post office' etc.
- (8) The programmes on 'construction of rural roads', 'safeguards in devolution of resources to Panchayat Raj Institutions and Urban Local Bodies', 'hedging procedures for external borrowings', etc. are examples where performance audits can be undertaken at the initial stage to provide assurance on the soundness of the design of the programme and to give recommendations.
- (9) For prevention of underperformance, such audits demonstrate ability of the SAI to assess the performance and suggest improvements at the initial stage.
- (10) *Major Policy Shift issues:* Where there are major shifts in the policies and programmes of the entity, critical subjects affected by the changes should be selected for performance audit. Some examples of such subjects are liberalisation of economy, privatisation, sale of assets, private finance initiative, Public-private sector partnership, introduction of structural changes, major changes in industrial or export-import policy, etc.
- (11) This will demonstrate the cerebral competence of the SAI if the shift in the policy is critically analysed and risk to programmes, performance and public interest can be forecast.

[Para 2.9 & 2.10 of P.A Guidelines]

- (12) Working papers for strategic plan : The strategic plan should be supported by working papers that include:-
 - a description of the entity and its environment;
 - an assessment of the risks to good performance of the entity's programmes and activities;
 - a summary of the long-term strategic view of the SAI performance audit directions in each entity;
 - recent SAI audit, recent and proposed inquiries by the legislature and entity evaluations and internal audits;
 - a list of potential areas for performance audits; and

- a list of audits proposed for the strategic plan period with the basis for their selection.

[Para 2.13 of P.A Guidelines]

(e) *Inventory and sources of data / information for strategic planning:*

While there can be variety of inputs for strategic planning for performance audits depending the entity functions and operations, some of them are listed below:

- (1) *Documents of the entity:* documents on administration and functions of the entity, policy files, annual reports, budget and annual plan documents including the files on them, accounts including vouchers level computerization (VLC) data, minutes of internal meetings, operating manuals / guidelines, management information systems, programme evaluations and internal audit reports etc.
- (2) *Parliamentary interest :* legislation, parliamentary questions and debates; reports of Public Accounts Committee, Committee on Public Undertakings, Estimate Committee and Departmentally Related Committees and letters from members of Parliament etc.
- (3) *Academic / Special research:* Planning Commission information, independent evaluations on the entity, academic research and similar work done by other government and other SAIs, etc.
- (4) *Past audit reports :* Past financial and performance audits on the entity provide a major source of information and understanding, follow-up requirements, perceived non-compliance to recommendations and increased risk and materiality, etc. may provide significant inputs.
- (5) *Media coverage:* Both print and electronic media – their systematic documentation on regular basis in a transparent manner.
- (6) *Websites.*
- (7) *Special focus groups :* Audit Advisory Committee concerns, issue emerging from national or international workshops / seminars, annual and special reports of World Bank, IMF, UN agencies, Reserve Bank of India, reports by special interest groups, NGOs, etc. and
- (8) *Entity interests and specific requests:* Through formal and informal communication by the entity.

Accountant General should maintain a directory of sources of data on the entity and their programmes.

(f) Factors guiding the selection of subjects:

(1) *Risk is guiding factor for the selection of subject for Performance Auditing:* Risk is the exposure to the chances of failure or loss. The risk is related to the probability that an event or action will adversely affect the entity. It is important to identify and analyze the risks associated with the entities under audit jurisdiction. In the context of Performance Audit, it is the risk to delivery of an activity / scheme / programme of the entity with economy, efficiency and effectiveness. Since all activities of the entities cannot be audited for resource constraints, awareness of entities / area that puts the programme or public resources at risk from the point of view of economy, efficiency and effectiveness helps focus audit attention on them. The following questions are to be solved in analyzing risks:

- What can go wrong?
- What is the probability of it going wrong?
- What are the consequences?

The audit perception of risk to value for money is one of the criteria in selecting an entity or programme for audit and after that, for focusing attention on specific areas within the entity or programme.

[Para 2.15 & 2.16 of P.A Guidelines]

(2) Once the subject is chosen, further risk assessment of audit areas / issues within the topic helps focus on key issues in the individual audit. Some considerations are:

- Financial materiality of a topic is the amount of expenditure / revenue, assets / liabilities involved in the entity / activity under review;
- Significance of a topic is its importance in the context of the organization, programme or subject. A topic will have a high significance if the project or activity it addresses is central to the functioning of the entity.
- Visibility of a subject is an assessment of the interest it generates in the general public and of the legislature. Legislative debates, media reports / articles and subjects of workshop and seminars serve an index of visibility.

- Past performance audits as well as regularity audit by the SAI provide a significant index for materiality and risk of the subjects.
- Estimated impact of the performance audit (improved economy, efficiency, effectiveness) is a criterion. This can be assessed through an understanding of the entity's risk profile and the areas proposed to be addressed by the public.
- Coverage of the activity by SAI previously, independent reviews by internal audit, external consultant or Government Committees is also a criterion.
 - Risk is low where substantial review of the activity was made within the past two years.
 - Risk will be high where the audit has been requested by the legislature or the Government and the previous audit indicated that such a follow-up should occur;
- and the stage of the programme development should also be kept in mind when assessing management performance.

[Para 2.18 of P.A Guidelines]

- (3) Periodical updating of the data / information and risk profile of the entity / programme gathered for strategic planning for performance audit should be updated depending upon the changes in the entity environment.

[Para 2.19 of P.A Guidelines]

- (4) For identifying risk, risk analysis of the entity may be conducted in the following steps:
- ❖ *Internal risk:* Some entities / activities are inherently more risky than other. Example are : introduction of a new activity or technology, complex law and regulations, occurrence of unusual events, frequent changes in the scope of the activity, multiplicity of interested parties, a controversial social and political debate surrounding the issue, etc. Information regarding this risk would be available in the legislation, Parliamentary question, legislative speeches, entity's plans, annual reports, budget, policy files, board minutes, organizational charts, internal guidelines, operating manuals, programme evaluation, internal

audit reports, management information systems, recent audit reports, review, media reports, etc.

❖ *Control environment risks :*

- Information for identifying such risks associated with the control environment of the entity can be available from the sources mentioned above.
- The assessment of control environment can be best made during financial audit of the entity.
- The programmes with multiple levels of execution, reporting and accountability relationships may be assessed from the point of view of possible weakness in control environment risk.

❖ *Risk associated with the stage of development :*

- In the development stage of entity's programme it may be examined whether the management has set measurable, operational objectives which clearly identify how the programme will contribute to the organization's objectives.
- During programme implementation, it may be seen whether appropriate performance measures are maintained and analyzed to assess performance and whether there is a clear identification of roles and responsibilities for each level of programme.
- If the programme is implemented for some time it will be important to assess whether a formal evaluation has been undertaken to ascertain if the programme is continuing to meet relevant needs and also the extent to which these needs still exists or are being met by other programmes.

❖ *Risk assessment as per programme analysis :*

- Programme risk analysis can act as a thinking aid while identifying risk to value for money in an entity/programme.
- This analysis over various stages of the programme, inputs, processes, etc. can provide a good structure for identifying risk.

[Para 2.20 of P.A Guidelines]

- (5) Materiality of the risk:
- ❖ After identification of the risk factors that operate in the entity/programme, it is important to assess their materiality judged on the intensity of risks and their possible impact.
 - ❖ The intensity of risk can be high, medium and low.
 - ❖ The effect of these risks on performance also needs to be assessed.
 - ❖ The existence, intensity and impact of the risks would need to be considered in tandem while prioritizing audit focus.

[Para 2.21 of P.A Guidelines]

- (6) Other factors guiding the selection and prioritisation of the subjects
Assessing risk to achieving value for money forms a key input for selection of topics for performance audit. However, other factors helping this are: overall estimated audit impact, financial materiality, significance, visibility, previous audit coverage and auditability of the subject to prioritize topics for performance audit.
- (7) Prioritisation of the selected subjects
- ❖ The strategic planning for performance audit may yield large number of subjects in various sectors for performance audit.
 - ❖ Their prioritisation and planning over the strategic plan period will be necessary in the light of risk and materiality and available SAI resources.
 - ❖ Rule for prioritisation is to be guided by the materiality multiplied by risk parameters.

For this purpose, a programme model identifying the programmes, projects and activities undertaken by an entity along with other factors such as programme activities, expected outputs, outcomes and performance indicators may be prepared and factors of risk and materiality may be assigned to them.

In case of resources constraint, (Pr) Accountant General may examine the possibility of outsourcing works in part of full other than the core audit functions relating to the performance audit of subject, high in priority and whose postponement may be associated with risk with the approval of SAI top management in accordance with the extract policy within the SAI.

[Para 2.23 of P.A Guidelines]

(g) ***Performance audit of subjects relating to sustainable development and environment management:***

- (1) The audit techniques in these cases are generally similar to those applied to other sectors.
- (2) However, the audit objectives and approach in such cases may vary significantly.
- (3) These audits may be dealt with at the following three levels:
 - The first, relates to the programmes and activities in the context of explicit commitments consequent upon international treaties on environment / sustainable developments.
 - The second relates to other national environmental management programmes in case of performance audit of all development projects.
 - The third requires, in case of performance audit of all development projects, to address the environmental impact and its management as distinct theme, apart from addressing other audit objectives relating to economy, efficiency and effectiveness.

In the first and second level, performance audit may be carried out as distinct themes.

- (4) The audit objectives and scope of audits may be defined to include whether environmental concern were adequately acknowledged while formulating programme.

It may also be ensured that sufficient and timely steps were taken to address the environment issues economically, efficiently and effectively, particularly those which were incorporated while obtaining environment clearance of the project.

[Para 2.25 of P.A Guidelines]

(h) ***Approval of the strategic plan by SAI top management:*** The strategic plan for performance audit in pursuance of the strategic goals and objectives prepared by the (Pr) Accountant General will be approved by SAI top management. This plan document forwarded to the SAI Headquarters should be self-contained and should consist of the following sections:

- (1) Strategic goals and strategic objectives set to be achieved during the perspective plan period
- (2) Risk assessment of all programmes or activities of the entity's operation.
- (3) Executive summary containing a gist of the strategic plan including categorization of the types of subjects selected viz. financial, non-

financial, public interest and government related subjects, recent policy shift issues, concurrent and prescience subjects, etc.

- (4) List of subjects suggested for selection of performance audits along with a calendar from planning to final printed report viz. understanding the entity and collection of documents/information, preparation of implementation guidelines for individual performance audits, preliminary survey, detailed audit plan and audit programme, finalization of report, dates of receipts of draft reports at the SAI Headquarters, expected date of submission for final approval of the report by the CAG and printing and presentation to Parliament/legislature, etc.
- (5) Detailed background note for selection of the subjects and prioritization to each subject.
- (6) Tentative planning of resource and time.
- (7) Tentative assessment of the required skill, in-house availability of technical skills and expertise.
- (8) Comprehensive list of subjects reckoned for selection.
- (9) A directory of data and information.
- (10) Assurance memo on strategic planning in the prescribed format.

[Para 2.26 of P.A Guidelines]

(i) Time for completion of a performance audit

- (1) As a rule all performance audits – from the stage of planning and implementation to the presentation of the report - should be completed within a maximum of 12 months unless specifically authorized in view of the nature of subjects or nature of entity environment.

[Para 2.27 of P.A Guidelines]

- (2) The performance audit cycle will consist of the financial year – from April to March of the next year which will from the basis of the annual operational plan. However, the time schedule for completion of all stages may spread over more than the financial year.

[Para 2.28 of P.A Guidelines]

- (j) Presentation of Report to the Legislature:** Each performance audit report will, hereafter, be presented to the Parliament/State legislature in a stand-alone

volume throughout the year as per the predetermined schedule included in the strategic plan document and not in an open ended manner.

[Para 2.29 of P.A Guidelines]

(k) Entity Co-operation: As entity co-operation and involvement with the process and output and outcome of the performance audits add value to it, it is good practice to invite and take into account the suggestions by the entity about the subject. Therefore, suggestions from the Secretary of the Department and other concerned department or agency is welcome.

[Para 2.30 of P.A Guidelines]

(l) Preparation of annual operational plan: An annual operational plan for performance audit covering the period from April to March of the next year may be prepared from the approved strategic planning.

[Para 2.35 of P.A Guidelines]

(xv) Performance Audit Implementation Plan

The procedures to be observed in planning the performance audit are described below. Planning consist of developing a general strategy and a detailed approach for the expected nature, timely and extent of audit. Audit planning should lead to the development of a detailed audit programme that identifies the specific audit task to be undertaken.

[Para 3.1 of P.A Guidelines]

(a) Planning steps: General operational planning of the individual performance audits is the most critical process for securing a high standard of audit. About 20-25 per cent of the total time provided for performance audit should be spent on this. Different steps involved in it are:

- (1)** Sufficient time should be allowed for collection of data and preparation of detailed guidelines for the performance audit of the selected subjects. The guidelines will contain audit criteria, selection of types of evidence to be collected and evidence gathering techniques, time frame for various stages of performance audit, sampling of units and sampling of transactions/vouchers/data for audit tests, etc.
- (2)** Collection of and research on data and information relating to subject, scope of audit, preliminary survey and pilot study, setting the audit objectives and criteria, assessment of skill and knowledge required for the conduct of the performance audit and those available internally, defining the gaps in the requirement and its availability in-house, plan

for bridging the gap through expert advice or appointment of a fulltime consultant for the duration of audit, assignment of the personnel and other resources and finalizing the guidelines along with the audit programme, etc. are the critical aspects in planning.

- (3) In addition to above, the following may also be considered.
- determining the suitability of audit criteria;
 - determining an efficient and effective approach to conduct the audit;
 - relevant accountability relationship;
 - remaining mindful of the users of audit reports;
 - reviewing the entity's internal audit system; and
 - Documenting the audit plan in the form of guidelines.

[Para 3.2 to 3.4 of P.A Guidelines]

(b) Understanding the programme, the entity and the environment

- (1) *Planning and steps involved* : According to Para 4.1 and 4.3 of Chapter III of Auditing Standards of SAI India, “The auditor should plan the audit in 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”

The planning steps are:

- Collect information about the audited entity and its organization in order to assess risk and to determine materiality;
- Define objective and scope of audit;
- Undertake preliminary analysis to determine the approach to be adopted and the extent of enquiries to be made later;
- Highlight special problem foreseen when planning the audit;
- Prepare staff assignment and a schedule for audit;
- Identify staff requirements and a team for the audit; and
- Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

[Para 3.5 & 3.6 of P.A Guidelines]

- (2) *Understanding the subject*: Sound understanding of the subject of audit will help in identifying the key audit issue. This can be best understood from the following documents and information.

- Plan, budget documents, vision/mission statements and strategic plan of the entity;
- Enabling legislation;
- Entity organization chart, programme execution, format and accountability relationships;
- Annual reports, performance budget and accounts, etc;
- Programme documents – containing parameters of the programme – EFC/ PIB notes and minutes and note for cabinet documents, etc.

- Administrative and technical inspection reports within the entity, proceedings of the monitoring meeting, internal audit reports;
- Programme guidelines issued by the entity, administrative and implementation instructions, information feedback/monitoring reports and action thereon and minutes of the meetings on relevant subjects, etc;
- Evaluation reports and surveys sponsored by the entity, independent evaluation and surveys, publications/reports by the UN agencies, World Bank on the subjects;
- Parliamentary / legislative debates and reports;
- Media reports and articles; and
- Past audits: financial/regularity and performance audits follow-up on previous audits, etc.

To make an assessment of a programme a clear understanding of the entire range of the subject of the performance audit consisting of the objectives, inputs, process, information systems and their integrity, expected outputs, criteria, if any determined by the entity and expected outcomes. In other words the audit team should acquire broadly the collective knowledge and understanding of all persons connected with the programme.

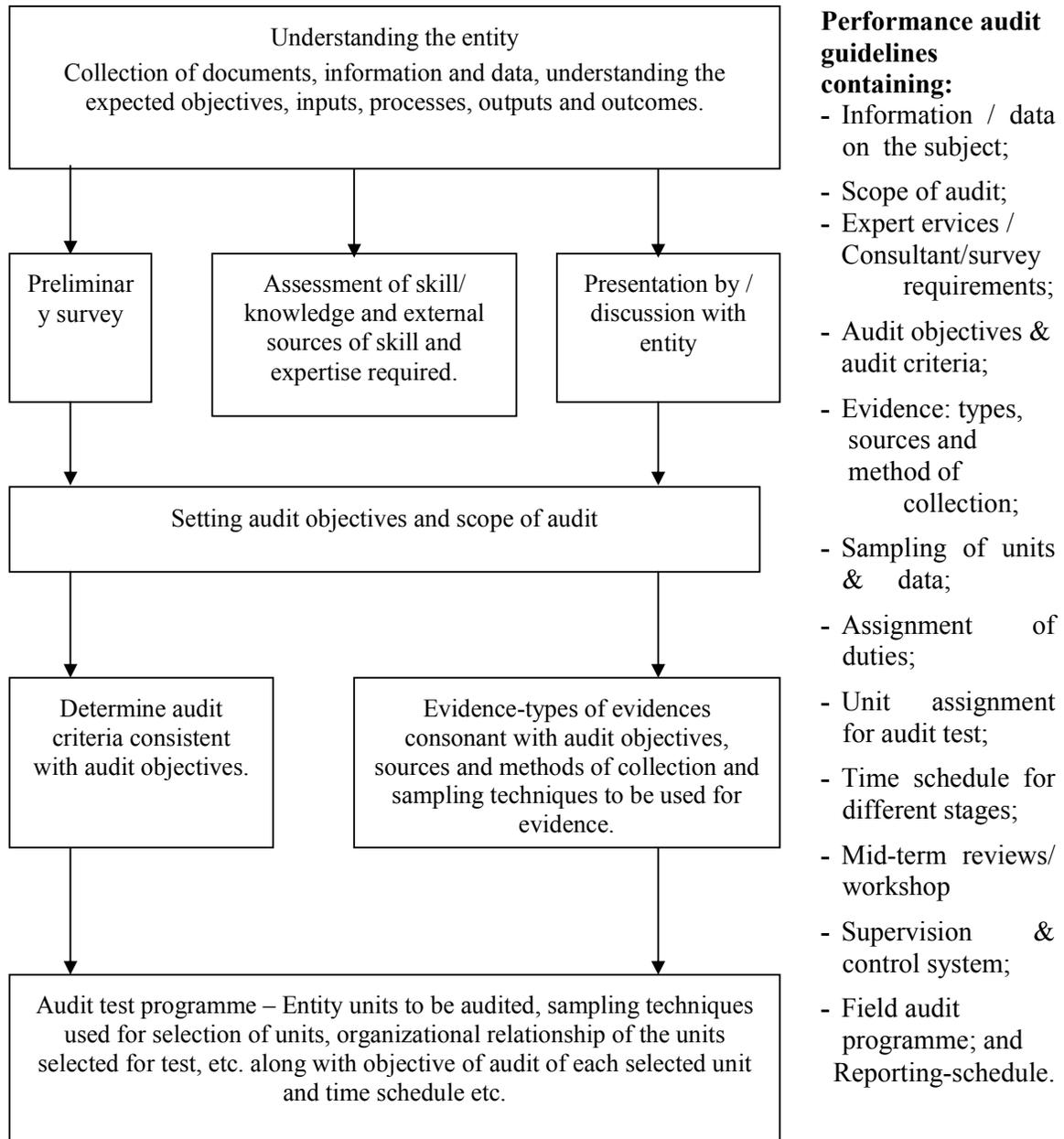
(3) *Understanding the entity environment:* Audit team should clearly understand the entity environment, legislation, regulations and rules applicable to the entity, structure of the organization and deliveration of duties and responsibilities within it, work and information flow, internal control system and accountability relationship, etc.

