

CHAPTER-1

GENERAL AND INTRODUCTORY

1.01 Constitution and functions

The outside Audit Department is entrusted with the local audit and inspection of the accounts falling under the following categories :-

- (i) The accounts of the offices and institutions of the Government of Madhya Pradesh and of the central Government within the
- (ii) audit jurisdiction of the Accountant General (General and Social Sector Audit) Madhya Pradesh Gwalior, Office of the Accountant General (Economic and Revenue Sector Audit) Madhya Pradesh Bhopal and Director General of Audit (Central Receipt) New Delhi at Gwalior for audit of which the Comptroller and Auditor General of India is statutorily responsible under Section 13(a) and (b) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.
- (ii) All trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary records kept in any department of the Government of Madhya Pradesh and of the Central Government within the audit jurisdictions of the Accountant General (General and Social Sector Audit) Madhya Pradesh Gwalior, Office of the Accountant General (Economic and Revenue Sector Audit) Madhya Pradesh, Bhopal and Director General of Audit (Central Receipt) New Delhi at Gwalior for audit of which the Comptroller and Auditor General of India is statutorily responsible under Section 13(c) *ibid*.
- (iii) The accounts of Stores and Stock kept in any office or department of the Government of Madhya Pradesh, or a department of the Central Government audit of which has been taken up by the Comptroller and Auditor General of India under Section 17 *ibid*.
- (iv) All receipts and expenditure of anybody or authority which is substantially financed by grants or loans from the Consolidated Fund of India or of State of Madhya Pradesh the audit of which is statutory responsibility of the Comptroller and Auditor General of India under Section 14 *ibid*.
- (v) To scrutinize the procedure by which the sanctioning authority satisfies itself as to the fulfillment of conditions attaching to such grant or loan where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of the State to any authority or body under Section 15 (i) *ibid*.

Note:- The extract of C &AG's (Duties, Powers & Conditions of Services) Act, 1971 has been reproduced in *Appendix I* to this chapter.

1.02 A. Control and Organisation

The Outside Audit Department (OAD) (Hqrs) are under the charge Of Senior Deputy Accountant General/Deputy Accountant General of the Accountant General (General and Social Sector Audit) Madhya Pradesh, Gwalior, Office of the Accountant General (Economic and Revenue Sector Audit) Madhya Pradesh, Bhopal and Director General of Audit (Central Receipt) New Delhi at Gwalior who are responsible for the working of the Department at Headquarters and for the preparation of the programmes of local audit parties of audit/inspections and when they become due.

B. Audit jurisdiction of expenditure units of revenue collecting departments

- (i) To establish ownership of the entire audit process including audit reporting it has been decided that the audit of receipts as well as expenditure of a department or unit thereof should be conducted by the audit team of the wing/branch in a field audit that is primarily responsible for such audit.
- (a) Accordingly, the revenue audit wing of PAG/AG (Audit) concerned will also undertake expenditure audit of the units of revenue departments, issue inspection reports and follow up action till finality. Examples are expenditure audit of income tax office, customs office, sales tax office etc.
- (b) Similarly, the expenditure audit wing of PAG/AG (Audit) will also undertake revenue audit of expenditure units, issue inspection reports and follow up action till finality. Examples are revenue audit of PWD, Education, Health etc.
- (ii) A single Inspection Report incorporating both receipts and expenditure related observations (arranged in distinct groups) should be issued and followed up by the Wing concerned.
- (iii) As a corollary to the above, the material for CAG's Audit Reports emanating for issuing and follow up of IRs.

(CAG's letter No. III/S/6/14-Audit (AP)/4-2010 dated 05/01/2011)

1.03 Departments of Government and other units under the audit jurisdiction of Accountant General (General and Social Sector Audit) Madhya Pradesh, Gwalior, the distribution of work amongst the various OAD sections at Headquarters and the sanctioned strength of the field parties and of the staff at the Headquarters of Outside Audit Departments are contained in *Annexure-I(i & ii)*

1.04 Preparation of periodical programme

(A)(i) A comprehensive list should be drawn up and maintained in OAD Headquarter Sections, which will include all offices to be locally audited. The list should be reviewed every year with a view to keep it up to date. Early in January each year the programme of local audit should be drawn up for the next financial year in such a way that all offices/institutions should be covered in local audit over a period of time without any fixity of schedules, the periodicity of audit of each office being determined on the circumstances of each case also taking into consideration the period for which the offices/institutions were not audited. As the emphasis is now on annual programming, local audits including review of schemes selected consistent with available staff with a reorientation of frequency and periodicity, there should normally not be any audits programmed but not carried out.

(CAG's letter No.380-Codes-I/41-74/Gr-V dated 5-8-1975)

(ii) Keeping the above principle in view a programme of inspections for the ensuing financial year may be drawn up early in January each year. Necessary information regarding the continuance of the existing offices, creation of new ones, changes in the location, etc., should be obtained from the Departments as may be found feasible.

(iii) The programme of local audit for a financial year, should, however, be drawn up after due consideration of the availability of requisite and duly qualified staff for the purpose. A review should be prepared and submitted to the Accountant General along with the skeleton programme. This review should be specially directed to see if any item should be dropped from or added to the list, so that the time of the available staff should be spent to the best advantage of the State and not wasted on affairs of minor importance. Any important change made by the Principal Accountant General should be reported to the Comptroller and Auditor General.

(iv) The programme thus drawn up should be communicated to the Finance Department of the State Government who shall be asked to suggest if any other office is desired to be included, for any special reasons, in the list for the year. In finalizing the list due consideration should be given to the suggestions of the State Government. For implementing the suggestions of the State Government, it may be necessary to postpone the audit of some other comparatively less important offices to a subsequent year. A copy of the programme thus finalised may be sent to the State Government for information.

Annual/Rolling Audit Plans- In terms of the Hqrs instructions the annual/rolling audit plans are required to be submitted to the C&AG's office. Before preparation of audit plans the updation of CIR, collecting of information from the State Government and incorporation of expenditure figures for selection of units for annual audit needs to be done. The annual audit plan is required to be submitted to Hqrs office in the month of January each year. The responsibility of the compliance of instruction of C&AG's office for preparation of audit plan would be of the Branch officers of the controlling OAD groups. All relevant information for audit plan needs to be submitted to OAD-(M) for consolidation by the end of December each year so that audit plan can be submitted to C&AG's office in the month of January as prescribed.

(CAG's letter No. 262/CR/Civil/MP/GWSSA/18-2013 Dated 21.02.2013)

Audit Committee Meeting – The Audit Committee meetings are also known as HPC. The targets for settlement of pending IRs and paras are required to be sent with the Annual Audit Plan to the C&AG's office. The information in this regard should be prepared along with the annual audit plan and submitted to OAD(M) by all groups in the month of December each year so that the same can be incorporated in the Annual Audit Plan. The responsibility lies with the controlling OAD sections. The intimation for holding audit committee meetings in the coming financial year should be sent to Pr. Secretary (Finance) in the month of January each year by the OAD (M) Section. The follow up action should be taken by the concerned groups for holding the audit committee meetings and the Group Officers should closely watch the progress of audit committee meetings. These meetings should be supervised by the concerned Group Officers.

(CAG's letter No. 262/CR/Civil/MP/GWSSA/18-2013 Dated 21.02.2013)

Quarterly field audit programmes - The responsibility of finalization of quarterly tour programme would lie with the concerned Branch Officers and Group Officers. The quarterly tour programme needs to be prepared in transparent manner and all parties to be provided audit programme in equal distribution of A,B,C category of units. The quarterly audit plan may be

prepared atleast 21 days before the end of the quarter i.e. the programme may be prepared in the first week of the month before the end of each quarter. The audit programme so prepared may be submitted to the AG for approval. After approval of the audit programmes by the AG, the programme may be uploaded on the website of the office.

Quarterly meeting with the field parties by the Accountant General with the Group officers and issue of minutes of this meeting for implementation by the field parties. The compliance of decisions taken to be watched by the Group Officers.

(PAG's order dated 06.07.2011)

Supervision of the field parties - The quantum of inspection of field parties have been prescribed by the C&AG's office. All Group Officers should ensure that the prescribed field supervision is ensured. In addition to this, in several meetings with the Group Officers, the Pr.AG has ordered that the Group Officers should be in touch with field parties on telephone and also to provide the guidance to the field parties through e mail. Now all the SRAO/AOs/AAOs have been provided e mail IDs and password on C&AG's website and as such it is possible to provide guidance to the field parties through e mail. All the Group Officers should encourage interaction with the field parties through telephone and through e mail.

(CAG's order dated 25.09.2013)

(B) (i)A Programme Cycle Index Register should be maintained at the OAD headquarters to show district wise :-

- (1) the names of offices inspected by the OAD staff;
- (2) the periodicity of inspection; and
- (3) the month with year when last audited.

The Register should contain suitable columns to record the dates of audit for three years after which it should be revised and prepared afresh.

This register forms the basic and permanent record of inspections of various offices carried out by the OAD and should be maintained very carefully. The month of actual audit in subsequent years should be accurately posted against each office, before starting preparation of detailed periodical tour programmes with a view to obviate chances of double booking.

(ii) In the second week of April each year, all Heads of Departments should be requested to furnish to office complete lists of all drawing and disbursing officers under their administrative control as on the 1st day of April and of all drawing officers whose establishments were closed, merged with others or shifted to different locations or whose jurisdiction underwent a major change during the receding financial year.

(iii) As these lists come in from heads of departments they should be carefully compared with the connected entries in the Programme Cycle Index Register and the Control Record of Departmental units and fresh entries made or existing entries corrected, whenever found necessary.

(C) Detailed Tour Programme

With the help of the Programme Cycle Index Register and the skeleton programme for the year, detailed periodical programmes for all local audit parties and Gazetted Officers should be drawn up and got approved by the Senior Deputy Accountant General/Deputy Accountant General not later than the 2nd week of the last month of the preceding periodical programme. The programme should interalia show the designation of the drawing officer, the location of his office, the month and year in which the unit was last audited/inspected (in the case of new units the month and the year in which it was set up) the days of transit, the number of working days allotted and the dates on which the audit is to commence and end. While drawing up the programme the following general requirements should be observed to the extent practicable:-

- (i) The parties and officers should be recalled to headquarters at regular intervals.
- (ii) All parties and officers should be enabled to be at their respective headquarters on the occasion of Deepawali.
- (iii) While in the field the parties and officers will observe the holidays and working hours observed in the establishments visited by them.
- (iv) Normally transits may not be provided on Sundays and other important holidays. Morning transits may be given where the journey involved is for a short distance.
- (v) Journeys should be kept down to the minimum possible. A party, which visits a particular place, should complete the audit of all establishments situated there, which are due for audit during the programme of the party except where this is not practicable or expedient.
- (vi) Too many parties/officers should not be required to go to the same station at the same time.
- (vii) Normally no office should be selected for audit during the period when it is likely to be specially busy with work of a seasonal character or if it belongs to vacation department, during vacation when it is functioning with a skeleton staff. Similarly offices situated in outline areas should not be booked during the season when they are likely to become difficult for access or inaccessible.
- (viii) As far as practicable all important audits which could be expected to yield material for the Audit Report on Appropriation Accounts should be completed by the end of June.
- (ix) Establishments, which are audited on a functional basis, should be taken up in descending order of levels of administrative and financial control within each department.
- (x) As a general principle the more important units should be given gazetted supervision for a longer period and less important units for comparatively short period. The programme should be so arranged that the inspecting officer supervises the work of about three local audit parties and that he is invariably with the party concerned at the concluding stage of audits which he is to supervise. When audit extends over a long period of time, supervision could be provided in two spells.

(CAG's letter No.379DI/OSD/D-I/0-5/59 dated 29/01/1960)

- (xi) Care should be taken to see that the programmes are drawn up in such a manner that the local audit parties are not ordinarily required to stay at one station for over 180 days. In rare cases, however, when this becomes necessary in the interest of public service prior orders of the Accountant General should be obtained as a special case.
- (xii) Successive audit of the same unit should not be allowed to be conducted/supervised by the same Assistant Audit Officer/Inspecting Officer.
- (xiii) The audit of the accounts of the Government presses and other offices where store accounts are to be checked should be completed well in time so as to include the results in the Appropriation Accounts of the Government of Madhya Pradesh.

As soon as the periodical tour programme is approved by the Senior Deputy Accountant General/Deputy Accountant General, copies thereof may be supplied to the Audit Sections concerned.

1.05 Intimation of local audit to the Department

Intimation of the dates of inspection in respect of all accounts to be audited (Except Treasuries) by the Outside Audit Department (OAD) should be sent in **Form OAD-1** to the Head of the Local Office at least fifteen days before the date of commencement of audit. The notice of inspection is provided for in respect of regular inspections on practical consideration, so that the required books may be kept ready for audit, as otherwise the time of the audit party will be wasted. A surprise inspection of the cash of an office in which temporary misappropriation is suspected, is however, a different matter and no previous notice of inspection need be given. Such inspection should not be undertaken too frequently but only on a reasonable suspicion of temporary misappropriation. Such inspections may, in view of absence of notice of regular inspection, have to be confined to the limited purpose of checking of cash and of the books relevant to that purpose. (*Annexure-I*)

1.06.1 (A) Selection of months for detailed audit and dispatch of records to local audit parties.

The selection of months the accounts of which are to be audited in detail shall be done by the OAD headquarter section concerned under the orders of the Group Senior Deputy Accountant General/Deputy Accountant General.

Following procedure shall be adopted for the purpose:-

- (i) Selection of months shall be done by OAD Headquarters Sections on the basis of a statement of month wise expenditure for the entire period covered by local audit to be submitted to the Senior Deputy Accountant General/Deputy Accountant General for the purpose along with a note drawing his attention to any other relevant factors meant for pursuance during local audit. With a view to keep an element of surprise in the selection of month(s) for detailed audit, March should not necessarily be selected for detailed audit and the criteria for selection should inter-alia be the magnitude of the irregularities noticed during central audit.
(**O.O No. OAD/OO/10165 dated 25-03-1965**)
- (ii) In the case of annual audits, one month only shall be selected for detailed audit. Where, however, the periodicity is biennial or more, two month's accounts from the entire period (generally one month from the latest twelve months and another from the remaining) shall be selected.
- (iii) The months selected shall be intimated by the OAD headquarter Section directly to the Assistant Audit Officer of the local audit party concerned at the correct address.

(B) Following records should be sent to LAP by the OAD(HQ)

- (i) The file containing the Inspection Report for the period immediately proceeding along with files of all pending Inspection Reports of earlier years.

Note:- Where R.A. Headquarters is conducting the local audit of Establishment expenditure along with Revenue Audit, the OAD(HQ) Sections are required to send old Inspection Reports on expenditure audit to the parties of those wings well in time in after verifying on 7th and 21st of each month the tour programmes of the said wings and keeping a note in the Register of IRs.(Inspection Reports) sent out.

(O.O. No. OAD(M)/11-103/1973-74/003 dated 18-04-73)

- (ii) Extract of entries in the register of points to be seen at the time of next audit.
- (iii) A review note prepared in the manner laid down in **O.O./OAD (MISC)/3479 dated 22-10-69 (reproduced as Annexure-II)**

Note:-1 On receipt of the Draft Inspection Report from the local audit party, the action taken on the above review note should again be scrupulously examined at Headquarters to see how far the audit party has given proper attention to pending paras of old reports.

Note:-2 The Local audit parties proceeding on tour from the Headquarters, should collect the record from the OAD (Hqrs.) Section concerned in respect of the office/(First unit) to be audited by them at next station.

Note:-3 The local audit party should contact the Post Office and enquire about the records meant for the party. The parties should not refuse to accept the records sent from the Central Office on the grounds that the records have been received late or the cover of packet is in torn condition.

(C) Return of Records by L.A.P.

The local audit parties should send the draft audit inspection reports and other ancillary papers such as T.A.N., rough sheets, etc., only in the parcel addressed to Assistant Audit Officer of OAD Sections concerned by name. The vouchers and other records sent by OAD Sections (including list of outstanding objections after making disposal) should be returned to concerned OAD by official designation only. The details of the return of these records, such as party's dispatch No. & Date, name of Post Office, Registration No. & Date, should be indicated in the forwarding memo of the inspection report.

1.07 Selection of staff for Local Audit Work.

(a) The Comptroller and Auditor General has observed that if inspections are to serve their purpose and if the maximum value is to be obtained for the expenditure incurred on inspections, the inspection work should be entrusted to specially trained, competent and intelligent staff who would, in addition to exercising the routine prescribed checks, also examine the accounts intelligently and pay due regard to the principles of audit against propriety as well as efficiency-cum-performance audit. Special attention should, therefore, be given to the selection of staff deputed for inspection work so that it may be ensured that inspections are conducted in a really effective manner.

(C.A.G's letter No. 538-Admn/5-Rep/49 dated 23-03-1950)

- (b) The Assistant Audit Officer selected for inspection work should be picked men who have special aptitude for such work and have sufficient experience of work. As far as possible Assistant Audit Officer and Senior Auditors/Auditors should be entrusted with those local audits where they can contribute more in view of their experience of certain branches.
- (c) Although it is left to the discretion of the Accountant General to select the inspecting officers, the Comptroller and Auditor General considers that Assistant Accountant General and Senior experienced Audit Officers should profitably be employed on inspection duties. The persons chosen should be not only tactful, knowledgeable, experienced and diligent, but should possess discernment and a sense of perspective that would enable them to direct the audit along the proper lines, and save it from becoming an unbalanced hunt for individual major irregularities or degenerating into a mindless mechanical process of checking registers.

1.08 Deleted

1.09 Deleted

1.10 Size and composition of Local Audit Parties

The local audits are conducted by local audit parties, generally comprising two Assistant Audit Officer and one Senior Auditor/Auditor. The services of one supervisor may also be utilized in place of one Assistant Audit Officer.

All important audits are supervised wholly or in part by Senior Audit Officers/Audit Officers/Assistant Accountant General who are designated as Inspecting Officers.

1.11 Record of work allotted and done

- (a) Assistant Audit Officer of the local audit party and where there are two Assistant Audit Officers, the more senior of the two will function as the administrative and technical head of the party and be responsible for all the affairs, movements and activities of the party including the behavior of all the members of the party. In particular, he will be responsible for planning the strategy of audit, allocating the work to be done as between the members of the party and generally directing the audit along the lines planned by him (In the case of audits which are fully supervised, these responsibilities will devolve on the Inspecting Officer, while in the case of those which are partially supervised, the decision taken by the Assistant Audit Officer will be subject to review by the Inspecting Officer as soon as he joins the party). In the case of unsupervised audit, he will be responsible for drafting the local audit inspection report and discussion its contents with the head of office concerned.
- (b) Before the commencement of audit, the work should be distributed and an allocation list duly noted by all members be kept on record.

On completion of audit each member of the party should be required to certify on the statement that items of work allotted have been duly checked by him. The supervisory officer (Assistant Audit Officer in case of non-supervised audit) should ensure that all work has been duly completed. The statement of work done duly certified and countersigned by the Assistant Audit Officer/Inspection Officer should be forwarded along with the Inspection Reports.

- (c) Since the responsibility of the audit party is the greatest in respect of the detailed test audit of the transactions of selected months, this work should be done by the Assistant Audit Officer himself except in the exceptional cases where the work is so heavy that a part of it has to be assigned to Sr. Auditor/Auditor in order to finish the audit as scheduled. When this happens, the detailed justification for allotting a part of the work to a senior auditor should be recorded in the statement of allocation of work.
- (d) The Assistant Audit Officer should take up personally more important items of work and all intelligent investigations to the extent the situation permits leaving the comparatively more routine and mechanical items of work to the Sr. Auditor/Auditor.
- (e) According to the provisions made vide para 2.9 of Manual of Instructions for restructuring the IA & AD (MIR) specific allotment of work/duties to Inspecting Officer, Assistant Audit Officer, Sr. Auditor/Auditor was provided. Details of the duties/work have been given in ***Annexure-III***.
- (f) **Review of the work done by the auditors during local audit by supervisory staff.**

With a view to ensuring that the items of work allotted to the Sr. Auditor/Auditor have been checked adequately during the local audit, it has been decided by the Comptroller and Auditor General of India, that the Assistant Audit Officer incharge of the party (senior most among them in case there are more than one Assistant Audit Officer) should conduct a test check of the work done by the Sr. Auditor/Auditor including the check of totals, if allotted to the latter. While recording a certificate of general review, the Assistant Audit Officer should also specify the items test checked by him in the forwarding memo referred to in para 1.26 (e) of the manual.

Following quantum of review has been prescribed by Principal Accountant General which should be strictly followed:-

| Nature of work done by Sr. Auditor/Auditor | | Quantum of review |
|---|---|--------------------------|
| (i) Computation of Cash Book | | 5% |
| (ii) Receipt Tracing (iii) Vouching | When in exceptional circumstances these items of work which are normally done by Assistant Audit Officers are entrusted to the Sr. Auditors/Auditors. | 5% |

| | | |
|--|--|----|
| (iv) Check of service books and leave accounts | (a) In case of persons who are due to retire within five years | 5% |
| | (b) Others. | 1% |

With a view to keep record of the above review a return in the proforma given in **Annexure IV** will be maintained by each local audit party in the form of a register and a copy of the same would be enclosed with the forwarding memo of each draft inspection report. **(Authority C&AG's letter No. 48-TAI/2-79 and AG's order dated 7th March 1979)**

1.12 Deviation in the tour programme.

- (i) The time allowed for local audit of a unit should not be exceeded without the approval of the Senior Deputy Accountant General/Deputy Accountant General (Inspection) obtained before the event in all cases where this is possible and where this is not possible as soon as possible after the event. In applying for extension the circumstances, which render extension or deviation, necessary should be fully stated. It should also be stated whether it will be possible to complete the whole tour within the time allotted by reducing the time for any other unit.
- (ii) No departure from the sanctioned programme is permissible without the approval of the Senior Deputy Accountant General/Deputy Accountant General (Inspection) except in emergent cases when important defects of procedure, irregularities, frauds or embezzlements are revealed or suspected during the course of local audit and the cases need special investigation involving extra time. The facts should at once be reported to the Senior Deputy Accountant General/Deputy Accountant General (Inspection) with full justification of the change for his approval. The inspection staff, however, must understand that they will be liable to bear the extra cost in T.A., if any, necessitated due to change effected in the programme, if the changes made by them are disapproved, without prejudice to any other action that may be found necessary to be taken against them.
- (iii) Extension in time should not be applied for on trivial grounds such as casual leave of the assistants of the party, heavy months selected for detailed audit by the OAD Hqrs. Sections, unsatisfactory maintenance of accounts records, etc. The requests for extension on grounds of volume of work should however, be supported by statistical data justifying the request. In the case of supervised inspection the request must bear definite recommendations of Inspecting Officers. The programme should be adhered to by making extra efforts.
- (iv) If in any office the Inspecting Officer/Assistant Audit Officer finds that the time allowed is in excess of requirement he should immediately bring the fact to the notice of headquarters. for considering further action in the matter. If the time allowed is more or less the same as for the previous local audit of the same establishment the reasons due to which the time is expected to be saved during the current audit should be analysed and stated.
- (v) **Change in the audit programme:** After approval of the quarterly field audit programme by the AG, no change in the units allocated to a party should be made. As per the existing instructions, in case an auditee units requests for deferment/postponement of audit, the audit party may take up the audit of the next unit allocated to them in their quarterly programme. In such cases the

veracity of the information of deferment/postponement of audit received from the auditee unit should be cross checked by the Group Officers personally before allowing the audit party to take up the audit of the next unit. In cases where deferment/postponement of audit allowed, it should be ensured that the same party should take up the audit of such units, in the same quarter, to the extent possible, or in the next quarter. In no case that unit(s) should be allocated to other party (ies).

(Authority PAG's order dated 22.10.2013)

1.13 Responsibility of the Inspecting Officer.

The fundamental responsibilities of an officer incharge of inspections have been laid down by the Comptroller and Auditor General of India in the following terms:-

- (A) (i) The officer must acquaint himself with the system of finance of any institution the accounts of which he is inspecting what makes up its receipts and how its money is expended. He must then make up his mind roughly what system of accounts is necessary for these receipts and expenditure, what registers are necessary for internal check purposes and how far the existing system concurs to this standard. This is the elementary and primary responsibility of the supervising officer to be discharged at whatever stage he comes on the inspection. An Inspecting Officer, if responsible for audit of receipts, should make it his duty so as to correlate all the documents that he may direct his staff how they can check that all money due is received and all money received is brought to account.
- (ii) The Comptroller and Auditor General considers that an Inspection Officer or Inspection Party which does not do this work fails to appreciate the first responsibility of Audit.

(Auditor General's letter No. 7-692-Admn./74-40 dated 25-09-40; FileO.A.-20-2 of 40-41)

(B) The Inspecting Officers are required to perform the followings duties:-

- (i) To guide the staff of the inspecting parties so as to ensure that the audit is complete in all respects.
- (ii) To review and scrutinize comparative statements tenders etc. in respect of purchase cases for the value exceeding Rs.50,000. This monetary limit will be Rs. 10,000 for the Departments under Principal Accountant General (General and Social Sector Audit) Madhya Pradesh Gwalior.
- (iii) Review of schemes items on which an expenditure of Rs. 50,000 or above has been incurred. All schemes under execution in the Departments under Accountant General (General and Social Sector Audit) Madhya Pradesh Gwalior, may be reviewed by the Inspecting Officer and their performance examined critically.
- (iv) Review and disposal of old Audit Inspection Reports.
- (v) General Scrutiny of the Cash Book and transactions during the period covered by audit.

- (vi) To examine personally with reference to the initial documents all important points raised by their staff and they should take particular care to see that the reports are drawn up so as to afford no grounds for complaint from the local authorities in regard to their tone of substance. Inspection should be conducted with fact and discretion so as to avoid all possible irritation to local officers.

No statement, which might be treated as injurious to the character of any person should be made without the utmost care and attention to facts, as otherwise, it may not be regarded by a court as bona fide and make the reporter liable for civil or criminal liability.

“In cases where the inspections are conducted under the supervision of an officer throughout or where the concluding stage of the audit is supervised by him, the Inspecting Officer shall write out the report himself and not leave it to his subordinate to do the drafting. The report thus drafted shall be forwarded to the OAD Headquarters Section in Manuscript”.

(Comptroller and Auditor General confidential D.O. No. 1307/Admn-I/388-55, dated 24-06-55 and Accountant General’s orders dated 3-12-1955)

(O.O. No. AG-I/OAD(M)/Gr.II/226/OO/11 dated 25-7-80 and OAD-XI/AG-II/Gr.II/OO/70 dated 4-10-80)

The Inspecting Officer should try to get all the facts and explanation on the spot. Wherever satisfactory explanation is not forthcoming and inspecting officer feels that the points raised by him are so important that they may ultimately find place in the Audit Report to be submitted to the Legislature, he should take care to clinch all issues involved, to collect all relevant information and also to take attested copies of those documents which are likely to be useful in pursuing the matter with higher authorities.

(CAG’s No.971-Tech. Admn-II/131-68 dated 2-5-1968)

- (C)(i) Whenever the Inspecting Officer/Assistant Audit Officer comes across a case of defalcation, fraud, embezzlement or serious financial irregularity, he should at once try to analyse and understand the modus operandi thereof and also make himself sure by extending his probe to some other months at random that the case which has come to his notice is not part of a regular pattern. When the officer has made these preliminary investigations he may report the matter to the headquarters and seek further instructions. In all such cases a covering letter to the Inspection Report should be sent in advance detailing the result of his investigations.

(No. OAD/Misc/DEF/OO/63-64 dated 1963)

- (ii) In the cases of frauds, which come to notice in the course of local audit of the accounts, the local audit party should bear in mind following instructions enjoined in D.O. letter No.C/9-321-Admn-I/53-part-III dated 23-11-54 from the office of the Comptroller and Auditor General of India.

“Though we have no direct powers of impounding documents which are in the custody of departmental offices, those offices are bound under Para 18 of Audit and Accounts orders, 1936, presently adopted in Duties and Powers of C&AG Act 1971 to comply with any requisition from

the Audit Department to produce any books and other documents relating to transactions to which out duties in respect of audit extend and to make these documents available at such places as we may appoint for inspection by us. The statutory position being so, there is nothing to preclude us from keeping with us documents produced in local audit on the ground that certain audit processes are still incomplete. When the audit party moves away from the office inspected, it will then only be necessary for them to furnish to the Head of the office inspected an acknowledged list of documents that they are taking away with them for completing the processes of audit. There is no restriction that documents that are ordinarily audited locally should be audited only within the premises of the departmental office. In fact, there may be cases where it may be necessary to submit the documents in original to superior authorities at Headquarters and to take their orders or directions.

In such cases where the documents are likely to form valuable evidence to prove a fraud, a Photostat copy may be taken in the usual manner by the audit party. When the audit note containing the objection relating to the fraud is sent to the departmental officers, the original documents could be sent on either to the Head of the office in case it is clear that personally he is not involved in the fraud and in other cases the documents could be sent on to his superior authority, audit may retain for its further purposes the Photostat copies of relevant documents. Thereafter, it would be the responsibility of the head of the office or his superior authority to make arrangements for the proper custody of these records and to produce them to the Police when required. As these are really departmental records, it is considered that it should suffice in such cases if the Photostat copies are held in safe custody by the Audit office, though in respect of documents ordinarily in the custody of the audit office the instructions are that the original should not be parted with except under the orders of the government of India, Ministry of Home Affairs in consultation with the Comptroller and Auditor General.

In this respect, the CAG would not like to make any distinction between prescribed audits and consent audits.

(D)(i) Procedure for simplification of initial accounts:-

In this matter it is primarily for District Officers or the Heads of offices to bring to notice any processes of initial accounts which in the opinion, have become unnecessary or obsolete by changed conditions. At the same time the officers of the Accounts Department should always be ready to take up the question of simplification of initial accounts and point out to Government the scope of simplification in particular cases. This question can best be handled by introducing as an experimental measure in selected districts, particular measures of reform which have been suggested and which are prima facie admissible. On the result of the experiment, the Government will be in a better position to issue general orders on the subject.

(ii) The instructions contained in Para 769 of MSO (Tech) Vol-I should be borne in mind. As a normal procedure the Inspecting Officer and Assistant Audit Officer should, before the commencement of an audit inspection, make it a point to call on the District Officer or the Head of the office at a station and ascertain from him whether he has any suggestions for investigations of processes of initial accounts under his control. The Inspecting Officer/Assistant Audit Officer will then examine the suggestions and also any other matter, which comes to their notice. The Inspecting Officer should invariably discuss important points raised in the course of inspection with the Executive Officer concerned with a view to their elucidation and settlement on the spot,

if possible consistent with sound financial and audit principles. Where in any case, this discussion has not taken place, the Inspecting Officer should briefly record the reasons when submitting the report. Before the conclusion of the Inspection they will personally discuss with the officer concerned the results of examination and then embody them in note two copies of which will be submitted to the Accountant General.

One copy of this note will, after it is edited in the concerned OAD Section by the Senior Deputy Accountant General/Deputy Accountant General with a draft of forwarding note to the District Officer or the Head of the Department as the case may require for necessary action and the other copy retained in a file for watch over disposal.

(Auditor General's Endorsement No. 414-Admn./151-36 dated 28th September 1936 and DO letter No.917-Admn./184-85 dated 3rd August 1945)

1.14 Review and settlement of pending Audit Inspection Reports by the local audit parties.

Settlement of outstanding paragraphs of the earlier inspection reports is one of the important duties of the AAO of the local audit party (Inspecting Officer in the case of supervised audit) and should be given adequate attention. A good number of these objections can be settled during subsequent local audit if parties take a little interest in verifying the present position of these objections.

While it is not possible to lay down any rigid set of principles of clearing the outstanding objections/paras, as their settlement ultimately depends on merits of each case and should be dealt with extreme care and caution the following guidelines may be kept in view for settlement of objections/paras which are pending the old reports:-

- (1) Review note in the prescribed proforma will be prepared by the OAD Headquarters sections for pending inspection reports and sent to the local parties. At the commencement of the local audit of respective establishments vide para 1.06(B)(iii) of the Manual.
- (2) The AAO/Inspecting Officer should take special interest in scrutiny of the outstanding objections with particular reference to directions given in the review note and action taken by the department.
- (3) If the particular objection previously raised has some relevance with the period covered during current audit its latest position should be incorporated in the current inspection report/test audit note giving reference to the para number and audit inspection report in which it was previously raised.
- (4) Many times major part of objection has already been settled by suitable action taken by the department and the minor part of it is yet to be settled. In such cases outstanding para should not appear in the Inspection Report but it should be included in the Test Audit Note.
- (5) Many times same type of objection is pointed out in a general way in the Inspection Reports for various period. Such observations, could be properly taken in the current reports. Minor isolated cases should be taken in the Test Audit Note.

(No. OAD (Misc)/3479 dated 22-12-69)

N.B. (i) Comptroller and Auditor General of India has desired close review of the old Audit Inspection Reports with the objective to clear finally items more than three years old where debts due to or by Government are not involved and only minor technical irregularities have been brought out.

If it is considered necessary for valid reasons to pursue an old outstanding objection, the decision to do so, should be taken at Senior Deputy Accountant General/Deputy Accountant General level.

(CAG's circular letter No.961-TA I/85-71 dated 12-04-1971 & CAG circular letter No.4/996 No.467 Audit/Audit Planning/59-96 dated 25-06-1996 & OAD (M) O.O 8 dated 16-09-1999)

N.B. (ii) In regard to pending audit observations, which are settled during the current inspection a statement of settlement of pending Audit Inspection Reports should be prepared by the audit party in duplicate, in the following form and sent to Headquarters along with the draft inspection report.

| Para/Sub-para Number | Brief of the objections with further development | Reasons for settling the same |
|-----------------------------|---|--------------------------------------|
| 1 | 2 | 3 |
| | | |

N.B. (iii) Summarized position of the items still remaining outstanding will be shown in the Annexure 'A' to Part I B (i) "the position of previous pending Inspection Reports" of the audit inspection report.

- (6) In order to bring down the number of outstanding paras of the Inspection Reports and to arrest its further growth it has been decided with the approval of the Comptroller and Auditor General that:
- (i) The Accountant General would undertake an exercise to prepare a department wise list of outstanding paras (i.e. paras of lesser importance) other than the paras outstanding serious objections having draft para potential or those requiring recovery or regularization or denote system failure etc.
 - (ii) The Accountant General would ensure that Adhoc Committee meetings are arranged at frequent intervals and paras of lesser importance are taken up first. The impact should be two fold. The emphasis should be on settlement of outstanding paras of lesser importance, settlement should be significant and after the number of this category of paras are settled substantially, the subsequent meetings should be concentrated towards other categories of paras.

(Authority : CAG letter No. 117 Audit (Aud.-plg) 59-96 dated 26-02-1998)

1.15 Papers and files produced and examined during local audit.

- (i) The office inspected should readily make available to Audit all files/records required including "Secret" or "Top Secret" files. In this connection Government of India, Ministry of Finance, Department of Economic Affairs O.M. No.F I (43)-B/78 dated 23-09-1978 and based on it, the Government of Madhya Pradesh Finance Department circular letter No. 7/four/No.1/78 dated 01-01-1979 was issued to all the departments.
- (ii) Audit party must call in writing for all registers and accounts of the offices inspected required for audit purposes if the same are not readily put up on verbal requests. If an auditor states that he asked for papers but they could not be produced, he must be able to prove it from his requisition. Important documents, like service books, should invariably be formally requisitioned and acknowledgement obtained on returning the same.

The audit party must examine all records pertaining to the months selected for audit and if any record cannot be produced, they must make sure of the reasons for its non-production, and bring such failure to the notice of the head of the office.

Papers and files of the offices inspected by the party should be returned in the same condition in which they are received. On no account should these be rearranged, Combined, or broken by them with similar files in any case. If such a rearrangement is absolutely necessary, it should be carried out only by the office, which is being inspected.

- (iii) All entries checked should be ticked and cross-ticked and all vouchers, challans, registers, leave accounts, etc. examined should be initialled with an audit pencil. If entries covering a specific period are only checked and in a particular record a line should be drawn across the page after the last entry checked and the period covered by the check recorded over the dated initials of the person exercising the check.
- (iv) Normally audit personnel should refrain from making any other notes, alterations or remarks in any of the documents examined.
- (v) If the head of the office acts as the Drawing and Disbursing Officer for other subordinate units located elsewhere, decision about the units whose records are to be subjected to test check and the period for which the test check is to be exercised should be taken and the relevant records requisitioned in writing on the first day of the local audit so that sufficient time may be available for having the records fetched from the subordinate units.
- (vi) Particular attention should be paid to records if any, which were not produced on the occasion of previous audits.

1.16 Conduct of Inspections.

- (i) During the course of inspection, the Inspecting Officer or the Assistant Audit Officer should record every objection formally and immediately as it is noticed.
- (ii) An all out effort should be made to settle audit objections on the spot as far as possible by discussion, for which purpose objections taken should be forwarded to the head of the office for his comments every day and his replies obtained next day. The last day may be kept mainly in reserve for discussion of the report.

A list of such objections and rectifications done by the department should be prepared separately and sent to the audit office (along with the Audit Report) duly signed by the Inspecting Officer/Assistant Audit Officer and the head of the office concerned.

This list will be taken up by the next Inspection party to see whether such defects have again cropped up.

- (iii) The report should contain all important irregularities, defalcations, losses, leakage of revenue etc. which require to be immediately brought to the notice of Government or/and may ultimately find a place in the Audit Report. The remaining unsettled points will form a test audit note. In respect of paras which are ultimately likely to find a place in the Audit Report on the Appropriation Accounts, the Inspecting Officer should personally see that he has discussed all the issues relating there to with the head of the office and collected all relevant information. He should also take attested copies of those documents, which may be useful in pursuing the matter with the higher authorities and should also get the facts of the case certified by the head of the office.
- (iv) When anything is noted as unsatisfactory the reason should be stated in the body of the report at some length.
- (v) Defects should not be recorded in general terms and unnecessary details should be avoided.
- (vi) All exaggeration of language should be carefully avoided.
- (vii) General objections should not be raised unless they can be supported by concrete instances.

Intelligent probe where maintenance of Accounts records is defective

It has been observed by the Comptroller and Auditor General that a number of instances had come to the notice of his office, when local audit had satisfied, itself by mentioning that certain records were not maintained properly by the offices concerned and asking for a rectification of these defects. Subsequent developments have, however, shown that in a number of such cases, the defective maintenance of records was more or less a cover to hide misappropriation and fraud. If the local audit had been sufficiently vigilant in such cases, and made a further probe, the frauds and misappropriations could have been brought to light much earlier. Again, in a number of cases, frauds and misappropriations were subsequently detected by the Administrative Authorities themselves though the period during which such frauds were occurred were covered by one or more local audits. Where, important initial records, e.g. Cash Books, Pass Books and Security Registers etc., are not maintained properly, it will not be sufficient simply to state in the audit Report that such records were not maintained properly. Improper maintenance or non-maintenance of important initial records having a direct bearing on cash transactions will *prima facie* strengthen the apprehension that all may not be well with the cash transactions of the office inspected.

The Inspecting Officer and the party should in such cases, besides mentioning the technical defects and short comings in keeping the accounts registers, etc. should also make an intelligent probe to see if the defective maintenance or non-maintenance is a camouflage to hide fraud and misappropriation.

The Comptroller and Auditor General, further feels that it would be pity if frauds and misappropriations are detected by administrative authorities occurring during a period covered by local audit and which the local audit had failed to detect.

(CAG Confidential DO No.2045-Admn.III/479-60 dated 05-12-1960, file No. OA11-5/55-56)

- (iii) If a really flagrant case of irregularity is detected it should be investigated with the utmost care and set out in such detail as to ensure that the gravity of the violation 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.

1.17 In addition to the above, the following instructions should be carefully noted by the Inspection Staff:

- (i) While Assistant Audit Officer and Sr. Auditors/Auditors should not make any relaxations of their own motion, it is very important that the prescribed checks should be observed in the spirit and not in the letter as opposed to the spirit.
- (ii) Objections should be written out on half margin forms, which should be serially numbered and issued to the Head of the office to furnish replies thereto. Half Margin may be written in duplicate, one copy may be issued to the office inspected with a specific request that the reply to the audit memo may be given within twenty-four hours of the receipt. The issue of Half Margin on the last working day of the inspection is discouraged. But where issue of the Audit Memo on the concluding day cannot altogether be avoided, the Inspecting Officer/Assistant Audit Officer may contact the departmental authorities and get their reply before the last day of the inspection.

In the event of non-receipt of the reply from the Departmental authorities to our Audit objection memo within the prescribed time, the Inspection Report may be drafted on the basis of the office copy of the half-margin memos issued and suitable note may be recorded in the Inspection Report to this effect.

Replies to objections, which may mature into draft paras for the Audit Report and regarding suspected defalcation, etc. or other serious financial irregularities may be obtained promptly so that further observations, if any, can be raised on the spot, and further information if required, may be called for. Replies to all the audit observations memos so issued should be obtained before the audit is completed and Inspection Report is drafted. If replies are not received promptly the fact should be brought to the notice of the Head of the office immediately and non-compliance reported to OAD Headquarters where necessary.

- (iii) Objections, which are simple directions and instructions for future guidance should be, included in Part III of the Report. All the minor errors which are of no consequence to the finances of the States and can be set right on the spot should be so settled and the notes carefully filed. The value of an inspection is enhanced more by the number of points thus settled on the spot than by what is loaded in the Audit Note.
- (iv) Isolated routine objections, need not, as a rule, be mentioned in the Audit Note but if a number of similar points are noticed, the type of error or irregularity with a few of the worst instances may be mentioned.
- (v) Any office that is particularly careless and pays no attention to the directions or repeats the mistake or habitually disregards the rules should be taken up by the OAD Headquarters in a special letter to the Head of Department care being taken to substantiate the charge of such disregard to rule etc., by sufficient evidence.
- (vi) Whenever any irregularity or delay, which was noticed by the office, inspected is taken up again by the Local Audit Staff the fact should be mentioned in the body of the objection and the reasons why it is taken up again in audit distinctly brought out.
- (vii) Money values of objections should be specified wherever possible not only for those coming under paragraphs 7.2.16 of MSO (Audit) Vol. I but also for cases of enquiries and remarks made on doubtful points which may have a potential money value (e.g. the amounts of contracts for which tenders are not called or where the lowest tender has not been accepted or values of extra concession granted to contractors but not provided for in the agreement).