(4) *Presentation by/discussion with entity for entity co-operation:* The (Pr) Accountant General informs the entity of the intent of conducting the performance audit for a discussion or presentation for explaining the different aspects of the programme/subject to facilitate better understanding of the programme / subject.

This will elicit entity co-operation for thorough understanding of the subject, co-operation in facilitating audit by way of un-hindered access to documents and information, entity response, confirmation of the facts and figures and finally acceptance and implementation of the recommendations.

The attempts made to elicit entity co-operation and response should be indicated in the performance audit process documentation.

(5) Performance audit planning can be expressed diagrammatically as follows:



[Para 3.11]

(c) **Risk Analysis:** A risk analysis should be carried out with reference to various parameters of the entity, programme or the subject after a careful study of all relevant documents mentioned above. A good risk perception will facilitate

- determining the audit thrust areas, audit objectives and setting the most appropriate audit criteria
- assist in selection of appropriate sampling techniques for the units to be audited and for selection of vouchers/information/data.

The risk factors can be attributed to the different forms of inputs, processes, information systems, accountability relationships, outputs and outcomes on the basis of the perceived weakness in the design parameters, organization structure, information system, transparency, criteria or means adopted for monitoring and review, etc.

(d) Setting the audit objectives

- (1) The most important stage in the performance audit process is defining the audit objectives.
- (2) Audit objectives, in effect, connect to the very reasons for conducting the audit and should be established early in identifying the matters to be audited and reported.
- (3) Audit objectives are usually expressed in terms of questions about the performance i.e., achievement of economy, efficiency and effectiveness of an entity / programme / activity under audit.
- (4) The audit objectives define the nature of the audit, govern its conduct. The performance auditor reaches conclusions in the context of audit objectives.
- (5) Being very important, audit objectives and sub objectives should be defined without ambiguity, in a precise and objective manner.
- (6) These objectives and sub objectives should be stated in complete statement form with reference to the policy and programme objectives or universally accepted best practices, viz. "Performance audit of (subject) was conducted with a view to assessing whether.....(audit objectives and sub objectives with reference to the programme / entity objectives, further developed in the context of parameters of economy, efficiency and effectiveness of the inputs, process, outputs and outcomes) have been achieved."
- (7) Rather than defining the audit objectives in one running sentences, these should be split into several themes and sub-themes consisted with the objectives of the entity / programme and all considerations connected with economy, efficiency and effectiveness of the programme.
- (8) The audit approach, criteria, test programme, evidence gathering and evidence analysis leading to audit assessment/conclusions and

recommendations will follow logically the audit objectives established by the performance auditors.

(9) Setting audit objectives early in the performance audit process ensures good quality performance audits by the SAI and, therefore, is one of the most important quality assurance measures.

(10) Audit objectives to address the performance audit concerns: While setting the audit objectives and sub-objectives, it will be necessary to indicate in the implementation guidelines the performance audit issues of economy, efficiency and effectiveness that the audit objectives and sub-objectives address, either individually or jointly.

(11) At the same time the issues of *equity and ethics* are to be addressed in so far as they affect economy, efficiency and effectiveness. Thus ultimately, objectives and sub-objectives in relation to the equity and ethics principles should be correlated to the three main concerns of economy, efficiency and effectiveness.

(12) Where required, adequate explanation of how these issues are addressed in the audit objectives and sub-objectives should be appropriately explained to facilitate quality audit by the audit team.

[Para 3.12 to 3.16 of P.A Guidelines]

(e) *Expected value addition to the entity / programme*

(1) Though not easy, (Pr) Accountant General will have a desire to determine the expected impact on entity performance as a result of performance audit.

(2) Early detection of this will facilitate setting of appropriate audit objectives and maintaining the quality of performance audit.

(3) Some of the impacts may be clear or even realized if the entity co-operation is of the desired standard.

(4) Anticipating the expected value (impact) due to performance audits before initiating them will enable the (Pr) Accountant General to assess the quality of audit planning and goal/objective oriented selection of the subjects.

(5) (Pr) Accountant General is to carry out an annual assessment of the impact of the performance audit and report them to the SAI top management.

Annual impact assessment exercise will also afford an opportunity to review the degree of precision in determining the expected impact at the time of initiating the performance audit.

(f) *Determining the thrust areas for the performance audit*

(1) A comprehensive knowledge of the subject of performance audit and risk analysis will enable the performances to determine the audit thrust areas and audit approach.

(2) The thrust areas may be determined on the basis of risk assessment, materiality and audit objectives.

(3) Identification of audit thrust areas will also assist in ensuring that audit resource is optimally utilized by retaining the focus throughout the audit.

[Para 3.17 of P.A Guidelines]

(g) Assignment, external assistance / outsourcing

(1) Another important stage for the audit management is the selection of team members and assignment of other resource. The (Pr) Accountant General will have to match the skills, knowledge and aptitude required for the subject of performance audit with the trained and skilled staff available with them. Then he will select the senior Audit Officer/Audit Officer as team leader and other team members along with the group Reviewing Officer for each selected subject.

(2) If during the above assessment of trained and skilled staff for the subjects of performance audit the (Pr) Accountant General feels any gap within his staff (in-house), he may consider the need and the scope of procuring the expert advice and outsourcing in the light of the established policy and procedures within the SAI and orders of the competent authority may be obtained.

[Para 3.19 & 3.20 of P.A Guidelines]

(h) Scope of Performance Audit

The scope is the boundary of audit. Scope narrows down the audit to significant issues that relate to audit objectives. It determines the extent of examination of the identified key areas.

Audit scope generally addresses the following aspects:

(1) *Audit mandate:* The applicable section of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971 may be stated in the Performance Audit while defining the scope.

(2) Period of entity operations or programme that the audit examination will cover should be specified. It depends on the following factors:

- Type of programmes or subjects undertaken for audit;
- Risk parameters;
- Audit objectives and sufficiency;
- Competence and reasonableness of evidence to be collected; etc.
- A performance audit with result (output or outcome) - oriented approach will require the results to be tested over a reasonable time during which results can be expected.
- On the other hand, a process oriented approach may require relatively shorter duration of programme management to arrive at conclusions.

(3) *Segments / locations of the entity to be covered in audit:* Often the entity / programme / activity under performance audit may be broad. It may be necessary to limit the segments/locations that the audit will cover and to which the conclusion will apply.

- In the case of the tests carried on the sample drawn from the entire population, the conclusions are extrapolated to the entire population and apply to the entire programme or the entity.
- But in case of selection of any particular segment only for the performance audit, the conclusions apply only to that particular segment.

[Para 3.21 of P.A Guidelines]

(i) Pilot study / preliminary survey

(1) Pilot study is necessary for larger programmes. It is conducted in one or two representative units of the entity to assist the performance auditor in refining the risk analysis, audit objectives, audit criteria, audit approach and audit test programme.

(2) In some cases, it is necessary because its results may require more intense field audit.

(3) In other cases, its results may lead the (Pr) Accountant General to either defer the audit or abandon it for one or more reasons.

(4) Some illustrative findings of the preliminary study could be: special skills and more time required for finalization of the guidelines, higher risk perception, the subject being difficult from the auditability angle, sensitive subject from one or other points of view, very low risk or materiality and negligible perceived impact of audit.

[Para 3.22 of P.A Guidelines]

(j) Criteria for assessment of the programme / entity

(1) Conclusions with reference to audit objectives should be such as convincing and acceptable to the entity, in particular and to any reader, in general. This requires minimizing the subjective elements in drawing conclusions.

(2) It will, therefore, be necessary to determine appropriate criteria in tandem with the audit objectives to arrive at conclusions and recommendations.

(3) For the above reasons, determining audit criteria is the second most crucial step after setting up of the audit objectives in the performance audit planning process. Performance audit can proceed only after the audit objectives and audit criteria have been set.

[Para 3.23 of P.A Guidelines]

(4) What is a criterion?

- Audit criteria are reasonable and attainable standards of performance against which economy, efficiency and effectiveness of programmes and activities can be assessed.
- They reflect a normative (i.e. desirable) control model for the subject matter under audit. They represent good practice – a reasonable and informed person’s expectation of ‘what should be’.
- When criteria are compared with what actually exists (what is) audit findings are generated.

Meeting or exercising the criteria might indicate the best practice but failing to meet the criteria would suggest that improvements could be made. However, in cases of the performance exceeding the criteria uniformly, (Pr) Accountant General may review to reassure if the criteria consist of significant lower standard.

[Para 3.24 & 3.25 of P.A Guidelines]

(5) Characteristics of good criteria

- Suitable criteria are to be identified to enable the performance auditors to assess the activities subject to audit and to achieve the audit objectives.
- Since criteria are crucial to developing audit findings and, therefore, addressing the audit objectives, they should be such as to be generally acceptable.
- Some characteristics of suitable criteria include :
 - ✓ Reliability : For consistent conclusion when used for assessment in the same circumstances;
 - ✓ Objectivity : Objective criteria are free from any bias of the auditor or management;
 - ✓ Usefulness : Useful criteria results in findings and conclusions that meet user’s information need;
 - ✓ Understandability: Understandable criteria are clearly stated and are not subject to different interpretations.
 - ✓ Comparability : Comparable criteria are consistent with those used in performance audits of other similar agencies or activities and with those used in previous performance audits;

- ✓ Completeness : It refers to the development of all significant criteria appropriate to assessing performance in the given circumstances; and
- ✓ Acceptability: Acceptable criteria are those to which audited agency, legislature, experts in the field, media and general public are generally agreeable. *The higher the degree of acceptable of the criteria, the more effective would be the performance audit.*

[Para 3.26 of P.A Guidelines]

(6) Role of criteria in performance audit

- Criteria can form a series of important roles to assist the conduct of a performance audit, as they can :
 - ✓ Form a common basis for communication within the audit team and with the (Pr) Accountant General concerning the nature of the audit and the audit findings;
 - ✓ Form a basis for communication with the entity management in that the audit team will often solicit entity management understanding of and concurrence with the criteria and eventual acceptable of audit findings in the light of those criteria;
 - ✓ Link the audit objectives to the audit test programmes carried out during the implementation phase;
 - ✓ Form a basis for the data collection phase of the audit, provide a basis on which to build procedures for the collection of evidence; and
 - ✓ Provide the basis for audit findings; help to add form and structure to audit observations.
- The degree of successfulness of the criteria in achieving the above uses is determined by their level of details and the form they take.

General audit criteria are developed during the preliminary study stage.

As the preliminary study progresses, these criteria are usually expanded and made more specific.

By the end of the preliminary study, the criteria should be sufficiently detailed to give a clear guidance for the implementation stage of the audit, particularly in the development of specific audit programme to test the criteria.

- It may be unrealistic to expect that activities, systems or levels of performance relating to economy, efficiency and effectiveness will always fully meet the criteria. It is important to appreciate that satisfactory performance does not mean perfect performance but is based on what a reasonable person would

expect, taking into account entity circumstances. The general aim would, however, be to attain the highest level of performance.

[Para 3.27 to 3.29 of P.A Guidelines]

(7) Criteria in the context of policy shifts

- Now there is emerging shift in the role of both Union and State Governments from a ‘provider of services’ to a ‘facilitator and regulator’ and the increasing use of private operator in the public sector.
- The performance audit focus on the economy, efficiency and effectiveness of public sector activity are to be modified to take account of the increasing privatization and liberalization of public sector operations.
- New approaches, techniques and criteria may be devised for the performance audit programme that may not be directly funded by government, but may affect the public at large by way of quality of service, cost and equity of access to information and benefits. In this environment, performance auditing in general and development of criteria – in particular need to take into account the shift from a ‘government-centered’ to a more ‘people oriented’ approach.
- Entity management input is obtained for development of audit criteria. Here for a better audit independence, audit criteria should be identified and discussed at the beginning with entity management to arrive at an agreement.

[Para 3.30 & 3.31 of P.A Guidelines]

(8) Sources of audit criteria

- (Pr) Accountant General will need to develop audit criteria with the approval of SAI top management. These criteria should be valid for the nature of activity under audit. These may include quantitative and/or qualitative measures.
- Good quality programme planning and implementation system within the entity would, interalia include a management information system and a set of explicit or implicit criteria as benchmark for monitoring, review and evaluation of the programme. In case of absence of explicit or implicit criteria in the entity, the (Pr) Accountant General is to develop criteria of performance measurement in harmony with the

audit objectives. Additional set of criteria may also be developed by the audit.

- To avoid the necessity to create criteria, the audit team should look into the following sources of existing criteria. These sources provide a basis for the development of suitable criteria for the audit, but may require interpretation and modification to ensure their relevant to the entity.

- ✓ Criteria used previously in similar audit;
- ✓ criteria published by other SAIs;
- ✓ performance standards used by the entity for the programme/activity to be audited, or previous inquiries by the legislature;
- ✓ criteria used by the same entity or other entities within the audit jurisdiction in similar activities or programme;
- ✓ criteria used or developed by professional organizations and standard-setting bodies; and
- ✓ General management and subject matter literature, research papers, etc.

- Criteria must be realistic and take into account the context of the entity. Some key criteria can be traced directly to the entity itself, for example :

- ✓ enabling and related legislation;
- ✓ entity operating and procedure manuals;
- ✓ entity policies, standards, directives and guidelines; and
- ✓ entity performance information.

- Performance information, either quantitative measures or qualitative assessment is fundamental to evaluating economy, efficiency and effectiveness.

Criteria relating to satisfactory performance can be derived from the entity's own objectives or from accepted industry and/or government standards of performance.

(9) Practice of setting criteria by the entity

- Performance auditors examine whether the entity has a system of criteria for :

- ✓ Concurrent monitoring and evaluation of the programme;

- ✓ Actual monitoring against the performance criteria;
- ✓ Impact of insufficient or deficient criteria, etc.
- ✓
- In examining performance information, auditor should :
 - ✓ Consider whether the entity has sufficient and reliable procedures to measure and report on performance;
 - ✓ Ascertain whether performance measures are complete, relevant and justified on a cost-benefit basis;
 - ✓ Examine procedures, if any relate to the entity's corporate goals; and
 - ✓ Consider whether these measures help the management in decision making processes i.e. are they reported and used within the agency.
- From the above, auditors know about the qualitative and quantitative information which help the SAI and the (Pr) Accountant General to influence the entity through performance audit conclusions and recommendations to develop explicit criteria as part of their programme planning, implementation and monitoring system.

[Para 3.37 to 3.39 of P.A Guidelines]

(10) Services of expert for developing criteria

- The services of a consultant or expert of repute in the relevant field may be useful in developing criteria, particularly on subjects, that are either new or complex.
- This will also contribute to acceptability and reliability of the criteria by the entity, in particular and by the legislature, media and public, in general.
- Unless decided otherwise, in particular cases, the (Pr) Accountant General is encouraged to discuss with the entity by informing that the criteria are determined in consultation with the institute or expert.
- Institutional consultancy rather than individual consultancy, for developing criteria may enhance their acceptability.

[Para 3.40 of P.A Guidelines]

(11) Refining the criteria, acceptance by the entity and steps to be taken in case of disagreement on criteria

- While informing the Secretary and/or the Chief Executive Officer of the intent to carry out performance audit, the audit objectives and criteria, if already developed could be shared with the entity with a request to communicate the acceptance of the criteria.
- Acceptance of all criteria by the entity is a desirable condition and contributes to the effectiveness of performance audit.
- It is not mandatory and possible that all the criteria will be acceptable by the entity as there may be some reservation of the entity about the validity of one or more criteria. In this case the (Pr) Accountant General should make effort to resolve the difference as far as possible by recording his efforts.
- No uniform approach can be suggested for resolving such disagreements
 - ✓ One method could be across the table discussion with the secretary.
 - ✓ Another possible method could be to request the secretary of the department to suggest alternative performance criteria for the area of disagreement. These alternatives should be examined with reference to audit objectives that they are to be tested for.
 - ✓ In all cases, the acceptance by the entity of the criteria and efforts made to resolve the disagreement should be documented.
 - ✓ Where, despite the reservation by the entity the (Pr) Accountant General is of the opinion that any particular criteria are to be retained, he could do so and records transparent reasons for it in the audit report.
- The audit criteria may be further refined with the progress of the performance audit in the initial stages. But as a good practice for this refinement, acceptance of the entity should be obtained.

[Para 3.41 to 3.43 of P.A Guidelines]

(12) Detailed guidelines for the performance audit

- The output of the process of planning the performance audit of the selected subject will be detailed guidelines for this audit for the internal use within the SAI.
- The guidelines will consist of detailed information on the subject of performance audit along with the enclosures consisting of :
 - ✓ copies of important documents relating to programme / subject;

- ✓ scope of audit;
 - ✓ audit objectives;
 - ✓ audit criteria;
 - ✓ evidence for each criteria;
 - ✓ their source / location;
 - ✓ audit test programmes;
 - ✓ sampling of units to be audited;
 - ✓ time frame of field audit;
 - ✓ objective of audit in each field units;
 - ✓ evidence to be gathered in each unit;
 - ✓ tentative evidence gathering techniques;
 - ✓ supervision and control system, etc.
- The (Pr) Accountant General will obtain approval of SAI top management, where required, to the guidelines as per the practice prevailing within the SAI.

(13) Structure of audit implementation guidelines

The audit implementation guidelines will consists of the following structure, their seriatim being determined by the (Pr) Accountant General.

- Title of the performance audit;
- Information on the programme/subject of audit, such as :
 - ✓ Programme inputs;
 - ✓ Programme process and resource flow chart with explanatory note;
 - ✓ Execution structure or institutional design;
 - ✓ Programme outputs;
 - ✓ Expected cost-benefit / input-output as per the programme design;
 - ✓ Programme target group;
 - ✓ Programme information system;
 - ✓ Evaluation system; and
 - ✓ Expected programme objectives and inputs.
- Scope of audit :
 - ✓ Period of operation to be audited;
 - ✓ Segment or activities or entities to be audited, etc.

- Audit objectives and sub-objectives
 - ✓ Reasons for conducting audit theme-wise in complete statement (questions) form along with the fundamental objectives of economy, efficiency, effectiveness;
 - ✓ issues addressed by these objectives either singly or severally;
 - ✓ equity and ethics issues limited to as far as these affect one or more of the economy, efficiency and effectiveness of the programme.
- Criteria to assess if the programme objectives fulfill the policy objectives;
- Impact analysis techniques;
- Audit criteria (one or more) against each objective and sub-objective;
- Basis for comparison of the intended impact with actual impact.
- Programme evaluation techniques to be used in the performance audit.
- Impact of evaluation, if possible on the basis of available evidence i.e. whether the observed impact is attributed to the programme or there are other reasons also;
- Audit evidence, including their type {primary and secondary (corroborative) evidence under the categories of documentary, physical, oral or analytical}, source (location) and evidence gathering techniques (direct observation, survey, photographs, interviews, etc.);
- For each type of evidence – attestation of photocopies and source reference, corroboration of physical and oral evidence, etc. should be enclosed;
- Evidence analysis technique to used;
- Expected value addition to the programme through performance audit;
- Assignments and responsibilities; data gathering, supervision and data analysis;
- Expert or consultancy services and outsourcing required along with the explanatory notes;
- Evaluation of internal control system in the context of audit objectives and examination of lessons learnt and sensitivity to error signals;

- Risk analysis;
- Sampling techniques used or to be used for selection of the units and data;
- Audit test programmes;
- Audit programme including the time-frame;
- Obligation of transparent testing of evidence on the criteria of relevant, competence and sufficiency;
- Recommendations development process and test of recommendations on the internal control parameter;
- Report writing procedures – field audit, discussion papers, audit observation, field audit report and draft report;
- Series of actions / steps expected at each stage for entity development and co-operation;
- Entry and exit conferences and minutes thereof – provision for;
- Periodic reporting to the Reviewing Officer and the (Pr) Accountant General;
- Co-ordination structures when different teams conduct audit under the jurisdiction of the same or different Accountants General;
- Time-schedule, field audit, report writing, forwarding the report to the entity and SAI headquarters, report approval, printing and presentation to the Parliament / legislature;
- Working papers and process documentation requirements;
- Mid-term reviews and workshop; and
- Report structure.

The audit objectives and sub-objectives and audit examination design should preferably be presented in matrix form.

[Para 3.45 of P.A Guidelines]

(k) Assurance Memo

(1) Audit implementation guidelines provide the framework of performance audit. All process of these guidelines should be meticulously followed to provide quality to this audit. (Pr) Accountant General may enclose an assurance memo on this with the implementation guidelines on all selected subjects of performance audit.

(2) Quality assurance in planning the individual performance audit is achieved through :

- compliance to the guidelines and instructions;
- comprehensive data and information of the subject of performance audit;
- transparent assessment of skill, knowledge and competence of audit staff and matching the skill and knowledge required for the performance audit;
- review of the planning by SAI top management; and
- peer review of the entire process of performance audit.

(xvi) Implementing the Performance Audit Plan

The practice and procedures to be followed in implementing performance audit guidelines are described in the following stages of performance audit:

- audit engagement;
- entry conference;
- development audit programme;
- determination of audit approach;
- developing the audit test programme; and
- finally developing audit findings and recommendations.

[Para 4.1 of P.A Guidelines]

(a) Audit engagement process

(1) The communication with the entity is a continuous process. (Pr) Accountant General and the audit team will continue this at different levels throughout the performance audit cycle.

(2) The dialogue with the entity begins with the communication of the subject and inviting suggestions for any subject or segment, which the entity may like the SAI to audit.

(3) The process is sustained with the request for documents and formal presentation of subject by the entity for assisting to understand the subject during the planning.

(4) The (Pr) Accountant General may make a formal presentation of the performance audit plan to the entity highlighting the scope, audit objectives, audit criteria, test programme, the duration of audit and the locations where the audit could be conducted, etc.

(5) Before initiating the audit, the (Pr) Accountant General should send an engagement letter to the Secretary / Chief Executive of the entity, communicating the launch of audit along with the entity units tentatively selected for audit and the time frame for audit and request him/her to issue necessary directions to the functional officers and field units to provide documents and information to the audit team.

[Para 4.2 of P.A Guidelines]

(b) Entry Conference

Entry conference at the commencement of each field audit serves the following objectives:

(1) It affords an opportunity to the audit officer to explain the audit plan i.e. audit objectives, approach and time frame besides appraising of the data, information and documents to be required during audit, to the entity.

(2) The working procedures for audit may be established in this meeting.

(3) Here the audit officers can request the chief of the entity to provide assistance to the audit team by way of office accommodation, access to office equipment etc.

Entry conference may be requested in the audit engagement letter itself to enable the chief of the entity to set aside appropriate time on the very first day of audit and inform the division heads in time.

The conference should be followed by a brief minutes of the proceedings.

[Para 4.3 of P.A Guidelines]

(c) Developing the audit programme

(1) After entry conference field audit process starts. The field audit is directed at testing the audit objectives and criteria with an audit programme consisting of the following procedures:

- observing, interviewing and documenting;
- testing and checking; and
- analyzing.

[Para 4.4 of P.A Guidelines]

(2) Developing audit questions

- The field audit starts with preparing a list of questions to be answered and tentative list of documents to be obtained from each unit to be audit depending upon the audit objectives, audit criteria, evidence to be gathered and the functions performed by the field units. On the basis of field audit, the list of questions, documents and information may be refined.

[Para 4.5 of P.A Guidelines]

- One of the many methods to develop and frame audit question is to develop an ‘issue analysis’ and a ‘study design matrix’.

‘Issue analysis’ consists of the main questions i.e. issues (mostly linked to main objectives) and sub-questions i.e. sub-issues (obtained from breaking main questions). The answer to sub-questions may either be satisfying the main question itself or may address sub-questions or audit sub-objectives.

[Para 4.6 of P.A Guidelines]

An illustrative example of determining the audit questions and sub-questions is given below in the form of an audit objective analysis matrix.

Theme/ Segment 1	Audit objective 1.1 <i>(Efficiency)</i>	Sub-audit objective 1.1.1 <i>(Effectiveness)</i>	Sub-audit objective 1.1.2 <i>(Economy and efficiency)</i>	Sub-audit objective 1.1.3 <i>(Ethics affecting efficiency)</i>
	Audit objective 1.2	Sub-audit objective 1.2.1	Sub-audit objective 1.2.2	Sub-audit objective 1.2.3
Theme/ Segment 2	Audit objective 2.1	Sub-audit objective 2.1.1	Sub-audit objective 2.1.2	Sub-audit objective 2.1.3
	Audit objective 2.2	Sub-audit objective 2.2.1		

Note: Italics represent the performance audit concerns that the audit objectives and sub-objectives address.

- The issue (main questions) and sub-issues (sub-questions) require answers. The study design matrix contains the detailed procedure to find these answers.

For each question/sub-question forming the first column of the matrix, the performance auditor will be called upon to identify the criteria, evidence required, source(s) of evidence, data collection methods, data analysis methods and what can be concluded from the test, etc. in the form of different columns for each row. (Pr) Accountant General may consider alternative methods of issue analysis and study design matrix depending upon the subject matter of performance audit. An illustrative example of determining the audit approach to find answers to question and sub-question is given below in the form of an Audit examination matrix.

[Para 4.7 of P.A Guidelines]

Audit objective	Criteria	Evidence	Sources of evidence	Data gathering methods	Data analysis method
Audit objective AO-1	AO-1-C-1	AO-1.C1-E1 AO-1.C1-E2
	AO-1-C2	AO-1.C2.E1 AO-1.C2.E2			
Sub audit objective AO-1.1	AO-1.1-C1	AO-1.1-C1-E1 AO-1.1-C1-E2
.....

- Entity furnished answers to audit questions are not valid evidence unless they are verified with reference to the basic documents and attested by the audit officers along with the reference to the basic documents forming the basis of attestation.

It may facilitate verification and attestation, if the entity is requested to include the source of the basic documents forming the basis of answers.

[Para 4.8 of P.A Guidelines]

(3) Focus on audit criteria: The first stage for field audit is development of an audit programme which is done throughout focusing attention on audit criteria that is related to audit objectives. The focus on criteria enables relevant evidence to be collected on issues. This will maximize the impact of audit.

Therefore criteria should be clearly stated, include sufficient details to be understood and arranged in a logical manner. This will assist the audit team to form an efficient method of gathering sufficient evidence without superfluous testing.

[Para 4.9 of P.A Guidelines]

(4) Audit programme should be designed depending upon the varieties of logical and co-ordination requirements due to various types of reporting requirements, entity environment and work jurisdiction within SAI India. They are different for State scheme, Central scheme, and centrally sponsored scheme, Railways, Defence, Revenue and Commercial Audit.

[Para 4.10 & 4.11 of P.A Guidelines]

(5) Factors to be considered when developing audit programme: The following are some of the important factors which are to be considered in developing an audit programme.

- Size: Increase in the scope of the audit and size of the programmes to be audited generally increases the size and complexity of audit programmes requiring more detailed procedures, questionnaires and checklists.
- Geographic dispersion and location of the sites to be audited can affect markedly the audit programme.
- Detailed procedures may be required in this case to ensure consistency when different personnel are carrying out the same audit at different locations.
- Audit environment: Management receptiveness to being audited and the sensitivity of the area within the entity will affect the way in which the procedures are developed and applied.
- The components of the programme/activity of the system to be audited, e.g. its impacts, processing activities, outputs and outcomes influence the audit programme also.
- Whether broad issue only have been identified, or specified criteria available for audit examination also decide the audit programme.

[Para 4.12 of P.A Guidelines]

(6) Refinement of criteria: During the progress of the field audit, new issues may arise that could warrant reconsideration and revision of the initial criteria.

(d) Audit approaches

- (1) Approach in the context of performance audit is the method and means adopted for analysis of data for deriving audit conclusions.
- (2) This audit approach may be different for different types of subjects of performance audit. Some of the approaches include :
 - ✓ analysis of procedures;

- ✓ use of existing data or evidence provided by the agency;
- ✓ analysis of results;
- ✓ case studies;
- ✓ surveys; and
- ✓ quantitative analysis

[Para 4.14 of P.A Guidelines]

(3) Analysis of procedures

- The procedures applicable to the entity and its units should be analysed first. This can be performed by review of the systems in place for planning, checking and monitoring the activity being audited. This would involve interviews of persons in charge of the offices of the entity or the particular functions and operations and examination of documents such as budgets, financial reports, and programme guidelines, annual or other plans, procedures manuals, delegations and reporting requirements, etc.
- The performance auditors should assess the appropriateness of the procedures, action steps, human resource, and resource flow structure and accountability relationship provided in the programme lines.
- The procedures would be tested against the criteria or a desirable control model. They will be checked for completeness, relevance against the legislation and administrative instructions, internal consistency, practicability and compliance.

[Para 4.15 of P.A Guidelines]

(4) Use of existing data or evidence provided by the agency

- The data held by the entity management and by other relevant sources should be investigated by the audit staff. These may include information systems used to manage entity programmes/activities and/or the data collected on individual programmes.
- One of the important sources of the data could be the data generated from Voucher Level Compilation (VLC).
- If the data are found to be correct and complete with reference to the basic documents maintained by the entity it enhances the level of confidence of audit conclusion.
- The audit team will maintain evidence of tests carried out to ensure correctness of data maintained and furnished by the entity.
- It is important to maintain a data trail to make sure that the evidence is not tampered.

[Para 4.16 of P.A Guidelines]

(5) Analysis of results

- Analysis of results from examining a number of instances of entity activity will help decide whether entity performance in that area conforms to audit criteria and is generally satisfactory.
- For this, the auditor is to assess the input-output model designed in the programme and carry out actual output-input analysis to determine the efficiency of the programme.
- The analysis of results will help to analyse the impact of the programme against the expected impact.

[Para 4.17 of P.A Guidelines]

(6) Case studies

- The case study is a method for learning about a complex issue based on comprehensive understanding of the particular instance.
- It involves an extensive description and analysis of the particular issue within the context of the whole area under review.

[Para 4.19 of P.A Guidelines]

(7) Surveys

- By the conduct of a survey audit can obtain insight into an agency's activities including outputs and outcomes and their quality.
- Survey is a method of collecting information from members of a population to assess the incidence, distribution and interrelation of events and conditions.
- In social sector programmes, credible surveys on predetermined parameters can supplement the audit findings and conclusions which add value to performance audit.
- In case of some programmes/activities selected for performance audit, a focused survey of a limited sample during planning stage may provide more insight for setting the audit objectives and criteria.
- The (Pr) Accountant General may determine whether and what type of survey may contribute to the quality of performance audit. But the decision to conduct survey and selection of agency will be approved by SAI top management on the proposals initiated by the (Pr)Accountant General.
- The result of survey alone can not be the primary evidence for audit findings, surveys can be used as corroborative evidence for audit findings established with the help of primary evidence.

[Para 4.19 of P.A Guidelines]

(8) Quantitative Analysis (sampling)

- Where it is not practicable / feasible to analyse the entire population due to the volume of data and information associated with a

programme or entity or due to the any other constraint, sampling technique have to be used.

- The nature of the population should be examined to decide the most appropriate sampling methodology.
- The sampling selected and the sampling approach and methodology should be documented and shared with the entity.
- When using either a statistical or non-statistical sampling approach, the audit team should select an appropriate audit sample, perform audit procedure on this sample and evaluate this sample results so as to provide sufficient audit evidence.
- When selecting an audit sample, specific audit objectives and the attributes of the population from which the sample is to be drawn should be taken into account.
- In determining the sample size, it should be considered whether sampling risk would be reduced to an acceptably low level.
- The sample item is to be selected so as to have a reasonable expectation that all sampling units in a population have an equal chance of selection.
- To each item selected, audit procedures appropriate to the particular audit objective should be applied.
- It should also be considered as to what conditions would constitute an anomaly or error in the context of the audit objectives.
- The audit team should consider the nature and cause of any errors identified and their possible effect on the particular audit objective and other areas of audit.
- Errors found in the sample should be projected to the population. The audit should consider the effect of the projected error on the particular audit objective and on other areas of the audit.
- A brief introduction to the quantitative techniques is in appendix 'D' & 'E'

[Para 4.20 to 4.23 of P.A Guidelines]

(9) Flexibility in the Audit Programme and Refining it

- As all anticipating contingencies can not be thought at the time of developing an audit programme, it is preferable to start with a programme outlining approach to the audit issues and revises and extends it as the audit develops.
- The (Pr) Accountant General should provide scope for sharing all significant refinements in the approach and additional tests and findings, concurrently with the other audit teams.
- The system of sharing of the significant field audit experience should be documented and reviewed.

- In the light of the outcomes of the audit process, planning for the next stages of the audit programme can be modified. In other words the interpretations/conclusions arising from one stage of the audit programme can be used to review and modify the next stage.
- The initial audit programme should be refined by developing ‘action lists’ that reorganize the programme by audit activity. For example, for the audit activity ‘interviews’ the audit team would list all criteria/issues that are to be addressed in this way. At the same time, questions for the interviews can be developed from the criteria/issues. Similarly, a list of audit steps should be established against other activities such as ‘file searches’.
- One of the purposes of the preliminary study is to refine the audit programme.
- It is also to review the programme early in the field work stage of the main audit to ensure that it remains appropriate.
- However, significant revisions may lead to incompatible of results from the beginning to end of the audit. This needs to be harmonized by the audit team and group Reviewing Officer against the advantages of significant modification of the programme.

[Para 4.24 to 4.28 of P.A Guidelines]

(10) Initiating the performance audit

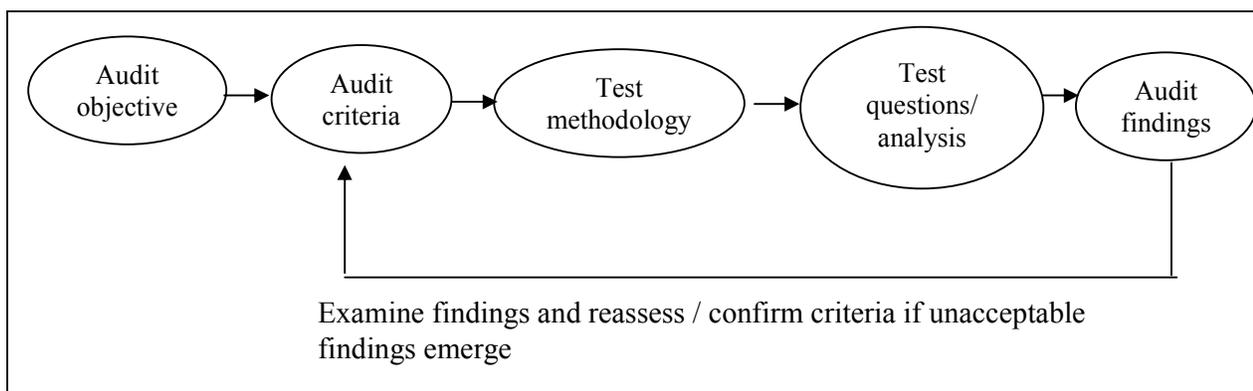
- For every criterion there is at least one audit step and for every audit step there is a relevant issue related to the criteria.
- The initial audit programme will require revision to take account of external factors.
- In carrying out planned audit steps, additional relevant information not explicitly covered by the audit programme, may come to light. In this case, the audit team should identify the issues highlighted by the new information.
- Level of details in the audit programme : The level of details of the final audit programme will depend on a number of factors, some of which are :
 - ✓ the complexity of the audit issues to be tested;
 - ✓ the extent of the audit; for example : a large audit carried out in several locations would need a detailed programme to ensure consistency; and
 - ✓ the level of the staff carrying out the audit; where junior staff has responsibility for carrying out field work, a more detailed programme would normally be appropriate.
 - ✓ for multiple-entity audits, the main issue in the programme is whether each audit step needs to be carried out in each of the same entity of different entities (State Governments). Different

requirements for sample sizes may lead to some audit steps being carried out in only certain units or entities and some others to be carried out in all.

(e) Audit test programmes

- (1) Audit test programmes form an integral part of the audit programme.
- (2) An audit test programme refines audit criteria into a series of procedures and/or activities (tests) to obtain relevant and reliable evidence upon which conclusions may be drawn.
- (3) Audit test programmes are the key link between the development of audit objectives/criteria and the conduct of an audit leading to credible and defensible findings.

Audit test programme is illustrated in the following diagram:



- (4) Though the test programmes should not be prescriptive, it should have the following characteristics:
 - Clear purpose to show relevant to the audit topic and to effectively focus the audit;
 - Easily understood by explaining any jargons and acronyms;
 - Sound logic : A logical link should exist between the objectives, criteria and audit programme;
 - Good layout/design : It should be kept simple, preferably in a working paper style format for easy reference;
 - Flexibility : It should allow for the introduction of new evidence/criteria and the execution of outdated or irrelevant evidence/criteria; and
 - Cost effectiveness: The time and resources used on a test programme may not outweigh the likely benefit that such a programme will produce.

- (5) Study and evaluation of internal control
- It is one of the objectives of performance audit. The Internal Control assist the conduct of business of the entity in an economic, efficient and effective manner, ensuring adherence to management policies and producing reliable and timely financial management and performance information.
 - The study and evaluation of internal control depends on the objectives of the audit and the degree of reliance intended.
 - The performance audit teams will document the internal control system significant to the audit objectives and carry out tests to arrive at the findings on their adequacy and actual performance.
 - The documentation and test will form part of the working papers and the findings and conclusions will be included in the report.
 - Lessons learnt and sensitivity to error/risk signals: Responsibilities of the management to address the known deficiencies in the systems and procedures and being alive to error signals that may affect the economy, efficiency and effectiveness enhances the reliability of the internal control system.

Performance auditors may be required to assess the adequacy of the internal control system to ensure that remedial measures are taken on significant weaknesses in the systems and procedures pointed out earlier by audit or which has emerged from the feedback system, review, complaints and evaluations, etc.

The lessons learnt procedure could operate in the context of the programme/subject of performance audit and should be taken into account similar weaknesses brought out in other programmes within the entity.

Similar assessment of sensitivity and dependability of the procedure may be carried out by the performance auditor with reference to high-risk error signals or alarms that the management may either generate internally or may be triggered by external source like media, legislature questions and debates and whistleblowers references, etc.

The impact of inefficient or insensitive system may be established with appropriate evidence by linking the audit findings to the inefficient procedures for lessons learnt and insensitivity to the error signals.

[Para 4.37 to 4.39 of P.A Guidelines]

(f) *Developing findings*

- (1) Audit findings are identified by relating to audit observations.
- (2) Audit observations are based on the analysis of information collected during the audit.
- (3) Audit findings should be developed and evaluated throughout the various phases of performance audit.

Potential findings identified in the planning stage or during the preliminary study should be followed up in the detailed examination phase of audit, since the auditor, rather than carrying a hindsight audit, is expected to take into account the circumstances prevailing at the time of events, it may be desirable that avoidable and unavoidable causing of findings are segregated.

- (4) Instances where entity performance exceeds the expected performance (criteria) may suggest good management, provided the target/benchmarks are realistically determined. Such cases should also be repeated.