- (viii) Objections which can be waived under Para 7.1.16 of MSO (Audit) Vol. 1 should not be embodied in the Report but should be put up to the Senior Deputy Accountant General/Deputy Accountant General (Inspection) for orders.
- (ix) All statements and allegations made and all figures furnished should be based on clear documentary evidence so that the Audit Office may be in a position to press for proper action.
- (x) The names of the officers responsible for the irregularities should be kept on record in the rough notes in all cases of serious irregularities.
- (xi) When a letter or a Government order is quoted which in the opinion of the Assistant Audit Officer may not be available in the concerned OAD Section, a copy of it should be sent along with Inspection Report of the information of the concerned OAD Section.
- (xii) The Local Audit Staff should go through all the Inspection Notes of Departmental Offices during the period of audit, as valuable hints are likely to be obtained from these sources. This point requires special attention during audit.

1.18 It should be specifically seen that no office maintains unauthorized Account in a Private Bank, Post office or a Personal Ledger Deposit Account wherever the party comes across such accounts these may be intelligently scrutinized specially with reference to Bank Pass Books and Reconciliation Statements.

1.19 (i) The Inspecting Officers are not required to verify by count, the cash balance of the office inspected. It is, however, not the intention that an Inspecting Officer should be debarred from verifying the cash 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 the time when the officer-in-charge is present. If in any case, counting of cash balance is undertaken a simultaneous count of all cash balances (with relevant accounts) in-charge of the disbursing officer or other custodian of the cash should be done. Result of verification indicating, both in figures and words, the actual physical cash counted should be recorded in the cash book.

(Comptroller and Auditor General's DO reply No.-70 Admn.I/54 of 26th July 1954 File No.7-N.5-1/54-55 & AG's orders dated 12-04-1973 file OAD (M) II-38/1972-73)

(ii) The audit parties may, ask the DDOs in course of normal audit particularly in the Collectrates and the large DDOs of Medical, Public Health and Education Department and in the DDOs of Secretariat Office to carry out the physical verification of cash. Findings of physical verification should be processed to develop comments.

1.20 Check of Initial accounts records at Local Inspections

It has come to the notice of the Comptroller and Auditor General that as a result of lack of supervision a clerk of an office was able to embezzle a certain some of money representing sale proceeds of tender forms. The usual audit inspections of that office also failed to bring the fraud to light. Investigations revealed that a comparison of entries in the Cash Book with the counter foil of receipts granted and the treasury remittance book would have enabled the audit inspection to detect the frauds. The Audit 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 material 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.

It is most undesirable that in local inspections the check of initial records such as the cash book should be neglected in favour of material which may provide cases for Efficiency-cum-Performance Audit. The Comptroller and Auditor General has therefore, emphasized that the

primary duty of the Indian Audit Department is to secure the correctness of accounts and is not the criticism of the executive work of a department on Efficiency-cum-Performance Character.

(Auditor General's Circular Letter No. 31-Admn.-205-36 dated 15th January 1937)

- 1.21** If the test audit of the accounts of a department reveals short recovery of Government dues to a considerable extent, the departmental authorities concerned should be instructed to arrange for a complete check of the account so as to ensure a complete and accurate assessment of the dues. The Inspection Report should in such cases, contain a Para in the following forms:

“In view of what has been disclosed by audit as a result of a test check only, a thorough investigation with a cent per cent check of the transactions etc., in question is desirable and necessary. This may be arranged for and the results communicated to audit in due course.”

(Accountant General's orders dated 12th December 1952, File No. OAD NN 231 of 1947-48)

- 1.22** During local audit of the initial records such as Cash Book etc., the entries should be invariably checked with the counterfoils of receipts and the treasury challans. It had come to notice of the Comptroller and Auditor General of India that during a local audit, challans in respect of the credit of sale proceeds remitted into the Treasury could not be produced in several cases in support of the entry made in the cash book as cash remittances to Treasury. This aroused the suspicion of the local audit staff who thereupon made special arrangements to compare the credits direct with the credits brought to account on the books of the Treasury. This verification disclosed that the amount of several challans which had been accounted for in the Cash Book as having been remitted to Treasury were not actually so remitted but was embezzled by the Cashier by forging the signatures of the Treasury Officer on the receipted challans.

(2) With a view to facilitate early detection of the frauds of the nature referred to above it has been ordered by the Comptroller and Auditor General of India that during the local audits, the verification of (credited) receipts in the cash books in respect of the months selected for detailed audit should be made direct from the books of the Treasury.

(Comptroller and Auditor General's letter No. 1986-Admn.I/425-52 dated 23rd July 1953 and No.2465 Admn.I/425-52 dated 6th October 1953)

- 1.23** The transactions of the months as may be selected vide Para 1.06 (A) above should be audited completely and in every detail. In addition to this all accounts and registers should be generally examined to see whether they are on the whole properly maintained.

1.24 Independent enquiries

While auditing the accounts of Government institutions and offices, auditors should not make any enquiries from the tax payers, or the general public, as such action amounts to an encroachment on the functions of the administration. Audit should confine itself to calling upon the Executive to furnish necessary information and, in case of difficulty, it should confer with the executive as to the best means of obtaining the evidence which it requires (Para 2.1.10 of MSO (Audit) Vol.-I). Auditors should not also while auditing the accounts of a public or quasi-public body, be permitted to make independent enquiries of tax payers or of the public at large, unless such a procedure is expressly authorized by statutory regulation or executive orders. If there are suspicious circumstances in the accounts, the Inspecting Officer/Assistant Audit Officer should report the fact to the Senior Deputy Accountant General/Deputy Accountant General (Inspection).

1.25 Records of work and Stay etc., of Local Audit Parties

- (i) All local audit parties should maintain a duty Register in ***OAD Form-2*** indicating details of daily work done by each member of the party. This register will form the part of the record of audit party and will be handed over by one Assistant Audit Officer to the other Assistant Audit Officer at the time of handing over charge of the party alongwith attendance register, office order file, dispatch register etc. The duty register should be seen by the Supervising Officer every day during his supervision and signed with clear dated initials in token of his review.

The Assistant Audit Officer of local audit party should forward along with the Draft Audit Inspection Report, the extract of register covering the period of inspection. Copies thereof should also be sent to Controlling OAD Headquarters Section alongwith Movement report by 5th of every month which will be submitted by OAD Headquarters to the Senior Deputy Accountant General/Deputy Accountant General (Inspection) for his review.

(OO No. AGI/OAD (M)/II-115 Vol. II 00/6 dated 28-11-1975 and OAD (M)/00/17 dated 07-12-1999)

- (ii) The movement report of the parties indicating the names of the units audited along with event report (in duplicate) and a duly certified copy of the Stamp Account will be prepared in ***OAD Form-3(a) & (b)***. (Also see Para 1.29 (vii) for Event Report).

In the case of supervisory audits these will be examined and countersigned by the Inspecting Officer in token of having satisfied himself about their correctness.

N.B. (i) A register in the ***Form OAD- 4*** showing monthly progress of receipt of movement reports of local audit parties should be maintained by OAD headquarters, and submitted to Senior Deputy Accountant General/Deputy Accountant General through A.O. (OAD) HQ on 15th of every month after certifying the movement report from the tour programme.

(ii) Similarly event reports received should be entered in the Register by the posting group and one set consisting of original event reports sent to O.E. Administrative Section retaining the duplicate set in a proper file (Year-wise).

(iii) The register should, be submitted to Senior Deputy Accountant General/Deputy Accountant General on 20th of each month showing the details of leave and absence etc. of the parties and verifying the details of such period from the records of the Head quarter.

1.26 Manner and Method of drafting the Inspection Report.

(a) The Inspection Report being an embodiment of serious irregularities every opportunity should be given to the departmental officers to explain their points of view. All facts and figures stated their in should be complete, carefully verified with the record and got expressly accepted or cogently refuted by the departmental officers so as to avoid subsequent disputes regarding the correctness/incompleteness of facts. All objections taken in a report should indicate the points of view or explanation given, if any, by the departmental officers and the arguments, of the Inspecting Officer in support of non-acceptance of such replies.

True copies of the records or documents where necessary, all departmental orders etc. referred to in the objection should also accompany the Inspection Report.

While drafting of Inspection Report, Inspecting Officer would ensure that only serious objection which have potential of developing into Draft Paragraphs or those requiring recovery of regularization or denote a systems failure etc. are included in the Inspection Report. Other objections should be incorporated in Test Audit Notes. At the time of vetting of Inspection Report, Branch Officer in charge or OAD Head quarters would satisfy himself that only such of the paras which merit inclusion in the Inspection Report have been included and record a certificate to the effect that the Inspection Report includes objections of serious nature only as mentioned in 1996 circular.

(b) The report should be kept ready for discussion with the head of the office inspected on the Last day of audit. The draft report will be discussed with the officer-in-charge by the Inspecting Officer and by the Assistant Audit Officer in respect of audits not supervised and the draft should be got attested by the officer-in-charge in token of his having seen and discussed the report and having verified facts mentioned their in.

The following points may be kept in mind while drafting the reports:-

(i) The language of the reports should be impersonal, polite, dispassionate, courteous and inoffensive. Insinuations should be avoided. The effectiveness of an audit objection is very likely to be reduced rather than enhanced by the use of strong language. In fact, the more serious the nature of an objection, the greater is the need for using language, which is unexceptionable.

The facts and conclusions should, if properly stated, speak for themselves. It is necessary to bear in mind the quasi-judicial nature of audit. Nothing should be done also to hamper the evolution of the complementary roles of audit and administration by the use of extravagant language and the attitude that audit alone is the keeper of the Nation's financial conscience.

(Comptroller and Auditor General's DO No. PS/588/56 of 23rd October 1956 file No. OA 11-5-1955-56)

(ii) The Inspection Reports should be as clear and concise as possible, and couched in unexceptionable language. Every paragraph should comprise of three distinct parts viz. (a) a statement of facts, (b) the money value of the objection, or its approximate value as calculated from the available data and (c) the objection or the nature of irregularity, rules and orders infringed, if any and the action required for removing it. This arrangement may not necessarily be meticulously adhered to in every case, but all the points must be distinctly stated. Special attention should be drawn to important matters such as, willful and persistent negligence of duty, falsification of accounts, chaotic state of accounts in separate paragraphs. It should be borne in mind that it is of more importance to bring home a general lesson than to dwell at length upon a particular irregularity.

(iii) The headings of the paras should be suggestive of the contents of audit objections. Such headings as 'Cash Book', 'Bill Register', 'Vouching' etc., should be avoided.

(iv) More attention should be devoted on the drafting of the inspection report with an eye on brevity, preciseness and clarity. This requires an effort especially, on the part of Inspecting Officer.

(v) There must not be needless splitting up of objections to increase the number and the closely related audit observations etc, regarding "defective maintenance of Cash Book, non-obtaining of

securities, lack of custody of cash” etc. should be grouped together, with the three aspects being dealt with under separate sub-paras.

(vi) Objections of the same nature e.g. want of payees receipts, estimates, agreements, measurement books and of relevant entries in stock and store register, etc. should be grouped together as far as practicable. Where there are several departments in an office the objections relating to each department shall be shown separately.

(vii) The objections, specially those meant for part II of the Report should be self contained in respect of all matters with which they deal. The actual amount involved in each irregularity covered by the audit objection should be worked out as accurately as possible, and clearly stated in the paragraph. Vague suggestions such as “loss or the overpayments involved should be worked out and recovered” should be strictly avoided.

(viii) If it becomes necessary to deal with any correspondence, the subject matter should be summarized as briefly as is compatible with clear exposition. All details necessary for a clear understanding of each irregularity should be given including :-

- (i) an explanation of the transaction;
 - (ii) a description of the nature and magnitude of the irregularity;
 - (iii) any extenuating circumstances that might have existed;
 - (iv) the defect, if any, in the system which led to the irregularity; and
 - (v) the remedial or preventive measures adopted and adequacy or otherwise thereof;
- (viii) Not infrequently does it occur that while editing draft paragraphs for the Annual Audit Report, the Accountant General finds himself at a loss because of missing links in the facts and agreements set forth in the original Inspection Reports and on which the paras are based. The information, which is wanting, cannot be obtained except by a reference to the local records and the inevitable consequence is that the draft paras have either to be abandoned or their consideration postponed for an indefinite period. It is, therefore, impressed upon the Inspecting staff that such a situation must not be allowed to arise and they must play their part faithfully. There must be Precision about the happenings, and the comments should be based on facts and not on inferences. The sequence of events should be carefully noted in order to complete the claim leading to the final conclusion, and as far as possible, the dates of occurrences should be allowed to tell the story.
- (ix) Where a rule or order has been violated, its substance and the actual or possible effect of the violation should be briefly explained.
 - (x) Audit is concerned with fact and not with the conduct of the officers; consequently, the name(s), of the official (s) personally responsible for any serious irregularity should not be disclosed in the Inspection Report. Only in cases of very serious dereliction of duty or embezzlement, the designation or status of the officer responsible should be mentioned. Such cases will be very rare, and audit should not take upon itself the duty of fixing responsibility for any such thing or any individual. All particulars should, however, be reported to the Head Quarter section in a confidential cover.
 - (xi) The inferences and conclusions drawn from the facts should always be problematic. Even when the evidence or a defalcation or fraud is very strong, the facts should be distinctly stated, but the inference drawn should be properly guarded and qualified by phrases such as “it appears to be” or “may turn out to be a case of defalcation/fraud”. The paragraphs should be presented in such a detailed and dispassionate form that the facts should speak more than the comments.
 - (xii) Cases which are subjudice should not be mentioned in such a way as to prejudice the claim of the defence in the court of Law.
 - (xiii) Lastly, the quasi-judicial nature of audit should be remembered and every endeavour should be made to present a just and impartial picture of the case in a clear and plain language. In framing

the objection, asperity in comments on insinuations or offensive generalizations should be assiduously avoided. The use of words such as “fraud” or “embezzlement” which denote crime should be avoided. Unless of course, the crime has already been established. It would generally be sufficient to use some colourless words e.g., “Loss” or “Not accounted for etc.” In short, it is most important to ensure that all words and phrases with twist, which are likely to cause resentment or unpleasantness, are entirely eschewed.

- (xiv) Every paragraph of the draft Inspection Report should show in the margin (in pencil) a reference to the relevant item and page of the objection statement on which it is based.
- (xv) A statement of recoveries effected during the course of audit and the amounts held under objection should in the Inspection Reports giving references to the relevant paragraphs. This should form the last paragraph of Part I of the Inspection Report.
- (c) When it is proposed to State that the accounts are not satisfactory or require improvement, the reasons for which it is proposed to give this adverse opinion should be clearly stated giving reference to the paragraphs in the Inspection Report.
- (d) The annexures must be numbered as ‘A’, ‘B’, ‘C’, ‘D’ etc. Audit Parties will be responsible for submitting 4 clear copies of the Annexures (either typed or hand written) which must be signed in full by the Assistant Audit Officer and in case of a supervised audit by the Inspecting Officer.
- (e) The forwarding documents given in *Form OAD-5* should invariably be filled in by the party in all details.
- (f) The Inspecting Officer/Assistant Audit Officer are required to forward the Audit Inspection Report to the Headquarter on the last day of the local audit or on the following day so that the report may be received in O.A.D. Headquarter Section within four days after the completion of audit.

While dispatching the inspection reports the papers may be arranged in the following order:-

- (i) Draft Audit Inspection Report.
- (ii) Test Audit Note.
- (iii) Memo containing acknowledgement of objection memoranda issued.
- (iv) Objection memoranda (Rough Sheet).
- (v) Other misc. papers collected from the office inspected.
- (vi) Statement of settlement of paras of old Audit Inspection Report.
- (vii) Certified list of drawals.
- (viii) Certified list of Remittances.
- (ix) Result of scrutiny of points marked by concerned OAD Sections.
- (x) Statement of record of daily work done by each member of the L.A.P.
- (xi) Certificates regarding checking of
 - (a) Service books and Leave accounts.
 - (b) Departmental Provident Fund Accounts of Class IV employees.
- (xii) Details of work done regarding receipt tracing.
- (xiii) Details of amounts to be kept in objection book
- (xiv) Certificate of verification of correctness of pay.
- (xv) Statement of records of Central Office received/not received.
- (xvi) Result of scrutiny of expenditure incurred out of the funds drawn on A.C. Bills for which D.C. Bills were awaited in Central Audit.

1.27 The Audit Report should be divided into three parts. Part I of the Report will consist of three sections:-

- (A) Introductory including the scope;
- (B) Outstanding objections from previous reports;
- (C) Schedule of persistent irregularities;

The introductory para referred to above should *inter alia* contain (in sub para) the details of the actual expenditure incurred by the Department/Offices inspected by way of Pay and Allowances, T.A. Contingencies Store purchased etc. It should also contain (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) P.L.As. and other funds or deposits operated by the office and object and extent of transactions thereunder.

Sub-section (iii) of the part I should contain a review by the local audit party of the position in regard to frequency/quality and the extent of effectiveness of such department inspection/ internal audit. Any important points revealed by these inspection/internal audit should be suitably dealt with in the inspection report.

I-B Pending Inspection Reports.

- (i) The manner in which the paras about pending inspection reports should be drafted as given in *Annexure-V* to this chapter.
- (ii) Position of records not maintained/and/or not produced to audit during previous audit and during current audit, and effect on efficiency of audit.

It is not sufficient to merely bring the position of records not maintained and or not produced to audit during previous audits and during current audit in the para. It should be clearly brought out in the para as to how the non-production of record has effected the efficiency of audit. For example, due to non-availability of tender documents, suppliers bills, stock registers, contingent registers etc. the authenticity of purchases cannot be gauged. In major cases of non-production of records and where such a tendency is persistent, the inspecting officer must emphasize the need for detailed department investigation by higher authorities to assure themselves of the regularity, propriety and authenticity of the transactions during the previous years. The L.A.P. must themselves go deeper into the transactions to unearth any malpractices, misappropriations of cash or stores in such cases.

In cases where a particular set of records, say the acknowledgements are wanting, it is the duty of audit party to see by reference to other records whether the payments have been made for bonafide purposes to a bonafide person. For example, in the case of certain supplies against a valid order, there might be supplier's bills as per the order and entries of the supply received in the stock register. Similarly for payment of rent for a month, there might be acknowledgements of land lord for receipt of rent for months prior to or later than the month for which acknowledgments is wanting, mere mention of "wanting stamped" acknowledgement will show that the audit party has presumably other-wise satisfied itself about the bonafide of the payments; and the responsibility for any embezzlement later detected will be of the party and the inspecting officer.

Right at the start of audit the Assistant Audit Officer in-charge of the party should review the position of the records not produced in the past and not likely to be presented during the current audit and take up matters in writing with the head of the office. Where necessary, a copy of the requisitions should be sent to next higher authority requesting it to issue directions for arranging production of records.

The para in the Inspection Report should bring out the efforts made by the party and the officer for obtaining the record.

N.B: In part I (B) (ii) of the report a gist of records not produced only should be given; the detailed observations thereupon should be furnished in a separate para at the end of Part II B [OAD (M)/0.0/15dated 13-11-73]

Part II will consist of two sections. Section A will contain major irregularities, which may lead to draft paragraphs. Section B will thus consist of all other items, which could not be brought under Part III and may include items, which require report to higher authorities.

Part III of the Inspection Report viz. the Test Audit Note will not be persued by the Central Office. It should contain only minor points and should be dealt with finally by the Head of the office inspected.

N.B. :-The outline proforma of Part I,II and III of the Inspection Report is given in *Annexure-V* (Instructions contained in **PARA 6.1.20 MSO (Audit)** may also be borne in mind).

1.28 Conduct of officials on Inspection

- (a) All officers and members of staff while on inspection, should on no account put themselves under obligation to any member of the office, the accounts of which they inspect, and should not ask for, or obtain free, any supply or service which has a definite financial implication. In the matter of house accommodation outside help may be enlisted but it should be strictly on payment of rent and other charges by the members of the audit party themselves. The use of the transport pertaining to any local departmental office, for private purposes is definitely prohibited. Any person infringing these orders in letter or in spirit would be severely taken to task.
- (b) Auditors, while not deviating in any manner from their duty should be careful to avoid any misunderstanding or friction with the local officers with whom they come in contact. Their attitude should be that of one who has come to assist and not merely to criticize, and they will invariably meet with full co-operation from the local officers by the manner in which they go about their work that they are not there to complicate the procedure but to simplify it.
- (c) Matters dealt with by Auditors to be kept confidential. Auditors should note that matters which they have to deal are confidential. The Audit is intended to be for the assistance of local officers, and the Audit Departments is not justified in permitting their shortcomings to become public.

1.29 Attendance, Holidays and Leave

- (i) Members of local audit parties and Inspecting Officers should observe the hours of work and holidays (including restricted holidays) laid down for the offices in which they are working for the time being. A record of the daily attendance of the members of the party should be maintained in the manner laid down in the Manual of Office Procedure and submitted to the Inspecting Officer on all days on which he is with the party.
- (ii) The casual leave accounts of persons in the field will be maintained by OAD Headquarters section and all applications for grant of casual leave should be sent to that section with the recommendations of the highest officials present on the spot. Sanction will be accorded by the Senior Deputy Accountant General/Deputy Accountant General (Inspection) (Headquarters) to the grant of casual leave for recommending the grant of casual leave to others or allowing a subordinate who has applied for leave to leave the station in anticipation of sanction. Assistant Audit Officer and officers in the field should keep in view the fact that normally it will not be

possible for headquarters to arrange substitutes for persons proceeding on casual leave on short spells of regular leave.

- (iii) Persons in the field are expected not to proceed on regular leave during the comparatively short period, which they are required to spend in the field before being replaced, except when this becomes unavoidable due to circumstances beyond their control.
- (iv) All applications for leave, casual as well as regular, should be submitted to headquarters in time for the sanction to be accorded and communicated to the applicant and alternate arrangement for looking after his work made, where necessary before the leave is to commence. A person in the field should not leave his post till these processes are completed. In cases of real and extreme urgency, however, he may do so if he is permitted to do so by the highest official available on the spot after handing over charge to the person designated by that official. The official who permits a subordinate to do so should report the facts to headquarters immediately. If the period of absence of the subordinate is expected to be such as to necessitate the posting of a substitute or a change in approved programmes, the report should be sent telegraphically and detailed proposals regarding the arrangements to be made sent simultaneously by post. If the highest official available on the spot is himself forced to leave his post in emergent circumstances which do not allow him time to obtain the approval of headquarters by telegram or telephone, he should send similar reports to headquarters before he leaves his post and leave written instructions as to how his subordinates should act till instructions are received from the headquarters.
- (v) Any person proceeding on casual leave or regular leave from the field, will be required to report back to the party from which he proceeds on leave unless there are specific instructions to the contrary. It would be for him to ascertain the whereabouts of the party on the dates on which he resumes duty and to report to the party at the station where it is working.
- (vi) All persons proceeding on casual or regular leave from the field should leave their leave address with the party and also report it to OAD (Headquarters) in their applications for leave.
- (vii) The Assistant Audit Officer of each local audit party should send a monthly report to the Administration Section and also to OAD (Headquarters) Section showing the events as regards the member (s) leaving or joining the party or proceeding on leave from the party during the period under report. The report should reach the administration section by the 5th of each month. (Also see para 1.25 (ii) in form OAD 3(b)).

[Office order No. OE III/Event/AG-I/33 dated 16-09-1975 and correction slip No.13 dated 06-02-1992] by A.G. (Audit)-1 No. OAD (M)/O.O/171/12-99.

1.30 Reference books and files of orders

- (i) An effective and purposeful audit will not be possible unless local audit personnel are conversant with the latest provisions of all codes, manuals, departmental orders, prescribed rules and procedures important orders of the Central and State Government, etc. Before a party leaves its headquarters, the Assistant Audit Officer should requisition and obtain from the office library all the books that the party is likely to require in the course of its activities in the field. It will be the responsibility of Assistant Audit Officer local audit parties to keep their books upto date and to maintain proper files of orders received from headquarters and collected from other sources.
- (ii) Every Assistant Audit Officer should maintain an upto date inventory of all such books and files, whenever he relinquishes charge of the party, he should hand over the books and files to his successor or to the persons with whom he leaves the charge temporarily till his successor arrives and the person who takes over their custody should acknowledge their receipt in the inventory.

- (iii) Inspecting Officers should review the books, files and inventories from time to time and satisfy themselves that they are being maintained properly and upto date.

Note: The Assistant Audit Officer of a local audit party should maintain a separate file of office orders and circulars issued from time to time from the Headquarters which have direct bearing on the day to day working of local audit staff and hand it over to the successor Assistant Audit Officer. The fact that the office order and circular file has been handed over to the next Assistant Audit Officer taking over the charge may be intimated to headquarters by the incoming Assistant Audit Officer while forwarding the report of joining to Headquarters Section.
(OO No. OAD/00/25/60-61/ DATED 26-12-1960)

1.31 Defects in Draft Inspection Reports

The Inspecting Officers and AAO's should make it a point to see for guidance on return to Headquarters, the corrections and observations made in the Draft Inspection Reports submitted by them.

(O.O No OAD/5060 dated 23rd June 1959)

- 1.32 The Inspecting Officers and Assistant Audit Officer should bring to the notice of the Senior Deputy Accountant General/Deputy Accountant General (Inspection) the special points, noticed by them during the course of local audit inspections, which they consider to be of wider general interest and likely to benefit other auditors. Such information would periodically be circulated to the inspecting staff.

1.33 Communications to Headquarters

- (i) All communications to headquarter regarding matters which call for urgent action including all proposals for deviations from approved programmes should be sent by name to the Branch Officer in-charge of OAD (Headquarter) Section.
- (ii) Draft local audit reports and other documents, which are required to accompany them, should be sent by registered post in covers or packets addressed by name to the Assistant Audit Officer of the OAD (Headquarter) Section concerned.
- (iii) OAD (Headquarter) Section should keep local audit parties and inspecting officers informed of all changes of incumbency in posts of Assistant Audit Officer and Branch Officers of OAD (Headquarters) Sections.

1.34 Pay and Travelling Allowance of Field Staff

Bills of Pay and Travelling Allowances of non-gazetted staff are prepared separately by the OE section dealing with Pay and TA Bills and payment arranged by Bank Draft to the members of the local audit party on demand at the address according to their tour programme. As soon as the payment is made the acquittance roll containing legal acquittance of the payees should be sent by the Assistant Audit Officer of the LAP by registered post to the Assistant Audit Officer of the OE Section by name.

Note: The instructions contained in the office order No. OE III/TA Group/STR/471 dated 21-10-1975 regarding presentation of TA claims by members of local audit parties may be carefully noted for compliance by the Field Staff (The office order appears as *Annexure VI* to this chapter.)

1.35 Stamp Account

The Assistant Audit Officer of local audit parties and inspecting officer should before starting on Inspection duty obtain a sufficient supply of Service Postage Stamps from the General Section and should maintain an account of their utilization. The Inspecting Officers, should occasionally check the account with the party and conduct physical verification of the stamps in balance. A remark of this effect may also be recorded in the register. In case the supply of

stamps falls short a requisition may be sent to the Head Office and stamps obtained. If the need is assessed in time and timely action is taken to get the stock of stamps replenished, there would hardly be any occasion to borrow stamps from the local offices. If however, such a contingency arises, stamps may, on written request, be obtained from the Head of the Local Office inspected and an intimation together with a full account of the circumstances under which the stamps could not be got replenished from the Head Office, may be sent to OAD Headquarters who should immediately arrange to reimburse to the office concerned the necessary amount of stamps. An intimation of the reimbursement may also be sent to the Inspecting Officer and Assistant Audit Officers who borrowed the stamps.

N.B. In order to enable the General Section to keep proper account of stamps, the Local Audit Parties are directed to maintain the account of Service Postage Stamps in the proforma indicated below and furnish it to the General Section direct every month simultaneously furnishing a certified copy of the same along with movement report on 5th of every month.

| Date | Receipt | Expenditure | Balance | Stamp returned | Remark |
|------|---------|-------------|---------|----------------|--------|
| 1. | 2. | 3. | 4. | 5. | 6 |
| | | | | | |

(OAD (M)/Gen./00-9 dated 18-12-1972)

1.36 Procedure for dealing with cases of losses, defalcation and embezzlements, etc.

It has been decided in consultation with CASS(M) Section that the following procedure will be adopted in reporting and dealing with the embezzlement and defalcation cases:-

(i) Cases unearthed by the local audit parties during course of test check or special audit, etc. may be pursued by OAD Section concerned without transferring them to CASS Section. Important cases frauds and embezzlement calling for modification of Rules shall, however, be reported to CASS (M) for necessary action. In cases where the department decided to enforce recovery from the persons concerned the amount to be recovered or the sanction to write off of loss, such decisions or sanction shall be communicated to CASS Section for watching recovery and accepting the sanction in audit.

(AG (Audit-I) OO No.OAD(M)/IR/6 dated 09-10-1995)

(ii) If in a particular department there are large number of embezzlement, suspected misappropriation and defalcation cases, an extract of the para connected with such cases will be sent to concerned CASS Section to enable that section to increase the percentage of audit of vouchers coming under their check if necessary. Such cases will, however, continue to be pursued by concerning OAD Section.

(iii)The vouchers relating to the cases detected by local audit party henceforth be impounded by the Sr. Dy. Accountant General/Deputy Accountant General (Accounts).

(iv) The cases unearthed by the local audit parties during the course of test check should be included in the inspection report, registered in OAD and cases pursued through the inspection report. The cases noticed during local audit for which preliminary reports under para 22 of M.P.F.C. Vol. I have not been sent to CASS Sections should also be included in inspection report and pursued through the inspection reports till the cases are registered in CASS Sections.

The cases already registered in CASS Sections need not be pursued by OAD Sections.

(Authority:- OO No. AGI/OAD(M)/II-147/2 dated 06-05-1975 & AG (Audit)/OO No. OAD(M)/IR/6 dated 09-10-1995)

1.37 Vetting and issue of Inspection Report

(a) Inspection Reports of supervised audits should be vetted only by Senior Deputy Accountant General/Deputy Accountant General (Inspection) and the inspection reports of unsupervised audits by Assistant Audit Officers should be vetted and issued by Sr. A.O./A.O. in charge of Headquarters sections at his level, unless there are important points to be brought to the notice of the Senior Deputy Accountant General/Deputy Accountant General (Inspection). Scrutiny and vetting of the reports drafted by supervising Gazetted Officer by another Gazetted Officer or a Assistant Audit Officers at Headquarters, will take away the initiative of the Gazetted Officer Supervising local audit and is likely to lessen their responsibility in careful drafting of the reports. OAD (Headquarters) Section may assist the Branch Officer/Senior Deputy Accountant General/Deputy Accountant General (Inspection) in verifying facts in the reports of Inspections.

(CAG's letter No.76-Tech. Admn. I/385-65 dated 14-01-1966)

(b) The Inspection reports should be issued within 6 Weeks from the date of completion of the inspection.

(Regulation on Audit and Accounts 2007 Chapter no. 14 para no. 194)

In order to implement these orders the following time schedule is prescribed:-

- (i) The report should be dispatched by the local audit parties on the last day of audit or the day following so that it may be received in OAD (Headquarters) within four days after completion of audit.
- (ii) OAD (Headquarters) Section should put up the reports to Branch Officer or the Sr. Deputy Accountant General/Deputy Accountant General (Inspection) within one week from the date of its receipt.
- (iii) Sr. Deputy Accountant General/Deputy Accountant General/Branch Officer will take about 3-4 days to pass the report.
- (iv) The report should be typed compared and issued within one week from the date of its approval. Any departure from this time schedule should be brought to the notice of the Sr. Deputy Accountant General/Deputy Accountant General (Inspection) and his orders obtained.

(CAG's OAD OO No. OAD/CC.Misc./20 dated 25-03-1967)

- (c) The receipt, submission, approval and issue of the reports are watched through a Register in **Form OAD-6**. This should be submitted to the Branch Officer every fortnight (Also see para 2.01 of chapter 2)

(CAG's letter No. 1656-Admn. III-152-60 dated 16-08-1960)

- (d) **Submission of IRs** – As per the instructions from Hqrs office, the IRs should be issued to the Department/Government within one month of completion of audit. However, it has been noticed the some of the field parties are not submitting the IRs within the prescribed time. The Pr.AG has therefore issued instructions that no transit should be given to the audit party without submitting the inspection reports. The controlling OAD sections should watch the submission of IRs by the field audit parties and submit a monthly report to the Group Officer for appropriate action against the defaulting audit party. Needless to say that the Sr. AO/AO is responsible for submission of IR on time to the controlling OAD sections.

Computerisation of IR information – In order to have a close watch on execution of quarterly field audit programmes, submission of IR by the field audit parties to the OAD Section, processing of IR in the concerned OAD Sections and issue of IRs to the Department/Government, a computerised programme to be loaded on interanet is under process. The DAG(Admn) who is

incharge of EDP to ensure preparation and uploading of the programme on the internet and the concerned OADs to fill up the date on regular basis i.e. on occurrence of the event in this programme. The progress of IRs thus would be available to Pr. AG on the computer on daily basis.

- 1.38** The Branch Officers should be careful to see that the reports do not contain any frivolous or meticulous objections or objections of a minor nature which could profitably be relegated to the test audit memoranda of minor points. They should also ensure that the reports are couched in language, which is courteous and in-offensive in all respects. Whenever the tone or language of a report is open to objections or is likely to evoke comments or criticism from the Executive authority the report should not be issued without bringing the matter to the notice of the Sr. Deputy Accountant General/Deputy Accountant General and or the Accountant General.
- 1.39** Important points of Inspection Reports which are eventually likely to appear in the Audit Report, should, after the Sr. Deputy Accountant General/Deputy Accountant General's approval form the subject of special correspondence with the Head of the office concerned and the higher authorities, copies of the same being forwarded to the State Government at the same time. A note of such points should also be kept in the Register of cases of Audit Report.
- 1.40** While agreeing that the extent of interest to be taken by the Accountant General in local audit should be left to the Accountant General himself, the Comptroller and Auditor General of India desires that he should keep himself in touch with the Inspection work by seeing the reports and their disposal. A note containing serious irregularities noticed during local audit should be put up to the Sr. Deputy Accountant General/Deputy Accountant General (Inspection)/ Accountant General every month.
- 1.41** The time generally allowed for the return of an Inspection Report with replies to this office is 35 days. The return of the Inspection Report, in due time should be watched by the Assistant Audit Officers of the section concerned, who will also be responsible for its disposal. All further correspondence will be conducted by the Gazetted Officer in-charge of OAD Section, only important matters being referred to the Sr. Deputy Accountant General/Deputy Accountant General (Inspection).
- 1.42** Undue delays on the part of the Executive Officers in the disposal of the Inspection Report should be brought to the notice of the Accountant General early so that the desirability of addressing the next higher executive authority may be considered. Reminders should be issued promptly where the inspection report have not been received back within 35 days of the date of issue. All cases in which replies have not been received within three months of their initial issue and within two months of their reissue (further remarks) should be listed in and reported to the respective Departments of Government every six months.
- 1.43 Recovery of the cost of audit of bodies and authorities under C.A.G.'s (DPC) Act, 1971**

The rules regulating the incidence of expenditure involved in audit of the accounts of bodies and authorities conducted by the I.A. & A.D. have been laid down in Section VIII of Appendix 3 of Account code vol. I. It has been decided by the C&AG that these rules should be continued to be followed in regard to audit of the accounts of bodies and authorities including corporations in so far as audit under Sections 14, 15, 19 & 20 of C.A.G.'s (DPC) Act, 1971 is concerned. Accordingly the cost of audit of bodies and authorities, including corporations will be

recoverable in all cases in which audit is undertaken by the CAG or any officer under him as the sole auditor. In case in which the audit of the accounts of the bodies or authorities is conducted by an other agency and audit by CAG and the officers under him represented second or superimposed audit undertaken under Section 14,15 or 19 as the case may be, the cost of such second or superimposed audit need not be recovered form the body or authority concerned. Regarding audit under section 20, the recovery of cost will be regulated by the agreement between the CAG and the concerned Government.

(CAG's circulated letter No. 13-TA/I/28/73 dated 9-01-1975 and MSO Audit Paragraph/107 1.1.8)

1.44 The daily rates of fees for audit are calculated by OAD(M) Section in accordance with the instructions contained in CAG's letter No. 4-47 Admn./38-37 dated 28-4-37 as amended from time to time. The rates are approved by the Accountant General and then intimated to the CAG as and when there are changes in the emoluments. The rates approved are then intimated to the local audit parties by OAD (M) Section.

- 1.45** (i) The fees should be calculated on the basis of actual number of working days excluding Sundays and Holidays.
(ii) The auditors should include in their Inspection Reports a paragraph stating the amount of fees to be recovered and instructing that the amount should be paid into a Treasury to the credit of Government under head 0070 other Administrative Services-60 other services-110 Fees for Government Audit.

1.46 Disposal of anonymous and pseudonymous complaints or notes.

All anonymous or pseudonymous complaints or notes received in OAD should be diarised in confidential diary of the Sr. Deputy Accountant General/Deputy Accountant General (Inspection) and dealt with confidentially. The action to be taken in each case should be decided on its merits. If in any case further investigation is called for, the points may be referred to the Inspecting Officer, or the Assistant Audit Officer confidentially.

1.47 Custody of Confidential papers

All confidential files are kept with the Sr. Deputy Accountant General/Deputy Accountant General (Inspection) in locked steel cabinets.

1.48 Preservation of Records.

(a) The period of preservation of certain departmental Registers and other records peculiar to the Outside Audit Department has been fixed as under:-

| Sl.No. | Record Name | In O.A.D. | In old Record room |
|--------|--|-----------|--------------------|
| 1 | Progress Register of Local Audit Sy. 328 | 2 years | 3 years |
| 2 | Programme Register file | 3 years | 5 years |

| | | | |
|---|---|--|----------|
| 3 | Weekly diaries and file of Inspection parties | 1 years | 3 years |
| 4 | Inspection Report | Until settlement of Inspection Report of subsequent audit whichever is later | 5 years |
| 5 | Cycle Register of Local Audit | 6 years | 10 years |

(b) The period of preservation of other records is the same as laid down in the annexure to chapter XII of the Comptroller and Auditor General's Manual of standing order (Admn.)

1.49 Destruction of Records

The concurrence of the Sr. Deputy Accountant General/Deputy Accountant General (Inspection) should be obtained before any records are destroyed by the Records Section even though the period of preservation set forth in the relevant rules may have expired.

Before destroying the records, therefore, the Record Section, will request the OAD to intimate whether the particular time barred records should be still preserved. The Sr. Deputy Accountant General/Deputy Accountant General (Inspection) after satisfying himself that the time-barred records, preserved under specific orders, are no longer necessary for any outstanding objection or otherwise, will give a certificate to this effect. If any records are to be retained further necessary instructions should be issued to the Records Section.

1.50 Special Audits

The responsibility for initial investigation of losses due to fraud, negligence, financial irregularities etc. rests primarily with the departmental authorities concerned and the State Government. No requests for special audits may, therefore, be entertained until the case presents special features and requires expert scrutiny by the staff of the Indian Audit and Accounts Department. Special audit is undertaken at the request of the State Government and requires sanction of the Accountant General such an audit usually requires more time than the ordinary test audit as a more thorough check has to be exercised in such cases.

The Comptroller and Auditor General has observed that the usual and proper course to follow for the department is to investigate the complaint of report in the first instance before the question of a special audit by statutory audit could be considered and such audit should only be by way of assisting the administrative authorities in their investigation. In this connection the Comptroller and Auditor General has also invited a reference to Rules 22 to 27 of the M.P. Financial Code Vol-I. This guiding principle should be kept in view in agreeing to undertake a special audit in future so that the Accountant General may not be requested by Government to take up a large number of special audits prior to departmental investigation or before a *prima facie* case of fraud or embezzlement is made out. When, however, the normal audit of an institution has become due, there would be no objection if at the same time a request comes from the State Government for a special audit of that institution.

(Comptroller and Auditor General's order No. 3629-Admn. I-462-60 dated 22.11.1960 file no./DIA 57-Vol III)

1.51 (a) The AAO of each Local Audit Party is required to maintain the following Registers and Records:-

- (i) Attendance Register
- (ii) Office order file
- (iii) Accounts of Service postage stamps with the Dispatch Register
- (iv) Correspondence file
- (v) Books and other records if any
- (vi) Duty Register

(b) When a AAO hands over charge of a local audit party to another AAO a report should be sent to OAD (M) Section which should be signed by the relieved and the relieving AAO stating specifically that the above mentioned records have been handed over/taken over.

(Office Order No. OAD(M)/OO 11 dated 2-1-1973)

1.52 On behalf audits

- (i) The local audit of the accounts of the offices of a State Government situated in other states, is to be conducted by the Accountant General in whose jurisdiction the said office exists in order to effect maximum economy in T.A, D.A. etc. Proposal for entrusting audit to the Accountant General concerned is required to be submitted to CAG for approval as per instructions contained CAG's letter No.2255-Admn/III/466-60 dated 17-11-1960 (reproduced as *Annexure VII*)
- (ii) In the case of such audits, the Audit Officer acting as an agent on behalf of other Accountant General (Main Audit Officer) after conducting the local audit entrusted to him should forward the Inspection report and audit comments etc, to the Main Audit Officer viz, the Accountant General concerned in whose behalf the audit has been entrusted, the later should issue the report and pursue the same to finality.

The above procedure would not be applicable in cases where different procedure has been specifically authorized.

(CAG's letter No. 1836-Admn I/Admn III/138/62 dated 28-07-1962)

Annexure-1
(Referred to in Para 1.03)

(i)

**Departments of Government and other units under the audit jurisdiction of
Accountant General (General and Social Sector Audit)
Madhya Pradesh**

| Sl.No. | Social Sector-II | Social Sector-III | General Sector | Social Sector-I |
|--------|---|--|---|----------------------------|
| 1 | School Education | Urban Administration and Development(Including DUDA) | Governor | Panchayat and Local Bodies |
| 2 | Higher Education | Labour Department (Including labour court) | Vidhan Sabha | |
| 3 | Public Health and Family Welfare (Including NRHM) | Women and Child Welfare | Administration of Justice | |
| 4 | Food and Drug Control | Technical Education | Elections | |
| 5 | Bhopal Gas Tragedy Relief Rehabilitation | Training and ITIs | Jails | |
| 6 | Indian Medicines System and Homeopathy (AYUSH) | Art and Culture | Police, SAF, Home Guards etc | |
| 7 | Medical Education | Social Justice | District Administration including Calamity Relief | |
| 8 | Housing and Environment | Tribal Welfare | Secretariat | |
| 9 | Rural Development and Rural Engineering Service Divisions | Schedule Caste Welfare | M.P. Public Service Commission | |
| 10 | Food, Civil Supplies and Consumer Protection. | Sports and Youth Welfare | Stationary and Printing | |
| 11 | | Other Backward Classes and Minorities Welfare | Information and Public Relations | |
| 12 | | Religious Trusts and Endowment | Planning Economic & Statistical Department | |
| 13 | | Public Health Engineering | | |
| 14 | | Rehabilitation | | |

| | | | | |
|--|--|--|--|--|
| | | | | |
|--|--|--|--|--|

(PAG OO No. Admn-11/Gr.1/Office Restructuring/O.O./45 dated 16.05.2012)

(ii)

A. Organizational set up of OAD Social Sector-II

1. **Sector Name** - Social Sector-2
2. **Group Officer** - Dy. Accountant General (Social Sector-2)
3. **Sanctioned Strength as on 18.05.2012**

| | |
|--------------------|----|
| Sr. AO/ AO | 16 |
| AAO/Supervisor | 45 |
| Sr.Auditor/Auditor | 40 |
| Clerk/DEO | 5 |
| M.T.S | 9 |

4. **Distribution of work among the sections at Headquarter**

Name of Section

OAD(M), OAD-2, OAD-3,SFI,

| Section | Work allotted |
|--|---|
| OAD (M) (Controlling Section) | Preparation of tour programme, Positing of Personnel, Maintenance of Cycle Index Register, Correspondence regarding New Units/DDO Powers, Preparation of annual Audit Plan (MP state), Correspondence in respect of Externally Aided Projects, Complaints, Paper cuttings, District centric review, CCO Audit, HQ returns, Establishment and miscellaneous work of Controlling section. |
| OAD-2 | All works relating to departments of MP housing board, Pollution Control Board, Zila Siksha Kendra. Saksharata Samiti, Universities, N.R.H.M, School Education, NCC, Town & Country Planning, SADA, Other Units Under Sec-14 of DPC Act. |

| | |
|--------------|--|
| OAD-3 | All work relating to departments of Public Health Family Welfare, Departments of Medical Education, ESI Hospitals, Other Rural Development Programme (RES), Adult Education, Colleges., JLN Krishi Vishwa Vidyalaya. |
| SFI | SFI deals with the works relating to preparation of draft paragraphs containing serious financial irregularities of Social Sector-2 for inclusion in Audit Report. |
| FAAM | FAAM cell-2 is meant for the Financial Attest Audit of Autonomous Bodies and Civil Departments under the group officer in charge of SS-2. |

B. Organizational set up of OAD Social Sector-III

1. **Sector Name** - Social Sector-3
2. **Group Officer** - **Dy. Accountant General** (Social Sector-3)
3. **Sanctioned Strength as on 18.05.2012**

| | |
|--------------------|----|
| Sr. AO/ AO | 15 |
| AAO/Supervisor | 39 |
| Sr.Auditor/Auditor | 36 |
| Clerk/DEO | 03 |
| M.T.S | 06 |

4 Distribution of work among the section at Headquarters..

| |
|----------------------------------|
| Headquarter sections name |
| OAD-11, OAD-13, OAD-14 and SFI |

Distribution of work among the sections at Headquarters

| Section | Work allotted |
|---|---|
| OAD 11 (Controlling Section) | Preparation of tour programme, Positioning of Personnel, Maintenance of Cycle Index Register, Correspondence regarding New Units/DDO Powers. Preparation of annual Audit Plan (MP state), Issue of Audit certificate in respect of Externally Aided Projects for the departments under SS-III, Group Complaints, Paper cuttings. District centric review, CCO Audit, HQ returns, Establishment and miscellaneous work of Controlling section. |
| OAD-13 | All works relating to departments of Women & Child Development, Labour Department (Industrial Health), Labour Court etc, Public Health & Engineering Department, Rehabilitation, Technical Education, Training and ITIs |
| OAD-14 | All work relating to departments of Tribal Welfare & Other Backward Classes Department, Public Sector Units, Archaeology & Museum (Culture Department), Sports & Youth Welfare, Urban Administration Department (DUDA only), Social Justice, |

| | |
|--------------------|--|
| | Religious Trust & Endowment, Food and Civil Supplies and Consumer Protection. |
| SFI/DP CELL | Cases of serious financial irregularities and setting of DPs/ material for Audit report. |

C. Organizational set up of OAD General Sector

1. **Sector Name** - General Sector
2. **Group Officer** - **Dy. Accountant General** (General sector)
3. **Sanctioned Strength as on 18.05.2012**

| | |
|---------------------|----|
| Sr. AO/ AO | 12 |
| AAO/Supervisor | 32 |
| Sr. Auditor/Auditor | 18 |
| Clerk/DEO | na |
| M.T.S | na |

4. **Head Quarter Section Name** - OAD 21
5. **Distribution of work among the section at Headquarter..**

Name of Section

OAD-21, OAD-22, SFI

| Section | Work allotted |
|---|---|
| OAD 21 (Controlling Section) | Preparation of tour programme, posting of Personnel, maintenance of Cycle Index Register, correspondence regarding New Units/DDO Powers, Complaints, Paper cuttings and miscellaneous work of controlling section. |
| OAD-22 | All works relating to departments of General Administration (District Administration, Stationary & Printing, Information Publicity), Law and Legislative Department (Secretariat, Governor House, Vidhan Sabha, Election Mafi), Jail, Police (Sainik Welfare, MPPSC), Planning Economics and Statistical Department, Administration & Justice Department, The |

| | |
|------------|---|
| | Provident Investment Company Mumbai, M.P. Police Housing Corporation Ltd. Bhopal, M.P. Financial Corporation, Indore. |
| SFI | SFI deals with the works relating to preparation of draft paragraphs containing serious financial irregularities of General Sector for inclusion in Audit Report. |

D. Organizational set up of OAD Social Sector-I

1. **Sector Name** - Social Sector-1
2. **Group Officer** - Dy. Accountant General (Social Sector-1)
3. **Sanctioned Strength as on 18.05.2012**

| | |
|--------------------|----|
| Sr. AO/ AO | 09 |
| AAO/Supervisor | 27 |
| Sr.Auditor/Auditor | 43 |
| Clerk/DEO | 03 |
| M.T.S | 05 |

4. **Head Quater Section Name** - (i) Hd. Qrts.
(ii) T.G.S.
(iii) Editing –I
(iv) Editing –II
(v) S.F.I.
(vi) Report Section

5. Distribution of work among the section at Headquarter.

| Section | Work allotted |
|----------------|---|
| Hd. Qrts. | Preparation of Audit Plan, Tour Programmes, Deviation, Leave, Complaints and Correspondences etc. |
| T.G.S. | Correspondence with D.L.F.A, Editing of I.R.'s received from Dir. Local Fund Audit (D.L.F.A,) and convey the comments on I.R.'s |
| Editing -I | Editing of U.L.B.'s I.R.s |
| Editing -II | Editing of PRI.'s I.R.s |
| S.F.I. | Maintenance of P.D.P. Register, Issue of F.S., Collection of Material for ATIR. |

| | |
|-------------------|--|
| Report Section | D.P. for ATIR Chapter and Collection of information and data's in respect of 13 th Finance Commission. |
|-------------------|--|

ANNEXURE I

Referred to in Para 1.05

Office of the Accountant General (G&SSA)

(Name of the State & Station)

To

Shri -----
 Designation
 Complete Address

Dear -----

In accordance with our Annual Audit Plan and the Quarterly Audit Programme communication to your Head of the Department vide this office letter No. ----- dated ----- as modified vide our office letter No. ----- dated ----- as modified vide our office letter No. ----- dated ----- (as also displayed on our office website www.----- under the caption -----) Financial/Compliance Audit (write only as applicable) of the accounts and / or transactions of (name of the office) will be taken up by the audit team of this office from DD/MM/YY to DD/MM/YY. This audit team will comprise of Shri*-----Sr. AO, Shri *-----AAO _____ and _____ (Fill names or state that the names of audit team will be intimated later as).

*Indicate ID Card No. of each member of the audit team after his/her name.

2. Broad objectives of audit are as under :**(Compliance audit)**

- (i) To confirm whether the activities of government/public sector entities are in accordance with the relevant laws, regulations and authorities that govern such entities. More specifically, it may involve examining to what extent the audited entity follows rules, laws and regulation, budgetary resolutions, economy instructions, policy, established codes or agreed upon terms, such as the terms of a contract or the terms of a funding agreement;
- (ii) System of internal control internal audit in relation to budgetary assumption, financial statements, compliance and financial reporting;
- (iii) To Audit Transparency and competitiveness in contracts and procurements;
- (iv) To examine and report upon propriety in expenditure that has a significant bearing on mandate/operations and budgetary grants of the organization/entity.
- (v) Value for money derived from individual or a set of material transactions;
- (vi) To examine the stores and stock accounts, -- where applicable;
- (vii) Banking and cash management issues (in case of autonomous bodies); and
- (viii) Audit the IT applications, etc.

(Financial Audit)

- (a) Financial statements are prepared in accordance with acceptable accounting standards/rules;
- (b) Financial statements are presented with due consideration to the circumstances of the audited entity;
- (c) Sufficient disclosures are presented about various elements of financial statements;
- (d) The various elements of financial statements are properly evaluated, measured and presented; and
- (e) Evaluation of the internal control that assist in safeguarding assets and resources, assures the accuracy and completeness of accounting records and in complying with financial laws and regulations.

3. The period covered under the audit shall be (O/N; Fill in the period to be covered in audit)--- which may also include examination of documents / transactions of the previous year's, considered relevant by the audit team.

4. Consistent with contemporary professional practice and provision in CAG's Regulations on Audit and Accounts 2007 (Regulation 183) our audit team would seek an entry conference at appropriate top/senior level, having control and authority over the subjects under the present audit. The entry conference will be an opportunity for the audit team to explain the audit objective criteria and examination of the internal control system.

It is desirable that the entry conference is held on the first working day of the audit period.

On the conclusion of the audit, the audit team would request you for an exit conference (Regulation 191) in which audit findings communicated to the auditee will be discussed.

5. The request for entry and exit conferences will be made formally by the Head of the Audit Team. We request you to kindly make it convenient to hold the meetings on the opening and closing days of audit respectively.

6. Our audit shall be conducted with reference to the Auditing Standards and Regulations on Audit and Accounts-2007 issued by the Comptroller and Auditor General of India.

7. Under Section 18 of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act 1971 it is the responsibility of the person in charge of any office or department, the accounts of which have to be inspected and audited by the Comptroller and Auditor General of India to afford all facilities for inspection by the audit team and comply with the request for information in as complete a form as possible and with all reasonable expedition. Our audit team shall request for information and documents indicating the expected time within which these may be provided. We expect that the documents held by the auditee should be available within the same day and the information would be made available within the time indicated in the information seeking memo.

8. Attention is drawn to Regulations 169, which provides that the form, type and extent of data, information and documents required for audit test and the nature of shall be determined by audit officer and that the data, information and documents would also include those obtained by auditable entity from the third party and relied upon by the auditee in its performance of functions.

9. We also draw your attention to Regulation 172, which enjoins that where required by audit in special circumstances that auditable entity shall conduct physical verifications of stores, stocks, assets etc. in the presence of the audit officer.

10. We request you to please provide appropriate and reasonable office accommodation and other office amenities to the audit team similar to the facilities available for the personnel of the organization.

11. We suggest that you may nominate a liaison officer sufficiently senior level for day to day coordination in the audit functions.

12. We bring to your kind notice that in the event of unreasonable delay in supply of information and documents leading to partial, selective or complete withholding of data / information leading to material scope limitation, the audit team may be compelled to suspend the audit after bringing it to the notice of the head of the office in writing and bring the matter to the notice of higher management.

13. While compilation of information requested for by audit may require sometime furnishing of documents held by the auditee organization should be made within the same day since these are readily available.

14. It may be mentioned here that failure to produce necessary record/documents or to respond to the clarifications sought by the audit team would tantamount to preventing a Government Officer from performing his/her duties and could, therefore, invite action under Section 175-186 of the Indian Penal Code.

15. Our audit teams have been directed to return the documents as soon as their examination is over. We expect to issue an inspection report containing the results of audit within 30 days of conclusion of audit for the response of the department.

16. We will acknowledge the acceptance of audit findings and conclusions and remedial measures assured / taken by the auditee organizations in our inspection report if remedial measures are taken during the course of audit itself.

17. We hope that your office maintains a file register / register of documents held along with the cash book will be required on the very first day of audit. These and other documents forming the basis of information furnish with reference to the questionnaire.

18. Depending upon the volume of work and supply of information / documents the period of audit may be extended.

19. We bring to your kind notice that our team would expect only working environment assistance in their day to day working and documents and information and nothing more. Should you feel it necessary to conduct senior officers you are most welcome to contact the Senior Deputy Accountant General / Deputy Accountant General of audit at telephone numbers ----and their e-mails ----- and, if necessary, even the Accountant General (Audit) at telephone number ----- and on e-mail -----.

20. In case you have any doubt in regard to the genuineness of audit team reporting for audit in your office please feel free to request them to confirm their identity with reference to valid ID cards issued by this office to its audit inspection staff.

Looking forward to a constructive engagement.

Kindly acknowledge the receipt.

Yours sincerely,

ANNEXURE II**Referred to in Para 1.06 (B) (iii)****Copy of Office order No. OAD (Misc.)/3479 dated 22-10-1969**

1. A very large number of audit inspection reports are outstanding against various offices for many years; and the number of the outstanding paras/inspection reports keeps on increasing with the issue of fresh reports, due to pace of settlement of old inspection reports lagging behind the rate of issue of new reports.
2. While concerned departments are held to be primarily responsible for delay in settlement of reports, we have not done our duty by properly reminding every one concerned. It is expected that reminders will henceforth go to every drawing officer/controlling officer twice in a quarter and to Government/Head of Department once in a quarter. A procedure for that is being laid down.
3. The local audit parties have also not played their parts by taking suitable action for settlement of these long outstanding objections. A good number of these objections can be settled during subsequent audit inspection if parties take a little interest in verifying the present position of these objections. It is desirable that OAD (Headquarters) properly feeds and briefs the parties about pending observations of the establishments taken up for audit. Henceforth a review note in the following proforma will be prepared by the OAD Headquarters Section for pending reports of establishment to be audited and submitted to the Branch Officer through respective AAOs well in time before the audits commence. After obtaining orders of the Branch Officer the review note along with pending Inspection Reports file (s) will be sent to the audit parties so as to reach them at the commencement of the local audits of respective establishments.
4. As already instructed the AAO of local audit parties and Inspecting Officers should take special interest in scrutiny of the outstanding objections with particular reference to directions given in the review note and action taken by the Department. Action taken by the party should vividly indicated in the column provided for it in the review note. If the particular objections previously raised has some relevance with the period covered during current audit its latest position should be incorporated in the current Inspection Reports/Test Audit Note giving reference to the para number and Audit Inspection Report in which it was previously raised. Many times major part of minor part of it is yet to be settled. In such cases outstanding para should appear in the Inspection Report but it should not be included in the Test Audit Note. Many time same type of objection is pointed out in a general way in the Inspection Reports for various periods. Such observations, could be properly taken in the current reports. Minor isolated cases should be taken in the test audit notes. I have also stressed the need of the audit parties suitably grouping the audit observations on various points in the current inspection and data of all records not maintained and / or not produced to audit during previous audits and during current audits should appear at one place in part IB of the Audit Inspection Reports.

5. On receipt of the draft Inspection Report from the local audit party, the action taken on the above review note again be scrupulously examined at the headquarters to see how far the audit party has given proper attention to pending paras of old report and hence represented the position of old outstanding objections correctly in the current Inspection Report.
6. The above procedure should be brought into use with immediate effect. Programme group will have a separate seat to watch submission of review notes with old pending reports two weeks in advance of the commencement of the respective audits.

Review note of old outstanding paras/Inspection Report

Name of Office.....

| Reference of A.I.R. | Paras & sub para under each AIR | Self contained brief of the original objection by OAD (Hqrs.) | Direction for action to be taken by the local audit party | Action taken by the audit party |
|----------------------------|--|--|--|--|
| 1 | 2 | 3 | 4 | 5 |
| | | | | |

Annexure – III

(Referred to in Para 1.11 (e))

DECLARATION OF DUTIES FOR PERSONNEL IN INSPECTION PARTIES (with reference from para 6.1.2 to 6.1.5 of MSO(Audit) Second Edition-2002)

Following is a broad outline of responsibilities and duties of various categories of personnel in Civil Audit Offices. The Audit Officer in charge of the Inspection Party is not however precluded from making certain changes to be indicated by him in writing in the distribution suggested keeping in view the suitability of the individual official for the type of work in hand.

1. LOCAL AUDIT OF CIVIL OFFICES

1(A) Sr. Audit Officer/Audit Officer

Duties and responsibilities presently assigned are not only important but also sufficiently exhaustive. Review of the schemes, executed in a department will in fact be time consuming. Further the Inspection Officer has to perform the co-ordinating functions to achieve overall efficiency in performance.

(B) Assistant Audit Officer

- (i) Audit of the accounts of Receipts;
- (ii) Audit of the accounts of Stores;
- (iii) Examination of the cash book;
- (iv) Examination of vouchers for the test months which were submitted to central audit and made available to the party by the headquarters, with original records, contract documents etc;
- (v) Audit of all vouchers not submitted to central audit;
- (vi) Verification of drawals and deposits into treasury with reference to the treasury records;
- (vii) Examination of the special points marked for special investigation by central audit;
- (viii) Audit of works expenditure;
- (ix) Accounts of stores, requirements etc. received under various foreign aid programmes;
- (x) Departmental Inspection Reports.

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

- (i) **Examination of service book, service rolls, broad-sheets and ledgers in respect of P.F. accounts of Group 'D' staff etc.;**
- (ii) Obtaining files containing important rules/orders issued by Government in respect of the 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;

- (iii) Check of disposal of previous inspection reports;
- (iv) Audit (triennial) of taccavi accounts;
- (v) Audit of expenditure by State Government in connection with large gatherings of political organizations;
- (vi) Establishment pay bills;
- (vii) Traveling allowance bills;
- (viii) Register of undisbursed pay and allowances;
- (ix) Register of advances;
- (x) Property accounts i.e. immovable property accounts like land, buildings and other assets;

(D) Junior of two Sr. Auditors/Auditors

- (i) dead stock register;
- (ii) register of empties;
- (iii) stamp account;
- (iv) register of deposits;
- (v) log books and diaries of Government vehicles;
- (vi) register of stationary;
- (vii) register of uniforms;
- (viii) register of books and periodicals;
- (ix) P.F. Accounts of Group 'D' employees;

2. The structure of the civil audit parties in certain offices is two Assistant Audit Officers and one Sr. Auditor/Auditor while the gazetted supervision remains the same. In such a case, the distribution of work could be as under:

(A) Sr. Audit Officer/Audit Officer

Same as those in para 1 (A) above

(B) Assistant Audit Officer(Senior)

Items (ii), (iii), (iv) and (ix) under "1(B) Assistant Audit Officer" (ii), (vi), (vii) and (viii) under "(C) Senior of the Two Auditors" in para 1(C) above.

(C) Assistant Audit Officer(junior)

Items (i), (v), (vii), (viii) and (x) under "1(B) Assistant Audit Officer" and (i), (iii), (iv) (v) and (x) under "(C) Senior of two Sr. Auditors/Auditors in para 1(C) above.

(D) Sr. Auditor/Auditor

Same as at present.

Annexure (IV)**(Referred to in Para 1.11 (f))****A. Quantum of Audit**

The quantum of audit, as already observed depends to a considerable extent on the efficiency of the system of internal check available in any organization. The efficacy is bound to vary from organization and such any general quantum that is prescribed can only be to indicate the minimum check that has to be exercised to ensure that the accounts represent a true and fair picture of the organizations where the internal control is defective in certain areas, it may be necessary to recommend to the organization to strengthen the same, indicating the drawbacks but at the same time, to certify the accounts, the extent of checks has to be increased to inadequate extent. In the circumstances it is not possible to have uniform quantum of audit for all organizations and it has to be fixed with reference to facts of each case, with due regard to the minimum that is necessary for cases having satisfactory internal control. The quantum of audit prescribed being an internal matter of the auditor, it must be considered a secret documents and should not be made known to the organizations auditor, it must be considered a secret document and should not be made known to the organizations under audit will have different systems of accounting and sets of book and it will not be possible to envisage a prescribed the quantum of check for all cases in a general circular of this type.

In the circumstances, a quantum of audit generally considered necessary has been recommended in the following table. The quantum recommended may be examined with reference to the facts of each case and the actual quantum determined. Where it is necessary to decrease/increase the quantum, suitable justification therefore should be subjected to critical review after the subsequent audits and specific order obtained for continuance/modification. In cases where audit or selected period/records reveals serious irregularities, there will be not objection to increase the quantum on the spot and to have it approved later. In respect of records/documents for which no quantum is prescribed in the table below, the same may be determined locally.

In the above circumstances, it is necessary that:

- (i) For each organization a specific quantum of audits is determined with due regard to general instructions and facts of the case.
- (ii) The quantum is reviewed from time to time and
- (iii) The quantum prescribed is treated as a document and not disclosed to the organization.

Since audit of organizations is conducted locally by senior auditors under adequate supervision, it has not been considered necessary to prescribed separate quantum for Junior Auditors, Senior Auditors and Inspection Officers. The work has to be organized in such a way that the team as whole is responsible for the audit and certification

of accounts and the information on official who exercised the check is available in the Audit Programme Book. It is also pointed out that in respect of each record, a general scrutiny of records of period not selected must be conducted to ensure that they do not reveal any abnormal feature, in which case they should be subjected to adequate scrutiny.

| Name of record | | Nature of checks to be exercised | | Quantum recommended |
|----------------|--|----------------------------------|---|---|
| 1. | Main Cash Book | (i) | Arithmetical accuracy | One month |
| | | (ii) | Carry forward of balances | Two months other than month selected |
| | | (iii) | Tracing of receipts | Two months |
| | | (iv) | Tracing of payments | |
| | | (a) | Establishment | One month & all payments in excess of Rs.10,000 |
| | | (b) | Other expenses | One month & all payments in excess of Rs.5000 and above |
| 2. | Subsidiary Cash Books | | For all types of work detailed above | Same month as for main cash book |
| 3. | Establishment payment records | (i) | Correctness of pay fixation from time to time | |
| | | (a) | Basic Pay of above Rs.1000 | |
| | | (b) | Rs.500-1000 | All cases 25 percent |
| | | (c) | Less than Rs.500 | 10 percent |
| | | (ii) | Correctness of Monthly drawal | For one month for all cases |
| | | (iii) | Correctness of TA paid | One month for all cases plus special scrutiny of all claims of top of officials |
| | | (iv) | Verification of acquittances | One month |
| | | (v) | Leave account and service records | 25 percent of the cases in rotation 2 months. |
| 4. | Payment of wages | | | |
| 5. | Office contingencies | | | |
| (i) | Scale related | (a) | Correctness of scales | General scrutiny |
| (ii) | Others | | | 2 months and all claims in excess Rs.1000 each |
| 6. | Purchase of stores single purchase costing | (i) | For general procedure of purchase arithmetical accuracy acquittances etc. | |
| | | (a) | Over Rs.10000 | All cases |
| | | (b) | 5000-10000 | 25 percent |
| | | (c) | Less than 5000 | 10 percent |

| | | | | |
|-------|--------------------------------------|-------|---|---|
| | | (ii) | Posting in stock account for purchase issues etc, including correctness of acknowledgements etc. | |
| | | (iii) | Physical verification, review general of stock position, losses etc. | |
| 7. | Contract payments for work etc. | | Checks to be exercised will include examination of plans and estimates, agreements execution, measurements etc. | |
| (i) | Contract value exceeding Rs.1 lakh | | All cases | |
| (ii) | Contract value of Rs.50000 to 100000 | | 50 percent | |
| (iii) | Contract value of Rs.10000 to 50000 | | 20 percent | |
| (iv) | Less than Rs.10000 | | 10 percent | |
| 8. | Records connected with loans | (i) | Terms and conditions | General scrutiny of all cases 20 percent of cases |
| | | (ii) | Execution of bonds | General scrutiny of all cases 20 percent of cases |
| | | (iii) | Actual payment vouchers and their safe custody | 20 percent |
| | | (iv) | Postings in loan ledgers | 2 months |
| | | (v) | Correctness of balances and interest calculations | 10 percent |
| | | (vi) | Maintenance of loan ledgers, review of loan files etc. | General critics review |
| 9. | Revenue collections | (i) | Correctness of assessment and registers | 2 months |
| | | (ii) | Tracing of receipts in subsidiary registers | 2 months |
| | | (iii) | Issue of notice for recovery and pursuance | 1 month plus general review |
| 10. | Ledger postings | | Tracing from cash book and other records | 2 months plus general scrutiny |
| 11. | Journal entries | | Arithmetical accuracy | 1 month general scrutiny of all |
| 12. | Bank Reconciliation | (i) | Correctness | As on last day of the financial year |

| | | | | |
|-----|---|-------|---|---|
| | | (ii) | Review of items and action taken | General Critical scrutiny |
| 13. | Suspense transactions | | | General scrutiny |
| 14. | Investments | | | General scrutiny |
| 15. | Sundry debtors | (i) | Acceptance of balances | 10 percent |
| | | (ii) | Posting of recoveries | 1 month |
| | | (iii) | Pursuance of old cases | General scrutiny |
| 16. | Trial Balance Receipts & Payments A/Cs. Income and Expenditure accounts balance sheet | | Correctness of entries with reference to subsidiary ledgers and other records | All items |
| 17. | Charging of Depreciation | (i) | Principal | General scrutiny all, if items are not many otherwise suitable percentage decided |
| | | (ii) | Correctness of charging | ----do----- |
| 18. | Account of utilization of Govt. assistance | | | General scrutiny |

B. Register showing proforma review of work done by Sr. Auditor/Auditor LAP. NO.

1. Name of Unit Name of Sr. Auditor/Auditor
2. Period of audit Name of Assistant Audit Officer

| Sl. No. | Nature of work done by Sr. Auditor/Auditor | Extract quantum stating No. of pages, No. of receipt books & No. of vouchers etc. audited | Period covered | Review to be done by AAO | Details of review done (stating the full particulars of item reviewed- page No. of cash book, receipt books, cash book items & name of officials whose S.B.s reviewed) | Percentage of review conducted stating the same particulars as in column 3 & 4 |
|---------|--|---|----------------|--------------------------|--|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| (a) | Computation | | | | | 5% |
| (b) | Receipt Tracing | | | | | 5% |
| (c) | Vouching | | | | | 5% |
| (d) | Check of service book and leave accounts | | | | | 5% |
| | 1. Persons retiring within 5 years | | | | | 5% |
| | 2. Others | | | | | 1 |
| | 3. Any other item allotted to Sr.Ar./Ar. & review by AAO | | | | | |

Signature of reviewing AAO/LAP

Signature of reviewing (Sr.Ar./Ar.)/LAP

Annexure (V)

(Referred to in Para1.27)

Specimen form of Draft Audit Inspection Report

Audit Inspection Report on the accounts of
.....(Name of the
office with location for the period fromto
.....(period for which the accounts are checked)

PART-I

A. Introductory

(i) General

The accounts of the office of the
.....for the period from
.....towere test audited by a local audit party of the
office of the Accountant General (General and Social Sector Audit), Madhya Pradesh from
.....to.....The last audit of the accounts of the office covering the
period form.....to.....

The following officials have held charges of the respective posts indicated
below for the period mentioned against each, since date of last audit :-

- (1) Post of
- (a) Shri.....from.....to.....
- (b) Shri.....from.....to.....
- (c) Shri.....from.....to.....

- (2) Post of
- (a) Shri.....from.....to.....
- (b) Shri.....from.....to.....
- (c) Shri.....from.....to.....
- (ii) General set up and activities.
- (iii) Internal check and supervision; General state of Records and observance of procedure.

B. (i) Position of pending Audit Inspection Report:

At the commencement of local auditaudit inspection reports withparas were outstanding as per details below:-

| Sl. No. | Reference of Audit Inspection Report (period etc.) | Month/year of issue of Audit Inspection Report | Paras with sub-paras outstanding | Total Report | Total number of paras and sub paras |
|---------|--|--|----------------------------------|--------------|-------------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| | | | | | |

After review of the pending observations during the current audit the final position of the outstanding Audit Inspection Report and paras is as below:-

| Sl. No. | Audit Inspection Report (Reference) | Paras verified and dropped | Paras incorporated | | Paras remain outstanding |
|---------|-------------------------------------|----------------------------|--------------------|----------------------------|--------------------------|
| | | | In current report | In current Test Audit Note | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | | | | | |

The position of the final outstanding items in the various Audit Inspection Reports as per column 6 of the Table above is given in Annexure "A". The following observation need the attention of the Head of Department and Government.

(II) Position of maintenance of records and their production to audit during previous and current audits.

C. Persistent Irregularities

PART-II CURRENT AUDIT

A. Serious Irregularities

B. Other Irregularities

PART-III

C. Issue of Test Audit Note

A Test Audit Note incorporating minor audit observations have been issued to the Head of the office onA compliance of the Test Audit Note is required to be reported to the Senior Deputy Accountant General/Deputy Accountant General (Inspection) Office of the Accountant General (General and Social Sector Audit) M.P. Gwalior, within one month of the date of issue of test audit note (due action may be particularly ensured by higher authorities; as number of observations made in the previous test audit notes have not been complied with, and these have been incorporated in the present test audit note). The action taken may be reviewed during departmental inspection by higher authorities and during departmental audits.

Salient points of the test audit notes are summarized below:-

- (1)
- (2)
- (3)
- 4)

Annexure (VI)
(Referred to in Para 1.34 Note)
Copy of O.O. No. OE. III/TA GROUP/STR 471 dated 21-10-75

Subject:- Omissions noticed in T.A. Bills-Instruction for compliance.

Many a time, objections are noticed in T.A. Bills with the result that some delay in caused in their processing. In order to smoothen matters and eliminate all delays, the following instructions may be issued to the touring staff, for presentation of their T.A. Claims.

- (1) The time of arrival and departure, in the Hotels, is not being indicated in the Hotel Receipt, they should press for its inclusion by the Hotel Manager, as higher rates of D.A. are based on these timings only.
- (2) The bus fare as charged by bus authorities is usually not decipherable, and it is neither being written, on the bus tickets by the Government servant. In future, a record to the following effect needs be made, by the official concerned. "Paid Rs.....by as bus fare on(date)".
- (3) The time of departure of train/bus, is not being indicated in the T.A. Bills for onward journey. Similarly, the time of arrival of train/bus is not being recorded, for inward journey. These timings may be shown in future, as D.A. is to be based on these timings only.
- (4) In case of journey by semi-delux bus or delux bus, the bus tickets are invariably to be preserved and submitted, alongwith the T.A. claims; as proof of the fact that the journey was actually undertaken by semi-delux or delux bus and not by ordinary bus.
- (5) Ticket numbers of train or bus should invariably be indicated, both for the onward journey from or inward journey to Headquarters.
- (6) In case, a casual leave is availed of before proceeding on tour, thus combining it with the onward tour journey, a note to this effect should be made in the body of T.A. Bill. Similar indication should be made, when the return journey is combined with casual leave, either before or after

undertaking the journey. It has been observed, that the fact of casual leave is often, suppressed by the field staff. In future, therefore, any deviations in transit dates, caused by their taking Casual leave on the scheduled transit date, whether at the time of onward journey or return journey should clearly be indicated in the remarks column.

- (7) Many a time Government servant proceeds on regular leave from an outstation, and charge T.A. expenses for return journey. The fact of his proceeding on E.L. is not, recorded anywhere in the T.A. claim. As this is a very important and material information directly affecting his T.A./D.A., the suppression of this information would be viewed very seriously. No T.A. is admissible in such cases for return journey back to Head Quarters.
- (8) As and when a full taxi (four wheeled auto fitted with a milometer) is engaged and higher rate is charged, registered Taxi Number needs to be quoted.
- (9) Printed receipt for hotel charges should invariably be insisted upon.
- (10) As and when halt at an outstation exceed 30 days at a stretch, the official should apply for full rate of D.A. certifying that the halt was in public interest and he continued to incur extra expenditure.
- (11) The tour advance applications do not indicate the balance of previous tour advances outstanding against the applicant. In future, therefore, such applications should detail out, the net outstanding against the Government servant, after including all the previous advances *vis-à-vis* the “adjusting T.A. Bills” presented by him.

Annexure (VII)
(Referred to in Para 1.52)

Copy of letter No. 2255-Admn. II/466-60 dated 17-11-60 from the office of the comptroller and Auditor General of India, New Delhi to all State Accountants General.

Subject:- Local audit of accounts of the offices of the State Government situated outside the State.

It has come to the notice of this office that in cases where certain department of the State Government have their activities in other states. Audit of the accounts of offices relating to such activities is normally conducted by the Accountant General of the State concerned. This involves heavy expenditure on account of T.A. and D.A. etc. of the local audit parties. In order, therefore, to avoid unnecessary expenditure on local audit of Civil Offices like Emporiums, Trade Agents etc of a State which are situated outside the state, it is felt that the audit of such offices may be conducted by the Accountant General in whose jurisdiction the offices exist. In fact, proposals for entrusting Audit according to this principle are accordingly received and approved by the office. I am, therefore, directed to state that the position in this regard may please be reviewed and proposals to entrust the audit of such Civil Offices to Accountants General in whose jurisdiction the offices exist, may please be submitted to this office at an early date.

CHAPTER-2

DUTIES OF HEADQUARTER SECTIONS AND THE RECORDS MAINTAINED BY THEM GENERAL DUTIES

2.01 All Headquarter Sections are responsible to see:-

- (i) That all files of office orders, circulars and policy files on matters of general importance are maintained up to date;
- (ii) That the calendar of returns is maintained regularly and the returns are submitted or issued on due dates;
- (iii) That the records no longer required in the section are sent to old records section after noting the period of preservation on the front page of each file (A list of records and the period of their preservation are given in Para 1.48 of Chapter 1)

2.02 Register common for all Headquarter Sections of O.A.D.

- (1) **Calendar of Returns-** A Calendar of Returns (in form SY-264) should be maintained by each headquarter section of O.A.D. This will show the due date of submission of Reports, Returns, statements etc with the dates of their actual submission. The Calendar of Returns should be submitted to the Branch Officer of the Section every week on Monday and the Sr. Dy. Accountant General DAG(Inspection) on 15th of every month.

(IMPORTANT ITEMS OF RETURNS WITH DUE DATE ARE MENTIONED IN APPENDIX-II)

- (2) **Register of Digest of Important and Interesting cases-** This Register should be maintained by each H.Q. Section of O.A.D. to record all cases where, at the instance of local audit any substantial loss to Government was avoided or where due to acceptance of the suggestions of audit any substantial saving to Government was effected. Other interesting cases of importance may also be noted therein. After noting all such cases the Register along with the digest thereof may be submitted to the Senior Deputy Accountant General/Deputy Accountant General (Inspection) for his information and approval and may be sent to E.C.P.A. Section by 10th of each month.
- (3) **Register for watching the removal of defects pointed out by the Director of Inspection-** A register should be maintained in the Form 6 to

ensure that the defects and omissions pointed out by the Director of Inspection in his Inspection Report are remedied as expeditiously as possible. The Register should be submitted to the Branch Officer fortnightly on 1st and 15th of the month and to the Senior Deputy Accountant General/Deputy Accountant General (Inspection) on 10th of each month.

- (4) The following registers may also be maintained by each Section and their due completion and timely submission to Branch Officers, where necessary, watched through the calendar of returns.
- (i) Register of file of Event Reports
 - (ii) Casual Leave Register
 - (iii) Register of Earned Leave Applications
 - (iv) Duty Register
 - (v) Register of Losses
 - (vi) Register of over hauling
 - (vii) AAO's Note-Book
 - (viii) Register of office orders
 - (ix) Register of Codes and Manuals
 - (x) Register of weekly diaries

(5) **E-Guard File:** The ready availability of the Acts/Rules/Orders of the State Government are the key for effective audit by the audit parties. With the increased use of internet and availability of laptops to the audit parties, it has been decided to create e-guard file by all the Groups and upload the same on office web site. This guard file may contain important orders for the guidance of the field audit parties but may not have all the orders. The overall responsibility of applying the orders will be with the field parties. The E-guard file should be updated on quarterly basis. It would be duty of the field parties to provide the orders noticed by them during the course of audit to the controlling OAD Sections at the end of each quarterly programme, and controlling OAD Sections should get these orders uploaded in the concerned department folder through EDP Section. Such

orders in PDF file should be sent to DAG(Admn) through the Group Officer for uploading on the office website.

2.03 Duties of O.A.D. (Misc.) Section

The O.A.D. (Misc.) Section will be responsible for: -

- (i) Preparation of Annual Forecast of Local Audits / (Audit Plans) Inspections.
 - (ii) Working out the staff requirement of the department in the light of the decisions taken on the Annual forecast and securing sanctions to additional requirements where necessary (staff strength reports).
 - (iii) Management of personnel including the periodical replacement of persons in the field by substitutes from the (Central Office) Admn. Section.
 - (iv) Preparation of tour programmes of audit parties and Inspecting Officers and regularization of deviations there from.
 - (v) Issue of timely intimations of audit to the heads of offices to be visited with the prescribed proforma and where necessary, to others.
 - (vi) Arranging the supply to local audit parties of stationery articles and forms.
- Note:- Service postage stamps may be obtained by the local audit parties by direct correspondence with the Dispatch Branch of the Admin Section. Case of non-receipts of delay in receipt of the Service postage stamps may, however be brought to the notice of O.A.D. (Misc) Section.**
- (vii) Keeping local audit parties and the Inspecting Officers fully posted with all important orders, decisions, etc, likely to affect their work in the field.
 - (viii) Disposal of all questions and correspondence relating to matters dealt with in the Outside Audit Department, including the resolution of doubts and difficulties of technical or procedural character referred to Head Quarters by local audit parties and Inspecting Officers and the issue of appropriate instructions to them.
 - (ix) Examining and submitting the Monthly Movement Report of Inspecting Officers and local audit parties and issuing reminders in cases of non-receipt.
 - (x) Submitting applications for regular and casual leave of the staff working in the field to the Senior Deputy Accountant General/ Deputy Accountant General (Inspection).
 - (xi) Preparing monthly/ Quarterly reports of arrears in the department.

- (xii) Furnishing of returns and statements required by O.E. (Administration Section) Section regarding establishment and staff of O.A.D.
- (xiii) Keeping the O.A.D. Manual up-to-date and supplying correction slips issued there to the local audit parties and Inspecting Officers.

2.04 Registers to be maintained by the OAD (Misc) Section.

The following are the important Registers which are required to be maintained by the OAD (Misc) Section:-

(i) **Register of Special Audits-** As soon as it is decided by the Accountant General to conduct special audit of particular formation it should be noted in the Register of Special Audit in *Form 7*. The Register should be put up to the Branch Officer on the 12th of each month. The assistant dealing with programme should take care to book the special audit at the earliest opportunity under orders of the Senior Deputy Accountant General/ Deputy Accountant General (Inspection).

(ii) **Register of watching monthly progress of receipt of Movement Report-** A register in the form *OAD-4* showing monthly progress of receipt of Movement Reports of local audit parties should be maintained by the OAD (Misc.) Section and submitted to the Senior Deputy Accountant General/ Deputy Accountant General (Inspection) through Sr. Audit Officer/ Audit Officer OAD (HQrs) on the 15th of every month to facilitate strict watch over the receipt of the Movement Reports. (See Note (i) below para 1.25 (ii) of Chapters)

(iii) In addition to the above the following Registers will also be maintained by the OAD (Misc) Section:-

- (a) Register of Forecast.
- (b) Register of Programmes cycle index Register.
- (c) Register of Tour Programmes of Senior Deputy Accountant General/ Deputy Accountant General (Inspection) (DAG's Sectt.)
- (d) Register of list of offices.
- (e) Register of casual leave of field staff.
- (f) Register of tenure of staff in OAD field.
- (g) Register of Index Cases.

2.05 Duties of other Headquarter Sections

Other Headquarter Sections will be responsible for: -

- (i) Arranging the supply of the documents necessary for the conduct of local audit, including files of correspondence on previous Inspection Reports. (See para 1.06 of Chapter 1)
- (ii) On receipt of the draft Inspection Report from the LAP the auditor of the Headquarter Section will check that it is complete in all respects and then submit the same to the AAO with the edition memo in the *Form No.16* duly completed. After editing, the AAO will put up the same to the Senior Audit Officer/Audit Officer/Senior Deputy Accountant General/ Deputy Accountant General for his orders.
- (iii) Scrutiny of replies to Inspection Reports and issue of rejoinders until all the points raised in the Reports are finally settled dropped or held over for further verification or investigation at the time of next audit.
- (iv) Pursuance of outstanding Reports/Paras by various means such as, issue of reminders to the officers responsible for furnishing replies to them, sending statements of outstanding objections to higher authorities, reviewing the outstanding objections and issuing appropriate directions to parties visiting the same establishment on subsequent occasions.
- (v) Preparation of six monthly statement showing department-wise the names of the offices which have failed to clear the audit objections, the number of such objections and the period for which such objections have been outstanding with each office. This statement after having been pursued by the Senior Deputy Accountant General/ Deputy Accountant General (Inspection) will be passed on to the Administrative Department of the State Government/ the Ministry with a view to enable it to ensure that necessary action is being taken by the officers, under it to settle the outstanding objections expeditiously.
- (vi) Furnishing material required by Report Sections inclusion in Audit Report.