Some of such instances may warrant a review of the criteria of the performance measures.

- (5) At appropriate stages in the performance audit cycle, impact analysis may be carried out while developing the audit findings

[Para 4.40 & 4.41 of P.A Guidelines]

(g) *Developing recommendations*

- (1) All performance audits ought to conclude with well thought-out suggestions.
- (2) If the dialogue with entity during the entire process of performance audit has been consistent, constructive and effective, both the SAI and the entity may be required to focus only on the recommendations and their implementation, at the close of the performance audit, all or most other related issues already having been established.
- (3) For developing recommendation and their implementation, the (Pr) Accountant General should identify the underlying cause(s) of a finding, as this forms the basis for the recommendation. The cause is that which, if changed, would prevent similar findings.
- (4) The audit team may identify a cause-and-effect chain and have the option of reporting the findings at different points in the chain.
- (5) A good quality performance audit should yield recommendations, which should, in most case, be acceptable to the entity.

- (6) Recommendation emerges from identification of the ‘cause’ of audit findings which ought to be addressed by the entity. Accordingly the following questions will assist the performance auditors develop good recommendation.
- What needs to be done?
 - Why does it need to be done?
 - Where does it need to be done?
 - When does it need to be done?
 - How does it need to be done?
 - Who is to do it?
 - What is the expected impact, if it is done?
 - Are there any potential risk involved with the implementation of the recommendation?
 - Is the recommendation cost-effective?

The (Pr) Accountant General may carry out test of the draft recommendations transparently in the working papers against these questions in a matrix form.

- (7) Recommendation development process : The step-wise process of development of the recommendations are as follows :
- ✓ Audit criteria (what should be)
 - ✓ Audit evidence (what is)
 - ✓ Audit findings (‘what is’ compared with ‘what should be’)
 - ✓ Determine the cause and effect of the findings
 - ✓ Development of audit conclusions and recommendations.
 - ✓ Estimate likely impacts of the recommendations, wherever possible.

[Para 4.42 to 4.44 of P.A Guidelines]

(8) ***Entity response to the findings and recommendations***

- The audit findings can be communicated to the entity, including to the chief of the field units.
 - ✓ It will ensure that the matters of facts, figures and most of the findings or conclusions are accepted as the audit proceeds.
 - ✓ The entity responses to the audit findings can then be documented and analyzed.

- Where the entity disagrees with the findings, the reason for disagreement should be fully analyzed.
- If the audit objectives have been communicated to the entity, audit criteria accepted by it and no disagreement exists on the audit findings supported by competent, relevant and reasonable evidence, the chances are that the recommendations, which are the actions suggested to remedy the deficiencies, may be acceptable in most cases.
- The recommendations are the logical conclusions of the performance audit process and relate to the causes of audit findings.
 - ✓ As the stage at which the recommendations should be developed and communicated can not be prescribed uniformly, the (Pr) Accountant General may decide it depending upon the nature of the subject of performance audit and the entity environment.
 - ✓ The cardinal principle, however, is that the recommendation may have to be addressed only to the entity who is competent to implement them.
 - ✓ Since the recommendations are consequence of the audit findings, the findings can and should be developed, as and when it is possible to do so.
- In case of performance audit involving a single unit of the entity, the recommendations may be developed and communicated as part of the field audit report.

In case of performance audits carried out in the central office and its units in the field, the audit findings may be developed during the audit of each unit, to the extent possible and applicable upon conclusion of audit of all units, where it is necessary to do so, the recommendation may be developed at the close of the audit and should ideally be communicated to the secretary of the department or head of the entity in the form of a self contained discussion paper or included in the draft performance audit report intended for entity response and discussion with the entity.

- Recommendations following the result of performance audits have to be argued in a logical manner. They should indicate broadly what issues might be examined by entity management when seeking solutions and should focus on the more significant issues requiring attention.
- Recommendations require careful review to ensure that they are practical and add value.

(Pr) Accountant General should ensure that the recommendation addresses the objectives of audit i.e. economy, efficiency, effectiveness, governance or accountability, as appropriate.

A good test for the audit is to consider:

- ✓ What causes of underperformance may be remedial as a result of implementation of the recommendation;
- ✓ how the recommendation would be followed up;
- ✓ how the implementation of the recommendation could be tested; and
- ✓ What specific actions the entity can undertake to implement the recommendation.

(h) *Disagreement with the recommendations:* The impact or value addition through performance audits increases with the implementation of the recommendations which becomes expeditious if the entity's acceptance is obtained.

The (Pr) Accountant General may secure acceptance of the recommendations by the entity either with the help of a discussion paper or as response to the draft performance audit report, the former being a preferred option.

In the modular approach the acceptance of the entity is secured for audit objectives, audit criteria, audit findings on the basis of sufficient, competent and relevant evidence. Here the chances are that the entity will accept most of the recommendations, since these are in logical sequence.

While in an ideal situation, all recommendations included in the performance audits should be such as are acceptable to the entity. But it may not happen in practice as the ideal condition may not exist due to various

factors, such as quality of criteria, evidence and evidence analysis, difficulty in implementation of the recommendations and attitude of the entity, etc.

Where there is disagreement on one or more recommendations and it is a considered opinion of the (Pr) Accountant General that the recommendations would improve the programme management and accountability, it may still retain them in the performance audit reports, along with the reasons for disagreement by the entity and transparent reasons for recommending them despite reservations by the entity.

[Para 4.45 to 4.50 of P.A Guidelines]

(i) *Inventory of Recommendations*

Since recommendation is the culmination and crux of the performance audit, they should be presented distinctly to enable the (Pr) Accountant General to maintain an inventory of recommendations for all performance audits and carry out follow-up processes to take the performance audit to its logical conclusion.

[Para 4.51 of P.A Guidelines]

(j) *Communication of audit findings*

There would be various ways of communication with the entity.

- (1)** Request for information, data or documents and confirmation of facts and figures are usually made through issue of audit memoranda.

Audit memoranda are issued either before start of the field audit or in the initial stage of an audit.

- (2)** After evaluation of evidence, the audit team may choose either to prepare a self-contained discussion paper on any particular component of the programme, where discussion may, in the opinion of the audit team, be useful.
- (3)** In others, a self-contained audit observation may be issued for response and confirmation of facts and figures.
- (4)** It is necessary to indicate all evidences used for evaluation, including the use of available or derived data, sampling method used, criteria used for testing and analysis made, etc. in the discussion paper and audit observations.

Discussion papers will also culminate in issue of audit observations.

- (5) Detailed evaluation of audit findings is generally completed during the preparation of discussion papers or audit observations for distinct segments/ thrust areas of the audit.
- (6) It is a good practice to make one comprehensive discussion paper or audit observation on one component or theme rather than splitting them into many for the same theme or sub-theme.
- (7) While discussion papers are prepared during the course of field audit, audit observations are generally developed and issued towards the latter part of each field audit.
- (8) At the end of audit of each unit, a field audit report, termed as local audit report may be issued to the head of that unit for confirmation of facts and figures and response.
- (9) As far as possible and applicable to the audited unit, the field audit report for that unit should follow the audit objectives.
- (10) However, the level of field unit at which the field audit report are required to be issued may be determined by the (Pr) Accountant General depending upon the entity environment and the subject of performance audit.
- (11) This will facilitate progressive development of issues for inclusion in the performance audit report and obviate the need for disagreement on data/evidences used for developing audit findings as also the need for having to include too much data in the performance audit report.
- (12) Some evaluation may extend into reporting phase, as findings are challenged and further evidence is obtained. It is at this latter stage that a final decision is reached on the findings and recommendations that will be reported.

Once audit findings have been identified, two complementforms of assessment take place:

- (13) An assessment of the significance of the findings and the determination of the causes of good performance or under-performance.
- (14) The effect of a finding may be quantifiable in many cases, for example, the cost of expensive processes, excessive inputs or on productive facilities can usually be estimated. Additionally, the effect of inefficient processes, for example idle resources and poor management, may become apparent in terms of time delays or wasted physical and other resources.

Qualitative effects, as evidenced by lack of control, poor decisions or lack of concern for service, deficient output, absence of accountability procedures and insufficient information and communication system, etc may also be significant.

- (15) The identified effect should demonstrate the need for corrective action. The effect could also have occurred in the past, be occurring now or may possibly occur in future. If the effect occurred in the past, the

audit findings will add value to programme management only if the situation has not already been remedied to prevent it from recurring.

[Para 4.52 to 4.55 of P.A Guidelines]

(k) *Exit Conference*

- (1)** In audit of all units, the audit team should conclude the audits with an exit conference with the chief officer of that unit.

The Group Reviewing Officer or the (Pr) Accountant General should lead the team for SAI side in the exit conference depending upon the level of field entity.

- (2)** All audit observations must be issued to the entity at least one or two days before the scheduled exit conference.
- (3)** The exit conference is an opportunity for the entity to discuss the audit findings with the SAI representatives.

This also affords opportunity to the Audit Officer/Group Reviewing Officer to clarify any points of doubt that the entity may like to raise.

- (4)** The minutes of the exit conference should be recorded and endorsed to the entity.

(l) *Level of communication*

- (1)** While the information seeking memos may be issued to the functional heads in the entity, all major communications in relation to performance audit viz. audit observations, field audit report and draft performance audit report must always be addressed to the chief executive officer of the entity (chief officers in case of field units and other entities) and all communications/responses should be either signed or approved by the Chief Executive Officer, the fact of such approval should be indicated specifically, where the responses are signed by any authority sub-ordinate to the Chief Executive Officer.
- (2)** In case of audit of the Ministry, while the audit observations may be addressed to the Joint Secretary with a copy to financial advisor, field

audit report and draft performance audit report must necessarily be addressed to the Secretary of the Ministry.

- (3) In financial or regularity audit, the response and remedial action may be within the jurisdiction of head of a particular division/function.

The performance audit addresses the management issues, which can be addressed only by the Chief Executive.

[Para 4.57 of P.A Guidelines]

(m) *Supervision, monitoring and review of implementation of the performance audit.*

(1) Supervision ensures

- that the audit is formed in accordance with the audit plan and audit provisions of the performance audit manual;
- that the process is focused on the audit objectives and audit criteria; and
- that the refinement of the criteria and audit programme is carried out as soon as these are required.

(2) Monitoring

- Concurrent supervision by Group Officers will fulfill this objective and make sure that intervention is promptly applied, where necessary.
- Group Officers may present status reports on important issues to the (Pr) Accountant General at the stages or end of the periods prescribed in the implementation guidelines or as and when demanded by the (Pr) Accountant General.

(3) Review of the progress of the performance audit through presentation by the audit team at the stage determined by the (Pr) Accountant General is a good practice.

- This will add to the quality of the performance audits by enhancing the sense of ownership and responsibility of the project among the team members and the group officer besides

affording an opportunity to the (Pr) Accountant General to ensure that the evidence gathering, audit test programmes and analysis are consistent with the audit objectives.

- In cases where the performance audits are conducted by different teams, within the administrative and technical control of one or more (Pr) Accountant General, one or more mid-term workshop may assist in ensuring consistency of approach and techniques.

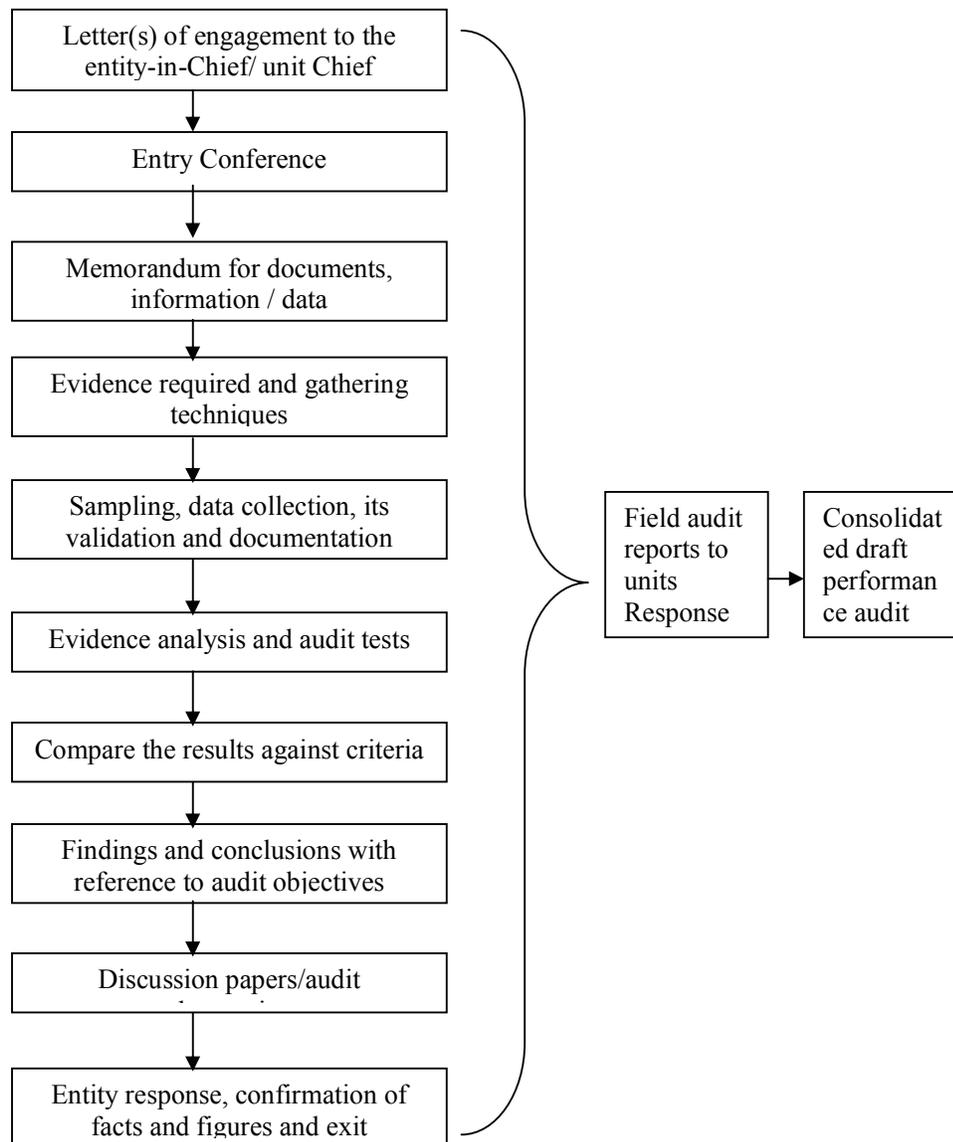
Where necessary, a workshop on the results of performance audits conducted by a large number of teams across dispersed areas and under different audit control may be held to finalize consistent audit findings and recommendations.

- (4) The quality control and supervision on the implementation of the performance audit by the SAI top management is produced through approval of the implementation guidelines, periodic work-in-progress reports and guidance during the mid-term workshops.

[Para 4.58 to 4.61 of P.A Guidelines]

(n) *Audit Implementation Cycle*

The various stages of implementation of the performance audit plan i.e. audit implementation cycle are summarized in the following diagram.



[Para 4.62 of P.A Guidelines]

(o) **Quality assurance in implementation of performance audit**

Quality in implementation of the performance audit is assured through the following:

- (1) Adherence to the principles of field standards;
- (2) Ensuring appropriate skill and knowledge – internal procedure;
- (3) Supervision, monitoring and review, including work-shops;
- (4) Documentation of performance audit and of the processes; and

- (5) Peer review which refers to the review of the procedures and practice by a professional, who has not been associated with the performance audit with a view to ensuring that the best practice have been followed.

Peer review of the performance audit implementation is carried out in accordance with the practice established within SAI India.

(xvii) Reporting Process

The details of the performance audit principles discussed from para 20.3.01 to 20.3.17 are dealt in Chapters 5,7,8,9 and 10 of the Performance Auditing Guidelines. But the last part of the Performance Auditing is Reporting Process. In para 20.03.17 we have covered Reporting Process up to the issue of Field Audit Report. After this, Draft Performance Audit report is prepared by the (Pr) Accountant General. This should meet the Reporting Standard described in Para 20.02 of this Chapter of the Manual. In this Para only we will discuss from preparation of Draft Performance Audit Report onwards which have been described from Para 6.15 onwards of Chapter 6 of the Performance Auditing Guidelines.

(a) *Draft Performance Audit Report*

- (1) Draft performance audit report is to be prepared by the (Pr) Accountant General upon conclusion of the field audit of the controlling unit of the entity (for example the Ministry) and all field units selected for audit. It provides the first opportunity to the (Pr) Accountant General as well as to the entity to view the full context of audit findings.

- (2) The draft performance audit report should be prepared exactly in similar form and content as the final report with the exception that the entity may expect details to enable it to provide a response.

The purpose of preparation of this draft report is to seek formal response of the entity-in-chief (Secretary of the Ministry/Department).

- (3) The Draft Report describes the objectives and scopes of the audit to enable any reader understand the purpose of the audit.

Any limitation imposed on the scope of audit, the reasons thereof and effort made to resolve it should be indicated in the draft report. It will be incumbent for the audit officer to seek the guidance from the group

Reviewing Officer, who should promptly bring the matter to the notice of the (Pr) Accountant General if his own efforts are not successful.

(4) Level of details in the report :

- The quality of performance audit report should be self-contained in the sense that a reader is able to understand the scope, audit objective, audit criteria and evidence used, audit findings and conclusion in a logical manner.
- At the same time the report should be concise and brief. The (Pr) Accountant General should strike a balance between these two contrasting features keeping in view the users.
- While the final report is meant for the Parliamentarians/legislators, the draft report is oriented towards the entity (Secretary of the Ministry) which should contain sufficient details, particularly in relation to the evidence, their sources and methods of evidence gathering and evidence analysis in support of audit findings and conclusions to enable him/her to send the response in proper perspective.
- This can be done by writing the draft report as designed for the final report and adding all relevant information containing the details of sampling of units and transactions/documents, source and methods of evidence gathering, evidence analysis (where applicable), etc. as supporting annexes with cross reference to enable the entity appreciate the audit findings and conclusions and relate them to the evidence and analysis.

The annexes may be dropped at the stage of the final report.

(5) *Adherence to style guide:* The presentation and language of the performance audit report should abide by the 'style guide' of SAI India to have a uniform format and language. This makes the report simple and reader friendly as well as interesting. Accountability centered, third person active voice narration by designation report enhances the readability and interest of the reader and induces objective response from the entity.

(6) Forwarding of the draft report :

- The (Pr) Accountant General may forward the draft performance audit report to the Government with a demi-official forwarding letter to the Secretary (with a copy to the financial adviser to the Ministry in case of Central Government) which should contain the following :
 - ✓ subject of the performance audit and reference to previous dialogues;

- ✓ gist of major audit findings and recommendations along with the risks and materiality of the issues;
 - ✓ attention to the orders of the government issued on the recommendation of the parliamentary/legislature committee, setting time limit for formal response (when specific time limit has not been set, the (Pr) Accountant General may follow that set by the parliamentary committee or any other legislature committee as a reference point);
 - ✓ invitation to formal discussion and presentation of the audit findings and conclusions; and
 - ✓ the expected value addition to the programme management, if the recommendations are implemented.
- The (Pr) Accountant General may forward simultaneously a copy each of the draft performance audit report and the forwarding letter to the Secretary of the Ministry/Department to the SAI headquarters where the reports are finalized, along with the following :
- ✓ evidence for each audit finding and conclusion along with test of evidence against the standards of relevance, competence and reasonableness, sources of evidence, evidence analysis along with cross references to the findings and conclusions;
 - ✓ copies of basic documents referred to in the report viz. rules, orders, acts, correspondence, etc. with cross-references;
 - ✓ details of correspondences, meetings, presentations, etc. with the entity with cross reference, where applicable.
 - ✓ Complete audit management process documentation from the stage of audit planning (implementation guidelines) to the processing of draft report, which demonstrates conscious application of thought on all major issues involved with management of the audit;
 - ✓ an assurance memo in the prescribed form;
 - ✓ period during which audits were conducted in the field along with break up for each stage/unit; and
 - ✓ Names and designations of the members of the audit team and Reviewing Officer.