2.06 Registers to be maintained by Headquarters Section of O.A.D.

The following are the important Registers which are required to be maintained particularly by the Headquarter Sections of the OAD dealing with Audit Inspection Reports.

(1) **Check Register for watching the Receipt and issue of Inspection Reports.**

A Register for watching the receipt and issue of Inspection Reports shall be maintained in *Form 8* to watch the receipt and disposal of all Inspection Reports by each Sr. Auditor/Auditor of OAD HQ Section. The Register shall be kept up-to-date and submitted to the Senior Deputy Accountant General/ Deputy Accountant General (Inspection), on the 5th of every month. Reminders shall be issued to local audit parties for any Inspection Report not received within a week of completion of local audit. It shall be ensured that the reports are issued within a month of the date of completion of inspection.

(2) **Progress Register of settlement of objections of Inspection Report.**

This Register shall be maintained in *Form-9*. It should also be submitted to the Senior Deputy Accountant General/ Deputy Accountant General (Inspection) on the 5th of every month.

(3) **Control Register of settlement of Audit Inspection Reports.**

Each Auditor who maintains a progress Register of settlement of Audit Inspection Reports should maintain a subsidiary Register to be called "Control Register of settlement of Audit Inspection Reports" and the summary thereof "in *Form-10(I)*". The volumes of the Register will correspond to the volumes of progress Register of settlement of Audit Inspection Report. Separate volumes of set of pages in a volume, as the case may be will be earmarked for separate departments.

N.B.:- The Check Register (S.No. 1 above) the Progress Register (S. No. 2 above) and the Control Register (S. No. 3 above) will be put together on 5th of the following month to the Sr. Audit Officer/ Audit Officer (OAD)/ Senior Deputy Accountant General/ Deputy Accountant General (Inspection) by Assistant Audit Officer of the Headquarter Section with summary report for each month in *Form-10(II)*

(4) **Objection Book:-**

- (a) Money values of objections raised in Inspection Reports should be registered in objection book maintained in Form MSO (Audit)-11 by OAD (Headquarter) Sections.
- (b) The objection book will provide separate columns for keeping a record of the objections under the following categories viz:-
 - (i) Mis-appropriations, defalcations etc;
 - (ii) Recovery of excess payments;
 - (iii) Losses, shortages of stores etc;
 - (iv) Credit sales pending recovery, beyond a reasonable period (To be fixed by Accountant General)
 - (v) Advances pending recovery /adjustment beyond a reasonable period (to be fixed by Accountant General)

(vi) Miscellaneous objections.

(c) **Exception**

Money values in the following cases, however, need not be entered in the objection book.

- (i) Trading and proforma losses of Government schemes/concerns;
- (ii) Outstanding dues to Government on account of credit sales and other outstanding dues to Government in respect of which accounts are kept by the department for purpose of watching the recovery.

Note:- Items in respect of which there is delay in recovery of over a year should however be segregated and commented upon in Inspection Report and recorded in opening balance.

- (iii) Outstanding loans and advances made by departmental agencies debited to a debt deposit or advances head of account, as their recovery is watched through other records.
- (iv) Cases of differences, discrepancies, etc, in stock other than specific cases of shortages in departmental balance of stock for which responsibility has not been fixed and action for recovery has not been taken.

(d) Objections that need not be registered

MSO (Audit) 7.2.11 only those objections arising out of local audit that can be quantified in terms of money value need be registered in the objection book. As exceptions, the following of objections need not be registered in the objection book though their monetary value can be quantified.

(C.A.G.'s letter No. 2560-Tech-Admn I/635-66/1-9-67)

(5) **Register of Returnable Documents:**

The documents sent by the H.Q. Sections of O.A.D. to the local audit parties may be noted in the Register. It should be submitted to the Branch Officer on 10th of each month. The Register should be maintained in *Form 11*.

(6) **The Register regarding the points to be looked into at the time of next audit.**

A register in *form-12* may be maintained to recall all points which are desired to be specially investigated by the parties during the course of local audit of a particular office. Whenever any such office is booked for audit a remark may be noted in the remarks column of the periodical programme, to indicated that special points are to be investigated so as to enable the dealing assistant of OAD Headquarters section to take precautions to send the record in time. In case the papers and files do not reach the party in time, they should call for the same telegraphically. Failure to send and call

for records will be viewed seriously. By the 12th of each month an abstract of outstanding items should be drawn, indicating clearly cases of failure to send papers and to intimate the points to the parties and submitted to the Branch Officer.

References to file, in which the concerned papers, are kept, should be conspicuously noted in the Register.

(7) **Register for watching receipt and non-receipt of vouchers and other documents from Central Office by Local Audit Parties.**

A Register should be maintained in *Form-13* for keeping a record of offices where the OAD Hqrs is to intimate the selection of months and send the records. For this purpose a statement of documents received/ not received, sent by the local audit parties along with draft inspection reports may be referred to omission on the part of the OAD HQ Section should also be brought to the notice of OAD (HQ) Section.

(8) **Broad sheet of Audit Fees.**

The O.A.D. (HQ) Section dealing with grant-in-aid audit in respect of bodies/authorities etc, from whom audit fees are recoverable should maintain a Broad Sheet in Form S.Y. 188-D to watch the recovery of audit fees. The recoveries should be traced in the receipt schedule of the Central Departments and posted in the Board Sheet which should be submitted to the Gazetted Officer in charge on 20th of each month.

(9) **Register of drawals remaining untraced during local audit.**

A Register in Form-14 should be maintained by each Head Quarter Section of O.A.D to keep a note of drawals which could not be traced in the Cash Book and the Bill Register of the Head of the Office during local audit. An extract of the para of the Audit Inspection Report regarding untraced drawals may be sent to the concerning TC Section for verification of the drawals from the original vouchers and to report the results to the OAD (HQrs.) Section concerned and pursuance may be watched through the Register till the matter is settled.

The Register should be reviewed every month on 7th and cases expedited through issue of reminder notes/ personal contracts. The date of submission to Branch Officer/ Senior Deputy Accountant General/ Deputy Accountant General every month should be noted in the calendar of returns.

(O.O No. O.A.D (M) II/125/1973-1974/O.O /12dated 1-09-73)

2.07 The S.F.I Cell will be responsible for:-

- (i) Processing of important observations considered likely to provide material for Audit Reports on Appropriation Account including the issue of factual statements and preparation of draft paras.
- (ii) Examining the “Register of Serious Financial Irregularities” monthly to see that the proper action on each case is being taken.

2.08 The S.F.I. Cell will maintain “A Register of Serious Financial Irregularities and for processing important irregularities for draft paras for inclusion in Audit Reports ” in the Form II.

During the Scrutiny of Inspection Reports, a number of important irregularities are noticed, which may ultimately merit inclusion in the Audit Reports. All such irregularities should be noted in a separate register in the Form-15 and should be pursued separately through special letters with the departmental authorities and the Government in case no reply is received from the Departmental authorities to whom the report was made, within six weeks, the case should be pursued demi-officially, with the Government at appropriate level to obtain specific comments on the irregularities involved. Meanwhile, action should be taken to see that factually the objection is correct and to collect any further information which might be necessary for strengthening the objection. On receipt of Government reply or at the end of the two months from the issue of the first demi-official communication to the Government if no reply is received, the feasibility of the preparation of draft para with the information available and issuing it to the Government may be considered. If this procedure is followed it might be possible to expedite action over these irregularities and to consider their inclusion in the Audit Report as early as possible.

The Assistant Audit Officer of the S.F.I Cell shall be personally responsible to see that all these cases are properly noted in the Register and processed promptly. The Register ~~At~~ should be submitted to the Branch Officer on the 5th of each month.

2.09 deleted

2.10 The distribution of some of the items of work among different sections of O.A.D at the Head Quarters as mentioned in the foregoing paras of this chapter is subject to revision as and when found necessary.

2.11 Preparation of the charge report at the time of change in the incumbency of the Sr. Auditors/ Auditors in the Head Quarter Sections of O.A.D.

The following is the procedure for preparation of charge reports, whenever there is a change in the incumbency of Sr. Auditors/Auditors in the OAD Sections at the Head Quarters.

- (a) The Charge Report giving full details item wise, should be prepared in triplicate and kept on record as under:-

- (i) First copy should be kept by the Assistant Audit Officer in the file of Charge Reports of the Section. This file should be duly numbered and kept with the Assistant Audit Officer under the personal custody.
 - (ii) The second copy should be kept by the Sr. Auditor/ Auditor taking over charge, in the file of charge report maintained for the seat. This file should be numbered and entered in the Register of cases of the seat.
 - (iii) The third copy should be kept by the Sr. Auditor/ Auditor handing over the charge report as his personal copy for future reference.
- (b) The charge report should be unambiguous and records complete details of the position of the seat including, arrears, if any. The Inspection Reports under, issue/type/edition/awaited from the party should be mentioned clearly and by name. Similarly the Inspection Report under pursuance should be detailed giving the full details of important items requiring attention of the Sr. Auditor/ Auditor.
- (c) The charge report file of the Sr. Auditor/ Auditor should be submitted to Branch Officer for perusal, whenever there is a change in the incumbency of the Sr. Auditor/ Auditor.

The AAO will also review charge report file under his custody in consultation with the incumbency register maintained in the Section and submit to Branch Officer on 10th April/10th July/10th October and 10th January.

(OAD (M) /O.O 1/74-75 Dated 3-3-1975)

CHAPTER-3

INSTRUCTIONS ON PREPARATION OF MATERIAL FOR AUDIT REPORT

3.01 Importance of Audit Report.

The Comptroller and Auditor General considers that the Audit Report is the only document by which the achievement, usefulness and effectiveness of the Audit Department is judged by the legislature and the general body of the tax payers. It provides the Legislature with a powerful weapon against irregular, extravagant and wasteful expenditure of public money. It is not only an evaluation of the regularity and propriety of Government expenditure of a particular year, but also indicates the quality of work, knowledge and efficiency of our organisation. In fact, it is the one thing, which above every thing should engage the constant personal attention of all members of the Department engaged on audit work. It is, therefore, of utmost importance that cases, which are likely to merit inclusion in the audit report, should be segregated right from the time they come out to notice (i.e. in course of inspection or otherwise) and their processing started forthwith, so that the final drafting of the paras is completed in the minimum time.

3.02 The OAD Headquarters has to furnish the under-mentioned material to the Report Section and the Director General of Audit, Central Revenues, on the due dates prescribed by them from time to time.

- (i) Draft paragraphs on specific irregularities for inclusion in the Audit Report duly approved by the Accountant General (Vide para 7.3.25 of MSO (Audit)).
- (ii) A review of the working of the Outside Audit Department, covering typical irregularities noticed in the local audit of the office concerned covering important types of irregularities notice during local audit and inspection.
- (iii) Paragraphs on “Audit of Stores and Stock Accounts”.

- (iv) Paragraphs on audit of the bodies and authorities under Section 14 & 15 of C.A.G's (D.P.C) Act, 1971.
- (v) An statement showing the number of unsettled Inspection Reports and audit objections arranged department-wise.
- (vi) Any other information required by the Report Section and D.G.A (C.R.)

3.03 Selection Of material for inclusion in the Audit Report.

As regard the choice of material to be included in the Audit Report the instructions contained in para 7.3.25 of MSO (Audit) there to may be noted carefully.

- (a) Some of the irregularities, which may be found suitable for inclusion in the Audit Report, are mentioned below. These are the principal types of irregularities which is properly presented and subject to general considerations indicated in sub-para (b) below may find a place in the Audit Report. This list is only illustrative and not exhaustive. Much will depend upon intelligence and experience of the officer-in-charge of the Inspecting Party.
 - (i) Any negligence, manipulation in accounts, bad faith or fraud in monetary transaction or in the disposal of stores or other property.
 - (ii) Any appreciable loss of Government money or property.
 - (iii) Any serious irregularity connected with a contract or heavy purchases.
 - (iv) Any extra ordinary infructuous or apparently unnecessary expenditure such as (a) payments made as an act of grace (b) unnecessary payment of demurrage or rent and compensation paid for damage attendant upon some executive failure (c) any payments of heavy amounts which appear to be contrary to any rule or terms of a contract.
 - (v) Any advance or large claim which has been outstanding for unduly long time.
 - (vi) Absence of Administrative regulation or procedure to secure a proper and effective check on monetary transaction.
 - (vii) Any, irregularity connected with grant-in-aid, such as neglect-(a) by the sanctioning authority of the condition precedent to the grant (b) by the

grantee of the conditions attached to the grant by the sanctioning authority.

N.B. A reference is also invited to para 14 of C & AG's letter no. 149 TAI/50-69-Vol-II dated 2-3-1974 and para 12 of C.A.G's letter No. 214 TAI/357-74 dated 25-3-1974 (Reproduced in Annexure).

- (viii) Any important irregularity in the realization of revenue.
- (ix) Sanctions to write off of an item of avoidable expenditure, such as legal expenses incurred by Government in a case in which interests of the Government are not directly involved.

(b) The following consideration along with the instructions/guidelines issued by the CAG office from time to time on the subject should be borne in mind while making a choice of the materials for inclusion in the Audit Report.

(Auth: Para 7.3.25 of M.S.O (Audit))

- (i) Cases involving transgression of statutory provisions, rules or orders and other cases that have led to or are likely to lead to substantial loss of public money may be mentioned individually. A series of less important irregularities pointing to a common defect in financial control or administration may be commented upon collectively. Normally, such irregularities should not be considered for comment if adequate remedial action has been taken by the administration. The importance of an irregularity or a case of loss should be judged in the context of size of a scheme or project and the conditions in which the work has been executed.
- (ii) Cases that are subjudice or have been referred to arbitration will not be mentioned in such a way as to prejudice the claim or their defence in a court of law or before an arbitrator. Similarly, care should be exercised in referring to cases in respect of which appellate proceedings are likely to be initiated against decisions of lower courts or arbitration awards.
- (iii) Reports should not normally include very old cases. Exceptions may be made only in respect of cases that could not have come to the notice of Audit earlier and questions of principle are involved. Cases of lack of response to

constructive suggestions of Audit aimed at remedying deficiencies in control systems may be commented upon, if the continuance of the unsatisfactory features is attendant with risk of fraud or loss to Government.

- (iv) Ordinarily, cases in respect which Government is taking or has promised reasonably adequate action should not be included in the Report, unless there are any special features in a particular case that should be brought to the notice of the Legislature.
- (v) On certain occasions, it may be necessary for Audit to comment upon the manner in which the administrative authorities had discharged their responsibility of investigating serious irregularities coming to their notice and the adequacy of the remedial action taken by them.
- (vi) There could be instances where cases scrutinised in audit had also been examined, at some stage, by the Finance Ministry/Department and the administrative ministry or department concerned had not followed the advice given by the former. Such instances could also be mentioned in Audit Report, along with comments, where necessary, on the adequacy of the action taken by the Finance Ministry/Department or the administrative ministry/department.
- (vii) Matters of a technical nature that have a substantial bearing on the finances of the Government should be gone into carefully. However, before these are included in the Audit Report, the Accountant General should satisfy himself that various documents forming the basis of the audit conclusions have been gone into in depth, the technical aspects studied carefully and the remarks of the Government have been obtained as far as possible. Discussions with the technical officers concerned will also prove useful and facilitate proper appreciation of the issues involved.
- (viii) While Audit is not precluded from drawing attention to the adequacy or otherwise of the disciplinary action taken in a case, it should not, as a normal rule, criticise decisions of the administrative authorities in regard to the

nature or quantum of punishment imposed. On the other hand, it would be appropriate for Audit to offer comments if the disciplinary action taken in a series of cases finalised more or less continuously has obviously been extremely lenient. Similarly, marked differences noticed in the standards of disciplinary action adopted by different government departments may be brought to notice through the Report with adequate supporting evidence. Critical comments regarding the adequacy of disciplinary action should not, however, be conveyed to Government without the approval of the Comptroller and Auditor General.

3.04 Drafting of paragraphs for Audit Report.

- (a) In drafting paragraphs for Audit Report, instructions contained in paras 7.3.27 to 7.3.51 of MSO (Audit) may be borne in mind.
- (b) The Draft Paragraphs should not be lengthy and should not include unnecessary material. All relevant information and data should be given and the exact point to be brought out in the paragraph should be correctly emphasized. All words and phrases, which are likely to cause resentment or unpleasantness, should be avoided and the paragraphs should be drafted in detached and dispassionate language, so that the facts should speak more than the comments.
- (c) The words “Audit Comments” which frequently appear as the heading of a sub para after the paras narrating the irregularity should be dropped and that the comments themselves, where necessary should appear as statements or observations without qualifying words such as “Audit thinks that “ or “the audit comments are that” etc. In many cases the comments may be so obvious that they may occur to every intelligent reader and might will be dropped altogether.
- (d) In dealing with cases of irregular excessive or wasteful expenditure and losses, efforts should be made to quantify their extent.
- (e) The use of words to avoid asperity in comments like fraud or embezzlement etc should be avoided.

- (f) The emphasis should be on quality rather than on quantity and on analysis rather than on mere narration.

Draft paragraphs and, more particularly, reviews should be supported, where desirable, by graphs, charts, photographs, diagrams, sketches, etc. in order to improve the visual impact. It should, however, be kept in view that clearances may be necessary from the authorities concerned before maps and other sensitive visuals are printed in the reports.

(Auth: Paras 7.3.34 of M.S.O.(Audit) Second Edition-2002.)

In the case of reviews, their highlights should be included in bold letters, immediately after the preliminary paragraphs of the reviews dealing with introductory observations, the organisational arrangements and the scope and extent of audit scrutiny. The highlights should not mention any point that has not been included in the review *per se*. Similarly, in the case of very large paragraphs, the issues involved and the audit observations may be succinctly summed up at the end of the paragraphs.

(Auth: Paras 7.3.35 of M.S.O.(Audit) Second Edition-2002.)

Audit paragraphs included in reports should clearly bring out defects in systems and procedures that led to the irregularity and the remedial or preventive measures, if any, adopted.

(Auth: Paras 7.3.36 of M.S.O.(Audit) Second Edition-2002.)

Care should be taken to avoid asperity in comments. The use of words such as "fraud" or "embezzlement" that denote criminal intent should be avoided unless the criminal act itself has been conclusively established. It would generally be sufficient to use some ordinary word, such as "loss", in such cases.

(Auth: Paras 7.3.37 of M.S.O.(Audit) Second Edition-2002.)

If, in any case, it is absolutely necessary to refer to any correspondence with the executive Government, its contents should be summarised as briefly as is compatible with clarity. Similarly, if it is necessary to refer to the infringement of any

rule, whether statutory or administrative, a gist of the rule should be given and the actual or possible effect of the infringement on the financial interests of the State clearly explained.

(Auth: Paras 7.3.38 of M.S.O.(Audit) Second Edition-2002.)

The names of the departments, organisations and parties concerned with the irregularities, designation of the official(s) and the place of occurrence of the case should be mentioned unless in any case this may not be considered desirable by the Government.

(Auth: Paras 7.3.39 of M.S.O.(Audit) Second Edition-2002.)

It may also be desirable to maintain some degree of anonymity in reporting cases of misappropriation or loss when departmental action against officials held responsible is already in progress or criminal proceedings have been or are likely to be instituted.

(Auth: Paras 7.3.40 of M.S.O.(Audit) Second Edition-2002.)

There is no objection to names of private firms, including firms of contractors, being mentioned in the Report wherever this is considered desirable to bring out the importance of a case. Such mention will, however, not be made where the facts of the case are, or are likely, to be the subject matter of litigation, arbitration, etc.

(Auth: Paras 7.3.41 of M.S.O.(Audit) Second Edition-2002.)

3.05 Processing of draft paras for inclusion in the Audit Report.

- (i) Paras containing comments on serious financial irregularities noticed during edition of the draft Audit Inspection Reports received from the local audit parties will be marked to S.F.I (CELL) of the O.A.D (HQ) for further pursuance with a view to develop the cases into draft paras for inclusion in the Audit Report of the Comptroller and Auditor General. On receipt of such cases the S.F.I (CELL) will note them in the "Register of Serious Financial

Irregularities”, and then examine them carefully and intelligently to judge their potency to develop into draft paras. Any further particulars or information necessary for processing the cases should be called for by the S.F.I (CELL) forthwith.

- (ii) The pre-requisite for preparation of a draft para is the preparation of a factual statement to prove that the case merits development into a draft para. In regard to the cases which stand on firm ground and where a factual statement has been sent by the party the statement should be critically examined in the S.F.I (CELL); where, however, no factual statement has been received from the local audit party the necessary factual statement will be prepared by the S.F.I (CELL), supported by a short synopsis of each case indicating, *interalia*, the major irregularities committed and the cases will be submitted to the Sr. Deputy Accountant General/Deputy Accountant General (Inspection) for his approval. The factual statement as approved by the Senior Deputy Accountant General/DAG (Inspection) will then be forwarded to the acceptance of facts within a specified time. Copies of the statements will also be forwarded simultaneously to the Heads of the offices and of the Departments concerned.
- (iii) On receipt of all necessary information for proper presentation of the case, draft paragraphs, will be prepared by the S.F.I. Cell and submitted to the Senior Deputy Accountant General/DAG (Inspection) for approval. After his approval the paragraphs alongwith other necessary connected papers will be forwarded to the Report Section for further necessary action.
- (iv) The cases which are ultimately found to be not suitable for inclusion in the Audit Report, should be removed from the “Register of Serious Financial Irregularities” maintained in the S.F.I Cell under orders of the Senior Deputy Accountant General/DAG (Inspection).

3.06 When any case of financial irregularity relating to Central subjects is noticed, orders of the Senior Deputy Accountant General/DAG (Inspection) should be obtained as to whether the case is of sufficient importance and should ultimately find place in the Audit Report (Central) to be prepared by the Director General of Audit, Central

Revenues. If he passes the order in the affirmative the procedure as enjoined in para 7.3.7 of MSO (Audit) should thereafter be followed.

3.07 In respect of the draft paragraph sent to the Director General of Audit, Central Revenues, for inclusion in his Audit Report by the Report Section further developments should be communicated quarterly to the Report Section to enable that section to furnish the same to the Director General (Audit) Central Revenues, on the 1st April, 1st July, 1st October and 1st January till the case is closed.

(A.G.C.R.'s D.O. No. R-9-9-2025 dated 5th September 1953 and No. R-9-91550, dated 22nd June 1955).

3.08 A statement showing the total number of unsettled Inspection Reports, excepting those relating to treasuries, and number of items together with money value, if available, duly classified Department/Ministry wise, and covering the year under report and each of the preceding years concerned covering the oldest items should be prepared separately for the State and Central Government offices locally audited and should be furnished to the Report Section.

ANNEXURE
referred to in para 3.03 (a) (vii)n
Extract of para 14 of C.A.G's letter No. 149-TAI/50-69-Vol-II
dated 2-03-1974

Section 14 of the C&AG's (Duties, Powers & Conditions of Service) Act, 1971 also places a statutory responsibility of the C&A.G to report on the receipts and expenditure audited by him. For this purpose results of audit of bodies or authorities under Section 14 of the act will have to be incorporated in the C&AG's report (Civil) of the Union Government, each State Government and each Union Territory Government which has a Legislature preferably in a separate Chapter. In this Chapter, the number of bodies or authorities, accounts of which have been audited, will be mentioned. The more important irregularities noticed will be mentioned individually in addition to general comments about types of irregularities. After audit of accounts of such bodies or authorities for 1971-72 and 1972-73 is over each P.A.G/A.G may send a draft chapter to this office which he proposes to include in the next report (Civil) alongwith a list of institutions audited.

Extract of para 12 of C.A.G's letter No. 214-TAI/357-74
dated 25-3-1974

Important irregularities noticed during scrutiny of the procedures in the office of the sanctioning authorities and /or scrutiny of records of the recipient bodies or authorities may also come to be featured in the Audit Report distinctly and separately in a chapter on "grants/loans given by Government". In this chapter the important points arising out of the audit of the receipts and expenditure of bodies or authorities coming under Section 14 (in this connection, reference is invited to para 14 of this office circular dated 2-3-1974), those arising out of the scrutiny under Section 15(1) of the procedures by which sanctioning authorities satisfy themselves as to the fulfillment of the conditions governing grants and loans for specific purposes and the scrutiny under Section 15(1) of the books and accounts of bodies and authorities in receipt of such grants and loans for specific purposes should be distinctly brought out in separate paragraphs. In regard to grants/loans to bodies or authorities, not coming under the scope of Section 14 and

also not coming under Section 15 (1) due to non-mention of any specific purpose in the sanctions, such items should be listed out and mentioned distinctly in a separate paragraph of this chapter, so as to bring to the notice of the legislature the number of such cases and quantum of money involved that remain un-audited by the Indian Audit Department though it constitutes expenditure out of Government Fund.

GENERAL PRINCIPLES AND PROCESS OF AUDIT OF THE ACCOUNTS OF THE CIVIL OFFICES

4.01 The instructions in this chapter are general and deal with the important records of accounts, which are common to all civil departments. Peculiarities in departments having special sets of books of accounts or any other special features have been dealt with in separate chapters. The Principles given in this chapter are explanatory and supplementary to the rules and instructions contained in the Manual of Standing Orders (Audit) and the Secret Memorandum of Instructions regarding the extent of audit and other regulations issued by the Comptroller and Auditor General or the various authorities of the State Government (or Government of India relating to offices and institutions of the Central Government). These are by no means exhaustive and are meant simply for guidance of the Inspection Staff whose intelligence or discretion is not attempted to be fettered.

4.02 The primary object of local audit and inspection is to ensure that the original data on which the accounts rendered to the audit office are based, are correct and complete. All possible, attention, should therefore, be paid to this object of local audit and inspection. It should also be ascertained whether the treasury (and other) rules are properly followed by the departmental officers.

For an intelligent and efficient audit of inspection of the account, the inspecting staff, should have an intimate knowledge of various Acts, codes, and manuals and any special rules relating to such accounts.

Before taking up the local audit of an establishment, the local audit staff should make themselves conversant with the general setup of the department, the nature and volume of transactions it deals in the system of accounts, the account books prescribed, the budget, departmental manual and the administrative report or any other publication, arrangements for internal audit and inspections by departmental superiors, in order to make their audit both intelligent and useful instead of allowing it to become merely a routine process of checking registers in a disconnected and mechanical way.

In this connection, para 6.1.3 to 6.1.6 CAG's MSO (Audit) may also be referred to.

Note: The system of internal check should be examined and the inspection reports of internal audit, if any, should be seen. The defects pointed out in those reports should be commented upon, if not remedied.

4.03 **General Examination of Accounts.**

Immediately on taking up an audit, all accounts registers and records including the accounts of receipts and of stores, cash books, measurement books, muster-rolls and works accounts for the entire period covered by the audit should be generally examined with a view to see:-

- (i) that they have been written upto date, are complete in all respects and are susceptible to audit;
- (ii) that they have been maintained according to rules;
- (iii) that the writings do not indicate any attempt to tamper with records or to evade the requirement of the rule. The recorded transactions should be reviewed intelligently and the abnormal and doubtful features investigated in detail.

Ordinarily this general examination should be conducted by the AAO himself and not left to his auditors.

Where subsidiary registers of cash and stores accounts are kept, it should be verified that these are properly maintained and the totals and balances are correctly taken over to the main registers.

N.B. Period of accounts to be audited:

The period of accounts to be audited by the Inspection party should, unless otherwise specified, be the period falling between the month upto which the accounts were last audited and the month ending last financial year. In case of closed unit/merged unit complete period may be covered.

(AG's approval letter OAD (M)/7 dated 14-09-1999)

The following points also may be checked during audit:-

- (1) Personal Deposit Accounts and detailed audit of its 25% voucher may be conducted.
- (2) The drawals from Civil Deposit & its vouchers.
- (3) Detail checking of AC/DC bills.
- (4) Utilisation certificates of different grants.
- (5) Aids received from World Bank or Foreign Government and or for Centrally Sponsored Schemes/Central Sector Schemes and its expenditure may be audited in detail.

(Accountant General (Audit) order dated 21-09-1999.)

[CAG No. 1307/Admn. I/388-55 dated 26-06-1955]

4.04 **Audit of Cash Book**

In addition to the detailed audit for the selected month the following points in regard to maintenance of cash book and receipt of cash may be carefully examined and any deficiency on the part of departmental authorities in following the procedure prescribed in Treasury Rules of departmental regulations should be prominently brought out in the Audit Inspection Report:-

- (1) The arrangements for the drawal of cash from treasury, for realization from other sources and for custody, payment and accounting of cash should be examined to see that they are in conformity with the prescribed rules.
- (2) Drawals from the treasury for the month selected for test audit may be traced in the cash book.

N.B.1:-To enable conduct of above verification list of payments of the treasury, for the months selected in respect of all major heads operated by the drawing officer are sent to the local audit party by the OAD (Head quarter) Sections. Where such lists are not received or are not received in respect of all the major heads the audit party should prepare a list of drawals under the various major heads being operated by the drawing officer as per treasury records and locate the same in the cash book. Conduct or actual verification into the cash book and Bill register should be done by Assistant Audit Officer.

N.B.:- The Directorate of Treasuries and Accounts M.P. Bhopal have issued instructions to all the Treasury Officers to cooperate with the Audit Parties in preparing the list of drawals, etc., made by a Drawing Officer and to authenticate such lists as also to furnish full details in the schedule of payments made by the treasury. Copies of the Directorate circular letter No. Lekha/XVI/-/74-75-5328 dated 27-06-1974 and Lekha/16/66/78-79/5620 dated 20-11-1978 are reproduced in **Appendix 1 (i) & 1 (ii) to this Chapter.**

- (3) A list of remittance into the treasury during the months selected for detailed check may be prepared from the Cash Book by the Assistant Audit Officer himself and verified directly from the Treasury records. This verification should be conducted at the Treasury independently with reference to the treasury records, by deputing a member of the local audit party to the treasury.
- (4) Checking of arithmetical accuracy of the cash book should be done for the month selected for test check. Including check of opening balance for proper carry forward from the closing balance of previous month and that of closing balance of the month selected for scrutiny to the next month. In case of annual audits, one more month may be selected at random to check arithmetical accuracy.

[CAG's No.770-Tai/117-74 dated 07-09-1974]

- (5) It should be seen that:
- (i) All transactions have been entered in their strict chronological order,
 - (ii) Totals are correct and balances have been carefully worked out and analysed;
 - (iii) The head of the Office/Incharge of Cash Book has recorded on the Cash Book, over his dated signatures certificate to the effect that he has verified the closing balance by actual count at periodical intervals; and has also prepared an analysis of the cash balance and reviewed its clearance as prescribed under SR-53 (iv) of MP Treasury Code Vol-I.
 - (iv) The permanent advance is not in excess of requirement.
 - (v) No expenditure has been incurred in excess of the permanent advance by spending from the departmental receipts which constitutes a serious irregularity;
 - (vi) There is no tendency to keep an unduly large cash balance in hand; sums are not drawn far in advance of requirement; and that the cash in hand of the cashier is sufficiently covered by his security deposit;
 - (vii) If money is temporarily advances to subordinates for departmental expenditure, either from the permanent advance or out of drawals from treasury there should be a proper record of the payment of the advances and the receipt of accounts of expenditure incurred there from. It should be seen that such advances were made for authorized purposes only, that amounts were not held outside the chest in this manner any longer than was absolutely necessary and that the receipt of accounts of advances and the incorporation of expenditure in the cash book was strictly watched by the officer in charge of the cash book.
 - (viii) Adequate arrangements exist for the safe custody of cash:-
 - (a) **When under any special sanction, a Government servant deals with both, the Government and non-Government money, in his official capacity, the Government money should be kept in a cash box quite separate from the non-Government money and the transactions relating to the latter should be accounted for in a separate set of books entirely out of Government accounts.**

- (b) It should, therefore, be seen in audit that the accounts of non-Government money have been maintained in a set of books separate from the Government accounts and that Government money has not been mixed up with, but kept separate from the non-Government money.
- (ix) There are no erasures, over writings or interpolations and errors are verified properly and duly initialed.
- (x) Each entry in the cash book is attested by the officer in charge of the Cash Books.
- (xi) The officer in charge of the Cash Book should verify the total of the Cash Book or have it done by some responsible officer other than the writer of the Cash Book.
- (xii) Where the number of payments made into treasury in a month is more than ten and total amount involved therein exceeds Rs.1000 the officer in charge of the cash book should obtain from the treasury a consolidated receipt for all remittance made during the month which should be compared with the postings in the cash book.
- [M.P.T.C Vol.-I SR 53(V)]**
- (xiii) In addition to the verification and check of the cash book and the bill register, prescribed under SR 53(ii) and 197 of MP Treasury Code Vol.-I the officer-in-charge of the cash book should conduct fortnightly verification of the entries in the cash book and the Treasury vouchers slips and record a certificate of having done it after close of the entries for the 15th and last day of the month.
- (xiv) That in the case of undisbursed amount of pay and allowances the dates of withdrawal are recorded and no item is held in hand for more than three months.
- (xv) There is no evidence of removal of or tampering with the pages of the Cash Books and that its pages are machine numbered, that the certificate of count of pages contained in a Cash Book is recorded under the signatures of the Head of the office-in-charge of cash book on the fly leaf before bringing the same into use.
- (xvi) It should be seen that security has been obtained from persons handling cash and stores in terms of provisions contained in Para 285 and 286 of MPFC (Rules of GFR in case of Central Government Department).
- (xvii) In case fraudulent drawals/defalcation suspected defalcation/embezzlement detected the system failure may be highlighted and it may be intimated to Sr.A.O, SFI of the concerning group in following proforma:-

| Sl. No. | Name of Unit | Period of audit | Brief description of the case | Amount | Date of Reporting to police | Present position of the case | Responsible person if any | Any other information |
|---------|--------------|-----------------|-------------------------------|--------|-----------------------------|------------------------------|---------------------------|-----------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | | | | | | | |

[No. OAD (M)/AGI/189-II/0012 dated 17-02-1976]

4.05 All receipts of cash as shown in the counterfoils of receipt book as well as the cash received from the treasury on bills, cheques, cash orders, demand drafts should be traced in the cash book for detailed audit.

4.06 Audit of Receipts Books

Audit of Receipts Books will consist in seeing that: -

- (i) The number of books received agrees with the indent on the forms, department and the books are kept under lock and key in the custody of an authorised officer;
- (ii) A regular stores account of the receipt books has been kept;
- (iii) Only one book is in use at a time (in some offices like sales shops this may not be rigidly enforced);
- (iv) The number of receipt forms contained in each book is recorded on the covering page under the initials of a responsible officer and that all forms, are machine numbered;
- (v) Receipt books are issued only to officers authorised to issue receipts and that their acknowledgements are on record;
- (vi) Both at the time of issue of Receipts Book as also the return of a used up book an entry of the transactions is made in the Stock Register;

- (vii) In the case of defaced or cancelled receipts both the original and duplicate are recorded together with the reason for defacement or cancellation;
- (viii) A periodical verification is conducted of both the used and unused receipt books with the closing balance in the Stock Account;
- (ix) The amounts shown as having been realized on the counterfoils of receipts have been correctly entered on the receipt side of the Cash Book and
- (x) The return of counterfoils of used Receipt Books is properly watched and the counterfoils are recorded after check so as to ensure that there had been no delay or omission in bringing the receipts to account.

4.07 Receipt Audit

- (a) It is observed that the local audit parties generally confine themselves to receipt tracing and remittance of receipts into the treasury verification with treasury records. Actually the various processes and stage of collection of revenue and its accounting should be intelligently examined in order to ascertain the weak points if any, in the system involving risk of leakage of revenue/short realization.
- (b) Following instructions should be borne in mind during local audit:-
 - (i) that adequate regulations and procedure have been framed to serve as effective check on the assessment collection and allocation of revenue;
 - (ii) that such regulations and procedures are being observed;
 - (iii) that where any financial rule or order prescribed the scale or periodicity, there is no deviation without proper authority from such scale or periodicity;
 - (iv) that a register of all recurring or/and non-recurring demands is kept in accordance with the rules and collections watched against it;
 - (v) that arrangements for collections are satisfactory and that there are no outstanding requiring special notice;
 - (vi) that the receipts are not directly appropriated to departmental expenditure except to the extent provided in the Treasury Rules;
 - (vii) that if remissions are granted they are duly supported by the sanction of competent authority;

(viii) that the persons are invariably granted receipts in a printed machine numbered and authorized form of receipt duly signed by competent authority;

N.B.:- In civil courts Nazir or Naib Nazir issues receipt over his signatures in lieu of having received the money under Rule 470 of Rules and orders (Civil)

(ix) that moneys received are brought to account immediately and ordinarily there is no delay in their remittances into the Treasury;

(x) that return of the counterfoils of used receipt books is properly watched and that the counterfoils are recorded after check so as to ensure that there had been no delay or omission in bringing the receipt to account;

(xi) that for cancelled receipts, both the original and duplicate foils are on records;

(xii) that the amount realised on a receipt has been clearly written in words and figures. Any indistinct or doubtful entry should be viewed with suspicion and further proof regarding the amount actually released should be demanded from the office inspected;

(xiii) that the amount released as per the receipt issued has been correctly noted in the Demand Register;

(xiv) that a responsible official is held responsible for carrying out the internal check on the lines indicated in (iv), (v) and (vii) to (x) above and there is recorded evidence to the effect that he exercises his checks; and

(xv) detailed test checks for receipts for the months related for detailed audit is to be done with reference to tariffs.

(xvi) If the test check reveals any defects, lacunae or loopholes in the provisions, rules or orders, the departments attention should be drawn to the advisability of these being suitably amended and system failure if any highlighted.

[O.A.D (M)/II-118/1973-74/O.O 18 dated 15-07-1973 Inserted Para 2-3-90/ M.S.O (Audit)]

4.08 Demand Register

The Demand Register should be checked carefully to see that:-

- (a) the closing balances of the previous demands have been correctly brought forward;
- (b) all demands falling due during the period have been correctly noted for recovery and the names of all persons from whom taxes, fees or other revenues are due have been duly noted (this check should be exercised with reference to other allied registers, rolls and records maintained to show their names);
- (c) all the amounts shown in the counterfoils of receipts granted to parties have been correctly noted in the register and credited in the cash book.
- (d) The amounts shown as having been realised on the counterfoils of the receipt has been correctly entered on the receipt side of cash book;
- (e) All sums due are realised with reasonable promptitude and checked against demand;

4.09 Scrutiny of Treasury Challans

Receipted Challans in support of amounts paid into the treasury should be examined to see:-

- (i) that the authorised official of the treasury or the bank has given a legible receipt of the amount received over his official stamp and that it tallies with the amount for which the challans was prepared;
- (ii) that the challan by its appearance does not suggest any tampering with the entry of the amount deposited or the date of deposit and that due precautions are taken in writing the amount (both in words and figures) to exclude the possibility of fraudulent alterations or interpolations.
- (iii) That wherever practicable the signatures of the bank or treasury official signing the receipt on the challan should be compared with those on other challans. The genuineness thereof got confirmed from the Bank or Treasury in cases of doubt.

4.10 Bill Register

Check the Bill Register to see that :-

- (i) It has been maintained in the prescribed form (MPTC-17 in the case of MP State Government Offices) and all the columns provided therein have been properly filled in;
- (ii) All bills drawn have been entered in the Bill Register date-wise and the entries duly endorsed by the drawing officer in each case over his dated signature;
- (iii) That erasures and over writings (which are strictly prohibited) are not indicative of circumstances requiring thorough probe;
- (iv) In case of bills endorsed to parties see that they have been entered in the Register and a note to this effect has been made therein;
- (v) That in regard to bills endorsed to private parties an advice has been sent to the treasury officer and the bank in the manner laid down in SR 302(2) of M.P. Treasury Code Vol-I;
- (vi) All bills have been cashed and treasury voucher numbers (with dates) have been noted in all cases;
- (vii) In case of cancelled bills, a note to that effect has been made in the Register, including the reasons for cancellation;
- (viii) All bills shown as cashed have been promptly accounted for in the Cash Book as well as in other subsidiary registers;
- (ix) The register has been reviewed monthly by the officer-in-charge of the Cash Book and the result of the review recorded thereon.

N.B. Under the Rules the head of an office is personally responsible for the amount drawn on a bill signed by him until he has paid it to the person entitled to receive it and obtained a legally valid acquittance.

[OAD (M) II-109-99-73-74/006 dated 20-05-1973]

4.11 Audit of Expenditure

The objects of local audit of expenditure are to ensure that:-

- (i) a proper voucher complete in all respects and in proper form, where one is prescribed, exists in support of every item of expenditure and it bears evidence of due scrutiny of the claim and "Pay Order" by the head of the office concerned;
- (ii) full details of each item of expenditure are either recorded on the voucher itself or are available in a reliable and recognized subsidiary record;
- (iii) that the vouchers, sub-vouchers and muster rolls have been duly cancelled or defaced after payment in such a way that they cannot be used again to prefer a second claim;
- (iv) the expenditure incurred does not contravene any financial rules or procedure laid down by the Government and all prerequisites to the incurring of expenditure have been complied with;
- (v) there is provision of funds to meet the expenditure duly authorised by the competent authority;
- (vi) that the expenditure is in accordance with a sanction properly accorded by a competent authority and is incurred by an officer competent to incur it;
- (vii) the expenditure sanctioned for or required to be incurred within a limited period has not been incurred beyond that period without proper sanction;
- (viii) the rules regarding the method of payment have been duly observed by the disbursing officer;
- (ix) the payment has, as a fact, been made to the proper person, and that it has been so acknowledged and so recorded that a second claim against Government on the same account is impossible;
- (x) that the charge is properly classified and if a charge is debit to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order, it is recorded as such in a personal account;
- (xi) the rates paid for work done or supplies made are in accordance with any scale or schedule prescribed by competent authority and, where no such

scales have been prescribed, are the lowest obtainable in the market conditions prevailing locally;

- (xii) the payment have been correctly brought to account in the original accounts;
- (xiii) all stores paid for have been properly accounted for in the various stocks and stores registers and their quality and specification have been certified as conforming to those of the goods ordered and paid for;
- (xiv) the expenditure has been incurred with due regard to financial propriety (e.g. there is no waste or extravagance, supplies obtained are not in excess of requirements and expenditure has been incurred on legitimate objects, etc.);
- (xv) open competitive tenders have been invited as enjoined by the rules for the purchase of articles required and in case of non-acceptance of the lowest tender, the reasons therefore have been duly recorded and whether contract agreements have been promptly executed by the competent authority;
- (xvi) where formal written contracts have not been entered into at least written agreements as to price have been entered into before orders are placed for supplies, etc.;
- (xvii) expenditure on contingencies, works, etc., has been properly regulated according to the financial rules and the accounts indicate no laxity in supervision or control;
- (xviii) there is no undue rush of expenditure at the fag end of the financial year, and, if there is any such rush, it does not lead to financial irregularities such as failure to obtain supplies at all or according to desired specifications for payments made etc., and that the charges incurred in one year has not been met from the budget allotment of the next year.

N.B.-1 The financial rules of Government prescribe that money should not be drawn from treasuries unless they are required for immediate disbursement. Drawal of money in advance of requirement is an irregularity which is against the financial rules and is in contravention of the Annual Appropriation Act.

Such irregularities should be commented upon in the Audit Inspection Reports giving full details of the drawals and disbursements.

N.B.-2 In several cases money so drawn from the treasury was deposited unauthorisedly in a private bank, post office Savings Bank Account, etc. Besides commenting upon the irregularity the local audit party should also examine in detail the manner, extent and time of the ultimate utilization of the amount so kept outside Government accounts and bring out the relevant facts in the audit inspection report.

[The instructions issued by State Government in this regard in their Memorandum No.187/MS/76 dated 8th March 1976 are reproduced as *Annexure-I*]

4.12 Stores and Stocks Accounts

The general rules governing the purchase, receipt and issue, custody, condemnation, sale and stock taking of stores required for use in public service are contained in:-

- (a) Chapter 8 and 9 of the General Financial Rules, Volume-I and appendices 8 to 11 thereto in Volume-II and;
- (b) Chapter 7 in the M.P. Financial Code Volume-I and appendices 5 and 8 thereto in volume-II. Appendix 5 as amended vide Government of M.P. Commerce and Industries Department Memo No. 11208-3209-XI-A dated 26th August 1974 reproduced as annexure II. Detailed rules and instructions relating to the various departments responsible for or concerned in large purchases, manufacturers or consumption of stores are usually set out in the departmental regulations of the department concerned. Personnel of local audit parties and Inspecting Officers are expected to be fully conversant at all times with the general rules as well as the responsibilities of audit in relation to stores and stock accounts as set out in Chapter 4 in Section II and Chapter 7 in Section III of the MSO (Audit). Before they take up the audit of particular establishments of Government they should study the detailed rules and instructions peculiar to the

department to which the establishment belongs. The audit of accounts of stores shall be directed to ascertaining, by means of a general examination of the accounts and a detailed scrutiny of the entries therein in respect of the transactions of the months selected for detailed audit, that these departmental rules and instructions are well devised and are applied properly and effectively.

Note: The term “Stores” as used in this chapter applies to all articles and materials purchased or otherwise acquired for the use of Government including not only expendable and issuable articles in use or accumulated for specific purposes, but also articles of dead stock of the nature of plant, machinery, instruments, furniture, equipment, fixtures, etc.

1. As regards purchase of stores, it should be seen that:-

- (i) Purchases should have been properly sanctioned and made in the most economical manner in accordance with the rules, regulations and orders issued by the Government. Audit must see that the purchases have been made taking into account the workload of the division and that the requirements have been assessed on a realistic basis and funds are available for the procurement. It is also to be seen that the stores procured are of approved quality and specifications. Stores of the required specifications covered under rate contracts entered into by the Directorate General of Supplies and Disposals or any other approved rate contract should have been purchased only under such rate contracts. The system of open competitive tender should be adopted for purchases from contractors or suppliers, the purchase being made only from the lowest tenderer unless there are recorded reasons for not doing so.
- (ii) The rates paid should correspond to those agreed to in the relevant contracts or agreements.
- (iii) The government servants responsible for approving and receiving purchases should furnish certificates of quality and quantity before payments are made, except where the contrary is permitted by the rules of Government regulating purchase of stores.

- (iv) Purchase orders should not have been split up so as to avoid the necessity for obtaining the requisite sanction of higher authorities.
- (v) The stipulated terms and conditions should conform to various codal provisions and orders issued from time to time by the Government.
- (vi) Necessary precautions should have been taken to safeguard government interests in cases involving advance payments for supply of stores in terms of the contract provisions or Government orders. The stores should also have been received within the stipulated period and the advance payments adjusted.

[Comptroller & Auditor General's MSO (Audit) Para 2.4.4]

2. The other points to be seen are: -

- (a) that they are kept in the prescribed form;
- (b) that the quantity accounts of receipts issues and balances as well as the value accounts (where they are maintained) tally, in all respects, with the expenditure and other transaction connected with the stores;
- (c) that every article purchased or otherwise obtained for store is entered in the store account. (this should be checked at the time of audit of contingent vouchers or the contingent register);
- (d) that the entries of receipt of all stores purchased or otherwise obtained and issues are made in the accounts as transactions actually occur;
- (e) that some official is held responsible for checking that this is done properly and for seeing that balances are worked out properly;
- (f) that issues are supported by requisitions and indents approved by the proper authority for issue;
- (g) that proper acknowledgements of the recipients exist;
- (h) that an accurate and detailed account of consumption of consumable stores is maintained by the indentors to whom these stores are issued;
- (i) that where a sale has been prescribed by Government or other authority for issue of stores of any particular kind, the same has not been exceeded;

- (j) that the accounts of balances which were audited in the previous local audit have been produced complete in all respects, that the entries in them have not been tampered with, that the closing balances as per previous accounts have been carried forward to the accounts under scrutiny and that at the closing there exist a certificate of check of balance;
- (k) that all transactions and balances in the stock registers or ledgers have been attested by a responsible officer;
- (l) that stores are counted, weighed or otherwise examined at prescribed periodical intervals by some responsible official other than the custodian of the stores or the person responsible for keeping the account thereof or a subordinate of either and verified with the balances in the stock account;
- (m) that a certificate of such verification indicating the results thereof is recorded by a responsible authority;
- (n) that the system of verification adopted is adequate and proper;
- (o) that adequate action has been taken to investigate and regularized under the orders of competent authority any differences between book and physical balances thrown up by such verification;
- (p) that a reserve limit of stock has been fixed by Government or other competent authority as a safe guard against unnecessary accumulation of stores and that the balance in hand does not exceed the maximum limit so prescribed and is not in excess of requirements for a reasonable period.

N.B. In respect of stores, stocked in excess of requirements, leading to locking up of Government money a list of such stores indicating the date of purchase and value should be obtained duly attested by the officer-in-charge.

- (q) that adequate action has been taken to survey, segregate and arrange for disposal of surplus, obsolete and un-serviceable stores.
- (r) that where a priced account is maintained:-
 - (i) The stores are priced with reasonable accuracy and the rates initially fixed are reviewed from time to time and revise where necessary, so as to take them to the level of market rates.

- (ii) The value of accounts tally with the accounts of works and departments connected with stores transactions, that the total of the value account agrees with the outstanding amount in the general accounts and that the numerical balance of stock materials is reconcilable with the total of value balances in the accounts at the rates applicable to the various classes of stores.
- (iii) Steps have been taken for the adjustment of profit and loss due to revaluation, stock taking or other causes and these are not indicative of any serious disregard of rules.
- (iv) The value accounts as a whole are correct and the allocation of debits to the various heads of accounts for the cost of the stores issued is correct.

NOTE:- Depreciation should be shown as an item in the Stores Accounts only when there is a definite policy of writing down stores values by such means. Where there is no such policy, only actual writes off of stores or surplus, unserviceable or lost stores or losses on revaluation should be shown. Regarding Audit of write-off/disposal of stores instructions in Para 2.4.6 of MSO (Audit) given below:-

Audit of write-off/disposal of stores

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

- (i) The competent authority should have accorded sanctions for write-off of stores. Any deficiencies in the systems requiring attention should be brought to Government's notice;
- (ii) Maintenance and accounted of unserviceable stores that cannot be utilised by the department responsible for their custody involve waste of labour and space. Retention of stores in excess of probable requirements in the immediate future may also result in loss through deterioration. It should, therefore, be seen that measures are taken to survey and segregate surplus, unserviceable and obsolete stores and to consider their disposal in accordance with the procedures prescribed by Government in this regard.
- (iii) Stores are generally procured by departments/divisions for their own use and not for sale. However, when it becomes necessary to sell some surplus stores, this is generally done on receipt of payments in advance against proforma invoices, though sales on credit may be unavoidable occasionally. In such cases, the sale proceeds should have been promptly realised. Instances of proceeds against credit sales remaining unrealised for considerable periods should, therefore, be analysed and commented upon.

3 Scrutiny of purchases made by the Stores Purchase Committees of various Departments during local audit:-

- (a) As per M.P.G.A.D Memo No. 296/23/OLM dated 05/11/1966, a stores purchase committee should be set up for each head of the department and even for local heads of offices whereby large purchases are made upto an aggregate amount in value per annum as prescribed by Government from time to time. During local audit of any unit the local audit party should examine the purchases made by the store purchase committee (where formed) or otherwise according to store Purchase Rules and the departmental orders on the subject and bring out audit comments on such purchases chronologically in one para itself.
- (b) Normally the party should examine the purchases made by the Committee during the period covered by audit though there is no bar to examine earlier purchases if these were not subject to scrutiny during previous audit.
- (c) The Inspecting Officer/Assistant Audit Officer writing the report should also bring out in Para I A of the Draft Inspection Report whether a store purchase committee was formed in the Department/Office and the total purchases made by the Committee. In case no committee was formed even though required under the above order, reasons for the same should be ascertained and specified.

[O.O. No. OAD/(M)/00/13/1972-73/3668 dated 15-02-1973]

4.13 Audit of Contingent Expenditure

The contingent expenditure of the Central Government is governed by the rules in Section III of Receipts and Payment Rules and Chapter 7 of GFR and that of the Government of Madhya Pradesh by Section V of Chapter V of MPTC Vol.I and Chapter 6 of MPFC Vol. I. While ensuring that the expenditure incurred conforms to these provisions it should particularly be seen that:-

- (i) sub-vouchers and payees receipts are available in all cases in which they are not required to be sent to the Controlling Officer and the audit office and they have been so cancelled or defaced as to prevent their use again for fraudulent purposes;
- (ii) that the totals are in words as well as in figures and that any alternations in figures have been attested by the Drawing Officer;
- (iii) that the details given in the sub-vouchers agree with the entries in the contingent register, stock register and other registers or record maintained;
- (iv) that the charges paid are of obvious necessity and the rates are not excessive.

N.B. The certified/revised certificate of reasonableness of rent issued by the Collector of the District in the case of private accommodation hired for departmental use should invariably:-

- (a) mention the amount of monthly rent certified to be reasonable;
- (b) bear issue number and date of issue of the Collectorate; and
- (c) the special reasons for revision of rent in case of revised certificate.

[Government of M P F No.2337-C-R-770-IV-R-V dated 20-08-1960]

- (v) that the acquittances of menials for whom the pay has been drawn on contingent bills have been duly taken and is on record;
- (vi) that where expenditure on rents, Municipal Taxes or charges for the consumption of electricity and water relating to buildings used wholly or in part for residential purposes has been incurred initially from Government funds, the share of such expenses payable by the person who reside in the building has been correctly assessed and released from them and
- (vii) that in respect of amounts drawn on Abstract Contingent Bills, DC bills have been sent to the Controlling Officers will in the time prescribed in the "Treasury Rules and that the certificates recorded by the Drawing Officers on abstract bills regarding submission of DC Bills to Controlling Officer and to the audit office are factually correct.

Note:- According to paragraph 3.4.17 of the MSO (Audit) contingent charges on account of wages of Mazdoors engaged on manual labour and paid at daily or monthly rates should be passed in Central Audit on the authority of a certificate signed by the disbursing officer to the effect that the mazdoors were actually entertained and paid. Contingent charges on account of pay and allowances of all other staff paid from contingencies should be admitted in, Central Audit on the authority of the certificates regarding entertainment, disbursement, etc. prescribed in the Treasury Rules (SR 288 of the MP Treasury Code Vol. 1). It will be the duty of the Local Audit parties and the Inspecting Officers to vouchsafe the correctness or otherwise of the certificates with reference to the rates approved by the Collector of the District.

(Office order No. OAD/00/35/61-62/9565 TO 9715-dated 12-12-61)

4.14 Audit of the Contingent Registers

The entries in the Contingent Registers should be checked with the sub vouchers where available and the propriety of the expenditure scrutinized with references to relevant rules. It should further be seen that:-

- (i) it is an accurate record of the contingent expenditure, incurred in cash as well as by book adjustment.
- (ii) each entry is initialed by the drawing officer.
- (iii) charges are recorded properly under the detailed heads of contingent expenditure, progressive totals struck and excess if any, over the monthly proportions of the appropriations explained to the controlling officer.
- (iv) total of the entire sub-vouchers agrees with the totals of the contingent bills drawn.
- (v) appropriation have been noted at the top of respective columns.

4.15 Audit of Establishment Pay Bills and Nominal Check

- (a) The nominal audit will be conducted during local inspection to the extent shown below: -

- (i) The nominal audit will be conducted in respect of pay bills of establishment for the month/months selected for test audit.
- (ii) Nominal check will be exercised with reference to the initial and primary records containing the authority for the events necessitating the regulation of pay and allowances of Government servant, such as increment certificate, sanctioning the increment declaring him fit to cross the efficiency bar, orders of promotion/reversion and consequential fixation of pay, sanctions to leave and leave salary, orders of suspension and subsistence allowances granted, general orders of Government governing the pay scales, different type of allowances admissible and specific orders of Government in regard to grant of special pay or compensatory allowance.

Apart from comparing the pay and allowances drawn by each Government servant in the pay bills of selected test audit month/months with the corresponding entries in the pay columns of the service books and checking the acquittance rolls to ensure that the pay and allowances drawn have been disbursed and acquittance obtained properly and accurately, the admissibility of pay and allowances drawn for each individual Government servant in these bills should be checked completely in the manner indicated above.

- (iii) The above checks should be integrated with the checks of service books and where service books are not made available they should be checked independently with reference to the initial and primary records mentioned above.
- (iv) In addition to audit of pay and allowances drawn in the pay bills of establishment for the selected months, 20% of (i) cases of increments and (ii) cases of fixation of pay on promotion or reversion during the period covered by audit should also be checked.
- (v) Besides, the overtime allowance claims, children's education allowance claims, reimbursement of tuition fees claims and T.A. bills should be checked with reference to the local records kept in the departmental accounts offices to satisfy about the correctness of the certificates on the

basis of which the claims have been drawn and to see that the rules and regulations in regulating such claims have been followed.

(CAG's letter No.102-O&M/145-79/II dated 20-03-1980 enclosed with O.O. No. TMI/Gr.3/5 dated 18-06-1980)

In continuation of the above the following points also may be considered: -

- (1) The pay is being drawn only against the sanctioned post. It can not exceed from the sanctioned post of Gazzetted and non Gazzetted employees.
- (2) In case of officials to whom salary are being drawn, GPF account number and GPF Pass-Books have been maintained. And the official whom GPF A/C No. are not allotted, the action is being taken for allotment of GPF accounts No.

[OAD (M) OO No. 14 dated 23-12-1999]

(b) In addition to the above checks, the paid vouchers received from the headquarters should be carefully compared to verify that:

- (i) the amount paid by the treasury on the vouchers agrees with the total amount of the office copy and the amount entered in the cash book;
- (ii) there are no variations in the number of the officials included in the bill, their names, amount payable to each and the totals in the office copy and the copy of the same bills sent to the Audit Office;
- (iii) the absentee statement attached to the audited copy tallies with that enclosed with the office copy of the bills;
- (iv) the details in the absentee statement are correctly shown with reference to service books, leave accounts and other records;
- (v) that the money drawn on the bills is fully accounted for by the acquittances of the payee and undisbursed amount of the bill, if any, has either been refunded/adjusted by short drawl or stands included in the cash balance;
- (vi) Postal carbon receipts and money order acknowledgements exists in respect of amount shown as remitted by money orders;
- (vii) thumb impression of illiterate payees have been attested by a responsible officer;

- (viii) Where arrears of pay, fixed allowances or leave salary bills are drawn, the bill from which amount was withheld or in which it was refunded by deduction or increase in pay is quoted and that a note of the arrear bill has been made in the office copy of the bills for the period to which the claim pertains over the dated initials of the drawer of the arrear bill in order to avoid the risk of arrears being claimed over again; and that
- (ix) On acquittance rolls or the receipted office copies of the bills, the certificate of disbursement to the actual payee is duly recorded by the disbursing officer under his dated signatures showing clearly the item No. and the amount paid on different dates.

N.B. The pay and allowances of gazetted officers of categories mentioned below are drawn by the Head of Offices on the establishment pay bill form. The procedure for test check of the claims of such officers will be same as in respect of claims of non-gazetted staff.

- (i) Lecturers in Education Department.
- (ii) Assistant Surgeons in Medical and Public Health Department.
- (iii) Tehsildars/Naib Tehsildars.
- (iv) Superintendent of Land Records.
- (v) Nursing superintendent /Matrons.
- (vi) Veterinary Assistant Surgeons.

4.16 Audit of T.A. Bills.

It should be seen that:—

- (i) the subsidiary details of the claims paid i.e., details of journeys in a T.A. Bills, tally in both the copies of the bills and correctly shown with reference to the tour diaries or programmes and other records.
- (ii) As the responsibility of Audit in regard to the checks exercised by controlling officers in T.A. Bills is to be discharged by occasional test check, audit should check a few specimen cases at the time of local inspection/audit of Government offices, to ensure that the duties assigned to any case that may come to notice in which the controlling officer did not discharge the responsibilities assigned to him.

(iii) See also para 4.15 (a) (i), (iv), (v) and (b) also.

N.B. In regard to the travelling allowance bills of the Non-gazetted Government Servants, the check that the claim was not preferred and drawn at any time before, is to be exercised during local audit. For this purpose all the T.A. Bills containing belated claims in the months selected for detailed audit should be subjected to check with reference to the check registers maintained in the office of the drawing/controlling officer as required under Rule 273 of M.P.T.C. VOL.-I.

[OO No. OAD/OO/48/62-63 dated 18-07-1962]

Audit procedure as mentioned in para 3.2.15 to 3.2.18 of MSO (Audit) may be followed in local audit giving special emphasis on the following points:-

- (a) whether the system prescribed for the discharge of responsibilities enjoined on the drawing and controlling officers is working satisfactory and adequately;
- (b) whether all necessary records prescribed are being maintained properly.

(CAG's letter No. 512-O&M/26-79 dated OO No. OAD(M)/Gr.II/206/79-8 dated 22-09-1979)

4.17 Audit of Works Expenditure

(a) **General-** Rule 153 of M.P. Financial Code Vol. I enjoins that all original works and special repairs costing more than Rs. 2,500 relating to Building and other works should be executed through the agency of the Public Works Department. In exceptional cases, however, when the Public Works Department is not employed for the execution of such works or repairs it should be seen in audit that sanction of the Government is obtained in such case. The form and procedure relating to expenditure on such works should also be prescribed by departmental regulations framed consultation with the Accountant General, generally on the principles underlying the financial and accounting rules prescribed for similar works carried out by the Public Works Department.

(b) **Measurement Books-** It should be seen that: -

- (i) the books are maintained in accordance with the instructions prescribed on the fly-leaf of the book;

- (ii) the arrangements in force for taking measurements, for checking measurements by some officer superior to the official who had originally taken measurements and the results of check measurements are not such to indicate laxity of control;
 - (iii) the pages containing detailed measurements are scored by a diagonal line in ink after payment of the relevant works bills and the relevant abstract of measurements bear a reference to the number and date of vouchers payments;
 - (iv) the date of measurements of any outstation works are traceable in the T.A. Bill and tour diaries of the officials concerned. (A few cases at random to be test checked to see this point);
 - (v) all previous payments made on a particular work are deducted from the final bill;
 - (vi) a few records of measurements selected at random are correct arithmetically;
 - (vii) in the case of cancelled measurements, cancellation is supported by the dated initials of the officer ordering the cancellation and also full reason for the same;
 - (viii) a proper register is kept for watching the issue and return of Measurement Book;
 - (ix) measurements have been recorded in chronological order;
 - (x) blank pages or portions or pages left blank have invariably been crossed out and cancelled over the signature of the holder of the book to avoid the possibility of fraudulent entries at some later date.
- (c) The standard measurements, if any, on the basis of which either estimates are prepared or payments are made should be examined to see that: -
- (i) they are certified as fully checked by some responsible officer,
 - (ii) they are brought up to date from time to time and that additions and alterations in the books are approved by a responsible officer,
 - (iii) when a payment is based on standard measurements, there should be a certificate by some responsible officer to the effect that the whole of the work (or the portion of the work charged for in the bill under examination) has been executed as per standard measurements and that it has not previously been billed for in any shape.
- (d) See that: -
- (i) estimates are prepared and sanctioned by the competent authority as prescribed in rules;

- (ii) the rates in the sanctioned estimate do not exceed those allowed in the neighbouring P.W. Division;
- (iii) the rates paid are in accordance with contracts and in cases where they are not covered by contracts do not exceed the market or schedule rates;

N.B. Expansion of contract by extra items or by extra quality, involving wide and disproportionate variation with the original estimated value of the contract and also involving an amount sufficiently warranted for fresh tender independently should be specifically commented upon.

- (iv) when “through rates” for finished works are allowed to contractors, the value of any materials, carriage etc., and incidental charges are not charged to Government but recovered from contractors;
- (v) no financial aid is given to the contractor beyond that agreed upon in the contract;
- (vi) in cases where contractors are allowed labour rates only or work is carried out by daily labour, arrangements exist for exercising detailed control over transactions relating to materials and for verifying unused materials;
- (vii) there is no undue delay in closing of accounts of works;
- (viii) excesses over sanctioned estimates are investigated and sanctioned by the competent authority;
- (ix) no amount provided in the estimate as contingencies is paid to the contractor as a matter of course.

(e) Loss caused by careless or dishonest accounting in works expenditure- Losses are often caused by careless or dishonest accounting in expenditure relating to works. Although audit has a little approach to the actual state of affairs and its hold on a well planned fraud is limited, such cases may come to light by an examination of the records with a view to see that there are no cases of the nature indicated below: -

- (i) omission to claim money due from a contractor or to afford credit in the accounts when it is actually realized;
- (ii) exorbitant rates in estimates for works;
- (iii) allowances of full rates to contractors when the contract rate is both for labour and material but the material is supplied by the department and is charged to the estimate;

- (iv) when the rate for a certain kind of work e.g., brick work is fixed on the assumption that the required materials will be available at a certain rate allowance of full rate to the contractor when the department supplies the materials at a lower rate;
- (v) when the issue rate of stock is below the market rate, issue of more materials to the contractor than are actually required for the works;
- (vi) incorrect measurements for a work, or measurements paid for twice over; and
- (vii) charge to work of the cost of departmental labour supplied to a contractor, instead of recovery from him.

The above list is just explanatory and not exhaustive. A careful and thorough check may reveal many other types of cases and is quite essential.

- (f) **Audit of Muster Rolls** - It should be seen that-
 - (i) the attendance is taken daily and recorded attendance is checked by some responsible officer;
 - (ii) the muster roll is an original record and has not been copied from some other register or record;
 - (iii) the disbursements are not entrusted as a rule to officials of low standing;
 - (iv) the officer making the payment is not the same as that controlling the labour;
 - (v) a record is kept of the progress of the work done by labour and that the cost is not so largely in excess of the value at current rates as to indicate either loss to Government or need for closer financial control;
 - (vi) all thumb impressions of illiterate payees are duly attested;
 - (vii) the certificate of disbursement has been duly signed and dated by a responsible officer.

4.18 (A) Tenders and Contracts

The general principles for entering into contracts are laid down in Rules 12 to 15 of the General Financial Rules and Rules 20 to 21 of the MP Financial Code Vol-I, II. In the audit of contracts the Inspecting staff should particularly see that:-

Unless otherwise permitted by Government or by the competent authority, tenders have been invited in the case of all purchases of articles and stores. They should examine the original tenders and compare them with the comparative statements and the agreements finally tenders and compare them with the compressive statement and the agreements finally accepted. Cases of alterations of figures, over writings and other unauthorized correction of tendered rates or other errors should be mentioned in the Inspection Reports on the accounts of the office inspected. The inspecting staff will also see that the rules laid down by Government or set out in the Manuals in regard to invitation and acceptance of tenders and for entering in agreements with contractors have been observed. Cases of irregularities may be brought to notice in the Inspection Reports.

The files for the contract agreements should be scrutinized to see:-

- (1) that the departments made an intelligent assessment of their requirement regarding the purchase to be effected and also decided the specification of each article, which were made public in the tender notice itself and that the terms in the tender notice are quite clear regarding the last date of inviting tenders the period for which supplies are required for earnest money, and security deposits, the time for supply of articles by the suppliers/stipulated date of completion of work etc;
- (2) that the tenders are in the most open and public manner and that satisfactory reasons are recorded for accepting a tender other than the lowest;
- (3) that contracts are executed either on standard forms or on special forms prepared in consultation with the law officers of the Government and the terms are precise and definite and there is no room for ambiguity or misconstruction therein;
- (4) that contracts are sanctioned by competent authority and that the terms once entered into are not varied without special and proper sanction;

- (5) the cases where a formal written contract is not made, it should be seen that the orders for supplies or for execution of works are not given without at least a written understanding as to the price or rate at which payment is to be made;
- (6) that no contract involving uncertain or indefinite liability or any condition of an character is entered into without the previous consent of competent financial authority;
- (7) that in selecting the tender to be accepted the financial status of the individuals and firms tendering has been taken into consideration in addition to all other relevant factors;

N.B. Acceptance of tender without verifying financial and technical capacity of contractor is likely to involve risk of decision of contract due to inability of the contractor to perform it and might involve extra expenditure in giving work on higher rate consequently.

- (8) that provision has been made in the contracts for safe guarding Government property entrusted into a contractor;
- (9) that when a contract is likely to endure for a period of more than five years, it, wherever feasible includes a provision for an unconditional power of revocation or cancellation by Government at any time after the expiry of six months notice to that effect.

Audit has power to examine contracts and to bring to notice of the proper authority any case where competitive tenders have not been sought, or where high tenders have been accepted or where other irregularities in procedure have come to light.

Cases in which there is evidence that an officer or agent of contracting department has an undue common interest with the other contracting party should be brought to the notice of complement higher authority for such action as it may deem necessary. Standing contracts should be reviewed occasionally and if audit has reason to believe that the rates accepted in those contracts are considerably

higher than the rates prevailing at the time of review, such variation should be brought to the notice of the competent authority.

In cases of contracts entered into by Civil Department dealing in large scale purchases the following instructions have been laid down for the guidance of Local Audit Parties:-

- (i) Audit and review of contracts and purchase orders should be checked according to usual quantum, mentioned in secret communications. All important and usual contracts should invariably be reviewed.
- (ii) Rates and running contracts should be audited and reviewed in full.
- (iii) The inspecting officer should review all regular contracts executed by store purchase organization or the Central Purchasing Agency and test check other agreements made since last inspection.
- (iv) Generally the following offices are making purchase of stores etc., on a large Scale:-
 - (1) Medical Department-Medical Stores at Indore & Gwalior.
 - (2) Police Department- I.G. of Police, Bhopal.
 - (3) Agriculture Department-Administrative Officer I/C S.T.O, Bhopal.
 - (4) Education Department-D.P.I, Bhopal.
 - (5) General Administration Department- Director of Information and Publicity, Bhopal.

However, the above list is not exhaustive and the inspecting officer and staff should be vigilant to apply the above mentioned checks wherever large scale purchase of stores are being made.

- (v) The contract should not have been entered into by or on behalf of a minor.
- (vi) All the conditions and requirements printed on the contract form should have been complied with.
- (vii) Penalties leviable under the terms of the contract should have been enforced in the event of any default or breach of the conditions.

[O.O No. OAD-2/59-60, dated 20th May 1959 File No. OAD/A-II/58-59 CAG's M.S.O(Audit) para 3.7.2 & 3.7.13]

(B) Tenders and Comparative Statement:-

The tenders received including the rejected ones should be checked to see:-

- (i) that the widest possible publicity was given for calling them and due period of notice allowed consistent with the magnitude of the contract; Short notice of tender prevents adequate number of competitors;
- (ii) the tenders have been received on prescribed form in sealed covers;
- (iii) that all tenders bear the dated initials of the official opening them;
- (iv) that the rates quoted by the tenderers have not been overwritten or changed without attestation by the tenderer and have correctly transcribed in the comparative statement;
- (v) that the lowest tender has been determined by working out the cost of all items of works of supplies on the basis of estimated quantity of work to be done or supplies to be obtained and not merely by visual comparison of the tendered rate without reference to the cost of work or supplies involved;
- (vi) that the comparative statements have been duly checked and approved by the Head of the Office and contain his orders about the tender accepted;
- (vii) that a complete and regular stock account of receipt and consumption of blank tender forms have been kept;
- (viii) that the sale proceeds of tender forms have been correctly accounted for in the books and promptly credited to Government;
- (ix) It should be carefully seen from a comparative study of dates of advertisement, opening of the tenders, preparing the comparative statements and placing the orders etc. that tenders were actually invited and that the tender lowest or otherwise was properly accepted before the order was placed and that the inviting of tenders was not a mere show and whether suitable reasons have been recorded by the competent authority for rejecting lowest tender;
- (x) If the accepted tenders provides for payment to a party other than the contracting firm, a power of attorney should already have been registered in the book of office;

- (xi) Accepted tenders issued in the latter part of a financial year should be specially scrutinized and any tendency on the part of the department to resort the rush of expenditure brought to notice;
- (xii) Security Deposit if any, should have been furnished in the appropriate form and of the correct amount and within the period stipulated in the contract.

[C.A.G's MSO (Audit) para 3.7.13]

4.19 Check of Provident Fund Accounts of Class IV employees.

- (a) The G.P.F. account of all class IV officials are maintained departmentally by their departmental officers. The accounts so kept by the departmental officers should be audited locally by the local audit parties along with local audit of the establishment. The quantum and extent of check will be cent per cent.
- (b) During local audit of these accounts it should be seen:-
 - (i) Whether subscriptions have been properly recovered and credited to the ledger account;
 - (ii) Whether interest has been calculated properly;
 - (iii) It should also be specifically seen-
 - (1) Whether monthly debits and credits have been intimated to Head of Department.
 - (2) Whether heads of departments are sending quarterly and annually, returns (Form XXI) for credits and debits as per broad sheet to Accounts Officer for getting the figures confirmed by the Accounts Officer.
 - (3) Whether interest for the year has been calculated correctly and entered in ledger and broad sheet and statement of interest forwarded to the Head of the Department who will send a consolidated statement to Accounts Officer for adjustment.
 - (4) Whether Account Slip (form VII) was issued to individual subscribers at the end of the year for acceptance of balance.

- (iv) Whether advances and withdrawals have been properly sanctioned and accounted for;
 - (v) Nominations, Insurance policies and final payment cases should be scrutinized specially;
 - (vi) The procedure laid down by the Government under F.D Memo No. F/No.8-91-74 R-II/IV/74 dated 15-02-1974 (a copy of which should be available with the offices inspected) should be studied;
 - (vii) The irregularities noticed should be mentioned in the test audit note, a copy of which should be handed over to the office on spot.
 - (viii) Selection of representative sample for test check, keeping in view the efficiency of the internal control mechanism in the department concerned.
 - (ix) Examination of the efficacy of system followed by the departmental officers for the periodical reconciliation of the debits and credits with the accounts maintained by the A&E Office.
 - (x) Examination of the adequacy of the action taken to locate missing debits.
- (c) A certificate to the effect that the accounts were checked to the prescribed extent should be furnished by each party along with the particulars in the following form:-

Over the countersignature of the AAO

- (i) No. of D.P.F accounts maintained.....
- (ii) No. of accounts not maintained.....
- (iii) No. of accounts produced.....

- (iv) No. of accounts checked.....

(Signature of the Auditor)

[O.O No. OAD(M)/A.G.I/O.O./6/1974-75 dated 4-10-1974 and C&AG's MSO(Audit) Para 3.12.7]

4.20 Check of Minimum rate of G.P. Fund subscription in the cases of G.P.F examinations

While conducting audit of the establishment of any office the local audit party should also check the cases of G.P. Fund examinations, if any, to the extent

prescribed (of 20%) of the cases covered under the certificates recorded on the pay bills (**Appendix-I**). The local audit parties should call for appendix-I attached to the pay bills for March paid in April from the departmental office on the spot and select to the extent prescribed (20%) cases detailed therein for checking.

The result of inspection should be communicated to O.A.D Headquarters alongwith the Inspection Report, but in a separate cover. The cover will be passed on to Fund I section of office of AG(A&E) by the O.A.D Hqrs. The following certificate should be given in the forwarding memorandum of the Inspection Report.

“Certified that the General Provident Fund Exemption cases, have been checked by the Local Audit Party to the prescribed extent and report is sent herewith in a separate cover which may be passed on to Fund-I Section of Office of the Accountant General (A&E).”

[Fund-I Sections Confidential letter No. Fund-I/199 dated 2-5-1969]

4.21 Audit of Log Books and Car diaries.

- (a) When any local office is found to be maintaining a staff car or a vehicle it should be seen that: -
 - (i) a separate log book in the prescribed form has been maintained for each vehicle;
 - (ii) full details of all journeys undertaken are recorded, covering the mileage done, places visited enroute and the relevant kilometer reading;
 - (iii) purpose of journeys is always recorded in detail under the signatures of the officials using the vehicle and vague description such as “Official duty” Government work etc. are avoided;
 - (iv) the vehicle is used only for bona fide public purposes and not for any private purposes without orders of competent authority;
 - (v) in the case of authorized private journeys the charges recoverable at the prescribed rates have been recovered and credited to Government Revenue;

- (vi) all issues or purchases of petrol, Mobil oil and other lubricants and consumable stores such as acids, distilled water etc. are duly recorded in the log book;
- (vii) log books are closed and average No. of miles (kilometers) run per litre of petrol or diesel oil and worked out at prescribed intervals and that the yields is not unduly low and where it is so the cause leading thereto is investigated;
- (viii) that full details of major repairs to the vehicle, replacement of parts and spares are recorded in the log book;
- (ix) that the repairs and replacements have been done by government workshops authorised dealers or garages in accordance with the orders of Government in this behalf;
- (x) a list of equipments, tools with the driver is kept in the log book or other record;
- (xi) details regarding the identity of the engine, tyres and battery etc., fitted on the vehicle are on record;
- (xii) the replacement of parts, for which life has been prescribed i.e., engine, tyres etc, have been made only after completion of the required mileages;
- (xiii) where frequent repairs to vehicles engines or replacement of some parts have been carried out they are not indicative of any foul play (some cases at random may be selected and explanation for frequent repairs may be called for);
- (xiv) the vehicle is periodically tested and inspected by the prescribed authorities;
- (xv) a stock account of the condemned and replaced parts and accessories is maintained and their disposal done to the best advantage of the Government.

N.B.:- Log books are required to be preserved for a period of five years reckoned from the date of the last entry in them or one year after their examination in Local Audit whichever is earlier provided, however that no log books due for destruction after the stipulated period, should be destroyed until the settlement of all audit objections relating to any entry therein,

(Government of M.P. Home Department letter No. 4097/VI-A (4) dated September 1959)

(c) It was brought to the notice of the Accountant General that while claiming their traveling allowance the Ministers/Deputy Minister often include in their T.A. Bills the propulsion charges of the departmental cars used by them for the journeys. With a view to coordinating central and local audits the Accountant General has ordered that while checking the log books of the departmental cars the inspection staff should keep a watch over his irregularity and should furnish a list of journeys performed by Ministers/Deputy Ministers in departmental cars with sufficient details of such Journeys including *interalia*, the agency (Departmental officer or Minister/Deputy Minister) who paid the propulsion charges. If there are no such instances to quote a 'NIL' statement may invariably be furnished.

4.22 Audit of Schemes

Besides the scrutiny of individual transactions with a view to detect cases of improper extravagant, wasteful or uneconomical expenditure, an important function of audit is to examine how far the agency or authority whose transactions are under audit is adequately discharging its financial responsibilities in regard to the various schemes undertaken by it and to what extent the implementation of those schemes proved fruitful keeping in view/this their social efficacy.

It is, therefore, necessary that every scheme falls under audit scrutiny and with a view to see whether the scheme is being executed efficient, its operation conducted economically and achievement of the pre-decided physical targets is within the prescribed period.

During local audit, the records of the schemes implemented by the office should be called for and its various aspects carefully scrutinized. After collecting the notes and copies of documents required for the purpose the local audit party should bring out a review in Part-II (A) of Inspection Report indicating the aim, objects and nature of the scheme, year-wise and progressive expenditure incurred, the physical and

financial target fixed while initiating it and extent to which the scheme has been achieved keeping in view of the social efficacy of the programme, level of staff and facility provided.

The following specific points should receive very close attention:-

- (1) Main objectives of the programme/plan.
- (2) Identification of beneficiaries or of areas to be benefited.
- (3) The then and present economic conditions of beneficiaries/areas to be benefited.
- (4) Total estimated cost of the programme.
- (5) Actual performance of the programme.
- (6) Any special development including departmental justification if any.

[O.O SFI-G/Sull/1403-7 dated 16-8-72]

[O.O OAD(M)/18/1508-7 dated 15-09-72]

4.23 deleted

4.24 Account records not specifically mentioned in this Manual.

All other accounts records not specifically mentioned in the preceding paragraphs of the chapter dealing with the audit of the accounts of the particular office or institution should be examined to see:-

- (i) that they are maintained in accordance with the prescribed rules and are upto date;
- (ii) that they are periodically reviewed by a responsible officer.

4.25 Audit of loans.

The following points may be seen in the audit of loans:-

- (i) Whether all the formalities which were required to be observed before the grant of loan e.g. checking of the solvency of the loanee, execution of a mortgage bond to secure the loan, furnishing of sureties etc; have actually been complied with

the departmental officers and whether important documents have been kept in safe custody.

- (ii) The nature of records maintained by the departmental officers for the grant and watching the recovery of loans for the various purposes and whether they are adequate to serve the purpose for which these are intended.
- (iii) The pace of recovery and the amount, which might have become irrecoverable, should be examined to see whether departmental officers have made serious efforts to recover the dues from the debtors and in the case of default from the sureties.
- (iv) Whether departmental officers are following the Rules and orders issued by the Government for release and recovery of the Principal as also levy and recovery of interest/Penal interest.
- (v) Whether the loan has been utilized for the purpose it was sanctioned and utilization certificate has been obtained from the loanee.
- (vi) Adequate security has been obtained particularly from Private Loanees to safeguard Government interest and Government have made adequate arrangements to keep themselves informed of the continued solvency of the loanee.
- (vii) That there is no tendency to grant further loans for the same purpose to a loanee when he has unutilized balances out of the previous loans.
- (viii) Penal interest has been levied on overdue installments.
- (ix) Acknowledgements have been obtained periodically from the debtors in respect of outstanding balances.

[O.O. No. O.A.D I/O.O/42/62-63, dated 1-06-62 and para 3.17.7 & 3.13.9 of M.S.O (Audit)]

ANNEXURE-1

(Referred to in N.B 2 below para 4.11)

Copy of memorandum No. 187/MS/76, dated the 8th March 1976 from Government of Madhya Pradesh, General Administration Department Bhopal, All Heads of Department, All Collectors M.P.

1. It has come to the notice of the Government that some officers of Government are withdrawing large amounts from treasuries and opening accounts with banks without obtaining clear orders from the State Government. In future no drawing and disbursing officer shall open any account in any bank out of amount drawn from the treasury without the specific authority of the Government, which shall issue only after consultation with the Finance Department. If any such account has been opened by the Officer without specific orders of the Government, it should immediately be closed and the amount credited into Government treasury under the relevant head of account. An intimation to this effect be sent to the Director (Budget) within 7 days of receipt of his order. If any account has been opened under orders, intimation regarding the amount deposited in banks the nature of account current of fixed the reasons thereof and the authority by which such account has been opened be sent to the Director (Budget) within 7 days of the receipt of this order.

2. **Any violation of this rule by any officer would be severely dealt with.**

Sd/-
(S.C. Verma)
Chief Secretary to Government,
Madhya Pradesh

APPENDIX I (i)

(Referred to in the note 2 below para 4.04)

No. A/C/XVI/9/74-75/5328

Dated 27-6-1974

To

**All Treasury Officers
Madhya Pradesh**

Subject:- Verification of the figures of income and expenditure by the Local Audit Parties of the Accountant General of offices, with reference to Treasury Records.

It has been brought to the notice of this Directorate that the Local Audit Parties of the Office of Accountant General, in course of their examination of records of the concerned Departments request the Treasury Offices to verify the figures of receipts and expenditure of the concerned Department with reference to the Treasury record.

In this connection, it has been decided that when the Audit parties request for verification of figures of receipts and expenditure of various Departments, they may be requested to furnish two copies of the Statements of such receipts and expenditure, one of the copies should be returned to the Audit Party after verification with reference to the treasury records and the other copy should be preserved in the treasury so that, it may be possible to ascertain us to which particular statement was verified if the necessity so arises.

**Sd/-
(T.L. Soni)
Deputy Director.**

APPENDIX I (ii)**(Referred to in the note 2 below para 4.04)****Directorate of Treasuries and Accounts Madhya Pradesh****No. A/C/XVI/66/78-69/5620****Bhopal,****Dated 20-11-1978****Subject:- Verification of drawals from Treasury list of payment (Posting Schedule)****Reference:- This Directorate memorandum No. A/C/16/47/74-75/559 dated 20-11-1978**

Your personal attention is invited to this Directorate relevant memorandum (Copy enclosed) on the above subject and it is stated that it has been again brought to the notice of this Directorate by the Accountant General, Madhya Pradesh, Gwalior that complete and correct designation of the drawing Officer and other details are still not being recorded by the clerks in the posting schedules of some of the Treasuries and thereby much difficulty in verification of drawals is faced by the auditors of Accountant General's office and Departmental reconciliation parties.