(7) Response of the entity to draft report

- The entity is persuaded to provide written response to the draft performance audit report through correspondence, personal meetings and presentation of the draft audit report before the Secretary of the Ministry/Department and the audit team.
- A formal response, apart from ensuring compliance to the orders of the government, issued mostly at the behest of Parliamentary/legislative committees demonstrates earnestness of the entity in implementing the recommendations of audit for improvements in programme management.

- Since the audit report is presented to the Parliament/State legislature, it is crucial that the response of the entity has the approval of the Secretary of the Ministry/Department.

The (Pr) Accountant General may evolve procedures to ensure that the response by the entity is issued by or with the approval of the secretary and an indication to this effect is given in the latter case.

(8) Observation of the SAI headquarters on draft report

- The observations in relation to the audit findings and conclusions, recommendations, evidence, drafting, etc. by the SAI headquarters is a combination of quality control, quality assurance and supervision measures.
- The observations and suggestions for improvements by SAI headquarters provide assurance on the logical development of findings and conclusions, quality and validity of supporting evidence and objective approach in audit by the SAI top management, which has not been involved on day-to-day basis with the conduct of audit.
- It also facilitates review by the SAI top management to ensure that appropriate proceedings have been followed by the (Pr) Accountant General in implementation of the audit.

(9) Second journey of the report to SAI headquarters

- The system of simultaneous forwarding of the draft audit reports to the entity for its response and SAI headquarters for approval facilities parallel processing.
- On receipt of the response of the entity and observation of the SAI top management, the (Pr) Accountant General may incorporate the modifications, warranted by them and forward the draft report along with a response sheet to the SAI headquarters for approval of the report.

[Para 6.15 to 6.24 of P.A Guidelines]

(b) Final Report

(1) Bond copy:

- On approval of the report by SAI top management, the (Pr) Accountant General may send the bond copy of the report with appropriate annotations for formal approval of the report by the Comptroller and Auditor General.
- After this the report stands cleared for printing of the prescribed number of copies, signature copies for signature of the CAG in ink and others with his facsimile signature

(2) Final Report

- The printed signature copies of the report are to be forwarded to the SAI headquarters for signature of the CAG.

- The signed copies of the report should be forwarded to the Government for placing it on the table of the Parliament/State legislature.

Simultaneously, intimation on forwarding of the report along with a copy of the report is to be sent to the Secretary to the President/Governor in respect of the reports relating to the Union and State Government respectively.

The remaining copies of the printed reports are forwarded to the Parliament/State Legislature Secretariat on their request, generally on the day the report is presented.

[Para 6.25 & 6.26 of P.A Guidelines]

- (3) Contents of the Reports : The contents of the report should be consistent with the SAI's Auditing Standards and should :

- Contain title, signature and date, objective and scope of audit, addresses (not necessary when formal procedures exists for its delivery);
- be complete;
- identify the subject matter viz. areas of performance audit and the legal basis of audit;
- provide assurance that audit has been carried out in accordance with generally accepted procedures in compliance with the standards; and
- be timely.

[Para 6.28 of P.A Guidelines]

- (4) Structure of the Report : The performance audit report should be presented as per the following structure :

- *Title* : The subject of the performance audit;
- *Highlights*: Major audit findings either in the sequence of their materiality or in the same sequence as the audit objectives and sub-objectives.
- *Recommendations* :
 - ✓ Recommendations may be included at various places in the report in different contexts
 - ✓ But all the major recommendations should be presented together, immediately after the highlights, preferably in a box or highlighted print.

- ✓ Ideally all matters of facts/figures/evidence, audit findings and conclusions included in the report should have been accepted by the entity by the time, the final report is prepared. Thus, in so far as the entity and the SAI are concerned, the action would revolve round implementation of the recommendations and follow-up respectively. It would, therefore, be desirable to gather all recommendations together.
- *Introductions:* It consists of a brief description of the subject of study, information on programme/activity/instruction, its objectives, inputs, implementation structure, expected outputs and outcome, etc.

The introduction should be brief, yet sufficient to enable the reader understand the context of the programme.

- *Scope of audit :* Scope of performance audit in terms of the period of the programme covered in audit and segments of the programme audited should be set out precisely;
- *Audit objectives:* are the pivots of the performance audit, which set out the reason for undertaking the audit.

The entire exercise of performance audit is built around the objectives. These should, therefore be stated in simple and clear terms.

It is useful to set out audit objectives and sub-objectives within each audit objectives in the form of complete statement/question.

- *Audit criteria:* to arrive at the audit findings and conclusions with reference to each audit objective and sub-objective which should be stated with appropriate explanation.
- *Audit methodology:* used for the data collection/evidence gathering and testing may be stated in brief. This adds to the acceptability of the audit findings and forms a statement of transparency of the audit procedure.
- *Audit findings:* in respect of economy, efficiency and effectiveness should be presented in a logical manner, preferably in the same order as the statement of audit objectives.

Conclusions, recommendations and impact (outcome) analysis with reference to each audit objective should be stated, preferably immediately following the audit findings.

The completeness of the report enhances if recommendations(s) with respect to each conclusion is/are kept together with the conclusions.

Distinctiveness between the conclusions and recommendations may be achieved through formatting techniques.

- *Lessons learnt and sensitivity to error signals :* Under this caption significant audit findings on sensitivity and effectiveness of the internal control system to ensure that the management recognized major causes of underperformance

brought out in internal or external studies/reports including past audit reports and the remedial measures may be included.

Also audit findings on the sensitivity of the management to various error signals generated through internal inspections, evaluations, media reports, complaints, study by interest groups, etc. and effectiveness of the action taken may also be included.

In both cases, the audit findings that could have been avoided with effective lessons learnt and error signal response system may be highlighted.

- *Acknowledgement:* It may be useful to indicate acknowledgement in brief the co-operation, acceptance of the criteria/findings and recommendations by the entity.

In case the co-operation or response was not forthcoming at any stage, it may be indicated if it has resulted in any limitation along with its implication and the special efforts made by the (Pr) Accountant General to seek co-operation or response.

Care should be taken to state them as a matter of fact rather than giving an impression to convey any accusation.

- Graphs, charts, diagrams, photographs, etc: The (Pr) Accountant General may illustrate the audit findings with the use of graphs and charts and improve the visibility of the analysis and findings.

Photographs can be used as evidence where they are able to corroborate the evidence.

- *Glossary of terms:* explaining all technical and uncommon terms used in the report that need to be explained.
- *Reference or bibliography:* containing reference to all published material utilized in developing the report.

[Para 6.29 of P.A Guidelines]

(5) Data in the report

- Excessive statistical data diminish the readability of the report. But very often inclusion of statistical data in the report is barely necessary to explain the findings. Thus, a balance between the two should be maintained.
- Entity's response and acceptance throughout the performance audit reduce the occasions of use of elaborate data in the report.
- Care should be taken to make sure that the audit findings and conclusions are stated with the help of logic emerging out of the audit procedure and that the main issues are not underplayed in the maze of statistical data.
- Where inescapable, the explanatory data may be included in the form of annexes or appendices, as the case may be, keeping in mind that too many annexes or appendices may make the report appear longer.

[Para 6.30 of P.A Guidelines]

- (6) Enhancing the presentation and readability of the reports
- Modern publishing techniques should be used to highlight in box form
- significant audit conclusion and
- to explain the technical term and more importantly, technical processes used in the performance audit reports.
- The distinction in presentation between the highlights of significant audit findings and explanation of technical procedures, etc. may be achieved through formatting and publishing techniques, including different backgrounds and font colours of the two.

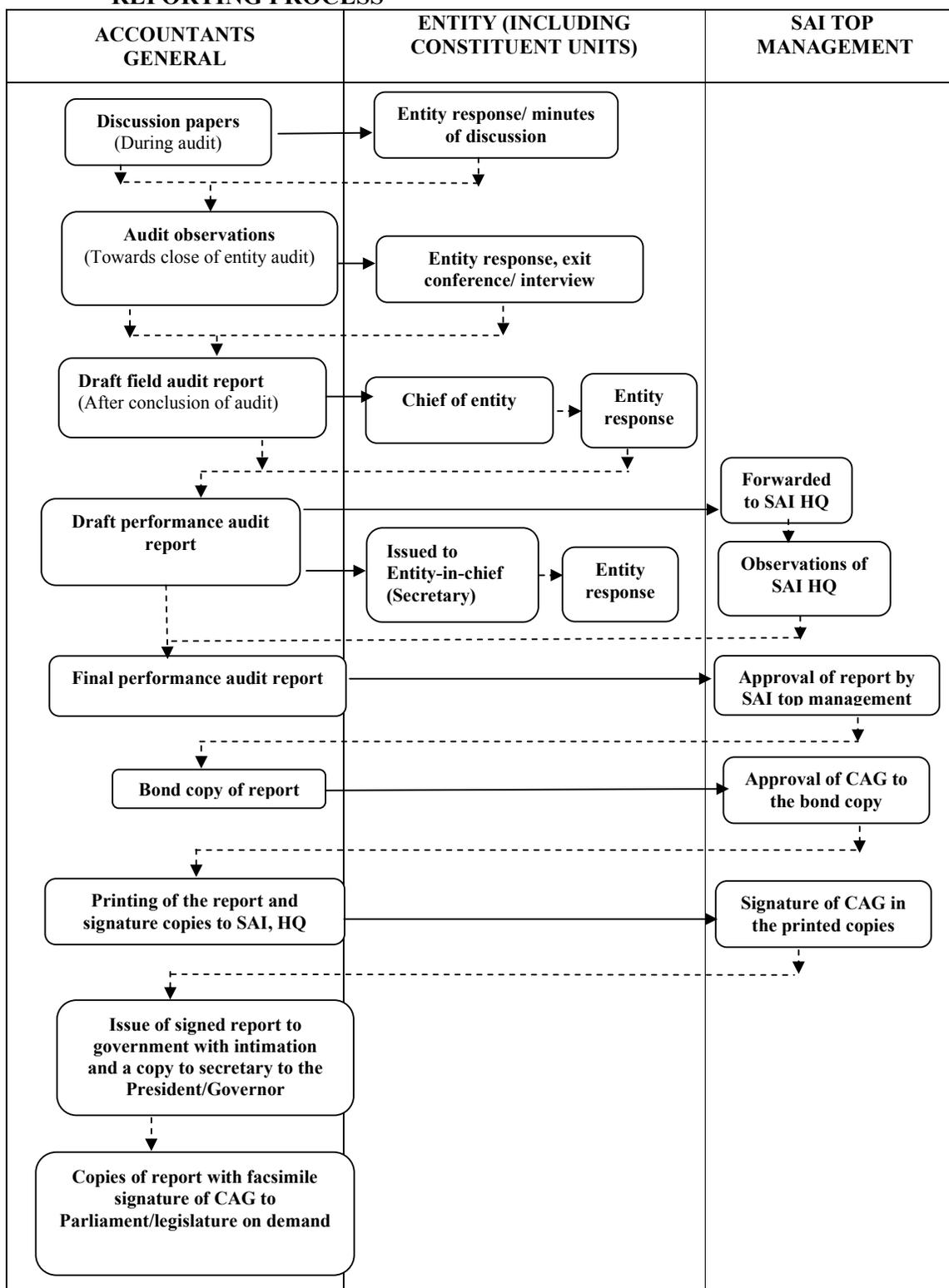
[Para 6.31 of P.A Guidelines]

- (7) Quality assurance of reporting : Quality assurance of reporting process and the final output is assured by :
- Adherence to the auditing standards and the guidelines;
 - transparent audit and audit management process documentation of entire reporting process;
 - securing entity response at all stages of performance audit process;
 - concurrent supervision and control by the (Pr) Accountant General ;quality control assessment and review by SAI top management before approval of the report; and
 - technical inspection by SAI and peer review of the performance audit process.

[Para 6.32 of P.A Guidelines]

- (8) Reporting Process diagram: The whole reporting process is illustrated in the following diagram.

REPORTING PROCESS



[Para 6.27 of P.A Guidelines]

(xviii) Performance Audit and Regularity Audit

From the above discussions in this Chapter, the performance auditor should be clear that the objectives, scope, nature of evidence and reporting in performance audit are different from those in the regularity audits. Some of the major distinguishing features of regularity audit and performance audit are as under:

Features	Regulatory audit	Performance audit
<i>Scope</i>	<ul style="list-style-type: none"> • Generally covers a financial period (annual, biennial, etc.); • Coverage is for the whole of the entity for the period; and • Time bound – audit to be completed by a stipulated time. 	<ul style="list-style-type: none"> • Covers the subject/ programme over a period of time; • Focused only on a part of the entity's activities/ programme; and • Coverage is selective.
<i>Objective</i>	<ul style="list-style-type: none"> • Attestation (opinion on) of financial accountability; • Audit of financial systems; • Existence and control for safeguarding of assets; • Evaluation of financial records; • Audit of propriety of administrative decisions; • Audit of internal control for safeguarding assets and completeness and accuracy of accounts; • Limited to financial matters; • Test for assuring compliance to laws, regulations and rules; and • Conclusions/opinions generally with reference to standardized requirements. 	<ul style="list-style-type: none"> • Audit of economy, efficiency and effectiveness; • Audit of internal controls that ensures economy, efficiency and effectiveness, ensuring adherence to management policies, timely and reliable financial and management information; • Extends to non-financial/ governance subjects also; • Assessment of compliance to applicable laws and regulations required in the context of audit objectives; and • Conclusions related to audit objectives set by auditors.
<i>Evidence</i>	<ul style="list-style-type: none"> • Financial statements per se, accounting documents, etc.; • Budgetary assumptions and 	<ul style="list-style-type: none"> • Variety of forms of evidence; • Quite often qualitative in nature;

	<p>appropriation authorizations, etc.;</p> <ul style="list-style-type: none"> • Transaction documents; • Conclusive nature of evidence; • Materiality by amounts; 	<ul style="list-style-type: none"> • Persuasive rather than conclusive; • Evidence related to pre-determined audit objectives; • Materiality guided more by the nature or by context rather than amount alone;
<i>Academic base</i>	<ul style="list-style-type: none"> • Generally accounting knowledge 	<ul style="list-style-type: none"> • Always knowledge-based; of laws, social sciences, economics, development studies, public affairs, science and technology, etc.
<i>Approach and methodology</i>	<ul style="list-style-type: none"> • More or less standardized: manual generally forms the entire basis. 	<ul style="list-style-type: none"> • Varies widely from subject to subject; • Manual generally serves as basic framework.
<i>Assessment criteria</i>	<ul style="list-style-type: none"> • Standardized (suitable to all audits) with little scope for subjectivity. 	<ul style="list-style-type: none"> • Widely varying and subjective with ample scope for interpretations and assessment criteria support the audit objectives, which are unique to the subject of performance audit.
<i>Report</i>	<ul style="list-style-type: none"> • Opinion on the financial statements; • Opinion on compliance to laws, regulations and rules; • Generally opinion on financial statements in standardized format; • Specific requirement and expectations; and • Related to specific financial periods – there is a periodicity of reporting. 	<ul style="list-style-type: none"> • Report/conclusions on economy and efficiency with which the resources are acquired and used and the effectiveness with which the objectives are met; • Report containing assessment of economy, efficiency and effectiveness may be presented in variety of forms; • Wide-ranging in nature, open to interpretations and subjective judgement; and • Generally separate publications on each subject of performance audits as and when concluded.

<i>Overlap</i>	<ul style="list-style-type: none"> • Financial audits do not generally include the elements of performance audits. 	<ul style="list-style-type: none"> • There can be overlap in the sense that the performance audit may encompass techniques/methodologies applied to financial audit.
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[Para 1.39 of P.A Guidelines]

(xix) Follow-up procedures

- (a) Performance audit reports are essentially a ‘means’ to the ‘end’ of improving public sector performance and accounting.
- (b) This can be achieved through implementation of the recommendations contained in the performance audit.
- (c) Consistent and systematic follow-up process in the SAI may contribute significantly to the effectiveness of performance audit in improving the programme management.
- (d) The essence of performance audit and recommendations included in them is in the expectation of securing the corrective actions that may achieve the desired results.
- (e) Follow-up procedures in relation to performance audit essentially concentrate on implementation of the recommendations.
- (f) The follow-up of SAI’s recommendations is aimed at the following main objectives:
 - (1) increasing the effectiveness of the audit reports;
 - (2) assisting the legislature;
 - (3) evaluating the SAI performance;
 - (4) providing an input to the strategic planning of performance audit by the SAI;
- (g) The details of follow-up procedures are given in Chapter 8 of the Performance Auditing Guidelines.

[Para 8.1 & 8.2 of P.A Guidelines]

(xx) Performance Auditing in IT environment

- (a) Information Technology (IT) is being increasingly used for public sector programme planning, execution and monitoring.
- (b) The sharing or integration of information between entities raises issues such as the risk of security breaches and unauthorized manipulation of information.
- (c) In this environment, the performance auditor should not only be aware of the uses of IT, but they should also develop strategies and techniques for providing assurance to stake holders about value for money from the use of IT, security of the systems, existence of proper process controls and the completeness and accuracy of the outputs.
- (d) The details of audit procedures in this environment are given in Appendix B of the Performance Auditing Guidelines.

[Appendix B of P.A Guidelines]

(xxi) Besides Performance Guidelines are to be issued by the CAG of India as per the decision taken in the conference of the Accountants General in September 2005. According to this decision a series of Practice Guidelines are also to be issued.

The following supplementary Guideline and Practice Guides are under preparation and issue

- (a) Supplementary Guidelines on
 - (1) Evidence Gathering,
 - (2) Analysis and
 - (3) Evaluation Techniques,
- (b) Practice Guides on:
 - (1) Audit of Procurement
 - (2) Audit of Poverty Alleviation Programmes
 - (3) Audit of Contract Management
 - (4) Planning Individual Performance Audit

More and more guidelines / guides are to be prepared and issued on different subjects. These may also be referred to while conducting the Performance Audit / OAD Audit.

**(Performance Audit News of December, 2006 circulated vide
CAG DO.No. 240/43-2006/ News Letter dated 21.12.2006)**

CHAPTER 21

DISCLOSURE OF INFORMATION WITH RESPECT TO AUDIT OFFICES UNDER RIGHT TO INFORMATION ACT

21.01 Premature disclosure of audit materials

Instances have come to the notice where findings of audit at the DIR stage or draft audit reports have appeared in the newspapers. CAG has considered this most objectionable as disclosure of interim reports that may end up as audit paras, which have not been approved as yet by CAG, face the risk of breach of privilege of legislature.

To tackle such situation it is instructed that –

(i) if the reference to Inspection Report is as “PAG/AG Reports” it should be immediately clarified to the Editor of the newspaper stating that the report is an Inspection Report;

(ii) if the reference is to a Draft Audit Report or a proposed Audit Para then the (Pr.)AG should immediately write to the Chief Secretary concerned to ensure that the secrecy of such report is not compromised.