Therefore, strict directives should be issued to concerned posting clerks to check such incorrect and incomplete entries in future and they should be clearly told that disciplinary action shall be taken against them in the event of incorrect and incomplete entries noticed in the posting schedules. For the compliance of these instructions it is also necessary that Treasury Accountant and Treasury officers should test 20% and 5% entries respectively while signing daily account of the treasury.

Sd\-

APPENDIX-II

(Referred to in para 4.12(b))

RULES FOR THE SUPPLY OF ARTICLES FOR THE PUBLIC SERVICE (STORE RULES) AND INSTRUCTIONS FOR THE GUIDANCE OF OFFICERS WHO ARE REQUIRED TO MAKE PURCHASES OF STORES UNDER THE PROVISIONS THEREOF**PREAMBLE TO THE RULES**

The policy of State Government is to make their purchase of stores for the public service in such a way as to encourage the development of the industries of this State in particular and the country in general to the utmost possible extent consistent with economy and efficiency, and the following rules, which are applicable to the purchase of stores (other than Printing and Stationery Stores) are prescribed for Madhya Pradesh by the State Government in accordance with this policy. These Rules supercede all previous orders on the subject.

In order to give effect to the above policy, preference in making purchases will be given in the following order :-

Firstly – to articles which are produced by Small Scale Industries of Madhya Pradesh and registered as such with the Director of Industries provided the quality is sufficiently good;

Secondly – to articles which are produced by Medium and Large Industries of Madhya Pradesh provided the price and quality is comparable with the article produced out side the State;

Thirdly – to articles which are produced in India in the from of raw materials or are manufactured in India, from raw materials produced in India, provided that the quality is sufficiently good for the purpose;

Fourthly – to articles wholly or partially manufactured in India from imported materials provided that the quality is sufficiently good for the purpose;

Sixthly – to articles manufactured abroad which need to be specially imported.

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1“Competent authority shall give preference to articles manufactured by the Small Scale Industries of Madhya Pradesh registered as such for the concerned articles with the Director of Industries”.

1. The rules express a definite preference for articles which are produced by Small Scale Industries of Madhya Pradesh.

2. The difference in the character of the preferences which may be given should be carefully noted. In the case of first four categories mentioned in the preamble to condition is that the quality is sufficiently good for the purpose, and for the fifth category that the articles are of suitable type and requisite quality. This means that the articles coming under first four categories should be accepted in the order unless it is considered that the quality is definitely not up to the standard required even though articles manufactured else where and imported articles may be considered to be of better quality.

3. The other kind of preference referred to in the rules is the reservation or certain articles produced or manufactured by the small Scale Industries, to be purchased only through the M.P. Laghu Udyog Nigam Limited.

4. A strict comparison with prices prevailing abroad is not required, but the underlying principle is that the preference to be accorded to Indian products or to imported stocks is to be tempered by the consideration of economy.

5. Every proposal for the grant of price preference, (otherwise than in accordance with these rules), should be referred by purchase officers concerned through proper channel to State Government in Commerce and Industry Department.

Rule 1 – Save as provided in rules 9 and 10 all articles required to be purchased for the public service shall be purchased on the condition that delivery shall be made in India for payment in rupees in India.

6. It should be carefully noted by all purchasing officers that under revised rules the purchase in India of all articles (with the exception of the classes of stores specified in rule 9) required for the Public Service is obligatory.

7. Indents for stores, other than the classes or stores specified in rule 9, should not be sent to the Director General of stores, London, but the stores should be obtained by calling for tenders in India in accordance with the provisions of the revised rules.

Substituted vide Commerce and Industry dept. No. F5/7/78/B/IX dt. 29.4.78

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8. It should be clearly stated in all invitations to tender, issued by purchasing officers in India, that tenderers must provide in their tenders for delivery in India and that payment for the articles will be made in rupees in India.

9. With reference to the principles of preference and reservation mention in the preamble, tenderers should be requested to furnish information in regard to the country of manufacture and/or origin of the material used in the manufacture of the articles.

10. Purchasing Officers may exercise full discretion regarding the point or place of delivery to be specified in their invitation to tender. They may specify G.I.F. or F.O.R. Indian port, F.O.R. place of despatch in India or Free Delivery receiving station in India. Where tenders are invited for plant and equipment, in which the erection of the plant at site is to be undertaken by the successful tenderer, appropriate terms in regard to delivery at site should be included in the invitation to tender or in the general specifications.

11. When specifying the point or place of delivery, purchasing officers should

endeavour to lay down terms which will give all tenderers equal opportunities to put forward their lowest prices. For instance, in many cases tenderes, abroad may be unable to tender for delivery F.O.R. India port or free delivery receiving station in India and may only be able to tender on the basis or delivery G.I.F. Indian port with payment in rupees in India against shipping documents. Such tenders should be considered as coming with in the meaning of rule 1 and should be accepted if satisfactory in other respects.

12. Except in special cases full payment for the stores should not be made against shipping documents but only after delivery of stores has been taken by the receiving officers and they are found to be satisfactory in every respect.

Rule 2 – Tenders shall be invited in India and abroad also when considered desirable for the supply of all articles which are purchased under rule 1 to 5 unless the value of the order to be placed is small or sufficient reasons to be record exist which indicate that it is not in the public interest to call for tender no tender which

2 Substituted vide Commerce and Industry dept. No. f5/7/78/B/IX dt. 29.4.78

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falls to comply with condition as to delivery and payment prescribed in rule 1 shall be accepted.

Provided That Subject to Rule 14

“Where purchase of items reserved in annexure B for the registered small scale industries of Madhya Pradesh is to be made no tender shall be invited and the rates quoted by the M.P. Laghu Udog Nigam Limited shall be binding on the competent authority”

Note – For the purchase of articles or group of articles costing up to Rs. 250 (Rs. Two hundred and fifty) on each occasion tenders may not be invited, if in the opinion of competent authority which should be recorded in writing, it is not possible to follow the usual procedure.

13. In selecting the tender to be accepted the financial status of the individuals and firms tendering must be taken in to consideration in addition to all other relevant factors. In cases where the lowest tender is not accepted, reasons therefor should be placed on record.

14. The rule authorises the issue of invitations to tender to firms abroad “when considered desirable”. The discretion to invite such tender will vest in the Head of the Department concerned.

15. Tenders should be invited abroad as well as in India, Whenever it is considered necessary or desirable to do so in order to obtain adequate publicity and to ensure economical Purchase. These considerations will apply mainly to the categories of stores which have wither to been obtained by indent on the Director General, India Store Department, London, and when dealing with the purchase of such classes of stores it is essential that tenders should be invited abroad in order to obtain wide competition and utilize all possible sources of supply.

16. If the response to any invitation to tender indicates that, owing to inadequate publicity or some other reasons, favourable tenders have not been received, then fresh tender should be invited and measures taken to bring the invitation to tender to the notice of all possible tenders.

17. When the circumstances of a particular case indicate the desirability of obtaining tenders from firms established abroad, who have no branches of agencies in

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India, a sufficient supply of tender forms with the relevant documents, specifications and drawings should be sent as soon as possible to the Director General, India Store Department, London. The latter will give such publicity to the demand as he may consider to be most suitable for the purpose, by advertisement in the news papers or otherwise. Demands estimated to cost Rs. 20,000 or over will, as a rule, be advertised by him.

Intending tenders established abroad will be instructed by the Director General, India Store Department, London, to apply to him for the tender forms, copies of which will be supplied by him on payment in sterling of the charges (if any) to be fixed by him in each case. The tenderer will at the same time be instructed to submit their tenders direct to the purchasing officer concerned in India and not to the India Store Department London, and the order will be placed by former direct with the successful tenderer.

18. When it is desired to have the recommendations of the technical advisers of the London Store Department, e.g., the Consulting Engineers, Naval Architects, etc. on the tenders, before a decision is reached as to the placing of the order, it should be stipulated in the invitation to tender that a complete duplicate of the tender should be delivered to the Director General, India Store Department, London, on the same date as that fixed for the submission of the tender in India. The Director General, India Store Department will arrange for examination of the tenders by the appropriate technical authority and will telegraph his recommendations to the purchasing officer concerned in India. For the work connected with this examination of tenders, the Director General, India Store Department will make a fixed charge against all Commercial and other departments who are not entitled to utilize the services of the London Store Department free of cost.

19. It should be made clear on every tender form that the stores must be delivered in India, that payment will be made in India in rupees, and that any tender which does not comply with these conditions will not be considered. Tenders abroad should also be required to specify their agents in India through whom delivery will be arranged and payment received, and who, when so required, will arrange

for erection at site and for the carrying out of such tests on completion as may be specified in the contract.

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20. No account adjustments will be made between the high Commissioners Office and the purchasing department in India for the value of tender forms sent to London and issued on behalf of the purchasing authorities in India and the expenditure on advertisements, postage charges etc. in the High Commissioner's Office.

21. When considering the desirability of calling for tenders abroad it is important that purchasing officers in India should bear in mind the necessity of allowing sufficient time for the receipt and publication invitation to tender, the receipt of the tender form by tenderers, and the preparation and despatch of the tenders to India.

22. The following is an approximate estimate of the time required ;

Time required for sending the forms from India to London –

By Ordinary Mail - About 18 days

By Parcel Mail - About 27 days

By Air Mail - About 8 days

Time taken in London in advertising and issuing forms of tender ,say 10 days

Time required by tenders to prepare and despatch tenders, average, say 14 days.

Time required for forwarding the tenders to India –

By Ordinary Mail - About 18 days

By Parcel Mail - About 27 days

By Air Mail - About 8 days

If American tenders have to be awaited about three weeks will require to be added to the above figures and in cases of complicated engineering schemes it will be necessary to allow a longer time to tenderers for the preparation of their tenders.

23. Rule 2 does not preclude the use of limited or single tenders, nor does it require that tenders should be called for where it is clearly not in the public interest to do so.

The following procedure for obtaining tenders should be followed as far as practicable:—

Tenders should to obtained: –

By advertisement (open tender) –

- (2) By Direct invitation to a limited number of firms (Limited tender);
- (3) By invitation to one firm only (Single tender, or ‘private purchase).’

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24. The ‘open tender’ system i.e. invitation to tender by public advertisement should be used as general rule and must be adopted subject to the exception noted below in all cases in which the estimated value of the tenders to be received is Rs. 25000/- or over.

25. The India Trade Journal Published by the Director General of Commercial Intelligence and Stastics, Calcutta, which is a Government publication should be regarded as the standard medium for public advertisement in India.

Advertisements may, however, at the discretion of the purchasing officer be inserted in one or more of the principal newspapers in India.

26. When in the circumstances stated in paragraph 15 it is decided to invite tenders from abroad the procedure described in paragraphs 14 and 18 should be followed.

27. The “Limited tender” system should ordinarily be adopted in the case of all orders

the estimated value of which is less than Rs. 25000.

28. For the purposes of the limited tender and single tender procedure the purchasing officers will maintain a list of firms, both Indian and foreign, of known reliability who have been able to satisfy them that they possess the necessary equipment and facilities for the supply of stores which they offer. The list should be subjected periodically to examination and revision, and any application from firm for inclusion in the list should be considered on its receipt. Before the name of a firm is added to the list such enquiries as may be considered necessary should be made by the purchasing officers to ascertain the ability of the firm to execute contracts satisfactorily. From this list the names of firms to be invited to tender should be selected.

29. Such a list is already maintained by the India Store Department and the Director General of Supply and Disposals will, on receipt of a request, furnish purchasing officers with such information as he may possess regarding the capability and standing of any firm approved by him.

30. The 'Single tender' system may be adopted in the case of small orders, or when the articles required are of a proprietary character and competition is not considered necessary. A 'Small order' shall be interpreted to mean for this purpose an order the total value of which does not exceed Rs. 500. In all such cases, however, the purchasing officer should consider whether it is not feasible

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to enter into a rate or running contract for the articles in question or to utilize the rate or running contracts entered into be the Director General of Supplies and Disposals.

31. The 'Limited tender' system may, however, be adopted instead of the Open tender' system even when the estimated value of the tenders to be received is

not less than Rs. 25000 in the following g cases : -

- (a) When sufficient reasons exist which indicate that it is not in the public interest to call for tenders by advertisement. In every case the reason must be recorded by the purchasing officer and communicated to the Accountant General confidentially, if necessary.
- (b) When the indenting officer certifies that the demand is urgent and any additional expenditure involved by the elimination of open competition must be incurred. In all such cases the indenting officer must place on record the nature of the urgency and why the demand could not be anticipated.

32. When tenders are invited by public advertisement the issue of the tender forms need not be restricted to firms whose names are on the list of approved contractors. Firms not on the list should on enquiry, be informed that they are at liberty to payment of the prescribed fee to tender for advertised requirements. When a tender which appears to be satisfactory has been received from an unknown firm steps should be taken before any order is placed to ascertain whether the firms is capable of executing the work in a proper manner. If the enquiries prove satisfactory, the order or a portion of it, may be placed with the firm. If the order or the portion thereof is satisfactorily executed, the name of the firm should be added to the list of approved contractors.

33. Madhya Pradesh Laghu Udyog Nigam Limited, M.P., State Agro Industries Development Corporation Limited and the Small Scale Industries registered with the Directorate of Industries are exempted from payment of a earnest money security deposit for the purpose of participating in Government purchase programme. Tenders from such industries whose competency is certified by the Director of Industries should, therefore, be accepted without security deposits. A competency certificate issued by the Director shall be in force for a period of two years unless it is withdrawn.

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Whenever in such cases supplier fails to deliver the stores the Director of Industries should be immediately apprised of it. He may take appropriate action having regard to merits of each case and remove the name of the firm from the list of industrial units qualified for the above concession for a period not exceeding two years.

33. (A) Repeat orders may be placed against a previous order recently placed but in any case not later than six months after the initial order was placed, provided –

- (i) that no Repeat Order shall be placed if the original order was placed to cover an urgent or emergent demand and while placing a Repeat order it is certified to that effect;
- (ii) that the new demand does not exceed the quantity originally ordered in the case of indents of Rs. 50000 or less in value and 50% of the quantity originally ordered in other cases;
- (iii) that the officers empowered to place such orders satisfy themselves that there has been no downward trend in the prices since to original order was placed and the placing of the Repeat Order is considered to be in the interest of Government.

Rule –3 Subject to rule 14, articles which are produced or manufactured in Madhya Pradesh should be purchased in preference to articles produced or manufactured in other parts of India. Provided that the quality is sufficiently good and the price reasonable.

Rule – 4 All articles whether manufactured in India or abroad shall be subject to inspection before acceptance, and articles, for which

specifications and/or tests have been prescribed by the Government of India or the State Government shall be, required to conform to such specifications and/or to satisfy the prescribed test or tests which may be carried out during manufacture or before or after despatch from the suppliers premises.

Rules – 5 Subject to rule 14 important plant machinery and iron and steel work shall be obtained only from firms approved by the Director General of Supplies and Disposals, India Store Department and specified in the list issued by him from time to time.

34. The intention of rule 5 is to ensure that plant, machinery and other engineering equipment e.g., bridge girders, roof trusses which form important components of a projected shall be obtained only from firms which possess workshops and appliances capable of turning out work of the desired standard.

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35. The lists referred to in this rule will be maintained and issued from time to time to all purchasing departments by the Director General of Supplies and Disposals, India Store Department. They will include the names of firms in India and abroad which have been approved for the supply of important plant, machinery and iron and steel work.

36. Applications for inclusion in the lists mentioned in this rules should be made to the Director General of Supplies and Disposals, India Store Department, direct by the firm with a full statement of the reasons which in their opinion justify such inclusions.

37. Cases may arise in which tenders may be received from firms whose names do not appear in the lists of approved firms. If the tenders are prima facie satisfactory, they should not be summarily rejected, but a reference should be

made to be Director General of Supplies and Disposal, India Store Department, who will, if he considers it necessary, make enquiries in regard to the capabilities and standing of the tendering firms and will intimate the result of the enquiries and sending of the tendering firms and will intimate the result of the enquiries to the purchasing officer concerned.

Rule – 6. In the case of important construction works let out on contract, articles required for the construction of such works may be supplied by the contracting firm provided that when specifications and/or tests have been prescribed for such articles they shall conform to such specification and/or shall satisfy such tests.

38. The object of rules 4 and 6 is to emphasize the importance of ensuring that articles purchased for the public service conform to the specifications, which may be prescribed by competent authority, and the necessity, for careful inspection of all stores before acceptance. The appropriate specifications should be annexed to or quoted in the invitations to tender and it should be stipulated in the conditions of contract that the articles supplied will be subject to inspection and/or tests prescribed in the specifications before acceptance.

39. When tenders for important construction works are invited the officer concerned should also stipulate in the invitations to tender that the articles required for the constructions of such works must comply with the specifications prescribed for such articles. The articles should be inspected and/or tested in accordance, with the provisions of the specification before acceptance.

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40. All purchasing officers should pay special attention to these points, and should take steps to ensure that adequate inspection arrangements are made in cash case.

41. When articles are obtained from abroad which require inspection and/or test

during manufacture and before shipment, arrangements should be made by the purchasing officer concerned for such inspection and/or tests to be carried out by the India Store Department, London. Any further inspection and tests considered necessary or desirable after receipt of the articles in India should be arranged for by the purchasing Department. The services of the India Store Department can be utilized in connection with such inspection and tests.

42. As soon as a contract for articles which require inspection and/or test during manufacture or before shipment from abroad has been awarded, four complete copies of the accepted tender with specifications, drawings, conditions of contract, and all other relevant documents, should be sent to the Director General, India Store Department, London, with complete instructions for inspection and the full address of the manufactures. The contractors should be in-formed that inspection during manufacture or before shipment will be carried out by Director General, India Store Department, London, and he should be asked to instruct his representatives in the country of manufacture to communicate direct with that officers.

43. With regard to the inspection of articles obtained or manufactured in India all purchasing officers can, if they so desired, utilize the service of the India Store Department for the inspection and/or test during manufacture and before desptach.

44. In the case of orders for plant and machinery, whether purchased in India or obtained from abroad, which include creation and test at site of work, arrangements for inspection and test after erection at site can also be made thourgh the India Store Department.

Rule 7 . – Indenting officers in the case of purchases in India above 3[Rs. 50000]each in values must use the agency of the director General of supplies and disposals unless they can show that they can themselves

3 The words and figures Rs. substituted with Rs. 50000 vide Commerce and Industry dept. No. 1156/3829II/8/B/IX dt. 28.8.73

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purchase the materials more cheaply, or in a case of urgency more expeditiously.

4“Provided that where purchases are made through the M.P. Laghu Udyog Nigam Limited: the above restriction shall not apply.”

45. The intention of rule 7 is that the agency of the Director General of Supplies and Disposals should be utilized when the value of a purchase made at one time exceeds Rs. 50000 irrespective of whether such a purchase is of a single article or of a number of articles of the same kind when a number of diverse articles are included in the indent, the limit of Rs. 50000 shall apply to each such articles or group of articles of one kind included in the demand.

Rule 8. – Nothing in these rules shall be deemed to prohibit the purchases of articles by one department from another.

Rule 9. – The articles enumerated in a Annexure ‘A’ or any other articles of a special or unusual character may, when suitable and economical purchases cannot be made in accordance with the preceding rules be obtained without reference to those rules subject to the following conditions: –

(a) where the value of the purchase exceeds Rs. 5000 the purchasing officer shall place on record his reasons for not effecting the purchase in accordance with the preceding rules.

(b) The purchasing officer may at his discretion either obtain the article that he requires by indent on the India Store Department, London, or purchases it direct from manufacturers or dealers abroad subject to the limits prescribed in rule 12 of these rules. Where resort is had to direct purchase from manufacturers or dealers abroad, tenders shall, whenever practicable, be first obtained.

(c) When articles are purchased abroad under this rule through the agency of India Store Department, London, payment shall be made by the Department.

In other cases payment shall be made –

(i) in countries other than Great Britain and Northern Ireland, direct to the suppliers by the purchasing officers;

4 Proviso to Rule 7 Substituted vide Commerce and Industry dept. No. F5/7/78/B/IX dt. 29.4.78

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(ii) in Great Britain and Northern Ireland, through the High Commissioner for India.

46. Rule 9 is in the nature of an exception to the principle enunciated in rule 1. Before availing himself of the discretion given by the rule it will be incumbent on every purchasing officer to take all possible steps to assure himself that the stores of the requisite qualities cannot be obtained in India at suitable prices in accordance with the provisions of rule 1. In order to ensure that the underlying principles of the rules are not violated, a copy of all orders for stores placed abroad whether on the London Store Department or directly on the suppliers, under the rule, should be forwarded to the Director General of Supplies and Disposals, India Store Department for sorting, and also for the purpose of compilation and publication of a list every two months of all such orders placed abroad.

47. If orders are placed abroad under the provisions of rule 9 on the basis of delivery free on board vessel at port of Despatch, arrangements for the shipment of stores should be entrusted to the Director General, India Store Department, London.

The indenting officer should inform the supplier of the arrangement and should send a copy of his order to the Director General, India Store Department, London for information.

48. It will be noted that under the rule “articles of a special or unusual character” may be obtained by indent on the India Store Department, London Or purchased direct from manufactures or dealers abroad. It should be a clearly understood that the expression ‘articles of a special or unusual character’ is not to be taken as covering generally the case of a special or unusual character’ is not to be taken as covering generally the case of a articles not produced or manufactured in India, such as locomotive, boilers, plant, machinery, etc. The expression ‘Articles of a special or unusual character’ is intended to give purchasing officer liberty to obtain direct from manufacturers or through the Director General, India Store Department, London, articles such as spare of replace, parts of non standard appliances and other articles which cannot conveniently be obtained by calling for tenders on a rupee basis. For example, a purchasing officer may require a replace part for a machine tool of a particular type and make, The

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manufacturer may not be represented in India, and he may be unable to tender for delivery and payment in India. Again, a special type of machine may be invented and produced by a manufacturer who is not represented in India and who will only agree to supply his machine on his won conditions of sale.

49. It should be noted that the inclusion of ‘Scientific Instruments’ in item (viii) of

Annexure 'A' under this rule is not intended to permit the purchase of drawing, surveying and other mathematical instruments, either from manufactures or dealers direct or through the Director General, India Store department, London. Indents for such instrument should be placed with the mathematical Instruments officer of the Survey of India Department.

Rule 10 – The purchasing officer shall obtain by indent on the India Store Department London all particles not produced in India and required to be purchased for the public service, stocks or which are not available in the country or could not be made available within the time such articles are required to be brought into services.

In all such cases the purchasing officer shall before forwarding the indent, place on record his reasons for not effecting the purchase in accordance with the preceding rules and also sign on the indent a certificate in the following form: –

“I certify that from enquiries made, I am satisfied that the article/articles included in this indent is/are not at present available in stock in India and cannot be made available within the time such articles are required to be brought into service.

Dated -----

Purchasing Officer

Rule 11 – Forecast of requirement which may be obtained by indent on the India Store Department, London in cases in which stores are to be obtained through the India Store Department, London; every effort should be made to foresee requirements, so that the indents may be despatched in ample time. It should be borne in mind that Government

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stores are now liable to customs duty in exactly the same manner as private merchandise and that duties will be charged to the indenting department concerned. The forecast of expenditure on imported stores should accordingly, include customs duties.

Rule 12. – Time required to obtain stores from England it may be assumed that the time required from the transmission of and indent upon the India Store Department London, to the receipt of the stores is – Urgent telegraphic indents not less than three months. Ordinary indents six to ten months according to the article demanded.

For special stores e.g., large girders, rolling stock, etc. up to one year in ordinary time.

Note – When ordinary stock articles conforming to well recognised standards are required within a shorter period than three months and the purchase is being made through the India Store Department in accordance with rule 9, the indenting officer shall, if he desires, that the procedure indicated in the resolution in the Department of Commerce and Industry No. 6862-6869-37, dated the 13th September, 1911, be adopted, state the fact clearly in his telegraphic indent.

Rule 13. – “Financial limits on powers of officers to make purchase in India and Abroad a Department of officers financial powers in the matter of the purchase of stores ordinarily extended to the limits to which it or these is empowered to enter into contract. But in the case of purchase made in India under clause “Fifthly” and “Sixthly” of paragraph 2 of the preamble the

limits up to which power to purchase any one articles or any number of similar articles purchased at one time extend are as follows”-

(A) Civil Department

(i) The administrative departments of Government 2000

(ii) Heads of departments and other officers of or above the rank of Collector whom the State Government may select.

1500

(iii) Other officers authorised to incur expenditure 100

Note – The following officers exercise enhanced powers up to the money limits noted against each -

Rule 13 Substituted vide Commerce and Industry dept. No. F5/7/78/B/IX dt. 29.4.78

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(1) All Inspectors and Inspectresses of schools, Madhya Pradesh and Principal, Prantiya Shikshan Mahavidyalaya, Jabalpur.

500

(2) Principal, Mahakoshal Mahavidyalaya, Jabalpur 5000

(3) Officers Commanding of Senior Divisions and Group Commanders of Junior Division of N.C.C. Units

250

(iv) State Government Full powers

(B) Public Works Department

(i) Executive or Assistant Engineer holding charge of Division. 1000

(ii) Superintending Engineer 5000

(iii) State Government Full powers

Note 1. – The money limits are inclusive of all incidental charges involved in effecting a purchase and these powers are subject to the rules of the budget system. No sanction will be given which will involve expenditure from the budget grant of any future year.

Note 2. – The rule does not override the provisions of Financial Rule 100 in respect of contingent expenditure nor does it confer upon the officers concerned power to incur such expenditure to the extent detailed therein without the sanction of the competent authority.

Rule 14. – Articles included in Annexure B which is subject to revision from time to time, produced or manufactured by Small Scale Industries of Madhya Pradesh registered as such, with Director of Industries for concerned articles shall be purchased through the M.P. Laghu Udyog Nigam Ltd. only at the rates fixed by them. No tenders for purchase of such articles shall be called by the competent authority separately.

Note 1. – The M.P. Laghu Udyog Nigam Ltd. Shall circulate lists of Small Scale Industries products intended to be marketed through the Nigam to the Heads of Departments and the Industries organisations from time to time.

Note 2. – The M.P. Laghu Udyog Nigam Limited shall float tenders keeping in view the demands of various departments, for items of standard specifications only. However,

6 Substituted vide Commerce and Industry dept. No. f5/7/78/B/IX dt. 29.4.78

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in case any department requires an item of particular specifications suiting to their requirements, the M.P. Laghu Udyog Nigam shall invite tenders accordingly.

Note 3. – The respective purchasing departments shall nominate their representatives on the Laghu Udyog Nigam Marketing Committee for opening tenders and finalisation of rates.

Note 4. – The rates decided by the Marketing Committee of Laghu Udyog Nigam shall be binding on the purchasing departments.

In case the purchasing authority is not satisfied about the quality of items or competence of manufacturer the matter shall be decided by a Joint Committee consisting of the Nominees of the purchasing officer, the Director of Industries and the Laghu Udyog Nigam.

Note 5. – The aforesaid Marketing Committee may enter into negotiations with the tenders, if necessary.

Note 6. – The rates thus arrived at by the Marketing Committee of the Laghu Udyog Nigam shall be binding on the purchasing departments and all other departments requiring such items of the same, specifications. No tenders shall be separately floated by the individual departments for the same items.

In case of any dispute in regard to the rate with the purchasing department, the matter shall be referred to the Government (Commerce and industry Department in consultation with Finance Department) for decision.

Note 7. – While distributing the orders amongst the tendering units, the capacity, location and past performance of the unit along with the destination of the supplies shall be considered.

Note 8. – Normally, the inspection of goods shall be made at the indenting stores. However, where necessary inspection may be arranged at the manufacturing works.

Note 9. – In case of disputes between the manufacturing unit and the purchasing departments, where supplies have been inspected at work, the matter shall be referred to the Marketing Committee of Laghu Udyog Nigam for arbitration whose decision shall be final and binding on both the parties. In all other cases the decision of the purchasing departments shall be final and binding.

Note 10. – “All payments shall be routed through the M.P. Laghu Udyog Nigam. The Departments should remit payment to Laghu Udyog Nigam within 21 days of the

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receipt of material. In case of delay, the Laghu Udyog Nigam shall charge 1.5% p.m. interest on payment, due from the date of receipt of material.

Or

The M.P. Laghu Udyog Nigam Limited, may authorise such of the SSI Units, who may desire to raise direct bills on the Indenting Department / Departments and receive payments directly, and may do so, after executing necessary agreement with the Nigam.

Note – Orders will however continue to be received directly by the M.P. Laghu Udyog Nigam from Indenting Officers/Purchasing Officers as provided in Rule 14, Similarly the procedure for placement of orders with the SSI units will also be continued as per existing practice under rules.

Note 11. – The Laghu Udyog Nigam shall release payment to the supplying small Scale Industries within 10 days of the receipt of payment from the purchasing department.

50. 7“The Intention of rule 14 is that items, reserved for purchase, from the Small Scale Industries, shall be purchased from these industries only. Whenever such items are required to be purchased indent should be placed with the Laghu Udyog Nigam without inviting tenders and reasonable time should be given to them for making the supply. Only if the M.P. Laghu Udyog Nigam certify their inability to make the supply the purchase should be made from other sources in accordance with these rules.

51. The purchasing authority while sending the bills to Treasury shall record a certificate on it to the effect that provisions of Rule 14 have been fully complied with.”

Rule 15. – Power to Sanction departures from the rules.

The State Government have power to sanction departures from the rule in cases in which departure is in the public interest. Applications for sanction in such cases should be made to the State Government in the Commerce and Industry Department.

CHECK OF LEAVE ACCOUNTS AND SERVICE BOOKS OF NON GAZETTED GOVERNMENT SERVANTS

5.01 Consequent on the discontinuance of Annual Establishment Returns, Service Book is the only document for the verification of the service for pension. It was therefore, decided that adequate attention should be paid during local audit to the review of service books.

5.02 The Service Books and leave accounts should be checked to the extent mentioned in para 5.04 below including therein the Service Books and leave accounts of all Government servants who are due to retire during the next five years. The service books so checked should bear an audit endorsement duly signed (with date) by the official in charge of the audit party. The check of service book should be to ensure that they are kept upto date. The entries in pay columns should also be verified with reference to the office copies for the month or months selected for detailed audit to see that they agree with the entries made in service book.

(Authority: - C.A.G. Confidential letter No. 928-Admn. II/349-61, dated 26-6-1962)

5.03 It should be seen that the annual verification of service is properly recorded by the heads of offices in the service books of the Government servants concerned in accordance with the provisions of Rule 81 of General Financial Rules and under S.R.37 under F.R. 74 of M.P. Fundamental Rules Vol. I.

5.04 The extent of check of service books and leave accounts is as under: -

| | |
|---|------|
| (i) Offices inspected annually | 25% |
| (ii) Offices inspected biennially | 50% |
| (iii) Offices inspected triennially | 75% |
| (iv) Offices inspected once in four years or more | 100% |

Service Books and leave accounts of those Government servants who are due to retire during next 5 years should be checked cent per cent.

[Authority: - No. TM I/IV/2/(IC)/23/DATED 5-11-1965 AND O.O No. AGI/OAD (M)/II-49/O.O.I/75-76, dated 16-4-1975]

N.B.: In order to ensure that the check of service books/leave accounts of all the members of staff of an office should be completed in a cycle of four years, the selections for the purposes of check should be made by the local audit party with reference to the service books/leave accounts checked during preceding local audit.

5.05 A statement should be obtained from the office inspected showing the names of all Government Servants whose service books and leave accounts are required to be kept by the Head of Office. The names of such gazetted Government servants should also be included whose pay and allowances are drawn on establishment pay bills. The cases of retirement should be indicated by showing the date of retirement against their names. Remark column should also indicate the cases where the Service Books are not available due to (i) S.B. not opened in cases of fresh appointment (ii) S.B. not received from old office in case of transfers, (iii) Service books sent to other offices, etc.

Note: - Service books and leave accounts of such Government servants whose services are terminated/who have resigned/left service during the period covered by local audit are to be included amongst the cases selected for test check invariably.

5.06 A certificate in the following form should be furnished along with the draft inspection Report:

" Certified that the required percentage (25%,50%,75%,100% as the case may be) of service books and leave accounts have been checked including service books and leave accounts of all Government servants due to retire within next 3/5 years with the exception listed below which were not made available for check at the time of inspection. The names of persons whose service books and leave accounts were checked are as per list enclosed.

Encl: One List.

No. of Service books required to be :
Maintained -----

No. of Service books produced :
Against the required percentage
Requisitioned for check -----

No. of service books checked : -----

No. of service books not produced : -----

AAO

Sr. Auditor/Auditor

[Authority: - O.O No. OAD (M)/AGI/II-49/839 Dated 18-8-75]

5.07 The following points should generally be seen in checking the (a) Service Books and (b) Leave Accounts.

(a) Service Books: -

(i) That a service book has been maintained for every non-gazetted Government servant and a service roll for each class IV.

(ii) That entries of all events in the official career of a Government servant are made in the service book and attested by competent authority.

(iii) That the date of birth is clearly recorded and no alteration is made therein without the sanction of the competent authority.

(iv) That the entries in the front page are re-attested for every five years.

(v) That annual certificate of verification of service is recorded in the service book.

(vi) Entries in pay columns relating to pay and increments should be verified with reference to the office copy of pay bills for the month/months selected for detailed audit to see that they agree and are correctly allowed.

(vii) That no payment has been made to a Government servant beyond his attaining the age of super-annuation or on the expiry of term of extension of service sanctioned by competent authority.

(viii) That the date of first entry into Government service and the orders of confirmation are recorded.

(ix) That the interruptions in service are clearly indicated.

(x) That the pay on the revision of pay scales has been checked by the competent authority and the relevant statements are pasted in the service books.

(xi) That the service book and leave accounts are maintained properly and are upto date.

(b) Leave accounts

Prescribed percentage

[5%] of the leave accounts including accounts of persons likely to retire or likely to complete 30 years of qualifying service are checked in detail to ensure that: -

(i) It has been properly posted and closed after the incumbent returns to duty from leave and every entry has been duly attested.

(ii) That leave sanctioned has been correctly posted in the leave account and entry of the leave sanction order has been attested.

(iii) Leave at credit has been correctly calculated in accordance with the rules and the leave account has been revised with reference to orders regarding completion of probation, confirmation etc.

(iv) The fact of issue of certificate under F.R. 26 (b) is recorded, where the period of leave is counted as service for increment under that rule;

(v) Subsidiary leave accounts have been maintained wherever necessary.

(vi) the collective record of various kinds of special leave granted to the employee is maintained.

(vii) The nature and extent of leave sanctioned is correctly due and admissible to the employee.

(viii) that there are no cases of evasion of leave rules.

[Authority:- C.A.G's letter No. 102-0 & M/145-79/II dated 20-03-80 annexed to O.O. No. T.MI/Gr. 3/5 dated 18-6-1980]

5.08 Encashment of Earned leave: -

(a) While checking the cases of surrender and encashment of earned leave the local audit parties should see: -

(i) That the authorities who are empowered to sanction earned leave are only competent to accept surrenders of earned leave;

(ii) That a Government servant encashes, a maximum of 30 days earned leave or 15 days E.L only after an interval of 24 months and 12 months respectively upto 28-02-87 & from 10-03-87 in maximum of 15 days E.L & 7 days E.L. only after an interval of 24 months & 12 months respectively.

[Authority: - FD/87/551/87 नि-1/IV dated 9/03/1987]

(iii) That the total of earned leave actually availed of and the E.L. surrendered in continuation do not exceed 120 days.

(iv) That the period of E.L surrendered does not go beyond the date of retirement.

(v) That the period of leave surrendered is debited to the respective leave account, the sanctioning order is noted in the service book and a certificate to this effect is recorded by the drawing officer in the pay bill in which the leave salary is drawn.

(vi) That the leave salary has been calculated reckoning a month of 31 days and not 30 days.

(vii) That provident Fund subscription at the usual rate is deducted from the leave salary paid for the surrendered leave if it is for 30 days and at prorate basis if it is for a lesser period.

(viii) That House Rent Allowance, Project Allowance and Non-Practicing Allowance are not payable along with the leave salary for the surrendered earned leave. However other allowances like city compensatory allowances are payable to the Government Servants.

(ix) That this concession is admissible to Govt. servants on foreign service or on deputation to Government of India or other State Governments or any other non-Government body or institution or have been sent on training in India or abroad.

(x) That the concession is not admissible to Government Servants on leave preparatory to retirement or refused leave or during extension of service or to the re-employed persons;

(xi) That if a Government servant permitted to surrender leave voluntarily, returns to duty before the expiry of 30 days leave he should not ordinarily be permitted to rejoin duty. If, however, he is permitted to rejoin duty the orders regarding surrender of leave should be cancelled.

[Authority: - Government of M.P.F.D letter No. 1351-CR-2539-IV-R.I 72 dated 23-11-1972, 258/3637-R.N. 3 dated 31-1-77, A.1 – 14/73-R-I-IV dated 18-02-1974, 1-14-I/73-R. IV dated 28-05-74]

(b) Leave encashment on retirement

A retiring Government servant is entitled for leave encashment upto 180 days upto 30-06-87 from 01.07.87 upto 240 days earned leave balanced at his credit as per leave account subject to condition the entitlement of leave encashment exceed from the days availed as leave encashed by the Government servant during his service.

W.e.f. 01-01-89 in case of Government servant retiring voluntary/compulsory and invalid pension is also entitled for the benefit of leave encashment upto 240 days.

For leave encashment only pay and DA will be taken into account for entitlement.

[Authority: - M.P.F.D. memo no. FA-13/77/N-1/IV dated 16-09-80, FD-86/2938-IV/88 dated 25-01-89 and MP Government FD/50/1815/90/NI-6/IV dated 08/01/1991]

5.09 The local audit parties should furnish along with the draft inspection report, a statement of persons due to retire during the next 5 years to be sent to CASS section on the completion of audit, which should inter-alia, give the following information: -

(a) If the service book has not been produced for local audit, such remarks should be given against the name of the person.

(b) If the Service book has been found to be in order, such remarks should also be noted against the name of the person.

(c) If the service book has been produced for audit and some defects have been noticed, the same should, be commented upon in the draft inspection report or Test Audit Note.

(i) Deleted

(ii) Deleted

(iii) Deleted

[Authority: - DAG(I-C)-I order dated 17.03.04]

CHAPTER-06

AUDIT OF THE ACCOUNTS OF THE COLLECTORATE

6.01 Preamble

The audit of the accounts of Collectorate assumes greater importance in view of the huge allotment placed at the disposal of the collector through various services for the execution of several development works/schemes and plan activities.

6.02 The Collectorate generally consist of the following sections: -

- (i) Finance (Nazarat)
Separate Audit Conducted.
- (ii) Development.
- (iii) Rehabilitation Separate Audit Report will be made with
Audit Report

(Authority: - CAG Letter No. 678/Rep (S) 43-2001/ date 20-06-2002)

The above list is not exhaustive and the local audit party should, therefore, ascertain the position at the commencement of audit. In some districts there is no separate drawing and disbursing office for publicity office and the collector is vested with these powers in respect of that office. In such cases, the audit of the District Publicity office is conducted with the audit of Collectorate but the inspection report is drawn up separately.

6.03 Scope of audit.

Audit checks prescribed in chapters 4 and 5 should be applied to the audit of Collectorate. Points to be looked into in the audit of the accounts of scarcity works, development works and grants sanctioned during mass contact tours are discussed below: -

A Development works: - Development works are executed mainly through Development blocks. An over all appraisal of the position of the works in the district as a whole should be done with reference to progress report sent by the blocks to see, inter alia:-

- (i) Whether the works for which the grants have been sanctioned were completed within the time schedule.
- (ii) Number of works awaiting completion and reasons therefore,
- (iii) Number of works abandoned; reasons therefore may be analysed,

(iv) Whether valuation of the works got done and recovery, if any, in cases in which grant was found to be excessive, was made,

(v) Whether completion certificates were sent to A.G. in respect of completed works.

B Scrutiny of expenditure relating to relief work in scarcity areas: -

Heavy expenditure is incurred by the various agencies of the State Government in connection with relief work in scarcity areas. While conducting audit of such offices as are carrying out any relief work in scarcity areas, the local audit parties should take up the audit of expenditure on relief work in scarcity areas with particular reference to the expenditure for months selected for detailed audit. The local audit parties should inter alia, ensure that: -

(i) Detailed accounts for drawal with reference to Muster Rolls are checked and improper and irregular payment on muster rolls are brought out,

(ii) The amounts are not drawn in excess of requirement at a particular time and have been refunded in time if they were not required for payment.

(iii) There are sanctioned estimates for works, periodical reports of the progress of work are sent to appropriate authorities and that payment for the same work has not been made twice. This check can very well be exercised by comparison of muster rolls of different periods; and

(iv) That there is no delay in the submission of the D.C. bills.

The Inspecting officers, Assistant Audit Officer of local audit parties should mention on the forwarding memo the fact of having audited the expenditure relating to relief work in scarcity areas while forwarding the Inspection Reports.

The Departmental Audit sections will intimate the local audit parties by total amount drawn by the drawing officer under the head "Famine Relief".

(Authority: - O.O. No. OAD (M)/II-91/1973-74/00.1 date 07.04.1973)

C Audit of grants sanctioned during Mass contact Tours by Ministers: -

Order of Government regarding grants sanctioned in the course of Mass contact Tours of Ministers are contained in M.P.G.A.D Memo No. administration Deptt. Letter No. F.A.-8-1/96/1 (1) date 17-10-97. The local audit all grants sanctioned upto the date of audit including those fully utilized in the form appended as Annexure B. The comments in the draft Inspection Report by the Local audit party should inter alia convey/cover the following information/points: -

(i) The portfolio of the Minister along with the dates of tour,

(ii) Total grant approved along with details as to number/name and the amount sanctioned for each scheme/work; also a reference to formal sanction;

(iii) Whether the quantum and nature of aid and also the manner of disbursement to the grantees conformed to the instructions and procedure laid down by the Government in the G.A.D memo ibid and the grant was released after due execution of agreement in proper form.