[CAG letter No.168-Audit (AP)-9-2005 dt.09.08.2005 circulated vide memo No. SAG(Report-Civil)-5-1/Gen/2005-06/25 dt.19.04.2006]

21.02 Disclose of information under Provisions of Right to Information Act.

(i) *The Right to Information Act, 2005*

(a) The Right to Information Act, 2005 (Act 22 of 2005) passed by the Parliament received the assent of the President on the 15th June 2005. The Act was published by the Ministry of Law and Justice, Government of India as an Extraordinary Notification No.25 dated the 21st June 2005 in the Gazette of India under Part-II-Section-I.

(b) The Act is to provide for setting out the practical regime of right to information for citizens to secure access to information under the control of public authorities, in order to promote transparency and accountability in the working of every public authority, the constitution of a Central Information Commission and State Information Commission and for matters connected therewith or incidental thereto.

(c) As the provisions of this act is very important for a public office including the Audit Office, it has been circulated by the CAG vide his office

letter No.541-LC/III-2005 dt.26.08.2005. The Act has been annexed as *Annexure-I* to this Chapter.

(d) In the aforesaid letter CAG has taken decision under Section 5(1) of the Act *ibid* to designate Pr. Director (Staff) as Public Information Officer (PIO) in the Headquarters Office and Group Officers in charge of administration as PIO in the field offices and also instructed all field offices to take action to publish information as per the Section 4 (1) of the Act *ibid* in the website, notice board and also indicate the officer who will function as the PIO.

(ii) *Right to Information (Regulation of Fee and Cost) Rules, 2005*

In exercise of the powers conferred upon by clauses (b) and (c) of Sub-section (2) of Section 27 of the Act *ibid* the Central Government in the Ministry of Personnel, Public Grievances and Pensions, Department of Personnel and Training made this rule on 16th September 2005. This was given for publication in Part-II, Section-3, Sub-section (1) of the Gazette of India. The extract of this rule is given for guidance of the Audit Offices in *Annexure-II* to this Chapter.

(iii) *Steps to be taken by the field offices for publication of information*

(a) The steps to be taken by the field offices for compliance of each of the obligations under Section 4(1)(b) of the Act *ibid* are given vide Headquarters letter No.LC/III-2005 dated the 6th October 2005 enclosed as *Annexure-III* to this Chapter.

(b) Herein the Headquarters office has instructed to keep in place the above information for immediate publishing as required under the Act.

(c) Field offices are instructed to initiate immediate action to ensure that the above information is available to citizens from the appointed day viz. 12th October 2005.

(iv) *Disclosure of Audit and Administrative matters*

CAG vide his office letter No.629/LC/111-2005 dt.07.10.2005 has given some instructions for disclosure of information in relation to Audit and Administrative matters of field offices in terms of Section 7 and 8 of the Act *ibid*. The copy of the letter has been enclosed as *Annexure-IV* to this Chapter.

Again CAG vide his letter No.14-LC/111-2005 dt.21.01.2006 has substituted the para 2.3 of the aforesaid letter in Annexure-IV relating to disclaimer certificate given in the last of the DIR by the following;

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;

‘The Report has been prepared on the basis of information furnished and made available by the auditee(s). The office of the Pr.Director / Accountant General / Director General of Audit / Pr.Accountant General (Name) disclaims any responsibility for any mis-information and /or non-information on the part of auditee’.

(v) Information to be passed on to the citizens under the Act

In accordance with the headquarters letter No.629/LC/III-2005 dt.07.10.2005 information to be passed on to common citizens, who desire to have it, have been prepared by the office of the Principal Accountant General (Civil Audit). It is circulated vide OOC No.790 dt.09.11.2006 read with OOC. 899 dated 01.12.2006 for information of all concerned. The information is also available in the office website.

[OOO No.790 dt.09.11.2006 & OOC No.899 dt.01.12.2006]

21.03 As certain fees and cost are to be charged under the Right to Information Act, 2005 and Right to Information (Regulation of Fees and Cost) Rules, 2005, the collection and utilization/deposit of these fees may be seen during local audit of different State and central Government offices by the OAD field parties.

ANNEXURE – I

{Para 21.02(i) (c)}

OFFICE OF THE C&AG OF INDIA

No.541-LC/III-2005

Dt : 26.08.2005

To

All Principal.Accountant General/Accountant General/Pr.Director of Audit
(as per mailing list)

Sub: Right to Information Act, 2005 – action relating to.

Sir/Madam,

I am directed to say that Parliament has enacted the Right of Information Act, 2005. Certain provisions of the Act have come into force from 15.06.2005 and rest of the provisions would come into force w.e.f 12.10.2005. Presently, action is required to be taken in terms of Section 4(1) of the Act requiring public authorities to publish the various information mentioned therein. Under Section 5(1) of the Act Public Information Officer are to be appointed. A decision has been taken designating Pr.Director (Staff) as Public Information Officer in the headquarters office. Similarly, Group Officers in-charge of administration have to be designated as Public Information Officer in the field offices.

2. Action may be taken to publish the information as per the requirements of Section 4 (1) of the Act. A task force has been constituted in the headquarters office to identify the documents/information that are to be supplied to citizens who make a request for such information. The recommendations of the task force and the decision thereon would be communicated later.

3. You are kindly requested to take immediate action to publish the information in the web-site, notice board and also indicate the officer who will function as Public Information Officer.

4. A copy of the Right to Information Act, 2005 is enclosed.

Yours faithfully,

(R. SRINIVASAN)
DIRECTOR (LEGAL)

ANNEXURE – II

{Para 21.02(ii)}

**(TO BE PUBLISHED IN PART-II, SECTION 3, SUB-SECTION (i) OF THE
GAZETTE OF INDIA)**

Government of India
Ministry of Personnel, Public Grievances and Pensions
(Department of Personnel and Training)

New Delhi, Dated the 16th September 2005

Notification

G.S.R....., In exercise of the powers conferred by clauses (b) and (c) of sub-section (2) of section 27 of the Right to Information Act, 2005 (22 of 2005), the Central Government hereby makes the following rules, namely :-

- 1. Short title and commencement** – (1) These rules may be called the Right to Information (Regulation of Fee and Cost) Rules, 2005.
(2) They shall come into force on the date of their publication in the Official Gazette.
- 2. Definitions** – In the rules, unless the context otherwise requires, -
 - (a) ‘Act’ means the Right to Information Act, 2005;
 - (b) ‘section’ means section of the Act;
 - (c) all other words and expressions used herein but not defined and defined in the Act shall have the meanings assigned to them in the Act.
- 3.** A request for obtaining information under sub-section(1) of section 6 shall be accompanied by an application fee of rupees ten by way of cash against proper receipt or by demand draft or bankers cheque payable to the Accounts Officer of the public authority.
- 4.** 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 bankers cheque payable to the Accounts Officer of the public authority at the following rates:-
 - (a) rupees two for each page (in A-4 or A-3 size paper) 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 fifteen minutes (or fraction thereof) thereafter.
- 5.** For providing the information under sub-section (5) of section 7, the fee shall be charged by way of cash against proper receipt or by demand draft or bankers 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 photocopy for extracts from the publication.

(Hari Kumar)
Director

[F.No.34012/8(s)/2005-Estt.(B)]

ANNEXURE – III
{Para 21.02(iii)(a)}
OFFICE OF THE C&AG OF INDIA

No.LC/111-2005
Dated the 6th October 2005

To
The Pr.Accountant General/Accountant General/
Pr.Director of Audit.

Sub : Right to Information Act, 2005 – Instruction reg.

Sir/Madam

In continuation of Hdqrs. letter No.541-LC/111-2005 dated 26.08.2005 on the above subject, the following steps may be initiated for compliance of each of the obligations under Section 4(1) (b) of the RTI Act, 2005.

1. The particulars of its organization, functions and duties;

The Administrative Report and Activity Report should be referred for the specific purpose. (Not necessarily the complete report)

2. The powers and duties of its officers and employees:

The work distribution order can be displayed.

3. The procedure followed in its decision making process, including channels of supervision and accountability

The work distribution order can be used to show the channel of submission and accountability.

4. The norms set by it for the discharge of its functions:

It can be mentioned that the Department follows the norms in Auditing Standards and Manuals in the discharge of its functions. There are no requirements to upload the complete Manual. Auditing Standards can be displayed on public domain.

5. The rules, regulations, instructions, manuals and records used by its employees for discharging its functions;

List out the rules, regulations, manuals used in discharge of functions. It is not necessary to upload the complete rules etc.

6. A statement of the categories of the documents held by it or under its control;
The documents held by Department are those received from auditee organizations and Governments. (Details of documents requiring disclosure under section 6 would be sent separately)

7. The particulars of any arrangement that exist for consultation with or representation by the members of the public, in relation to the formulation of policy or implementation thereof;

Not Applicable.

8. A statement of the boards, councils, committees and other bodies consisting of two or more persons consulted by it. Additionally, information as to whether the meetings of these are open to the public, or the minutes of such meetings are accessible to the public.

Details of the Boards/Committees/Task Force set up by field offices to be mentioned. It may be mentioned that public participation or minutes of meetings are not open to public.

9. A directory of its officers and employees.

Gradation list of officers and staff be mentioned with a disclaimer that such list is not to be treated as a seniority list.

10. The monthly remuneration received by each of its officers and employees, including the system of compensation as provided in its regulations.

Statement indicating the scales of pay of each category of post and the number of persons in that category in a particular office is mentioned.

11. The budget allocated to each of its agency, indicating the particulars of all plans, proposed expenditure and reports on disbursements made;

The Activity and Administrative Report should be referred for the specific purpose.

12. The manner of execution of subsidy programmes, including the amounts allocated and the details and beneficiaries of such programmes.

Not Applicable

13. Particulars of recipients of concessions, permits or authorization granted by it

Not Applicable

14. Details of the information available to, or held by it, reduced in an electronic form

All information is available on electronic format; either free or for prescribed cost/fee.

15. The particulars of facilities available to citizens for obtaining information, including the working hours of a library or reading room, if maintained for public use.

The Accounts Offices can publish the Citizens Charter and the Audit Offices mention 'Not applicable'.

16. The names, designations and other particulars of the Public Information Officers. [S.4(1)(b)]

Details to be published.

1 Information as suggested above may be kept in place for immediate publishing as required under the Act. Instructions as to fee and cost to be charged from citizens who seek information under Section 6 of the Act is being sent separately. Details of disclosure to be made in respect of documents held/generated in Audit/Accounts offices is also being sent separately.

2. All Field Offices are directed to initiate immediate action so as to ensure that the information is available to citizens from the appointed day, viz 12th October 2005.

3. This issues with the approval of Deputy Comptroller & Auditor General.

(MAMTA KUNDRA)
PRINCIPAL DIRECTOR (STAFF)

ANNEXURE – IV
{Para 21.02(iv)}

OFFICE OF THE C&AG OF INDIA

No.629/LC/111-2005
Dated 7th October 2005

To

Director General of Audit/Pr. Accountants General/Accountant General/
Pr. Director of Audit {Audit Offices Civil, Receipt, Local Bodies, MABs, Defence,
P&T, Railways}

Sub: Right to Information Act, 2005 – Disclosure of Information – regarding

Sir/Madam

In continuation of headquarters letter of even number dated 6.10.2005, the following instructions are issued for disclosure of information in terms of Section 7 and 8 of the RTI Act, 2005.

2. Audit Matter :

2.1 According to Article 151(1) of the Constitution of India, the Reports of the C&AG of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament. Under Clause (2) of the said Article, the Reports of the C&AG of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. Under Section 8(1)(c), there is no obligation to disclose information that would cause breach of privilege of Parliament or the State Legislature.

2.2 The Audit Report goes through various processes before its finalization. Having regard to the intent and provisions of the RTI Act, all documents/information contained in Inspection Reports and other like documents issued to the auditee may be disclosed. The intent to report any matter to Parliament/State Legislature is established for the first time only when 'Draft Audit Para/Draft Review' is sent to the Government (auditee entity) for confirmation of facts & 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 CAG. Once the Audit Report is laid on the Table of the Parliament/State Legislature(s) it would come within the public domain. Audit memos, Half Margins and other working papers that relate to Inspection Reports and Audit Reports are internal in nature may not be disclosed.

2.3 In future all Inspection Reports may be issued with the following disclaimer statement :-

“The Inspection Report has been prepared on the basis of information furnished and made available by.....(Name of auditee entity). The Office of Accountant General (Name) disclaims any responsibility for any misinformation and/or non-information on the part of auditee”

In respect of information being sought on past IRs, information may be disclosed to any person with a similar disclaimer statement.

2.4 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 communications issued by the auditee entity and mentioned in the Inspection Reports and Audit Reports already placed before Parliament/Legislature.

3. Administration Matters

3.1 In respect of documents relating to office management, Administrative Reports brought out by each office can be made available for the prescribed cost. Information relating to the budget details, details regarding welfare activity, recreation, details regarding tenders etc. after conclusion of the contract, promotion, appointment, pay fixation, gradation list and roster details can be disclosed.

3.2 Information that is purely personal in nature the disclosure of which has no relationship with any public activity or interest need not be disclosed in terms of Section 8(1) of the Act. In this category the personal details of the Government servants, their family, GPF balance, CRs, etc. should not be disclosed.

4. 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 noting should not be disclosed.

5. A copy of the 'Right to Information (Regulation of Fee and Cost) Rules, 2005 issued by Department of Personnel & Training vide Notification dated 16.09.2005 is enclosed for levy of fee/cost for disclosure of information.

6. Receipt of this letter may please be acknowledged.

Yours faithfully,

(A.K.THAKUR)
Director General (Audit)

CHAPTER 22

ADDITIONAL INSTRUCTIONS FOR DEALING WITH FRAUD AND CORRUPTION

22.01 Standing order on role of audit in relation to cases of Fraud and Corruption

The CAG has issued a standing order on the “Role of Audit in relation to cases of Fraud and Corruption” superseding all previous instructions on the subject vide his letter No.126/Audit(AP)/1-2004 dated 6th September 2006 which was circulated vide memo No.OA-I-Gen-Fraud&Corruption/1560 dated 27th June 2006 to all OAD Headquarters sections and Field Parties for their guidance. The extract of OAD circular along with the CAG letter is given as Annexure-I to this Chapter. The above CAG letter endorsed a booklet on the subject which has already been enclosed as Annexure-II of Chapter-III of this manual.

22.02 Memorandum/Certificate of Assurance

As per para 18 of the above CAG letter the Pr. AG may require the Audit team/officers to provide a memorandum/certificate of assurance which will include inter alia, examination of issues relating to fraud and corruption.

Accordingly a circular was issued to OAD field parties by the OAD Headquarters to enclose a certificate in the subject with the DIR. The materials to be included in the certificate have been given in Para 3.19 of this manual.

(OA-1-Fraud & Corruption/07-08/1086 dated 31.7.2007)

22.03 Sector specific guidelines/checklists for audit of fraud and corruption

As per Para 19 of the above letter the Pr.AG is required to develop sector specific guidelines/check lists in respect of audit of fraud and corruption in the audit entities belonging to specific sectors (viz. health, education, works etc.) for the guidance of field staff deployed in such audit and furnish a copy of such guidelines/checklists to the Director General(Audit) in the office of the CAG.

In accordance with the above, OAD Headquarters issued three specific guidelines/checklists viz. Health, Education and Agriculture departments prepared for area/subject in “Cash Management, Office Inventories, stock and stores, etc. to be applied in audit of all the entities

irrespective of specific sectors. These specific sector guidelines/checklists are given as Annexure-II, Annexure-III and Annexure-IV to this chapter respectively.

The copies of these guidelines have also been sent to the Principal Director (Report State) in the office of the CAG.

(No.OAD-I-Circular-Fraud & Corruption//07-08/1064 dated 25.7.2007 and
OA1-Gen-Cir-Fraud & Corruption/07-08/1086dated 31.07.2007)

22.04 Reports and Returns:

According to the Para 20 of the above CAG letter, Pr.AG is required to submit half yearly report on cases of material fraud and corruption noticed by him to the Headquarters office or through the rationalised management information system, when introduced. Accordingly a half yearly report in cases of fraud and corruption noticed in local audit during the period from October 2006to March 2007 was also sent to the Principal Director (Report State) vide letter No.OAD-I-Gen-Fraud & Corruption/1064 dated 25 July 2007.

ANNEXURE-I

(Para 22.01)

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL(CA),
ORISSA, BHUBANESWAR**

Sub: Standing Order on “Role of Audit in relation to cases of Fraud and Corruption”

A copy of C&AG’s Office letter No.126/Audit(AP)/I-2004 dated 6 September 2006 on the subject mentioned above is enclosed for information and necessary action.

All the Sr.AOs, AOs, AAOs and SOs of both field and Head Qrs. Section of OAD Group are here by directed to study the contents and instructions that have been dwelt upon in the letter referred to above for implementation in the manner prescribed therein and application of the instructions during local audit inspections/vetting of DIRs.

Adherence to the instructions needs to be ensured by all concerned.

Sd/-
Audit Officer/OA-1

Memo No.OA-I-Gen-Fraud&Corruption/1560

Dated: 27.9.2006

Copy forwarded for information and necessary action to

- (1) All Branch Officers of Headquarters sections
- (2) All Sr.AO/AOs of Field for circulation among members of their audit parties.

sd/-
Audit Officer/OA-1

**OFFICE OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
10, BAHADUR SHAH ZAFAR MARG, NEW DELHI – 110 002**

No.126/Audit(AP)/1-2004
Dated 6 September 2006

All Directors General (Audit)/ Principal Accountant General (Audit)/Principal Directors
(Audit)/ Accountants General (Audit) (As per the mailing list)

Sir/Madam,

Sub: Standing Order on role of Audit in relation to cases of Fraud and Corruption

Introduction

Examination of system for detection and prevention of fraud and corruption will henceforth be an integral part of all regularity audits and also of performance audits, whenever it forms one of the audit (sub) objectives. The standing order in the Annexe to this communication is issued in supersession of the existing instructions on the subject. As and when the need arises detailed guidelines will be issued. Some of the important points to be kept in view are as under.

1. Corruption and fraud are generally interlinked. In fact corruption is a special type of fraud and treated as such in many jurisdictions. In any case audit team/officers should be well aware of the complex distinction as well as correlation between the two. Appendix-A to the Annexe contains some illustrative (not exhaustive) types of fraud and corruption that the audit team may come across.

Fraud examination

2. Fraud examination is a part of the normal auditing procedures. Fraud has a legal (criminal) connotation. Audit teams/officers do not make legal determinations of whether fraud has actually occurred. Hence, audit teams/officers can put red flags (an indication that further scrutiny of the items would be required) which need further investigation by appropriate agencies. When the evidence is clear, audit teams/officers can come to a conclusion about a suspected fraud and include it in their findings.

Respective responsibilities of management and audit

3. The responsibility for the prevention and detection of fraud and error rests primarily with the management of the audited entity through the implementation and continued operation of accounting and control systems designed to check fraud. Audit must, however, evaluate and report on the adequacy of the systems in place and competence with which the management has discharged its responsibility in relation to prevention, detection, response and follow-up/remedial measures in relation to fraud and corruption.

4. During audit of financial statements, two types of intentional misstatements are relevant to the audit teams/officers, viz. misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Similar consideration

apply in case of performance audits. In performance audits, while selecting themes and issues/sub-issues, the vulnerability to fraud and corruption should be given due consideration

Professional skepticism

5. Audit teams/officers should maintain an attitude of professional skepticism (an attitude that includes a questioning mind and a critical assessment of audit evidence) throughout the audit.

Fraud awareness at the audit planning stage

6. The field offices should carry out independent risk assessment and prioritize their audit planning accordingly. The audit plans in relation to fraud and corruption should focus on high risk areas. Some of the common high risk areas (illustrative) are contracts of service/procurement, inventory and asset management, sanctions/clearances, performance information, revenue receipts, cash management, general expenditure, grants, financial statements, operating information, computerized environment, privatization of government entities and any other areas involving public interface.

7. While planning audit, the field Accountants General, etc. should assess the risk that fraud may cause to the financial statements to contain material misstatement or record material irregular transactions. Based on the risk assessment, the Accountants General should develop the audit objectives and design audit procedures so as to secure reasonable expectation of detecting and evaluating material misstatement and irregularities arising from fraud and corruption.

Vigilance about fraud at audit execution stage

8. At the commencement of each audit, information about the fraud and corruption awareness, detection and prevention policy and related environment (including any instances of fraud and corruption noticed since last audit and action taken on such instances including strengthening of internal control systems) should be collected from the audited entity management.

9. During the course of audit work, the audit teams/officers should be vigilant and seek explanations, if they come across possible fraud indicators. Some illustrative fraud indicators (red flag areas) are given in Appendix B to this annex.

Audit evidence and documentation

10. Any indication that an irregularity, illegal act, fraud or error may have occurred which could have a material effect on the audit finding/opinion should cause audit teams/officers to extend procedures to confirm or dispel such suspicions. Instructions regarding the illustrative procedures to be adopted are given in the Annex. If the irregularities had a material effect on the accounts, suitable reporting and qualification in the audit opinion may be warranted. Audit should also recommend improvement in the control procedures to management.

11. IT fraud is an area of concern for Audit Collecting computer evidence requires careful planning and execution. Audit teams/officers should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

12. The audit teams/officers should check compliance with the provisions of rules 29, 33, 34, 37 and 38 of the General Financial rules (GFRs) 2005 (Appendix-C to the Annexe)

13. The audit teams/officers should clearly understand that the audit evidence obtained can be only persuasive and not conclusive. While reporting all cases of suspected or presumptive fraud or corruption, they should refrain from making any judgment regarding the existence of fraud or corruption. The evidence should also be capable of proving that the audit teams / officers have discharged their functions with reasonable care and due diligence.

Reporting and follow-up

14. Reports of individual cases of suspected fraud/corruption should be confidentially addressed, in the first instance, to the controlling authority concerned, with the approval of Group Officers. more serious cases should also be confidentially reported to the Secretary of the Administrative Departments (where they are not the controlling officers) concerned and the investigative authorities like Central/State Vigilance Commission, Lok Ayukta, etc. as applicable in the manner indicated in the Annexe either over the signature of the Accountant General or with his/her approval.

15. Cases relating to suspected/presumptive fraud and corruption, should be specially highlighted in the concerned Inspection Reports, Audit Notes, etc. and also in the Audit Reports. All such cases should be printed in bold type.

16. While forwarding the Bond Copy of the Audit Reports to Headquarters, the Accountant General should indicate in the forwarding letter the number of cases of fraud and corruption included in the Report together with the money value of the concerned paras. In the submission note of the file relating to the bond copy, the number of cases of suspected/presumptive fraud and corruption in the report should be highlighted together with the money value of the concerned paras.

17. The draft of the annual post audit report letter to the Chief Ministers should have a brief mention of issues relating to suspected fraud and corruption where such cases appear in the Audit Reports and the system put in place by the field AsG etc. to monitor paras relating to fraud/corruption. In addition, all such cases should be taken up immediately after approval of the bond copy with appropriate authorities in the Union and State Governments, viz. Central/State Vigilance Commission, etc. as a follow-up. If such cases have been reported earlier by the AG, reference may be drawn to them with the additional information that these cases have been included in the CAG's Audit Report to the Parliament/Legislature.

Miscellaneous

18. The Accountant General may require the Audit teams/officers to provide a Memorandum/ Certificate of Assurance which will include inter alia, examination of issues relating to fraud and corruption.

19. The Accountant General should develop sector specific guidelines/checklists for audit of fraud and corruption in the audit of entities belonging to specific sectors (viz. health, education, works etc.), for the guidance of the field staff deployed in such audits and furnish a copy of such guidelines/checklists to DG(Audit).

Annexures to Chapter - 22

20. The field offices should submit half-yearly reports on cases of material fraud and corruption noticed by them to the Headquarters Office or through the rationalized management information system, when introduced.

Yours faithfully

(Ajanta Dayalan)
Director General(Audit)

Encl. as above

No.127/Audit(AP)/1-2004

6 September 2006

Copy to all Officers in Headquarters Office

(Ajanta Dayalan)
Director General(Audit)

467

HEALTH FAMILY WELFARE DEPARTMENT

Checklist for audit of fraud and corruption in the audit of entities belonging to Health and Family Welfare Department

<u>Sl. No.</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
(1)	(2)	(3)	(4)	(5)	(6)
01.	Cash Management.				
	(a) Treasury receipts / Bank Draft / Govt. Draft and Cheques	Suspected misappropriation	D.D.O. Head Clerk. Cashier.	1. Cash Book. 2. Bill Register. 3. Book of Drawal. 4. B.D.Register. 5. Verification of Treasury records	Detail check and cross verification of actual receipts and that accounted for in cash books to ascertain the correctness and accuracy of the accounts of funds managed.
	(b) Other than treasury receipts	1.Use of duplicate Money Receipts 2.Discrepancy between original and carbon copy of M.R.book	D.D.O. Head Clerk Cashier.	1. Stock Register of Money Receipt Books and issues thereof. 2. Physical verification Report	1. Stock entry of receipt book with reference to Challans / Invoice. 2. Issue of Money Receipt Books and certification of Page No. and Sl.No. etc. to find out whether any fake Money Receipt Books were used.
	(c) Discrepancy between OB and CB and carrying forward balance and totaling checked.	Suspected misappropriation.	D.D.O. Head Clerk Cashier.	1. Cash Book.	Check of transaction amount as well as carry forward of actual balance amount

<u>Sl. No.</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
	(d) Shortage noticed in Physical verification of Cash	-do-	-do-	1. Cash book and actual cash including all components of closing balances.	Examine to ascertain that the total expenditure plus Closing Balance should be equal to total receipts. Discrepancy may lead to fraud.
	(e) Discrepancy in payment	-do-	-do-	1. Cash book. 2. Acquittance rolls. 3. Vouchers. 4. Stamped Receipts. 5. Verification of Treasury remittances	1. Records listed along side to be checked to prove the fraud and nexus if any, 2. Fake vouchers (payment made on photo copy of the vouchers).
	(i) Unauthorised drawal.	-do-	-do-	1. Sanction order. 2. Bill register. 3. Book of Drawal.	Pay and allowances / payments made without valid sanction
	(ii) Payment made by cheque.	-do-	-do-	1. Cash book. 2. Counter foil of the Cash book.	Payments should be examined with reference to the counterfoils of cheques / acknowledgement
	(f) Advance – Advance payment without acknowledgement.	-do-	Cashier. D.D.O.	1. Cash book. 2. Advance Ledger. 3. Acknowledge-ment of advances.	Ascertain the veracity of the advance payment, requirement of advance and genuineness of the acknowledgement and correct reflection of the amount in the cash book and adjustment thereof.
	(g) Expenditure without proper sanction and allotment of fund (Paid Vouchers)	-do-	-do-	1. Cash book. 2. Paid Vouchers. 3. Pass order & stock entry certificates. 4. Register of paid	Genuineness of the expenditure under Paid Vouchers, Discrepancy between actual paid vouchers in hand and as per the Cash

<u>Sl. No.</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
				vouchers.	book figure. Examine the amount adjusted against the paid vouchers shown in the cash book with the amount shown in the paid voucher.
	(h) Alternation & erasing / overwriting of cash book entries.	-do-	-do-	1. Cash book. 2. All concerned records and registers dealing with receipt and payments.	Examine whether such activities of alternation and erasing is intentional and leading to the financial corruption
	(i) Unusual hike in pay and allowances.	-do-	1. Bill Clerk. 2. D.D.O.	1. Sanction order / allotment of fund. 2. Bill register. 3. Book of drawal. 4. Previous month's salary bill. 5. Annual report on establishment / sent to the Govt. by DDO.	Checking of sanctioned strength vis-à-vis the strength for which pay and allowances drawn with respect to scale of pay
	(j) Sanction and drawal of GPF advance –	-do-	Dealing Asst. DDO	1. Original GPF advance application. 2. Sanction order. 3. Acquittance rolls.	1. Check of Sanction of GPF made without / fake application 2. Spot enquiry- contacting the payees.
	(k) Issue of LPC	-do-	1. Establish-ment clerk. 2. DDO	1. Personal file of transferred Government servant. 2. Office copies of the LPC & issue thereof.	Check whether all the outstanding dues and recovery reflected in the LPC.

<u>Sl. No.</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
	(i) Transfer of cash from one cash book to another.	-do-	1. Cashier. 2. DDO.	1. Both the Cash Books.	Cross check the correctness of the amount reflected in the cash books.
2	Purchase of Drugs, Medical Consumables, Equipment etc.				
	A) Procurement without tender	Undue financial favour to a Particular supplier (s)		Purchase Order Supply invoice Stock Register Purchase Files	Checks to be exercised to ascertain the veracity and requirement of purchase without tender Nexus with the purchaser to pass on undue financial favour at the cost of the department
	B. Dilution and changes in the tender clauses once the tender conditions are finalized. i) Omission of warranty clauses ii). Non-fulfillment of delivery terms. iii). Payment particulars. iv). Release of performance guarantee before installation of machinery	Excess / undue payment to the supplier. Purchase of inferior quality items. Payment of higher prices for substandard items.	Purchasing Officer, Purchase Committee Deputy Director SDMU	Original and Revised Tender documents Comparative statement of Rate Purchase Order(s) Cash book Physical verification. Warranty conditions as per agreement. Terms of bank guarantee. Previous purchase orders and log book machines if any.	To compare and calculate the excess / undue payments due to changes in the terms and conditions of the tender and tendering process. Undue release of bank guarantee. Non-fulfillment of delivery of goods in agreed point, to detect omission of warranty clauses and to watch the effectiveness of previous purchases.

<u>Sl. No.</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
	v). Ambiguity in purchase / supply / agreement leaving scope for fraudulent payment. Vi). Comparison of previous purchases with reference to performance.				
	C) Non acceptance of Lowest bid	Excess / undue payment to the next lowest bidder Collision with highest bidder	State Level Purchase Committee Deputy Director SDMU	Tender Evaluation documents and Comparative statement of Rate	To ascertain the justification of the reasons shown for rejection of lowest bidder's offer. -Nexus with the favourable suppliers if any
3	Stock and Store				
	A) Stock received	Shortage in quantity received Non-receipt of certain quantity	Store Medical Officer Store Pharmacist	Supply invoice Purchase Orders Stock Registers Physical verification in selected cases.	Stock accounts needs to be checked with reference with supply invoice and purchase orders to ascertain the irregularities
	B) Carry forward of closing stock	_do_	_do_	Previous and present stock registers Physical verification in selected cases.	Closing Balance of each year / register to be checked with the Opening Balance shown in subsequent year / register to ascertain the correctness of stock account

<u>Sl. No.</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
	C) Issue of Stock to the indenting Officer	Reduction of the stock position in store account without issue of the same	-do-	Indents Stock Issue Register Issue Invoice Physical verification in selected cases.	Issue invoice has to be compared with the stock issue register. Cross-check of the same with the stock entries made by the receiving Medical Officer.
	D) Return of unused drugs by the indenting Officer	Non accountal of unused drugs	- Do-	Return Invoice and Stock Register Physical verification in selected cases.	Quantity of the unused drugs returned to be checked with that entered in the stock account
	E) Inadequate inspection and quality assurance	Supply of Not standard quality (NSQ) drugs / sub standard equipment	Deputy Director SDMU Store Medical Officer	Purchase Order(s) Supply Invoice(s) Register of samples specified. Test Reports of authorized Labs. Physical verification in selected cases.	Quality mentioned in the Purchase Order is to be compared with quality certificates tagged with the drugs / equipments supplied vis-à-vis the Quality Test Report of Authorised Lab / Medical Officer in charge to ascertain whether NSQ drugs were supplied or substandard equipments were accepted and reasons thereof.
	F) Purchase of Dietary items for Hospitals	Excess indent of diet over and above the requirement Non-receipt / shortage in quantity Bogus issue	CDMO ADMO i/c of diet	Indoor Admission Register Diet indent Register Diet Receipt Register Diet Bills / Voucher Physical verification in selected cases.	Examine the actual requirement of diet on particular period as per number of in-patients admitted for that period.

<u>Sl. No.</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
4	Collection and utilization of User Charges				
	A) Non accountal / delay in accounting of user charges	Suspected misappropriation of user charges	CDMO ADMO (Med) Assistant in charge of collection	Money Receipts Daily Collection Register Related Cash Book	Cross check of Money Receipts, Daily Collection Register and Cash Book to be checked to find out financial irregularities if any which led to fraud.
	B) Unauthorised expenditure from the user charges	Misuse of Financial power Inflated expenditure by fabricating records	CDMO ADMO (Med) Assistant in charge of collection	Sanction Orders of the competent authority Payment Vouchers Cash Book	Need of the expenditure permitted as per relevant guidelines, veracity of the expenditure and the extent of the violation of financial power to be examined.
5	Performance Information				
	A) Programme implemented by the NGOs				
	i) Training of Accredited Social Health Activist (ASHA)	Non availability of transparent evidence of expenditure Claiming money for persons who are not trained. Claiming money for expenditure not incurred. Claim without any training by fabricating records and collusion.	CDMO ADMO- Family Welfare NGOs Concerned, officer responsible for programme supervision and payment.	Janani Surakshya Yojana Guidelines for training of ASHA Related Cash Book Terms and Conditions of the Contract with NGOs Expenditure statement / Vouchers Field level examination in selected cases.	Examination of records to be made to: find out the actual number of ASHA trained as per contract and payment made with reference to guidelines ascertain consequential effect of non transparent information system, if any. Physical verification in selected cases.
	ii) Cataract Operation under National	Inconsistency in financial and physical achievements	CDMO ADMO- Public Health	Guidelines of the NCPB Register of beneficiaries Expenditure vouchers	Cross- Checks of the records listed along side to ascertain the actual number of cataract

<u>Sl. No.</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
	Programme for Control of Blindness (NPCB)	Fabricating records for claiming money for operation not done.	Concerned Eye Specialist in charge of Operation Camp NGOs	Certificate of the Medical Officer i/c Operation Camp Progress Report	operations conducted and variation between the financial and physical achievements. Physical verification in selected cases.
	B) Cash assistance for Institutional delivery under JSY	Payment of assistance without basic records Fabricating records for claiming money	ADMO- Family Welfare Medical Officer i/c of PHC and CHC Health Worker (Female) Concerned NGOs	JSY guidelines Reference slip issued by the Health Worker (Female) JSY Card Payees' Acquittance	Payments of assistance to the actual claimant to be checked with reference to the records listed along side. Physical verification in selected cases.
	E) Non-realisation / delay in realization of sale proceeds of Medicated Mosquito Nets	Suspected misappropriation of sale proceeds Shortage in the number of nets. Non-accountal of sale proceeds.	District Malaria Officer ADMO- Public Health Medical Officer i/c of PHC and CHC ANM i/c sale	Stock –Receipt and Issue Register Supply Invoice to PHC / CHC PHC / CHC Stock Register Sale proceeds Account maintained by the ANM	Cross Checks to be exercised to find out the actual sale proceeds realized by the ANM and remitted to District Medical Authority Or credited into Zilla Swasthy Samiti Account. Physical verification in selected cases.
6.	Office Inventory - Computers, Steel Almirahs and other valuable articles.				
		(i) Payment made without procurement / service rendered. (ii) Purchase of sub-standard items and payment of higher	1. Purchase Committee. 2. D.D.O. 3. Store Keeper in- charge	1. Tenders. 2. Terms and condition of supply contract. 3. Quantity / Quality as per specification. 4. Store / stock register.	1.A thorough check and cross examination of the records listed along side to find out whether payment was made without receipt of goods and non fulfilling of all the

<u>Sl. No.</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
		prices. (iii) Payment for bogus purchases. (iv) Shortage of purchased items.		5. Issue slip. 6. Physical verification report	conditions of TOR. 2. Shortage and Losses found in Physical Stock Verification

ANNEXURE-III
EDUCATION DEPARTMENT

Subject: Checklist for audit of fraud and corruption in the audit of entities belonging to Education Department.

<u>Sl. No</u>	<u>Area / Subject</u>	<u>Nature of Fraud / Corruption.</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
(1)	(2)	(3)	(4)	(5)	(6)
01.	Cash Management.				
	(a) Receipts -	1.Use of duplicate Money Receipts 2.Discrepancy between original and carbon copy of M.R.book	Cashier. Head Clerk. D.D.O.	1. Stock Register of Money Receipt Books and issues thereof. 2. Physical verification Report	1. Stock entry of receipt book with reference to Challans / Invoice. 2. Issue of Money Receipt Books and certification of Page No. and Sl.No. etc. to find out whether any fake Money Receipt Books were used.
	(b) Treasury receipts / Bank Draft / Govt. Draft and Cheques	Suspected misappropriation.	Cashier. D.D.O.	1. Cash Book. 2. Bill Register. 3. Book of Drawal. 4. B.D.Register. 5. Verification of Treasury records.	Detail check and cross verification of actual receipts and that accounted for in cash books.
	(c) Discrepancy between OB and CB and carry forward balance and totaling check.	Suspected misappropriation.	Cashier. D.D.O.	Cash Book.	1. Check of transaction amount as well as carry forward of actual balance amount. 2. Totaling of days transactions (both receipts and payments) for the month(s) selected for detailed audit.
	(d) Shortage noticed in Physical verification of Cash	-do-	-do-	Cash book and actual cash including all components of	1. Examine to ascertain that the total expenditure plus Closing Balance should be equal to total receipts plus opening balance. Discrepancy may lead to fraud.

<u>Sl. No</u>	<u>Area / Subject</u>	<u>Nature of Fraud / Corruption.</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
				closing balance.	2. To see that all components of CB viz. cash, BD / cheque, paid vouchers, advance, bank account balance, etc. are physically available.
	(e) (i) Discrepancy in payment side with respect to Acquittance roll, vouchers, stamped receipt and Treasury Challans.	-do-	-do-	1. Cash book. 2. Acquittance rolls. 3. Vouchers. 4. Stamped Receipts. 5. Treasury Challans / verification of remittances at the Treasury	1. Records listed along side to be checked to prove the fraud and nexus if any, 2. Fake vouchers (payment made on photo copy of the vouchers).
	(ii) Unauthorised drawal.	-do-	-do-	1. Sanction order. 2. Bill register. 3. Book of Drawal.	Pay and allowances / payments made without valid sanction
	(iii) Payment made by cheque.	-do-	-do-	1. Cash book. 2. Counter foil of the Cheque book.	Payments should be examined with reference to the counterfoils of cheques / acknowledgement.
	(f) Advance from cash.	Advance payment without acknowledgement	Cashier. D.D.O.	1. Cash book. 2. Advance Ledger. 3. Acknowledgement of advances.	Ascertain the veracity of the advance payment, requirement of advance and genuineness of the acknowledgement and correct reflection of the amount in the cash book and adjustment thereof.
	(g) Expenditure without proper sanction and allotment of fund (Paid Vouchers)	Suspected misappropriation.	-do-	1. Cash book. 2. Paid Vouchers. 3. Pass order & stock entry certificates.	Genuineness of the expenditure under Paid Vouchers, Discrepancy between actual paid vouchers in hand and as per the Cash book figure. Examine the amount adjusted against the paid vouchers shown in the cash book with

<u>Sl. No</u>	<u>Area / Subject</u>	<u>Nature of Fraud / Corruption.</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
				4. Register of paid vouchers.	the amount shown in the paid voucher.
	(h) Alteration & erasing / overwriting of cash book entries.	-do-	-do-	1. Cash book. 2. All concerned records and registers dealing with receipt and payments.	Examine whether such activities of alteration and erasing is intentional leading to the financial misappropriation.
	(i) (a) Abnormality in disbursement of pay and allowances. (b) Pay and allowances and leave salary.	-do-	1. Bill Clerk. 2. D.D.O.	1. Sanction order / allotment of fund. 2. Bill register. 3. Book of drawal. 4. Previous month's salary bill. 5. Annual report on establishment / sent to the Govt. by DDO.	1. Checking of sanctioned strength vis-à-vis the strength for which pay and allowances drawn with respect to scale of pay. 2. Check of drawal and disbursement of salaries during long leave without sanction or unauthorized absence.
	(c) -do-	(i) Payment against the name of Ghost Teachers / Staff.	1. Head Master. 2. Bill Clerk.	1. Sanction order of posts. 2. Monthly Pay	1. Check of pay bills with reference to attendance register. 2. Check of certificates furnished by Headmasters.