Local audit party should particularly, see-

(a) that the first and subsequent installments of grants were released after due observance of conditions of grants as laid down in para 7(2) (3) and (4) of the G.A.D Memo ibid,

(b) that the manner of drawal of amounts of grants from the Treasury by the Tahsildar and the accounting of undisbursed amount conformed to the instructions contained in paras 7 (I) of the memo and that the fortnightly progress reports of the amounts of grants distributed were duly submitted by him to the Collectorate.

(c) that the unutilized amount at the end of the year were duly refunded in to Treasury.

(d) that the works were subjected to periodical inspection by the authorities, and that the completion of the work is supported by the completion certificate signed by Tahsildar after the works have been certificate to be completed and technically sound by P.W. Department officers.

[Authority: - O.O No. AGIII/OAD (M) 1976 dated 15-10-1974 and Govt. of M.P. letter No. FA 8-1/6/1 (1) dated 17-10-1997]

D Audit of Taccavi Loans and Land compensation

The local audit parties while auditing the records of the Land Revenue and Land Acquisition Sections of the Collectorate should see-

(i) That the taccavi loans, granted either in cash or in kind by Agriculture Co-operative and other Development Department, were properly accounted for and individual ledger accounts (Khatas) of the loanees were maintained.

(ii) That the amounts drawn on A.C. Bills by the disbursing officers were fully disbursed and valid acquaintances existed on record and the unspent balance, if any, was refunded into the treasury promptly.

(iii) That the recoveries were timely made and were duly posted in the respective khatas.

(iv) That the khatauni Registers duly completed posted uptodate were available for checking.

(v) In case misutilisation of loan is reported to the Collector, the same may be elaborately brought out in the Audit Inspection Report.

(vi) Payment made as compensation for acquiring land should be critically examined in the light of the following factors: -

(a) Reasons for acquiring land.

(b) Dates on which proposal for acquiring land were sent to the collector and the date on which award was given as also the date of taking possession and its actual use.

(c) Reasons for which damages or interest, if any, paid.

[Authority: - OO No. OAD(M)/AGI/Gr. II/37/OO/19 dated 25-06-78]

6.04 Endorsed Bills.

The bill of establishment of Tahsildar are drawn by the Collector and endorsed to Tahsildar. The vouching of such bills for the selected months should be done in Collectorate with reference to the bill register and acquaintances etc. As the bills are drawn by the collector the acquaintances and other sub-voucher should be on record in the Collectorate. In case the same are claimed to be in the tehsil, they should be required to be brought from there and produced to audit. If any of these records are not so produced the fact should be commented in the Report.

At the time of local audit of the Tehsil also particulars of the bills drawn by the Collector and encashed by the Tahsildar in the month selected for detailed audit should be obtained from the Treasury/sub Treasury concerned and detailed audit of disbursement done for such draws completed by requiring the Tahsildar to have the acquaintances and other sub vouchers brought from the Collectorate and produced for audit. Failure to produce such records should be commented in the Report.

[Authority: - O.A.D./PP/67-68/3 dated 25-11-1967]

6.05 Election Expenditure

The audit of election section of Collectorate which was hitherto-fore done along with the audit of Collectorate will be conducted separately each year. Checks laid down in Chapter 4 should be applied in audit.

6.06 In terms of instructions contained in letter No. F. 2/50-C dated 7-2-1960 and of even no. dated 14-05-70 from Ministry of Law of Government of India the expenditure incurred by the State Government in the preparation of Electoral Rolls and in conducting election are subject to local audit. The Inspection Officer/Assistant Audit Officer, local audit party should, therefore, verify the figures with reference to statement of expenditure received from the FASS section or (in case of FASS section fails to send the statement of expenditure) obtain the same from Department at the time of local audit of election expenditure and furnish certificate in the following form to OAD Headquarters.

CERTIFIED THAT the expenditure on elections/ bye elections/mid- term elections and on preparation of and printing of electoral rolls in the -----Collectorate for the financial year-----has been checked with reference to the instructions issued by the Ministry and the following amounts are inadmissible.

| | Items | Total Expenditure for the year | Amount inadmissible. |
|-----|---|---------------------------------------|-----------------------------|
| | (1) | (2) | (3) |
| (a) | Cost of paper | | |
| (b) | Cost of printing of the Electoral Rolls | | |

| | | | |
|-----|--|--|--|
| (c) | Cost of extra establishment employed on election work | | |
| (d) | T.A. of officers and staff | | |
| (e) | Contingencies. | | |
| (f) | 1/3 rd of the pay and allowances and T.A. of the District officers working on election duties in addition to their normal state duties without any extra remuneration. | | |

A test audit note on irregularities noticed is enclosed.

(Senior Audit Officer/ Audit Officer/LAP--

Assistant Audit Officer)

One third of the pay and allowances and Traveling Allowances of District Officer working on election duties in addition to their normal duties without any extra remuneration is to be treated as extra cost and may be treated as an authorised item of expenditure wherever included by the Department in the expenditure Statement.

[Authority: - O.O No. OAD (M) /OO/71-72/5 dated 11-2-71 and O.O No. AG-I/OAD (M)/II-188/OO/11 dated 24-1-1976.]

N.B. The Government of India have revised the procedure for the allocation of election expenditure between the Government of India and State Government w.e.f. 26-04-75 vide letter no. G-27031(3)/75 E&A dated 1-12-1975 (reproduced in **Annexure (C)** received with C.A.G's letter No. 1346-NGE IV/77-75 dated 22-12-1975.

6.07 Orders issued by the Government regarding printing of electoral rolls, rates of hire charges of hired vehicles etc., may be referred to at the time of audit.

6.08 Audit of Treasury Establishment will be conducted by the Local Audit Party at the time of Treasury Inspection.

Annexure-B
(Referred to para 6.03 (c))

| s.no. | Description of the scheme/work | Date of the mass contact tour in the course of which the grant was approved | Total cost of work as per estimate approved by collector under clause (i) of the agreement | Amount of laid sanctioned | No. & date of sanction | Amount drawn from Treasury | | Amount actually disbursed | | |
|-------|--------------------------------|---|--|---------------------------|------------------------|----------------------------|--------|---------------------------|------------------|--|
| | | | | | | Vr. No. and date | Amount | Date | Amount disbursed | Amount spent by the grantee upto that date as verified from voucher filed with Tah/NT/B.D.O. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7(a) | 7(b) | 8(a) | 8(b) | 8(c) |
| | | | | | | | | | | |

| Public contribution received | | | Date of completion/ state of work if in complete | Amount of aid utilized as verified with ref. to vouchers filed with Tah./NT/BDO | Disposal of unutilized balance of aid | | Remarks |
|------------------------------|------------------------|--------------|--|---|---------------------------------------|--------------|---------|
| Date on which verified | Nature of contribution | Amount value | | | Amount | How disposed | |
| 9(a) | 9(b) | 9(c) | 10 | 11 | 12(a) | 12(b) | 13 |
| | | | | | | | |
| | | | | | | | |

Senior Audit Officer/Audit Officer/OAD

ANNEXURE 'C'**(Referred to in para 6.06)****Copy of C.A.G.'s letter no. 1346 NGE IV/77-75 dated 22nd December 1975****Subject: - Allocation of election expenditure between the Government of India and the State Government.**

In continuation of this office endorsement No. 534-NGE II/50-72(I) copy of Government of India, Ministry of Law, Justice and Company Affairs letter No. G 27031(3)/ 75-EA dated 1-11-1975 is forwarded for information to: -

Copy of letter no. G 27031(3)/75-E&A dated 1st November 1975 from office of the Government of India, Ministry of Law, Justice and Company Affairs, New Delhi addressed to the Chief Electoral Officer Government of sikkim, Gangtok and amongst others and copy also endorsed to C.A.G. of India, New Delhi.

Subject: - Allocation of election expenditure between the Government of India and the State Government.

1. I am directed to address you on the subject of allocation of Expenditure incurred by the State Government on the preparation, printing and revision of electoral rolls and conduct of elections and bye-elections to the State Legislative Assembly and Parliament.

2. The entire expenditure on the preparation, printing and revision of electoral rolls and conduct of elections and bye elections, both the State Legislative Assembly and House of the People, would initially be borne by the State government. The State Government will recover half of such expenditure from the Government of India as the letters share towards the end of the financial year. In assessing the Government of India's share of expenditure, care will be taken to see that only such expenditure is debited to the divisible pool has been incurred on items which are of common concern to both the Government. For instance, expenditure on the conduct of elections/bye-elections to both of them are held simultaneously, and in cases where the election/bye-elections to the State Legislative Assembly and the House of the People are held independently, the expenditure will be borne by the State Government or the Government of India, as the case may be.

3. The procedure indicated in para 2 above, takes effect from the 26th April, 1975, the date from which the Constitution (thirty sixth Amendment) Act, 1975 came into force and from that date onwards the election expenditure incurred by the State Government will have to be initially met by the State Government from their own Budget. The State Government should accordingly make necessary provision for that expenditure, if any, for that expenditure, if any, for the period from 26th April, 1975, to 31 March 1976 in their Budget for the current financial year. The Government of India will make reimbursement of their share of the expenditure to the State Government towards the end of the current financial year.

4. I am to add that the expenditure, if any, incurred by the State Government in connection with the election to Council of States during the current financial year shall also be initially met by them from their own Budget and recovered from the Government of India by including the same in the State Government's annual claim for reimbursement to be submitted to this Ministry in January/February, 1976.

5. Copies of the important orders regarding share of election expenditure issued by the Ministry and indicated in the margin are enclosed for information and guidance.

- (i) Letter No. F2/50-C, date 7-2-1950.
- (ii) Letter No. F5(2)/ 55 EE&T date 20-10-56.
- (iii) Letter No. F1 (2)/52 EE&T date 20-07-53.
- (iv) Letter No. F5 (7)/55 EE&T date 22-05-56.
- (v) Letter No. F2(7)/52 C date 1-8-52.
- (vi) Letter No. F3(3)/53 EE&T date 15-6-53.
- (vii) Letter No. F1 (22)/59 Elect, date 6-8-59.
- (viii) Letter No. F1 (1)/60 Elect, date 22-2-61.
- (ix) Letter No. F1 (4)/72-B&A, date 17-2-1972.

6. I am to request that Budget Estimates, 1976-77 representing the Government of India's share of election expenditure likely to be incurred by the State Government during the financial year 1976-77 may be furnished to this Ministry telegraphically.

Audit of the Accounts of Government Press

7.01 The Madhya Pradesh Printing and Stationery Department comprises the following units:

I. Government Press

1. Government Central Press, Bhopal
2. Government Regional Press, Gwalior
3. Government Regional Press, Indore
4. Government Regional Press, Rewa

II. Stationery Depot

1. Government Stationary Publication Depot, Bhopal
2. Government Stationary Depot, Gwalior
3. Government Stationary Publication Depot, Indore
4. Government Stationary Publication Depot, Jabalpur

Before taking up the audit of accounts of these units the local audit party should refer to following publications:

1. Printing and Binding Rules
2. Madhya Pradesh Forms Rules, 1961
3. Madhya Pradesh Purchase of Stationary Rules, 1957
4. Rules for depreciation fund in the Government Presses
5. Manual of instructions for the audit of Government Presses, Book Depots etc.
6. Rules regarding printing at Private Presses, 1957
7. Revised Rules regarding Registration of Printing and Private Presses 1984
8. Gazetted Services Recruitment Rules 1969
9. Class III non clerical service recruitment Rules 1965
10. Class III clerical service recruitment Rules 1993

11. Class IV clerical service recruitment Rules 1987

12. Class IV non clerical service recruitment Rules 1995

7.02 The Controller, Printing and Stationery, Bhopal is the technical adviser to State Government in all matters of Printing. Being the controlling officer he enjoys all financial and administrative powers delegated to a Head of Department.

7.03 Annual Consolidated Store Accounts

(a) Consolidation Store Accounts for the entire department are prepared by the Controller, Printing and Stationery, Bhopal which are required to be submitted to Accountant General on or before 31st July each year in proformas reproduced in Annexure A&B along with copies of the final detailed statements of each individual unit which formed the basis of consolidated accounts.

(b) The local audit party conducting local audit of these institutions should forward with the inspection report four copies of the store accounts along with the Depreciation Reserve Fund Accounts duly checked and certified by the Inspecting Officer accompanied with following information: -

(1) Period of Accounts under audit.

(2) Full name and designation of the officer I/C Press who signs the accounts.

(3) The full name(s) and designation(s) of person(s) who compiled the accounts and the date(s) of compilation.

(4) Date of signing the audit certificate.

(5) Name(s) and designation(s) of persons who carried out physical verification of stores along with the date(s) of such verification.

The accounts, on their receipt in O.A.D. HQ should be sent to Central Audit Section for verification and return to O.A.D. for onward transmission to report Section for incorporation in the Appropriation Accounts.

N.B.: - To enable the individual units who are required to render store account of their respective unit to controller in the first week of July each year, to take into account the omissions and errors pointed out by the audit parties the local audit of all units should be completed by 30th June.

[Authority: - O.O No. OAD (SFI)-F-9 (1) Date 14-1-1976]

7.04 Procedure for the adjustment of differences in stock found on stock taking

Government have decided that: -

(a) In case of paper and binding materials and articles other than dead stock no adjustment in respect of values should be made and only the correct quantities as found in stock taking should be shown in the ledgers by addition to receipts or additional issues as the case may be. The

adjustment of values is not essential in these cases as the issue price of these articles will not be corrected on the basis of the articles in stock.

(b) In the cases of articles of dead stock including type and type metal, the adjustment should be made in the ledger both in values and quantities. This is considered necessary because for the purpose of correct cost account the amount of depreciation should vary with the actual stock value of articles found short or in excess is generally appreciable and this seriously effects the amounts to be debited under “ Deprecation and interest” in the statement dealing with analysis of press costs.

(c) In addition to the annual physical verification of stock and store conducted by the controller each Head of the office/officer in-charge of stock should conduct physical verification after six months from the date/dates on which annual physical verification was conducted by the Controller. Responsibility for the shortages noticed should be fixed and necessary action to recover the cost or write off the cost of article found short should be taken without loss of time. At the same time the articles, which are lying idle for a long time should be checked and proposals for their transfer to other presses should be sent to the Controller for approval.

(Authority:- Memo No. GB 3/(M-72) 74 dt. Nil of the Controller, Printing and Stationery).

7.05 Purchase of stock and stores.

Responsibility for making purchases of stocks and stores of permanent nature for use in the printing presses and the articles of stationery for use in the Government offices will devolve on “Stationery Purchase Committee” consisting of the following members for Purchase upto 5 lakh per item the purchase committee consists of :-

1. Deputy Secretary, Government of M.P., Revenue Department. – President/Chairman
2. Deputy Secretary, Government of M.P., Finance Department. - Member
3. Deputy Secretary, Government of M.P., General Administration Department. - Member
4. Senior Manager (Paper Technologist), Text Book Nigam,M.P. - Member
5. Joint Controller, Government printing and stationary, M.P. – Member/ Secretary

(Authority: - M.P. Government Revenue Deptt. No. 75/802/Seven/6/99 Bhopal Dated 29/6/99)

For purchase above 5 lakh the following members will be in the High Power Purchase Committee :-

1. Chief Secretary, M.P. Government, Revenue Department – President/Chairman
2. Secretary, M.P. Government, Finance Department Bhopal - Member
3. Secretary, M.P. Government, General Administration Department - Member

4. Controller, Printing and Stationery, Bhopal - Member
5. Manager Printing (Paper Technologist), M.P. Text Book Nigam, Bhopal - Member
6. Senior Deputy Controller, Printing and Stationery, Head Office Bhopal. – Member/Secretary

In addition to above, committee may depute departmental subject specialist as special invitee. Recommendation of committee will be proposed for approval to administration departmental (Renewal). After Financial sanction purchase order will be issued.

(Authority: - M.P. Government Revenue Deptt No. 2464/Seven/6/97 Bhopal Dated 11/6/97)

It should be seen in audit that the procedure adopted for various purchases in the Government presses was in conformity with the rules contained in the M.P. Stationery Purchase Rules 1957.

7.06 Paper Account

It should be seen that: -

- (I) The maximum balance stock of paper in Government press does not exceed the limit if any fixed by the Government.
- (II) The quantity indented for was reasonable and was approved by the Competent Authority.
- (III) The issues are in accordance with the description given as regards size weight and color.
- (IV) In all cases where extra size has been issued the cut off sheets have been received back and are issued for indents of suitable size.
- (V) The quantities of papers issued under each head in a month with reference to proofs and work orders agree.
- (VI) The percentage prescribed for wastage if any is not exceeded without the order of the Controller.

7.07 Printing work done at Private Press

During the course of the audit of the accounts of the Government Presses, a general scrutiny of Printing Works done at private presses should be conducted and the transactions pertaining to the months selected for audit should be conducted in detail. The scrutiny should be done with a view to seeing that the charges on account of printing work done at private presses are in accordance with the schedule of rates approved by the competent authority and that the proper accounts of work done and paper supplied are maintained. It should also be seen that printing of scheduled or non scheduled forms was got done only from the private presses duly registered for the purpose after obtaining tenders and only under the orders of the controller as required under rule 13 of M.P. Forms Rule 1961.

7.08 Remittances to the Treasury.

The Government have ordered that receipts realized in the press should be credited into treasury at least once a week on Monday or on the next working day, if Monday happens to be a holiday. If the receipts are heavy in any week and the amount there of with the cashier exceeds Rs. 1900, it should be credited into the treasury during the week.

7.09 The Register showing the Printing and Supply of Receipt books, cheque books, forest rate passes should be examined to see whether they are correctly maintained in all respects and particularly whether the outturn corresponds to the quantity of paper supplied. A few entries in each page selected at random should also be checked.

7.10 Depreciation Fund Account

This account should be checked to see whether the conditions prescribed and the procedure laid down for budgetary, accounting and other matters relating to administration of the Depreciation Fund in the “Rules for Depreciation Fund in the Government Presses” are being followed properly.

7.11 Government Press Fine Fund

Where such a fund exists the accounts thereof should be audited along with the other account records of the concerning press.

[Referred to in para 7.03(a)]

Depreciation Reserve Fund Account of the Government Regional Press/Stationery Depot for the year from-----to-----

| Credit | Amount | Debit | Amount |
|--|--------|--|--------|
| (1) Opening balances as on 1 st April | | Renewals and replacements by local purchase. | |
| (2) Credit on account of Depreciation. | | Closing balance on 31 st March | |
| (3) Book value of plant etc. written off during the year | | | |

Store Keeper

Accountant

Deputy

Controller/Controller

I have examined the above account and according to the best of my information derived from the test of the Books and a consideration of the explanation given to me the account is correct.

AccountOfficer/Asstt.Accountant General

ANNEXURE'B'

[Referred to in para 7.03(a)]

Grant No.

Store Accounts of the Government Regional Press-----for the year

| Heads | Opening balance on 1 st April | Receipts | Issues | Results of stock verification | Excess/shortages |
|-------|--|----------|--------|-------------------------------|------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |

| | | |
|----------------------------------|---|--|
| Results on revaluation on others | Closing Balance on 31 st March | Agency employed for stock verification revaluation and other |
| 7 | 8 | 9 |

Store Keeper

Accountant

Deputy Controller/Controller

Certificate:

(Same as under Depreciation Reserve Fund Account)

(Accounts Officer/Asstt. Accountant General)

| | | | | Pay | Allowances | Contingencies | Scholarship & Stipends | Construction work | | | |
|---|---|---|---|-----|------------|---------------|------------------------|-------------------|---|---|---|
| | | | | a | b | c | d | e | | | |
| 1 | 2 | 3 | 4 | 5 | | | | | 6 | 7 | 8 |

[Authority: -Director Tribal Welfare Circular Memo No. audit/1/139 dated 1-4-1970].

Note:- Audit is confined only to the accounts maintained in the regional offices. Check by Audit of the correctness of the returns submitted by the employees with reference to the records maintained in the factories is not necessary.

(CAG's letter No. 251-Admn. II/88-53 dt. 13.02.1956)

8.03 State Scholarship

The grant of scholarship aimed at rendering financial assistance to the students belonging to (a) scheduled tribes, (b) scheduled Castes, (c) Vimukta jatis is regulated under M.P. Government Tribal Welfare Department State Scholarship Rules 1972. These rules should be studied in detail before taking up audit of such payments.

The Director of Tribal Welfare Bhopal has prescribed vide his letter No. Edn/ss/3515 dated the 22-3-1966, the maintenance of the following Registers for controlling the payment of scholarship: -

- (1) Register for renewal of scholarships
- (2) Register for fresh scholarships.
- (3) Check Register of Bills received and countersigned (In order to watch the expeditious adjustment of scholarship amounts issued to subordinate officers as advances. This Register should contain a column "Date of receipt of acquaintance rolls/Certificate of payment or challan with.....")

[D.T.W.No. Audit/13470 dated 14-8-1969]

- (4) Register of disbursement of scholarships
- (5) Register for check of institutions
- (6) Register of allotments and Expenditure.

During local audit, it should be ensured that all these Registers have been properly maintained.

N.B:- following instructions have been issued by the Director of, Tribal Welfare in regard to proper maintenance and review of check register of scholarship bills: -

- (i) The Receipt of accounts of cash advances for scholarship should be watched through the check register No. 6 and Register of advances and on the receipt of the accounts column 13 of the check Register should be completed. Simultaneously entries should be made in the Register of Advances against the items concerned.
- (ii) For bills endorsed to Government institutions i.e. in favour of the Principals/H.S.S./D.E.O. etc for drawal and payment column 13 should be completed on the basis of acquittance rolls or certificates of payment from the head of the institutions.
- (iii) As regards to bills endorsed to subordinate officers of this department full account of the amount of the bill along with the acquittance rolls should be obtained and column 13 of the check register completed.

[Authority: - Director of Tribal Welfare letter No. Audit/13476 dated 14th August, 1969]

8.04 Checks to be applied in Local Audit.

The provisions contained in the State Scholarship Rules may be carefully gone through before commencing scrutiny of scholarships. The scrutiny should consist, inter alia of verifying that: -

(a) The application for grant of scholarship is in proper form and that all the information desired therein has been given by the applicant.

(b) The eligibility of the students to the scholarships has been properly verified, the terms and conditions for the grant of or continuance of the scholarship has been fulfilled and the payments have been made at correct rates.

(c) The disbursements of the scholarships were made before member or members of the school committee, Panch of the Gram Panchyat, Patel or any responsible person and certificate for proper disbursement (vide note below Rule 22 *ibid*) obtained.

(d) The student who has been paid the scholarship is actually on the rolls. The register of check of institutions which is meant to find out the number of students entertained for renewal or fresh scholarship will be helpful in ascertaining the facts. Attendance register of the schools run by the Tribal Welfare Department may be test checked to ensure the correctness of the grant of scholarship.

(e) Recoveries on account of absence have been made.

(f) The progress report of the students have been obtained from the proper authorities before the scholarship which was awarded in the previous year is renewed in the subsequent year.

(g) Where the award of scholarship is based on 'means test' necessary verification in the matter has been made.

(h) Scholarship amounts issued to subordinate units/institutions are not awaiting adjustment for a long time. In case of old items, searching enquires should be made to ascertain that the delay in rendering the accounts supported by acquittance rolls etc, is not devise to hide fraud or defalcation. Action taken by the drawing officer to make the subordinate officer/institution submit the accounts should also be critically reviewed.

(i) The details shown in the vouchers received from the Central office agree with the office copies kept in the departmental office and payments as evidenced from the acquittance of the person concerned have, as a matter of fact, been made to the person for whom it was shown in the bill. It should also be seen that the records maintained and the system of obtaining the required information in the departmental offices are adequate to verify that the conditions attached to the scholarships were actually fulfilled.

8.05 Post-Matric Scholarships

(i) Regulation governing the eligibility rates and other matters regarding grant of the Post-Matric scholarships to the students belonging to the Schedule Castes, Scheduled Tribes, are formulated

by Government of India for each academic year and should be referred to by the local audit party before scrutiny of payments relating to the scheme.

(ii) The basis of grant, terms and conditions of the grant of the scholarships should be studied to see that the recipients are actually entitled to such scholarships.

(iii) The other checks prescribed in the preceding paragraph (20.05) should also be exercised while scrutinizing payment of post-matric scholarships.

(iv) The Director of Tribal Welfare, vide his letter No. Edu/SS/3515 dated the 22-3-66, has prescribed the maintenance of the following registers for watching and controlling the payment of postmatric scholarships.

(A) Register for scrutiny for fresh application forms

(B) Register for scrutiny of renewal application forms

(C) Award Register

(D) Register of allotment and Expenditure

A general examination of these Registers should be made during local audit for ensuring that their maintenance does not suffer from any defect or shortcoming.

8.06 Hostel Stipends

(i) A large number of Hostels providing boarding and lodging facilities to the students belonging to scheduled tribes, schedule caste etc, are run by the Tribal Welfare Department. A set of rules titled "Rules for the Hostels run by the Tribal Welfare Department" have been framed by the Department which should be studied carefully before starting scrutiny of the payment of hostel-stipends and expenditure connected with the running of the hostels.

(ii) The following articles for the students are to be purchased out of the stipend money of one month: -

- (a) Gadda.
- (b) Rajai.
- (c) Bed Sheets and Covers.
- (d) Clothing.
- (e) Shoes
- (f) Pillows.

Expenditure for the purpose of these articles, if met from government money will be irregular and should be objected to in audit.

(iii) The stipend amounts are to be deposited with the Hostel Superintendent, who will realize from them the meal and other charges recoverable from the students.

(iv) Charges per student per month on boarding, clothing, bedding, toilet etc. in the hostels attached to Ashrams and Community Welfare Centers shall not exceed the stipend amount. This means that no expenditure on these accounts can met from Government Fund.

(v) Payment of stipend as well as state scholarship (except, however, merit scholarship) simultaneously is not permissible.

(vi) Students of colleges will get hostel stipend only upto the period they are not awarded post matric scholarships.

When however the post-matric scholarship is awarded, the entire hostel stipend already paid is recoverable from such scholarship.

(a) The checks prescribed in para 20.05 will apply, mutates mutandis, to the payments of Hostel stipends.

(b) As already stated, the stipends are to be first deposited with the Hostel Superintendent to enable him to recover there from the messing and other charges. The balances if any, left after meeting such charges are not to be refunded to the Government but are to be expended on items decided by the students committee or to be refunded in cash to the hostellers. The accounts of the Hostel Superintendent should, therefore, be checked to see that they do not suffer from irregularities and the hostellers have not been denied the residual amount to which they are otherwise entitled.

(c) In order to overcome the difficulty in running the hostels and Ashrams due to scarcity, at times] of foodgrains in the market, the Collectors are authorized by the Government vide the Tribal and Harijan Welfare Department's letter No. 2892/4932/XXV/II/65 dated on 20 th April 1966 to draw an advance of Rs. 15 per student in hostels and Ashrams from their stipend amount. Such advance may be drawn for a maximum of ten months in respect of each student for making bulk purchases of foodgrains. The advance is, however, required to be adjusted by short drawal against regular monthly bills. During local audit besides verifying that unutilized portion of advance has been re-funded, it should be seen that proper records are maintained to watch the adjustment.

N.B. :- (1) The stipend is admissible for ten months only.

The period of ten months is reckoned from July to April.

[P.D.D.O No. 5317/25/1/75 dated 25.11.1975].

(2) In the case of sudden death of hosteller the stipend is payable to parents or guardians declared as heir.

[Authority: - No. Hostel/120/73-74/7134 dated 12-3-74]

8.07 Grants-in-aid

Grants-in-aid is paid to non Government institutions engaged in activities aimed at uplift and improving the conditions of the members of scheduled tribes and other backward classes. Before taking up audit of these payments the local audit party should study the grant-in-aid rules framed

by the department regulating such grants. While bearing in mind the instructions contained in Chapter 24, the scrutiny should consist intergalic of verifying that: -

(a) the sanction of grant-in-aid conforms to the provisions of such rules.

(b) a proper procedure exist by which the authority sanctioning the grant satisfied itself as to the fulfillment of the conditions attaching to such grants and proper utilization of grant is ensured by them.

N.B. : - Departmental authorities required to conduct inspection of the Grantee institutions at least annually with a view to ensuring that: -

(i) The grants have been utilized properly;

(ii) They continue to be engaged in activities rendering them eligible for the grants;

(iii) Aims and objects of the grants have been successfully achieved.

[Authority: - Director, T.W. No. Grant/D/14826 dated 31-5-1974 and No. Grant/D/5/19200 dated 2-7-1974].

8.8 Construction Works-Checks to be applied in Local Audit

Checks required to be exercised in the audit of work expenditure laid down in Chapter 4 apply to departmental works undertaken by T.W.D. departmental regulations for the construction works of Tribal Welfare Department issued by Government of M.P. Vide No. 1158-XXV-I-68 dated 27-11-1968 are reproduced in **Annexure** and should be referred to by the local audit party. Compliance to following further instructions issued in Directorate Tribal Welfare letter No. 6570-71 dated 6-3-1975 should also be ensured: -

(I) No deviations in the approved designs and specifications should be made without prior approval of the Directorate.

(II) No work should be started before the accord of Administrative approval and Technical estimate having been sanctioned;

(III) The work should be inspected regularly by the departmental officers during progress of work to ensure that - (i) its execution is according to approved plan and specifications, (ii) the material of required standard has been used and (iii) that the record of measurement in the measurement book represents true facts. The case of use of inferior material and/or misrecord of managements in the measurement books should be investigated in consultation with senior officers of Public Works Department for further suitable action, simultaneously reporting the matter to the Directorate.

8.9 Maintenance of Departmental Buildings

During audit of expenditure on special repairs or/and annual maintenance of Buildings, the local audit party should bear in mind the following procedure laid down by the Director of Tribal Welfare in his letter No. Const/3/A/39249 dated 27-12-1974 to ensure that resort to special Repairs or/and Annual repairs is not a cover up devise for any defective work.

(i) Collectors have delegated with the powers to sanction special repairs upto Rs. 10,000 from 1973-74.

(ii) In no case special repairs can be sanctioned for works which are under construction or which are incomplete (the work will not be considered complete till completion certificate has been given by the competent authority). (District Planning Committee is empowered)

(iii) In no case special repairs can be sanctioned for a newly constructed departmental building for a period of 5 years from its completion. Expenditure on the maintenance of a new building is also not permissible for a period of 3 years from the date of its completion.

N.B. : - If in any case special repairs or expenditure on maintenance is considered to be necessary before prescribed period, approval of Directorate of T.W. will be necessary.

(iv) A record of issue of certificate of annual repairs of building on completion should be maintained in a prescribed register.

(v) Any proposal for special repairs in respect of any work should set forth following particulars:

-

(a) In whose books building is borne;

(b) Original cost of the building;

(c) Date of completion (on the basis of completion certificate);

(d) Details regarding repairs already carried out on pervious

(e) Dimension of building (specify items and period);

(f) Proposal for special repairs supported by technical details.

(vi) After, the completion of special repairs of any building completion certificates may be issued and noted in the register prescribed for the purpose.

8.10 Training-cum-Production Centers (T.C.P.C)

The main purpose of these centers is to impart training to the people belonging to the Scheduled Tribes and Scheduled Castes in a trade, so that the training, after it is completed, will enable them (the) earn their livelihood. Production, therefore in such centers is normally treated as incidental. In spite of this, it will be the duty of the Audit Party to check that the working of the Centre is economical to the extent possible and where the centres are run on the basis of no profit no loss, the financial result does not exhibit any monetary loss to the Government. Records like the Store Ledgers, Job Registers, Production Accountant sales Books, Annual Financial Accounts should be scrutinized carefully for seeing, interalia, that: -

(i) The entertainment of staff and overhead expenditure is not very much on the high side in comparison to the number of trainees,

- (ii) the issue of materials is made only up to the requirement and the materials have actually been used on the job,
- (iii) The wastages involved in the process of manufacture is minimum and the cost of production is not on the,
- (iv) The system of costing of finished goods does not suffer from any defects,
- (v) There is no undue accumulation of finished goods or raw materials,
- (vi) Sale proceeds are promptly credited to Government Accounts. Credit sales are allowed only in authorized cases and recoveries in such cases are also prompt and regular.
- (vii) Where the trainees are paid stipends there exists sanction of the competent authority for payment of stipend and the rate at which the stipend was paid, is not more than the rate prescribed and that, all conditions for the payment of the stipend have been fulfilled.

8.11 Tribal Blocks

The execution of various schemes formulated by the department for the development of tribals is carried mainly through the Tribal Blocks. The main activities of the block are (1) running educational institutions and distribution of scholarships and stipends (2) distribution of grant-in-aid and subsidies for execution of works (3) execution of works under crash programme (4) running of cooperative societies (5) execution of the Mid-day Meals programme and (6) distribution of food grains to the poor people in rural area.

Besides drawing the pay and allowances of the staff of his own office the Development Assistant in charge Block also draws pay and allowance of teachers of tribal schools in the Block and of Managers of TRIBAL cooperative societies.

Besides the checks to be exercised in normal audit of a formation, the local audit party should critically examine and comment upon the various schemes implemented by the department. The checks applied in scheme audit is laid down in chapter 4.

ANNEXURE

(Referred to in para 8.10)

Government of Madhya Pradesh, Tribal and Harijan Welfare Department, Bhopal
The 27th September, 1968

No. 11587-XXV-1-68 State Government are pleased to frame the following regulation namely "Departmental Regulation for the Construction Works of the Tribal Welfare Department".

"Departmental Regulation for the Construction Works of Tribal Welfare Department".

1. The categories of construction works pertaining to Tribal Welfare Department works undertaken departmentally will be as follows: -

(1) Building Works: -

- (i) Schools.
- (ii) Staff Quarters.
- (iii) Hostels.
- (iv) Balwadies.
- (v) Sanskar Kendras
- (vi) Ashram Schools.
- (vii) Other Works Constructed Departmentally.

(2) Water Supply Works: -

- (i) Wells.
- (ii) Bunds.
- (iii) Tanks.

(3) Communication Works: -

- (i) Roads.
- (ii) Culverts.
- (iii) Bridle Paths.

(a) "Building Works includes (i) construction of Pucca, Semi-Pucca and katcha Building and ii) improvement, additions, extension special and annual repairs and other minor works of the existing buildings.

(b) "Water Supply Works" includes laying of pipe lines, installation of pumps and other allied works.

2. The physical targets of the works to be carried out from a particular year will be determined by the Director Tribal Welfare and Communicated to the Commissioner of Divisions, Collectors and District Officers of Tribal Welfare Department Budget provision for all departmental works will be included in the departmental budget.

3. As soon as the construction programme of a particular year is finalized by Director Tribal Welfare, the Collector, and the District Officer, of the Tribal Welfare Department will take up all the preliminaries i.e. selection of site acquisition of land, preparation of stage I plan and estimate and issue of administrative approval for commencing work. In accordance with the delegation of powers made from time to time. The existing delegation are given in Appendix I.

4. A copy of administrative approval of each work will be endorsed by the sanctioning authority to the Director of Tribal Welfare and to the Accountant General, Madhya Pradesh. There after the

Director, Tribal Welfare will release allotment of funds for that work according to the requirement to be proposed by the Collector.

5. A copy of the administrative approval together with stage I estimate will be forwarded to the authority competent to accord technical sanction. Stage II estimate will be prepared in detail and will be technically sanctioned by the competent authority as shown in Appendix I(B)

No technical sanction to stage II estimates will be necessary for petty works upto Rs. 2000/- in each case.

6. The collector of the District can get the work executed through any of the following agencies, except in cases where the Director, Tribal Welfare desires the execution of any particular work to be done through a particular executing agency:

- (a) Specially constituted ad hoc bodies;
- (b) Local Bodies;
- (c) D.A's or A.O.T.D. Block;
- (d) Cooperative Societies with the previous concurrence of Director, Tribal Welfare;
- (e) Departmentally and through officers subordinate to the Collectors.

In case of works allotted to the agencies (b) and (c) above, the agencies will follow their own prescribed rules and procedure.

In case of works against item (a), (d) and (e) above the rules and procedure of Tribal Welfare Department will be followed. In case when the above agencies do not come forward to take up the work, the collector may get the work executed through contractors in accordance with the procedure laid down in rule 7(b) and to the extent of powers delegated to him vide Appendix I.

When the execution of the work is entrusted to an agency (b) or (c) the Collector may release advance funds for the purpose either in lump sum which would not be equal to the total estimated cost of works or in installments based on the progress of works. The Agency will be responsible to submit quarterly progress report along with the certified statement of expenditure in the Form Appendix II. After the work is completed the completion report in Appendix II-A along with the certified statement of expenditure should be submitted to the collector by the Agency concerned.

7. Execution of Works

(A) As far as possible work should be done departmentally for this, Nominal Muster Rolls in C.P.W.A. Form No. 21 may be used. Work may also be got done through village bodies, Local labour headman, Gram Panchyat etc, without calling for tenders as per conditions specified in item 3 Appendix I.

INSTRUCTION FOR USE OF MUSTER ROLLS

(i) When work is done by daily labour, a Muster Roll in the C.P.W.A. Form No. 21 should be maintained. It should be prepared by the person in charge and show the names of labours, number of days they have worked and amounts due to each of them. The daily attendance or absence of labours must be recorded so as to prevent any correction in the original entries. The muster rolls should be checked by the Sub Engineer or other field staff of Tribal Welfare Department as frequently as possible. The labourers to be employed on daily wages on works and

the rates of wages to be paid to them will be fixed by the Area Organiser, District Tribal Welfare Assistant/District Organiser /S.D.O. Such rates should not be excess of the current market rates prevalent in that locality. The actual disbursement of wages to the labourers should be made by Sub Engineer in the presence of the departmental officer of highest standing available is there in that locality not below the rank of Circle Organiser or Secretary, Ad-hoc Committee. The total of amounts paid on each date should be noted in words as well as in figures at the foot of the muster rolls. The signature or thumb impression of the labourers should be obtained on the muster roll in taken of having received their wages and the same attested by the person making payments. Stamped acknowledgements may be obtained wherever necessary. It is not necessary to submit the paid Muster rolls to the Accountant General, but it will be enough if a certificate as mentioned below is furnished: -

“Certified that all labourers whose wages have been charged in the bill were actually entertained for that work during the period concerned”.

The Sub Engineer/Circle Organisers should never pass a gang without checking the attendance and entering his dated initials in the appropriate places. He must also check the progress of work. The Regional Deputy Director/District Organiser /S.D.O. District Tribal Welfare Assistant/Area Organiser will check the attendance as often as can be done and will record the fact on the Muster Rolls concerned.

(ii) A simple register showing the amount of wages remaining unpaid should be maintained to record therein the details of unpaid wages and their subsequent repayment in such a way as to prevent double payment.

(iii) Register of Muster Rolls- A register of muster rolls should be maintained in the form Appendix III and no muster roll should be issued unless it is entered in the Register and the Register No. and date is noted on the form by the officer issuing the form under his signature and date.

(B) Tender and Agreement – (i) For works proposed to be given on contract, notice inviting tenders should be in the form in Appendix IV. Invitation of tenders should be given wide publicity. The N.I.T. should be exhibited on the Notice Board and copies should be sent to the other officer for similar exhibition. Tenders for bigger works say costing more than Rs. 2,00,000 may be advertised in the local press or other papers according as contractors are likely to tender locally or from outside.

(ii) Sealed tenders must be obtained for all works proposed to be given on contract unless the amount of contract is Rs. 1,000 or less. Contracts for Rs. 1,000 or less may be awarded by the Collector after negotiation.

(iii) Power of authorities to accept tenders of contractors is specified in item 2 of Appendix I.

(iv) Tenders should be in any one of the following forms as per requirement:

- | | |
|--|--|
| (1) M.P.P.W.D. form A printed as Appendix 33 of M.P.P.W.D. Manual Vol. II. | Percentage rate (on scheduled or rates) Tender and contract for work. |
| (2) M.P.P.W.D. form C printed as Appendix | Tender and contract for supply of |

- | | |
|--|---|
| 35 M.P.P.W.D. Manual Vol. II. | Materials. |
| (3) M.P.P.W.D. form B printed as Appendix 34 M.P.P.W.D. Manual Vol. II | Item rate tender and contract for works. |
| (4) M.P.P.W.D. form F printed as Appendix 38 M.P.P.W.D. Manual Vol. II. | Tender for lump-sum contract. |

(v) A register of tenders should be maintained in form shown in Appendix V.

(C) Written Agreement should be drawn in the prescribed tender and agreement form for contractors above Rs. 1,000.

The accepted tender in one of the prescribed form will borne the Agreement. If the tender is not properly written or required any corrections, a fresh agreement may be drawn up in same form embodying the same terms and conditions as the original tender. In the PWD agreement form SDO/Division Officer/Engineers/Executive Engineer should be substituted by Collector and Superintending Engineer should be corrected to read Commissioner of Tribal Welfare.

(D) A register of Agreement should be maintained in form Appendix VI.

8.Earnest Money: - Tenders will be required to deposit earnest money of one per cent of the probable value of the contract. Earnest money is the guarantee of the tender to deposit the requisite security Deposit and enter into the required agreement when his tender is accepted.

9. Security Deposit: - Security deposit should in all cases be taken for the due fulfillment of a contract. The security deposit may be :

- (a) A deposit of cash in lump-sum.
- (b) Government Security Deposit receipts of recognized Banks (Approved by Government).
- (c) Post Office Cash Certificate.
- (d) Deduction of 10% from the bills. (to be updated in current status)

10.(A) Advance payment – Advance payment are as a rule prohibited , and every endeavor should be made to maintain a system under which no payment are made except for work actually done. Exceptions are, however, permitted in the following cases: -

(a) Cases in which a contractor, whose contract is for finished work requires in advance on the security of materials brought to site/District Organiser/Area organiser/District Tribal Welfare Assistants may in such cases, sanction advances up to an amount of not exceeding 75 per cent of the value (as assessed by themselves) of such materials, provided that they are of an imperishable nature and that a formal agreement in CPWD Form 31 is drawn up with the contractor under which Government secures a lien on the materials and is safeguarded against losses due to contractor postponing the execution of the work or to the shortages or misuse of the materials and against the expenses entailed for their proper watch and safe custody. Payment of such advances should be made only on the certificate of an officer, not below the rank of Circle Organiser that the quantities of materials are all required by contractor has not previously received any advance on that security and that the materials are all required by the contractor for use on item of work for which rates for finished work have been agreed upon. The officer granting such a certificate will be held personally responsible for any overpayment which may occur in consequences.