<u>Sl. No</u>	<u>Area / Subject</u>	<u>Nature of Fraud / Corruption.</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
		(ii) Drawal of salaries in the case of retired / expired teachers.	3. Cashier. 4. DDO	bills. 3. Advance retirement notices. 4. Attendance Register.	3. Information on staff / teachers retired / expired during the period under audit to be collected and drawal of salaries in their name to be checked from subsequent pay bills. 4. Spot enquiry – Contacting the payees.
	(j) Sanction and drawal of GPF advance –	Suspected misappropriation.	Dealing Asst. DDO	1. Original GPF advance application. 2. Sanction order. 3. Acquittance rolls.	1. Check of Sanction of GPF made without / fake application 2. Evidence on credit of GPF drawals in respective Bank accounts of employees. 3. Spot enquiry- contacting the payees.
	(k) Issue of LPC	-do-	1. Establish-ment clerk. 2. DDO	1. Personal file of transferred Government servant. 2. Office copies of the LPC & issue thereof.	Check whether all the outstanding dues and recovery reflected in the LPC.
	(l) Transfer of cash from one cash book to another.	-do-	1. Cashier. 2. DDO.	Both the Cash Books.	Cross check the correctness of the amount reflected in the cash books.

	(m) Payment of salaries / wages and payment for suppliers / services.	Fraudulent Double payment in Cash Book.	1. Cashier 2. DDO	1. Original bills drawn from Treasury. 2. Cash Book. 3. Acquittance Rolls / Vouchers.	In case of payments made on a particular date against drawals of earlier dates the fact of non-payment between the date of drawal and date of payment under scrutiny is to be checked. (i) On verification of the Cash Book from the date of drawal till the date of payment under check. (ii) On examination of the analysis of C.B. (iii) On verification of undisbursed pay and allowances Register. (iv) To see that all the vouchers / sub-vouchers once paid should be marked "paid and cancelled" to avoid double payment.
	(n) Drawal of self cheque from Bank account of DDO	Self cheque drawn but not recorded in Cash Book and misappropriated.	1. DDO. 2. Cashier.	1. Details of drawals from the Cheque book. 2. Cash Book. 3. Bank reconciliation statement.	(i) Necessity of drawl of self cheque. (ii) Recording of the fact of drawal in inner column of Cash Book. (iii) Consequent changes in mode of retention of CB i.e. from Bank account balance to Cash Balance and reduction of Bank account balance. (iv) Periodical reconciliation of Bank account balance with Cash Book balance. (v) Actual payment for which self cheque drawn.

02.	Receipt and utilization of grants-Block grant	(a) Payment of grant to ineligible institutions. (b) Misappropriation of undistributed grant. (c) Distribution of grant by fabrication of records. (d) Double payment of salary of an institution	DDO & Cashier	Original sanction order of the Govt. and list of grantee-institutions. Budget & Allotment file GIA Register and Cash Book	(i) That the name of the institution is incorporated in the list approved by the Govt. (ii) If the name appears in the approved list, it is to be seen that the grant is not partly released against some staff of the institution. If it is partly released the cause is to be investigated. (iii) That the assessment of requirement of grants has been made before hand and sent to Govt. for sanction. (iv) Receipt of grants vis-à-vis requirement placed by the institution may be checked. (v) There should not be any unusual delay in disbursement of salary etc. and submission of UC. The unspent grant should be surrendered / refunded without delay. (vi) There should not be any diversion of grant for other purposes. (vii) Audit fee at the rate of one percent of the grant is to be deducted from the individual payee and deposited into Govt. account. (viii) Since receipt of the grant against an institution is unusual and not regular, a Register of grants should be maintained by the Controlling Officer showing institution-wise details of payment to avoid double payment.
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03.	Deployment of staff vis-à-vis students strength	Since the payment is made through grant there is every possibility of grants being paid against vacant posts and to unauthorized persons	Head of the Grantee-Institution, DDO, Bursar, AO of the O/o the Inspector of the Schools	1. Staff sanction file, Students strength of each class, Acquittance Roll, Previous months'/years' Acquittance Roll, Absentee statement received from the institutions 2. Stock Register and Purchase File	(i) To see that the staff are deployed according to sanctioned strength and as per prescribed Teacher-pupil ratio. (ii) Whether vacancy in any post has been promptly intimated to the Controlling Officer (iii) In case of introduction of specialized subject/course whether infrastructure and faculty are available
04.	Purchase	1. Excess payment due to difference in rate, short receipt, purchase of sub-standard furnitures and payment of higher rates.	DDO . Bursar. Store Asst.	Purchase File, Tender File, Comparative Statement, purchase order, original bill of the Farm, Stock Register	(i) Adoption and adequacy of open competitive process as per prescribed procedure. (ii) Comparative Statement is to be examined to see that lowest rate has been accepted (iii) In case of more than one supply/work by the same agency then all his bills are to be collected in group and checked to see that rates in different bills are equal/fair. (iv) Prevailing market rate is to be obtained from the Civil Supply Authority and compared with the quoted rate before fixation of price, quality reports are to be checked, physical verification for quantity & quality.

		2. For favouring suppliers big orders will be splitted with malafide intension.	DDO and Bursar	Purchase file, Tender file, Comparative statement, Purchase order, Original bill of the Farm, Stock Register	(v) The purchase order is not splitted up to avoid open competition or sanction of the competent authority, quantity, rate, prevailing market rate.
		3. Non-receipt of the materials as per specification approved by the Tender Committee	- do -	- do -	(vi) Certificate is given on the body of the bill to the effect that goods are of required specification and received in good condition along with stock entry certificate.
		4. Compromise in specification of quality and condition of post purchase performance in supply orders.	Purchasing Authority.	(i) Recommendation s of the Technical staff. (ii) Decision of the Tender Committee. (iii) Agreement / purchase order.	(i) Whether recommendations of the technical committee has been duly considered. (ii) Whether quality specification and condition for post purchase performance, warranty, installation, penalty, etc. duly incorporated in the agreement / supply order or omitted to give undue advantage to the supplier
05.	Receipt and Disbursement of Scholarship	Payments are made to ineligible students	DDO, Bursar, AO of the O/o the Inspector of Schools, Dealing Assistant	Scholarship file / Register, Allotment file, Acquittance Rolls & Hostel / Mess accounts received from the Institutions	(i) Payments are made to the institutions as per the sanction order.

	Receipt of arrear Scholarship, if any, Pocketing the claims of drop outs by fabricating records.	Non payment, payment to bogus and fabricating of records for showing incurring of expenditure like expenditure on hostels and messes.	- do -	- do -	(ii) Arrear towards running of Mess / Hostel etc. have been calculated promptly and intimated to the controlling officer. (iii) Disbursement should be made early as delay may cause hardship due to drop-outs and missing of address of the students later. (iv) Un-disbursed amount is to be refunded early latest by end of the financial year (v) Arrear is calculated before the close of the financial year and requirement send to the Controlling Officer for payment irrespective of sanction/receipt of funds.
06.	Internal Control System.		DDO. Controlling Officer.	(i) Cash Book. (ii) Monthly / Quarterly Reports and Returns. (iii) Bank Reconciliation Statement / Register.	As prevention and detection of fraud and error is primarily the responsibility of the management audit is required to see – (i) Whether internal control systems are adequate and effective. (ii) Whether the prevalent control system is properly and regularly followed. (iii) Whether follow-up action / remedial measures taken in relation to fraud and corruption. (iv) At the commencement of each audit the following should be collected and examined. (1). Instances of fraud and corruption noticed by the management since last audit. (2). Action taken on such cases including strengthening of internal control system. (3). Special areas prone to risk of fraud and corruption. (4). Guidelines, if any, issued by the management with regard to control of fraud and corruption.

07.	Red Flags.				<p>The audit party should consider the following indicators (red flags items) for possible fraud and corruption.</p> <ol style="list-style-type: none"> (1). Missing vouchers / Acquittance rolls. (2). Production of photocopies of documents instead of originals. (3). Alterations and erasures in accounting records. (4). Non-production of basic records. (5). Non-recording of mode of retention of CB in the Cash Book at the end of each day. (6). Non-analysis of CB at the end of each month. (7). Non-reconciliation of Bank balance. (8). Verification of remittances into Treasury with Consolidated Treasury Remittances (CTR) obtained from Treasury every month. (9). Misuse of financial powers. (10). Misuse of powers on appointment of teachers / staff in violation of Government instructions. (11). Employees in sensitive posts not taking leave or allowed to continue in the same post for long periods. (12). Payment to the persons appointed on casual basis. <p>Since possible fraud or corruption cannot be established in audit the audit party can put red flags (an indication that further scrutiny of the items are required) in the above cases and bring it to the notice of the management for further investigation by appropriate agencies or needful action in those areas and to report the results to Audit.</p>
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ANNEXURE-IV
AGRICULTURE DEPARTMENT

Subject: Checklist for audit of fraud and corruption in the audit of entities belonging to Agriculture Department including Horticulture and Soil Conservation.

<u>Sl. No</u>	<u>Area / Subject</u>	<u>Nature of Fraud</u>	<u>Officers responsible</u>	<u>Records to be seen.</u>	<u>Type of Examination.</u>
(1)	(2)	(3)	(4)	(5)	(6)
01.	Cash Management.				
	(a) Receipts -	1. Use of duplicate Money Receipts 2. Discrepancy between original and carbon copy of M.R. book	Cashier. Head Clerk. D.D.O.	1. Stock Register of Money Receipt Books and issues thereof. 2. Physical verification Report	1. Stock entry of receipt book with reference to Challans / Invoice. 2. Issue of Money Receipt Books and certification of Page No. and Sl.No. etc. to find out whether any fake Money Receipt Books were used.
	(b) Treasury receipts / Bank Draft / Govt. Draft and Cheques	Suspected misappropriation.	Cashier. D.D.O.	1. Cash Book. 2. Bill Register. 3. Book of Drawal. 4. B.D. Register. 5. Verification of Treasury records.	Detail check and cross verification of actual receipts and that accounted for in cash books.
	(c) Discrepancy between OB and CB and carrying forward balance and totaling checked.	Suspected misappropriation.	Cashier. D.D.O.	1. Cash Book.	Check of transaction amount as well as carry forward of actual balance amount

(d) Shortage noticed in Physical verification of Cash	-do-	-do-	1. Cash book and actual cash including all components of closing balances.	Examine to ascertain that the total expenditure plus Closing Balance should be equal to total receipts. Discrepancy may lead to fraud.
(e) Discrepancy in payment side with respect to Acquittance roll, vouchers, stamped receipt and Treasury Challans.	-do-	-do-	1. Cash book. 2. Acquittance rolls. 3. Vouchers. 4. Stamped Receipts. 5. Treasury Challans / verification of remittances at the Treasury	1. Records listed along side to be checked to prove the fraud and nexus if any, 2. Fake vouchers (payment made on photo copy of the vouchers).
(i) Unauthorised drawal.	-do-	-do-	1. Sanction order. 2. Bill register. 3. Book of Drawal.	Pay and allowances / payments made without valid sanction
(ii) Payment made by cheque.	-do-	-do-	1. Cash book. 2. Counter foil of the Cheque book.	Payments should be examined with reference to the counterfoils of cheques / acknowledgement
(f) Advance – Advance payment without acknowledgement.	-do-	Cashier. D.D.O.	1. Cash book. 2. Advance Ledger. 3. Acknowledge-ment of advances.	Ascertain the veracity of the advance payment, requirement of advance and genuineness of the acknowledgement and correct reflection of the amount in the cash book and adjustment thereof.

(g) Expenditure without proper sanction and allotment of fund (Paid Vouchers)	-do-	-do-	1. Cash book. 2. Paid Vouchers. 3. Pass order & stock entry certificates. 4. Register of paid vouchers.	Genuineness of the expenditure under Paid Vouchers, Discrepancy between actual paid vouchers in hand and as per the Cash book figure. Examine the amount adjusted against the paid vouchers shown in the cash book with the amount shown in the paid voucher.
(h) Alternation & erasing / overwriting of cash book entries.	-do-	-do-	1. Cash book. 2. All concerned records and registers dealing with receipt and payments.	Examine whether such activities of alternation and erasing is intentional and leading to the financial corruption
(i) Unusual hike in pay and allowances.	-do-	1. Bill Clerk. 2. D.D.O.	1. Sanction order / allotment of fund. 2. Bill register. 3. Book of drawal. 4. Previous month's salary bill. 5. Annual report on establishment / sent to the Govt. by DDO.	Checking of sanctioned strength vis-à-vis the strength for which pay and allowances drawn with respect to scale of pay
(j) Sanction and drawal of GPF advance –	-do-	Dealing Asst. DDO	1. Original GPF advance application. 2. Sanction order. 3. Acquittance rolls.	1. Check of Sanction of GPF made without / fake application 2. Spot enquiry- contacting the payees.

	(k) Issue of LPC	-do-	1. Establishment clerk. 2. DDO	1. Personal file of transferred Government servant. 2. Office copies of the LPC & issue thereof.	Check whether all the outstanding dues and recovery reflected in the LPC.
	(i) Transfer of cash from one cash book to another.	-do-	1. Cashier. 2. DDO.	1. Both the Cash Books.	Cross check the correctness of the amount reflected in the cash books.
02.	Office Inventory - Computers, Steel Almirahs and other valuable articles.	(i) Payment made without procurement / service rendered. (ii) Purchase of sub-standard items and payment of higher prices.	1. Purchase Committee. 2. D.D.O. 3. Store Keeper in-charge	1. Tenders. 2. Terms and condition of supply contract. 3. Quantity / Quality as per specification. 4. Store & stock register. 5. Issue slip. 6. Physical verification report	1. A thorough check and cross examination of the records listed along side to find out whether payment was made without receipt of goods and non fulfilling of all the conditions of TOR. 2. Shortage and Losses found in Physical Stock Verification
03.	Seed Management.				
	(a) Procurement -	(i) Receipt of short quantity. (ii) Receipt of sub-standard seeds.	1. Agriculture Overseer-I/c Sadar Godown / Sale centre. 2. ADA Input.	1. Challans issued by supplying agency. 2. Stock register of sadar godown / sale centre.	Full payment made but short quantity of seeds received.

(b) Distribution of seeds.	(i) Discrepancies (intentional / Un-intentional) between reported and actual distribution.	-do-	1. Sadar godown / sale centre stock register. 2. Physical verification.	Discrepancy is to be checked with reference to receipt and distribution and stock in hand of seeds.
(c) Sale Proceeds -	(i) Less remittance of sale proceeds. (ii) Non-accounting of sales	-do-	1. Sadar godown / sale centre stock register. 2. Cash Book / Original Money receipt in support of remittance.	(i) Discrepancy between sale proceeds of the quantity of seed sold towards farmer's share & amount remitted. (ii) Amount paid to OSSC may be checked at the Directorate level with reference to Challans submitted by DDA with stock entry certificate. (Farmer's share + Subsidy).
(d) Disposal of leftover seeds.	(i) Auction without viability test.	DDA / DAO.	1. SSTL report. 2.. DDA/DAO & Sale centre stock register	Viability of the leftover stock is to be checked with reference to SSTL report before auction.
(e) Auction of seeds after viability test.	(i) Less remittance of sale proceeds. (ii) Non-accounting of proceeds of auction sale.	1. Sale centre. 2. DAO / DDA	1. Auction sale MRs. 2. Remittances of money with evidences. 3. Seed Testing reports.	Total quantity auctioned and amount realized and deposited.
(f) Finalisation of transport contract & transportation loss, if any.	(i) Rejection of lowest tenderer / bidder without reason. (ii) Allowance of escalated rate without any agreement. (iii) Payment without actual transportation.	1. DDA	1. Tenders. 2. Agreement with transport contractor. 3. Analysis of rate. 4. Payment details. 5. Vouchers.	Examination of terms & conditions of contract to detect excess payment. Physical verification of articles actually transported.

	(g) Subsidy payment under seed village scheme.	(i) Payment of subsidy without basic records. (ii) Payment of subsidy to the ineligible farmers.	DAO / DDA scheme Officer.	1. Contractual obligation of the Farmer. 2. Land records of the Farmer. 3. Training programme.	1. Examination of contractual obligation of the farmer to supply seed to OSSC. 2. Test Reports of the seeds produced. 3. Payment of subsidy
04.	Agriculture implements.	(a) Purchase made without specification	AAEs / EE (Agril).	1. Tenders. 2. Challans / invoices by the supplying agencies. 3. Store and stock register.	Examine whether procurements made were in consonance with the supply orders with reference to number, types, quality, quantity and model
		(b) Sale – (i) Short remittance / non recovery of Sale proceeds (ii) Extension of subsidy to big / rich farmers.	-do-	1. Store & stock register. 2. Evidences of Remittances of Sale Proceeds.	Checks to be exercised to find out discrepancy between realizable amount (as per no. of implement sold) and actual remittances made may lead to fraud.
		(c) Payment made for supplies / service not rendered.	-do-	1. Vouchers. 2. Share & stock of Agriculture implements. 3. Invoices, Challans.	1. A thorough check and cross examination of the records listed along side to find out whether payment was made without receipt of goods and non fulfilling of all the conditions of TOR.
		(d) Losses and shortage detected in Physical verification – (i).	-do-	1. Store & stock register. 2. Annual physical verification report.	Examine whether losses and shortages were made good and responsibility has been fixed for such negligence.

05.	Farm Management	(a) Short / non remittance of sale proceeds of Farm produces. (b) Shortage of farm produce. (c) Robbery with the connivance with the farm staff.	1. Farm Supdt. 2. Farm in charge.	1. Farm's profits and loss account.	Remittance is to be checked with reference to actual sale proceeds.
06.	Training & demonstration including block demonstration and seed minikit distribution.	(a) Repetition of selected area. (b) Payment for persons not actually trained.	1. DAO. 2. DDA Office	1. Training programme (Kharif & Rabi) files / connected expenditure details of Consecutive years indicating place of training, duration of training, name of the farmers attended the meeting.	Check has to be exercised to ascertain whether repetition in selection of area / farmers were made.
		(b) Concurrent training with block demonstration and seed village scheme.	1. DAO 2. DDA.	Training programme (Kharif & Rabi) files / connected expenditure details of Block Demonstration and Seed Village Scheme	To check and ascertain if the name of the Farmer, in whose field block demonstration and seed village scheme were conducted omitted in the training programme

07.	Horticulture.	Gap filling in plantation programme.	1. Horticulture farm. 2. Public and Private nursery.	1. Plantation Journal. 2. Actual physical verification of mortality in each year	Check to be exercised to whether gap filling was done with reference with actual mortality and application of inputs thereof.
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