Recoveries of advances so made should not be postponed until the whole of the work entrusted to the contractor is completed. They should be made from his bills for work done as the materials are used, the necessary deductions being made whenever the items of work in which they are used are billed for.

(b) Cases in which the interest of works, it is absolutely necessary to make petty advances upto Rs. 50 may be allowed by subordinates.

(c) In all other cases, only with the sanction of the Government which may, in exceptional circumstances, authorize such advances as may be deemed indispensable, taking the necessary precaution for securing Government against loss and for preventing the system from becoming general or continuing longer than is absolutely essential.

(B) An advance payment for work actually executed may be made on the certificate of a responsible officer (not below the rank of Area Organiser) to the effect that not less the quality of work paid for has actually been done, and the officer granting such certificate will be held personally responsible for any over payment which may occur on the work in consequences. Final payment may however, in no case be made without detailed measurements.

11.(A) Form of Bills – The authorized form of bills and vouchers are as follows:

| | |
|--|---------|
| (a) First and final bill CPWA | Form 24 |
| (b) Running Account bill | Form 25 |
| (c) Running Account bill | Form 26 |
| (d) Running Account bill | Form 27 |
| (e) Hand Receipt 28 | |
| (f) Pay bill of work charged establishment | Form 29 |

(B) Contractor Ledger – A contractors ledger should be maintained in Form Appendix X.

12. Measurement Book

(i) Measurement for works done other than by daily labour or supplies made should be kept on record in the printed Measurement Books in C.P.W.A Form No. 23. This should be maintained by the Area Organiser/Circle Organiser/Executive Agency staff according to the rules laid down in para 209 of CPWA Code. In case of contractors, complete measurement should be taken at the time of the drawing of bill available for inspection and check during the local audit. Final measurements of all works below ground level or likely to be covered up should be recorded before they are covered up.

Running and measurements should be recorded by a technical officer and where SDO is appointed, the final measurements should be checked by him.

In no case should final bills be prepared and paid before the work is completed.

(ii) Register of Measurement Books – All Measurement Books should be numbered serially in a register to be maintained in the form as Appendix VII by the District Organiser's/Area Organiser/District Tribal Welfare Assistant's office which should also show the names of officers

to whom the books are issued, date of issue and date of return, so that their eventual return to the supplier may be watched. Books no longer in use, though not completely written up, should be returned to the District Organiser/Area Organiser/S.D.O./District Tribal Welfare Assistant. The procedure regarding maintenance and preservation of measurement books obtaining in Public Works Department should be followed.

13. Work Charged Establishment

All the work charged establishment should receive the prior sanction of the competent authority as per existing orders of the State Government. The wages of the members of the work charged establishment should be drawn in CPWA Form No.29 (Bill for work charged establishment may be drawn as provided in rules 232 and 233 of CPWA Code).

14. Watch over expenditure and register of works

(a) In order to watch expenditure over a particular work, a register of works should be maintained in the enclosed form Appendix VIII. This is a permanent and collective record of the expenditure incurred during the year of each work including grant-in-aid works, Separate pages should be allotted for each work wherein will be shown the name of the work, the amount of estimates, and funds allotted for the year. It should be posted from the cash book in respect of each transactions and stock book for the stock transactions. It will thus show the expenditure incurred every month and the progressive expenditure to date. The quantity of work done should also be shown in it. The expenditure incurred in a month should include all items of expenditure both in cash and kind actually incurred in that month.

(b) Money sanctioned for a particular work should not be spent on other works. The authority executing the work should see that the sanctioned cost is not exceeded. He should take necessary steps to get the estimates revised before incurring any expenditure in excess of the sanctioned cost. The excess within ten per cent of the sanctioned estimate may be approved by the authority which has sanctioned the estimate provided that the total cost does not exceed its power of sanction. Sanction of the next higher authority is necessary where the excess is over 10 per cent.

(c) Quarterly Progress Report – (i) To watch the progress in respect of construction work of Tribal Welfare, it has been decided to prescribe quarterly progress returns. With this view a set of proforma for reporting the particulars and stage of progress in respect of all the construction works in the district is prescribed.

(ii) The Executive Agencies will furnish the quarterly progress reports to the Collectors, in the attached proforma (Appendix II) by the 10th January, 10th April, 10th July and 10th October for the quarters ending December, March, June and September respectively. The Collectors will then send the consolidated quarterly progress reports of the districts in form (Appendix II) which should reach the Directorate Tribal Welfare by the 31st January, 10th April, 31st July and 31st October.

(d) Register of Buildings, Roads and Wells should be prepared in form Appendix XII,XIII,XVI respectively and kept properly in the office of D.O./A.O./D.T.W.A.

15. Stock and Store Register

(a) Orders regarding the purchase of stores are given in Appendix IX of Financial Rules, Volume II of Government of Madhya Pradesh which are reproduced as Appendix 'A' and they should be strictly observed unless otherwise directed while making purchase for public services.

(b) As a general rule the payment for supplies is not permissible until the stores have been received and verified.

(c) The drawing officer should record a certificate on the invoices or bills that the articles detailed therein have been received in good order and accounted for in the stock book. He should also certify that the quantity is correct, the quality is good, the rates paid are not in excess of the accepted or market rates, and that suitable notes of payment have been recorded against the indents and invoices to prevent double payments.

(d) In addition to the certificate mentioned in (c) above the drawing officer should also furnish a certificate to the effect that the rules regarding purchase of stores prescribed in Part I of Appendix IX to the Madhya Pradesh Financial Code Volume II have been strictly observed wherever they claim money from the Treasury for the purchase of stores.

(e) All the purchases should be entered in the stock book or equipment register as shown in Appendix IX as the case may be quoting, reference to voucher number and date. The register should be in two parts. Part I for building material, Part II for other items such as tools and plants. A separate folio should be opened for each kind of article. For example there should be a separate folio for lime, cement, GCL Sheets etc. the quantity, purchase rate per unit as well as the cost of purchase should be entered therein. Similarly quantity issued as well as its cost should also be noted in the relevant columns.

A physical verification of all stores should be made at least once a year in accordance with the instructions contained in Rules 133-139 of the Madhya Pradesh Financial Code Volume I.

16. Completion Certificates – On completion of work, a completion certificate should mention whether the work has been executed according to plan, Estimates specification. It should be furnished by the Collector to the Accountant General Madhya Pradesh. The powers of officers for issue of completion certificates are specified in Appendix I (A) completion certificates of each work will be issued in the form at Appendix II (A). For grant-in-aid works the completion certificate should be in form Appendix II (B).

17. Allotment of Funds – (i) It is regular to obtain from the Directorate heavy allotment of funds for construction works which are not utilised within a reasonable time. This results in heavy accumulation of funds which normally are to be surrendered at the close of the financial year. It is also irregular to draw lump sum amount equal to the cost of the work and place at the disposal of executing agencies without any follow up action about their timely utilization. These practices not only lead to wastage of funds but seriously disturb the execution of plan programme.

(ii) Funds are to be demanded and drawn only when required for immediate disbursement. In the light of this fundamental principle, allotment of funds to districts for constructions works will be released by the Director of Tribal Welfare only on the basis of actual requirement, after assessing the actual progress of each work. It is, therefore, necessary that all proposals of allotment of funds

(both for initial and subsequent allotment) for construction works should be sent in the proforma, Appendix XI. This proforma is to be adopted in respect of all works both old and new as also for special repairs/extension/addition and alteration of buildings. Before sending requisition of allotments, it is to be ensured that funds are required for immediate use. No proposal for allotment of funds for any work will be entertained unless supported by a statement in the prescribed proforma. In this context, it is to be noted that the executing agencies of works whether official or non-official, have also to be released funds on the basis of requirement and progress of works. Lump sum payment of funds to them not required for initial use is contrary to rules and is, therefore, not desirable.

In laying down the above procedure of allotment, it is not at all the intention of this department that execution of works should slacken or slow down. The imperative need is that all preliminaries viz. Site selection, acquisition of land, issue of administrative approval, selection of executing agency of the works should be finalized well in advance and thereafter execution should be taken up according to phased programme. Quick and proper implementation of allotted works in districts has got as much importance as the need for following rules in relation to draws and disbursement.

18. Drawal of Money from Treasury: - The drawing officer will claim money from the treasury on an abstract contingent bill form for expenditure on works. In drawing money from the treasury on an abstract contingent bill it should be noted that an amount sanctioned for expenditure should not be drawn in lump sum only because it has been sanctioned by the competent authority. It should be noted that financial sanction is an authority to incur expenditure within certain authorized limits, and not an order upon which the whole money may be drawn from the treasury. It is not permissible to withdraw money from the treasury unless such is required for immediate disbursement. It is also irregular to draw money from the treasury either for the execution of work, the completion of which is likely to take a considerable time or to avoid lapse of grant. Money must be drawn from the treasury either for expenditure which has already been incurred, e.g. permanent advance or which will be incurred immediately after drawal. It is essential that when D.C. Bill is drawn up and submitted to the appropriate authority on the prescribed date, the concerning officers should submit vouchers, and the account of expenditure as having actually been incurred. If this cannot be done the drawing of advance is not permissible to the concerning officer.

APPENDIX I

| Serial No. | Item | Power delegated to Commissioner | Power delegated to Collectors | Remark |
|------------|------|---------------------------------|-------------------------------|--------|
| (1) | (2) | (3) | (4) | (5) |

Extract of T.W. Department Memo No. 7679-3255-XXV-PS-61 dated 7-11-1964

1. To accord Administrative approval to construction works under various schemes for welfare of Backward classes

2. To accept tenders, contract agreement.

(i) The 'Collector may accept only the lowest tender for a contract of value up Rs. 50,000. if in respect of any such contract he considers that a tender other than the lowest should be accepted he should send all the papers to the commissioner for decision. the

commissioner will send the list of such decision to government for

information with a copy to D.T.W.

(ii) The Commissioner may accept a higher tender for reasons to be recorded in writing for contracts upto Rs. 1.00,000 but he should Send a list of such cases for Governments information With a copy to DTW.

| (1) | (2) | (3) | (4) | (5) |
|-----|---|--|--|-----------------------------|
| 3 | Execution at or below the schedule | Full powers upto and 20 per cent above in consultation with Superintending Engineer. | Up to Rs. 10,000 in case rates and 10 per cent above the schedule of rate in consultation with the Executive Engineer. | of works, Schedule of rates |
| | supply of material through village bodies local labour headman, Gram Panchyats etc. | | | |

Without
Calling for
Tenders.

| | | | |
|----|---|---|--|
| 4. | To sanction payment of lump sum for any item of work not provided in the schedule | Full powers of Superintending Engineer, i.e. upto Rs. 50,000 only | No lump sum payment may be made for any item which is susceptible of Measurement not withstanding that such provision exists in the Sanctioned estimate provided the loss does not disclose a defect of system or any suspicion of dishonesty on the part of any Government. |
| 5. | Disposal of unserviceable stores and sanction to write off. | Rs. 500 | Rs. 300 |
| 6. | Powers to appoint works Charged establishment. | Full powers of Superintending Engineer i.e. Rs. 75 and not Exceeding Rs. 25 on the prescribed maximum for various classes of establishment. | |

Extract Item 23 of T.W. Department Memo No. 6193-1424-XXV-II/IA-64 dated 12-8-64

1. Powers to accord administrative approval construction works under various Welfare of Backward Classes. Powers delegated to D.T.W. upto Rs. 50,000 To the Schemes for the

(As amended vide. T.W. No. 11746/1309/XXV/II/P/72 dated 3-11-1972)

APPENDIX IA

| Serial No. | Nature of works | Delegation of powers regarding completion certificate Authorities to issue completion Certificate | Requirements |
|------------|-----------------|---|--------------|
|------------|-----------------|---|--------------|

Requirements

| 1 | 2 | 3 | 4 |
|----|---|--|--|
| 1 | Works taken up departmentally through collectors or other official agencies authorised by the Collectors. | 1. D.O.T.W. upto Rs. 10,000 2. Collectors above Rs. 10,000 | Measurement to be recorded by the block Overseers as accepted by Planning Development or our Special Public Works Department staff where this has been provided. |
| 2. | Works taken up through Ad-hoc Bodies and local Bodies. | (i) Upto Rs. 6,500 (ii) above Rs. 6,500 | (i) (a) By Chairman of the Ad-hoc and Local Body other than Janpad Panchyat. (b) By Chief Executive Officer of janpad panchyat. |
| 3. | Works taken up by Collectors through Local public works Department Authorities as Deposit works. | | (ii) By officer specified for works at s.no. I By Executive engineer under whose supervision works were executed. |
| 1 | 2 | 3 | 4 |
| 4 | Works entrusted to non-official organisation on the grant-in-aid basis | (i) District Organiser, Tribal Welfare upto Rs. 10,000 (ii) Collector above Rs. 10,000. | After Certificate by an Assistant Engineer, Public works Department or if this is Not possible by Block Overseer or our special Public Works Department staff |

2. The above delegation is subject to the condition that the completion certificate issued by the Chairman of the Ad-hoc Committee should be countersigned by the District Organiser, Tribal Welfare who may do so after inspection of works on the spot and after checking the accounts.

APPENDIX I(B)

Power proposed to be delegated for according for according technical sanction to detailed estimates of construction works of Tribal Welfare Department

| Name of Powers | Extent of delegation | Authority to whom to be Delegated |
|--|---|--|
| 1 | 2 | 3 |
| To accord technical sanction to Plans & estimates of works under Various Schemes for the Welfare Of Scheduled/Backward Classes/Tribes provided in the Budget Estimate of Tribal Welfare Department | Upto Rs. 10,000 Upto Rs. 50,000 Upto Rs. 1,00,000 | D.O. on the advice of Engineer Overseer. Collector on the advice of Executive Engineer. Division Commissioners in consultation with Superintending Engineer. (T.W.No. 16/2/73/II/XXV date 28-1-1973) |

APPENDIX II

Proforma of quarterly report from the Executing Agency to the Collector and from the Collector to Directorate of Tribal Welfare

Quarter ending on.....

1. S.No.
2. Name of the Executing Agency/District
3. Name of work
4. Location Tehsil Place
5. Estimated cost
6. Date of Starting works
7. Allotment till the end of quarter

| Till the end of Previous Quarter | During the Quarter | Total |
|----------------------------------|--------------------|-------|
| 1 | 2 | 3 |

| 8. Expenditure till the end of previous quarter | Expenditure During the quarter | Total expenditure | Balance allotment |
|---|--------------------------------|-------------------|-------------------|
| (1) | (2) | (3) | (4) |

9. Physical progress till the end of the quarter
10. Likely date of completion
11. Remarks

Signature of Executive Agency/Collector District

APPENDIX II(A)

Form of Completion Certificate

Certified that I have inspected the Work estimated to cost Rs. Completed onand based on an assessment of its specifications and present conditions. I am of the opinion that the work should cost Rs.....

That the work has been done properly and the building/works is not in a reasonably sound condition. The following points need attention in due course immediately.

- 1.
 - 2.
 - 3.
- Date.

Signature:

Designation

APPENDIX II(B)

Completion Certificate of Grant in aid Works

- 1 Name of works
2. Name of Constructing Agency
3. Estimated cost
4. Actual cost of construction
5. Percentage of Expenditure sanctioned as against grants-in-aid
6. Total grant-in-aid for the work
7. Total amount of peoples contribution in cash, kind and labour received

CERTIFICATE

1. Certified that the grant was utilised for the purpose for which it was sanctioned.

2. Certified that all the other conditions attached to the grant have been fulfilled.

Signature
Designation

Audit of the Accounts of District of Soldiers, Welfare Officers

9.01 Preamble

The State Government declared the DSSA Boards of the State as a normal permanent department under the control of Home Department w.e.f. 12-03-1974. Consequently the DSSA Boards Employees (Conditions of Service) Rules 1961 ceased to be applicable to the employees of the Board and they are governed by the State Government rules in the matter of recruitment, pay and allowances, leave, medical, attendance, retirement, pension, gratuity etc. subject to the conditions inter alia, that:

(i) The maximum age limit for ex-serviceman for entry into service has been laid down as 50 years for members of subordinate staff and 57 years for secretaries officers. The age of retirement has been fixed to 60 years for class-III employees and 62 years for class-IV employees as per State Government rules.

(ii) The leave at credit of the employees of the Board at the time they are declared as Government employees from 12-03-1974 has been allowed to be carried forward.

[Authority: - Government of M.P. (Home Department) Memo No. F-28-2/IIA(3) dated 12-03-1974 and No. 1096/A(3) dated 22-03-1975 & DSWO, Gwalior letter No. 1511/DSWO/04 dated 25.05.2004]

9.02 Financial arrangement

(i) The State Government is required to maintain this office from State revenues, Central Government making grants to the State Government equal to half the expenditure incurred on this office and admitted in audit at the end of the financial year on receipt of the audited account.

(ii) The State Government is required to furnish statement of actual expenditure and audit report to the Central Government. The responsibility for ensuring that the observations made in the audit report are investigated and other recommendations made therein are implemented devolves upon the State Government. An annual report describing its activities during the year is required to be submitted by each DSWO at the end of each financial year.

(iii) The budget of the State Government is required to be examined by the Central Government. The Central Government may draw attention of the State Government to any important item of expenditure which in their opinion appears to be exorbitant and can be curtailed.

(iv) While the State Government can regulate the expenditure of the office either by way of increase under the existing budget heads, the prior sanction of the Central Government is necessary in the case of increase in clerical strength of the office. The Central Government's sanction is also required to be obtained. In cases where new categories of the post such as sweepers, gardener, welfare workers etc., which did not exist previously are sought to be created.

(v) The setting up of this office as well as abolition, downgrading, amalgamation, upgrading of existing ones requires prior approval of Central Government.

(vi) The Director DSWO, Bhopal is the controlling officer.

[Government of MP (Home Department) Memo No. F-28-2/IIA(3) dated 12-03-1974 and No. 1096/IIA(3) dated 22-03-1975].

9.03 Audit Checks

The checks laid down in Chapter 4 should be applied during local audit inspection of the accounts of Boards. It may also be seen during local audit of state Board that the orders issued by the Government regarding appointment of employees, upgrading, degrading setting up and abolition of Board were not violated. It may also be ensured that leave at credit of the employees has been correctly carried forward vide para (9.01).

9.04 Reimbursement of expenditure

The expenditure on the office is to be shared between Central and State Government on 50:50 basis on the basis of audit certificate to be furnished by FASS-M section of this office. A copy of the audit Inspection Report is to be endorsed to that section by OAD Section after edition.

[TMI/IV/TR 40 dated 07-1975].

CHAPTER 10

PUBLIC HEALTH AND FAMILY WELFARE DEPARTMENT

Introduction

10.01 With a view to maintaining the Public health and for the physical well being of the community, the Government in Public Health and Family Welfare Department undertakes a wide range of Public Health and Family Welfare activities.

10.01(i) General set up- (i) According to the departmental set up, at the Directorate level Commissioner Health Service is the head of the department, under whom Director of Public Health and Family welfare and Director, Medical Services are posted under him. Regional Joint Director, Chief Engineer, and two Joint director's (headquarter and Finance) are posted for assisting them in execution of departmental activities.

(ii) At Directorate Level though Public Health and Family Welfare and Medical Services are under separate Director yet at the district and block level structure at both the branches is common, Chief Medical and Health Officer of the district and ex-officio Deputy Director Food and Medical Administration, and control over the implementation of programmes at block level in and in rural areas Civil Surgeon Cum Hospital Superintendent Supervisor and Control over the District Hospital and Civil Hospitals.

The distribution of work amongst the Chief Medical and Health Officer and Civil Surgeon is as under :-

(A) Chief Medical and Health Officer

- (i) Implementation of Family Welfare programmes
- (ii) Maternity and child welfare programme
- (iii) National Vaccination programme
- (iv) Intensive Pulse Polio programme
- (v) National Naroo and yaz programme
- (vi) National Blindness eradication programme
- (vii) National Leprosy Control programme
- (viii) Management of Rural Dispensaries
- (ix) National Malaria Eradication Programme. (deleted)

(B) Civil Surgeon

- (i) Management of district, Tehsil and other Hospitals. (excluding Primary and Community Health Centres)
- (ii) Training of Nurses Auxiliary Nurses and Students
- (iii) Implementation of Family Welfare and Schemes assigned to District Hospital and Civil Surgeon

10.02 Audit checks- All the checks prescribed in other chapters of this manual should be applied and special attention should be paid while conducting the audit of the accounts of the officers of district Family-cum-Health Officers and Civil Surgeons as laid down in the succeeding paragraphs

CHIEF MEDICAL AND HEALTH OFFICERS

10.03 General- The district Family Welfare-cum-Health Officers/Civil Surgeons are incurring huge expenditure on purchase of medicines/instruments etc. The purchases should be scrutinized thoroughly on the following lines: -

(i) Total expenditure incurred on purchase of medicines, value of medicines procured through Government Undertakings, and value of medicines purchased from the manufacturers and locally should be collected. It should be seen that the store purchase rules have been observed. Reasons for purchase of medicines from sources other than Government Undertaking should be ascertained and commented upon, if necessary.

(ii) The manufactured products of Government Undertakings are required to be purchased direct. In case such products are seen to have been purchased otherwise the reasons therefore and the extra expenditure incurred if any, on this account should be worked out.

(iii) It should be seen that the department has assessed the requirement of medicines well in advance . If purchases have been made from private dealers, it should be seen that these have been obtained at the most economical and reasonable rates.

(iv) Whether the purchases have been properly accounted for in the District or Main Stock Registers.

(v) Issues should be scrutinized with reference to acknowledgements of receiving subordinate units and quantities shown as issued should be tallied with the indents placed by the subordinate units and the Issue Vouchers. Discrepancies, if any, noticed should be specified in terms of quantity and money value.

(vi) That the issue voucher is correctly posted in the District Stock Register.

(vii) That the balance in the District Stock Registers as well as those of the subordinate units are correctly worked out/brought forward and that quantity and value of shortage/excesses, if any, have been worked out.

(viii) that the Stock Registers are complete and the issues do not exceed the opening balance of the concerned medicine plus purchases.

(ix) The Register of time barred medicines should be examined with a view to bring out inter alia, the basis for arriving at the requirement for the purpose of procurement, whether purchases were in excess of the requirement so assessed, the time of expiry of medicines at the time of purchase, cost of the time barred medicines, details of further purchase etc.

(x) It should be seen whether the medicines likely to become time barred within a short period were transferred to other institutions where they were required and failure in this regard should be suitably commented upon in the Audit Inspection Report.

Specific

10.04 Family Welfare Programme: - Though Health including Family Welfare is a State subject, in view of the importance of the Family Welfare Programme, Central Government has been providing substantial financial assistance for implementation of various family welfare schemes.

Besides the usual records, like cash book, bill register the Family Welfare Centres are required to maintain inter alia, the following records: -

1. Daily Case Register- This Register is intended to keep a record of persons who come to the Family Welfare Centre/Sub-centre for availing of the services rendered, as also the type of services rendered etc.

2. Conventional Contraceptive Issue Register: - This register is to be maintained by all institutions and persons distributing conventional contraceptives to individual couples for showing the number of pieces of each type of conventional contraceptive actually issued.

3. Conventional Contraceptive Stock Register: - A record of the quantities received or supplied to other agencies and officers is maintained in this register. It is to be maintained by each organisation keeping stock e.g. State Family Welfare Bureau, District Family Welfare Bureau, City Family Welfare Centres, Sub-centres etc.

4. I.U.C.D. Register

5. Sterilisation Register: -The following checks, amongst others, should be exercised during local audit: -

(i) It should be verified that the pattern and scale of Central Assistance available on employment of staff, purchase of equipments etc have been strictly followed.

(ii) The Government has fixed the rates of payments for motivation, compensation, diet, transport etc for each case of Vasectomy operation, Tubectomy operation and I.U.C.D. insertions. The payments should be examined to verify inter-alia their correctness and admissibility. It should also be seen that the ceiling for expenditure on medicines, bandage etc. purchase does not exceed and in case of excessive expenditure there is proper justification.

NOTE 1: - The fees of doctor who performs the Family Welfare operations/insertions and who is not exclusively employed for family welfare programmes in purely family welfare units viz. Urban Family Welfare Centres, Mobile Family Welfare Service Units etc. is admissible only if a certificate by the Head of the Hospital/Civil Surgeon to the effect that the work was done without detriment to the normal duties of such doctor is recorded.

In the case of doctors employed in purely Family Welfare Units, the fees are admissible only for performance in excess of obligatory targets fixed for such institutions.

Payments in contravention of the above mentioned provisions are irregular.

NOTE 2- The position of doctors attached to Primary Health Centre is, however, different as this centre is not exclusively a family welfare unit. In case only one doctor is posted in a Public Health Centre who is normally paid from the health budget, he will be allowed remuneration in respect of

all cases of I.U.C.D./Sterilisation done at the prescribed rates, provided the work is done without detriment to his normal duties.

(iii) The payments made to the private organisations and/or individuals for carrying out work relating to Family Planning Programme should be checked to see that rate is correct and payments are otherwise admissible.

(iv) The sale proceeds of contraceptives as credited to Government Account are correct as per the rates prescribed.

(v) It should be verified that proper accounts of the expenditure incurred on holding seminars, orientation camps meals and other mass propaganda activities have been kept and the quantum of expenditure is reasonable. The performance of the Audio Visual Units should be compared with the requirements laid down by the director of health Services from time to time. If the number of film shows arranged for the purpose of publicity of Family Welfare programmes, is less than the number specified for the unit, this should be pointed out along with the financial implications.

(vi) The family welfare programme being a centrally sponsored scheme (as distinct from centrally assisted state Plan Schemes) the State Government does not have any discretion to vary the pattern of assistance etc., the audit scrutiny should be directed to ensuring that: -

- (a) The pattern of assistance laid down by the Government of India in respect of family welfare schemes is not varied by the State Government.
- (b) The assistance is provided in accordance with the pattern and the different conditions attached to the implementation of the schemes by the Government of India are fulfilled.
- (c) The funds allotted by the government of India are not diverted for any other programmes, but are expended solely for family welfare schemes.
- (d) The entire staff approved by the government of India has been appointed by the State Government and the posts are not left vacant.
- (e) The building constructed under the scheme are according to the pattern and plan approved by the Government of India.
- (f) The vehicles purchased out of family welfare funds are exclusively used for this work only.
- (g) The payment of stipends to trainees, special pay, honorarium, mobile, duty allowance etc. to the doctors have been made at the prescribed rates.
- (h) The stores and equipments have been purchased through D.G.S.D. and the accounts have been kept properly and periodical physical verification has been conducted.

(vii) The evaluation-reports of this scheme and the reports and records of the statistical assistant in the Office of the District Family Welfare-cum-Health Officer should be studied as also in the State Family Welfare Bureau with a view to finding out whether the targets fixed for Sterilisation/I.U.C.D. insertions have been fulfilled. The short fall in targets and reasons therefore should be commented upon in the Audit Inspection Report.

(viii) Audit of records of Family Welfare Centresinvolved. (Deleted)

(ix) Contraceptives and Sterilisation Operations-

- (a) Cases of purchases without inviting tenders/quotations or at uneconomical rates or undue accumulation of surplus, sub-standard or time expired contraceptives should be investigated.
- (b) Improper or non-maintenance of records and accounts of sterilisation operations conducted in camps for which diet charges have been claimed by the State Government from the Central government, should be investigated and suitably commented upon in the Audit Inspection Report.
- (c) It should be ensured that the sale of contraceptive are carried out at the prescribed rates
- (d) It should be seen whether the grantee bodies (hospitals) have actually arranged for adequate number of beds and the grant is being utilised for the intended purpose.

(x) Training at Regional Family Welfare Training Centres: -

It should be examined that-

- (a) Avoidable expenditure on salaries and allowances of staff etc. is not incurred due to unduly long gaps between the various courses.
- (b) The cost per trainee is within the estimated cost and the stipends, wherever admissible have been paid as per prescribed scales and necessary bonds have been executed by the trainees who have availed of the stipends.
- (c) The services of the trained persons were utilised for the family welfare programme and if not, the extent of infructuous expenditure should be pointed out.

(xi) Education and Publicity: - It should be seen in audit-

- (a) Whether payments for publicity through cinema slides, boarding, boards, advertisement etc are made on a uniform and rational basis decided in advance.
- (b) Whether there is adequate machinery to watch the progress of publicity done and to ensure that the work done by the private parties is commensurate with the payments made to them.

(xii) Grants to Voluntary Organisations and Local Bodies for Family Welfare Programme-

(1) while scrutinising the sanctions for Grant-in-aid and payments there of, it should be seen that

- (a) The sanction, conforms to the conditions prescribed in the Madhya Pradesh grants to Voluntary Organisations and Local Bodies for Family Welfare Rules 1967, as amended from time to time.
- (b) The sanction, whether for fresh grants or for continuation of the old grants has been accorded by the competent authority.
- (c) The institutions, for which the grants are sanctioned, have well defined objectives to promote in the field of family welfare.
- (d) The institutions receiving the grants have a legal status permitting the entrustment of Public Funds to them or have all India character and are not profit oriented, but are run for the purpose of serving the general public and not meant for a particular caste, creed or religion.
- (e) The application for grant-in-aid is accompanied by a certificate from the District Magistrate/Local Administrative Authority to the effect that the statements made in the

application as well as the following certificates given the Civil Surgeon thereon (i.e. on the application) are correct, and that the bonfires of the organisation and its financial position are satisfactory and also that there is nothing against the organisation and its financial position are satisfactory and also that there is nothing against the organisation or its office bearers, which should disqualify them from receiving financial assistance from the State Government/Government of India.

- (i) That the institution is of recognized competence and ability.
 - (ii) That the estimates have been checked and found reasonable.
 - (iii) The establishment of a family welfare clinic in the locality proposed is necessary and there is no overlapping of services.
 - (f) The grantee institution has executed a bond in the prescribed form on non-judicial stamp paper with two sureties, to the effect that the institution will abide by all the conditions of the grant.
 - (g) That proper and separate accounts are maintained and a statement, duly attested by the auditors, along with audited accounts (for the last three years) specifying clearly that the grantee institution was not sanctioned grant-in-aid for the same purpose by any other department of the Central and the State Government.
 - (h) The grantee institution has achieved the target set for it.
The checks are prescribed in the chapter dealing with audit of grants-in-aid in part I of this manual should also be applied mutatis mutandis.
- (2) In regard to the assistance to the local bodies and voluntary organisations the following aspects should also be seen.
- (a) The number of cases where audited statements of accounts and utilization certificates have not been received and action taken therefore.
 - (b) The cases where the grants were not utilised for the intended purpose and action taken.
 - (c) Cases of excess release of grants to the voluntary organisation or non-refund of unspent balance by them along with action taken.
 - (d) Whether periodical progress reports are being obtained and critically examined vis-a vis the expenditure incurred by the institutions/bodies.
 - (e) Whether any system has been evolved for evaluation of the work done by the voluntary organisations etc.
 - (f) Any case of infructuous expenditure due to improper or non-implementation of research projects, abandonment of research schemes etc.
 - (g) That the accounts of assets, if any, created out of grants are being maintained by the institutions and the returns thereof are being sent to Administrative Department.
- (3) In regard to assistance to Autonomous Bodies it should be examined in audit:
- (a) Whether physical targets have been achieved within the prescribed time.

- (b) Whether there have been any avoidable delays (due to inefficient handling, planning and co-ordination of the work) in the progress of various schemes resulting in increase in the total cost of the schemes.
- (c) Whether there has been any wasteful expenditure resulting from lack of co-ordination such a appointment of staff long before the procurement of machinery required for running the unit or vice-versa.
- (d) Whether proper accounts of receipt and payment of cash and receipt/issue of stores have been maintained.

10.06 Community Health Centre/Primary Health Centres- (i) The services provided by the Primary Health Centres are: -

1. Medical relief.
2. Maternal and Child health Services.
3. Family Welfare.
4. School Health.
5. Health education.
6. Control of communicable diseases.
7. Sanitation of the environment.
8. Collection of vital statistics.

Normally a Primary Health Centre is located at the block level except in those cases where the block happens to be a district headquarter also, in which case the health center is located in some other place.

(ii) At the time of audit of the accounts of the District Family Welfare-cum-Health Officer, the accounts of the Primary Health Centres should also be scrutinized by the local audit party. For this purpose, one third of the total number of centres under the District Family Welfare-cum-Health Officer should be selected for audit, so that the accounts of all the centres are audited in three visits.

(iii) It should be seen that the staff entertained in the Primary Health Centre is not in excess of requirements.

(iv) As regards the purchase/stocking of medicines and their consumption, supply and scale of diets to patients, purchase/acquisition of equipments and appliances charging of few from the patients etc. the instructions in Part B of this chapter relating to audit of the accounts of hospital should be borne in mind.

(v) The following information should also be collected and commented upon in the audit Inspection Report after examination.

- (a) Details of centres which have remained improperly equipped or inadequately manned with financial implication of the deficiencies and resultant short fall in targets.
- (b) Cases of irregular and infructuous expenditure unauthorised diversion of funds etc.

10.07 Accounts of Rural Dispensaries- The instructions contained in part B of this chapter relating to the audit of the accounts of hospitals should be applied mutatis mutandis in the case of rural dispensaries.

10.08. National Malaria Eradication Programme: - The following points amongst others should be examined:

- (i) The work done by each unit vis-à-vis the expenditure incurred on pay and allowances, stores etc.
- (ii) Area covered by each unit and the traveling expenditure incurred etc.
- (iii) The expenditure incurred on bulk purchases of material and equipment and the arrangements for purposes, custody, handling, distribution etc. of stores, cases of excess purchase of drugs and other materials and also cases involving losses due to non-utilisation of drugs and other materials in time may be specifically examined with reference to the total expenditure incurred on purchases, the basis for assessing the requirements as also the manner in which the surplus stock is proposed to be utilised.

B CIVIL SURGEON

10.09 Account of Government Hospitals

Civil Hospital

The accounts of a Government hospital can be classified under three divisions viz.

- I. Expenditure Accounts.
- II. Receipt Accounts and
- III. Stores Account.

The audit of the expenditure accounts should follow the usual pattern as described in the chapter dealing with General Principles and process of audit of accounts of Civil Offices, except the audit of expenditure on purchase of medicines and materials which has been dealt with in the succeeding paragraphs.

The list of the more important account books and register required to be maintained in a hospital and subjected to scrutiny during local audit is given in Annexure 'A' appended to this chapter.

10.10 Expenditure Account

(A) The expenditure incurred in a Government hospital, other than pay and allowances, usual contingent expenditure etc; consists of the following items: -

- (i) Expenditure connected directly with the diet of patients.
- (ii) Purchase of bedding and clothing, crockery and furniture, linen and other ward sundries.
- (iii) Purchase of medicines, Sera Vaccines and other stores,
- (iv) Expenditure on purchase of hospital equipments appliances, apparatus, instruments, cots etc., being the heaviest, the transactions relating to such purchases should receive the maximum attention during local audit so as to ensure that the contract with the supplier guarantees maximum economy and protection to the interest of the government. It should be seen that: -

- (a) Purchases have been approved well in time by the competent authority and have been made from the approved firms at approved rates conforming to the normal store purchase rules.
- (b) Local purchases are avoided except in emergent circumstances, and whenever such purchases were necessary they were made at the most competitive and reasonable rates, after inviting open tenders/quotations.
- (c) Annual indents for articles to be supplied by Medical Store Depot are sent in time to them as required under paras 4
- (d) 20 to 430 of M.P. Medical Manual.
- (e) In case of medicines not supplied by Medical Store Depot and also not available with Government manufacturers the purchases are made direct from the private manufactures as far as possible.

(f) No time barred medicines are purchased and proper deductions have been made in respect of articles of substandard quality or for those received in broken condition.

(g) In the case of purchase of dietary articles: -

(i) The tender notice for the purchase of dietary articles for the ensuing financial year was issued by 1st January and the tenders with the recommendations of the local purchase committee were forwarded to the head of the department for approval before 28th February. Failure to settle the rate and finalisation agreement well in time may lead to local purchases at higher rates. Such purchases should be commented upon in the audit inspection report. It should also be seen that efforts have been made to procure supplies of commodities from Government agencies e.g. wheat from Food Corporation of India, Milk from Government supply schemes, Sugar and other controlled commodities from the Collector. In the event of non-availability of these commodities with these agencies, a certificate to this effect has been taken and kept on record.

While accepting the rates of private parties in response to open tenders/quotations it has been verified that the rates, besides being lowest, are also reasonable with reference to current market rates and Tehsil rates.

(ii) Earnest money at 2 percent of the total value of the contract was obtained from all tenders and Security Deposit equivalent to 5 percent of the annual value of the contract (inclusive of the amount of earnest money deposit) was realized from the successful tenderer.

(B) Scrutiny of Diet charges: - As the scales of diet are laid down, audit with reference to the scales of diet and number of patients should first be done. The other checks which should be applied are: -

(i) Whether the daily requirement of diet articles indented for in accordance with the entries in the bed head tickets.

(ii) Whether the articles of diet supplied by contractors are checked (both for quantity and quality) and passed by the medical officer and articles like bread, ghee etc. are sent periodically for analysis by the Government analyst and action taken thereon.

(iii) Whether the calculation of average cost of diet of each class is correct and such cost is within the limits prescribed by the Government.

(iv) Whether the abstract of daily requisition of diet for some days tallies with the totals of requisition of those days and whether the quantities in each days abstract during a month agree with the indents of dietary articles and that the entries in the diet register tally with those in the abstract of daily requisitions and that the monthly total of each kind of dietary articles in the Diet Register is correct.

(v) In the case of supply made by contractors, whether the payments are made at the rates agreed upon and that the total quantities of diet supplied during a month for which payment has been made, tally with the monthly total of diets, recorded in the diet register.

(c) Expenditure on linen, ward Furniture etc:-

It should be seen that:-

(i) Contractor's bills are supported by the indents with sanction of the competent authority thereon.

(ii) The articles have been entered in the respective stock registers.

(iii) The recoveries, if any, ordered, for the loss of linen have been made from the person(s) responsible for the loss.

(D) Register of sample diet articles sent to Public Analyst should be examined and if it is seen that the quality of articles supplied was repeatedly sub-standard it should be verified whether penalty was imposed upon the contractor or payment reduced according to terms of the agreement.

(E) Milk Account- It should be verified that the bills have been passed with reference to entries in the prescribed register regarding the quantity and the specific gravity of the milk supplied. In cases of local purchases due to short supply of milk by the contractor, the difference, if any, between the purchase price and the contract rate should be recovered from the bill of the contractor.

(F) Payment to the contingent paid-

It should be checked that-

(a) Attendance register of contingent paid staff has been properly kept and the number of each category of such staff as sanctioned by the Government has not been exceeded and the staff sanctioned for one purpose has been utilised for other purposes.

(b) No payment has been made to such staff during the period of absence and any fine as recorded in the Fine Register has been deducted from the pay.

(G) Register of breakage of articles- It should be seen that losses, breakages etc. of articles are duly investigated and responsibility fixed and the recovery of the cost, as ordered has been made.

(H) Register of condemned articles- It should be ensured that the articles have been declared condemned under orders of the competent authority. In case of articles prematurely condemned it should be seen that the reasons therefore have been recorded.

(i) Condemned articles having sale value, have been disposed of in accordance with the rules and sale proceeds accounted in the cash book.

NOTE: - The used x-Ray Films are required to be sold on the basis of rate contracts entered into. Similarly empty transfusion bottles are to be cursed by a roller and then auctioned by a purchase committee constituted for the purpose to the highest bidder. Both these points should be looked into during audit of hospitals and suitable comment incorporated in the Audit Inspection Report giving details of quantity/numbers of and value of the articles not disposed of.

(ii) The remaining articles have been destroyed and shown as issued in this register and the entries have been attested by the appropriate authority.

(iii) Similarly the hypo fixer solution is to be stored in containers and auctioned in accordance with the instructions issued by the Director of Public Health and Family Welfare from time to time and sale proceeds credited to Government account.

(I) Recovery of charges from staff- It should be ensured that rent for Government quarters, water charges etc and in respect of rent free accommodation, water charges, rent for sanitary fittings and electric installations etc have been recovered at the rates prescribed by the Government.

(J) Ambulance log book and Fuel account-

it should be seen that-

(i) the journeys were authorised by a responsible officer.

(ii) the fuel account has been properly kept and that the average run of the van (per liter of fuel) is indicative of the proper use of petrol without wastage or leakage and a regular review of the account is conducted by a responsible officer. The cases of excessive consumption of fuel unauthorised journeys, excessive expenditure on maintenance and repairs of vehicles should be brought out in the Audit Inspection Report.

(K) Advances for purchase of blood. It should be ensured during local audit that the following procedure has been adhered to for purchase of blood from the blood bank for patients in the general ward.

(i) As and when the indents duly signed by doctor-in charge of the ward are received, advances of Rs.25 or Rs. 30, as the case may be, are sanctioned and given to the Ward Nurses to purchase blood. These are to be accounted for as temporary advances in the cash book. The money receipt received from blood bank at the time of purchase of blood is treated as a voucher and the entry on the payment side of cash book is then made to adjust and clear the temporary advance.

NOTE: - In the case of private patients, the cost of blood is payable by the patients themselves.

(ii) The bed head tickets should be verified to see that the blood was actually purchased for the patient.

10.11 Receipts Account- The receipts in a Government hospital consist of

1. Hospital stoppages including-

(a) fees for medical attendance, X-Ray treatment, major operations

(b) cost of special drugs and medicines to patients.

(c) Diet charges of paying patients.

2. Rent of rooms or beds, in paying ward.
3. Subscriptions and donations.
4. Contributions from public bodies and income from endowments.
5. Recovery on account of breakages, losses etc.
6. Sale proceeds of old stores and unserviceable materials
7. Laboratory receipts.
8. Recoveries for anti rabies treatment.
9. Miscellaneous receipts, such as hire charges of ambulance, telephone charges from patients, sale proceeds of fruit bearing trees and grass, lease of properties etc.

10.12 The following broad principles (in addition to those mentioned in the following chapter dealing with general principles of audit) should be borne in mind while checking the items of receipts of a hospital.

- (a) that the registers as mentioned in the annexure 'A' to this chapter, have been maintained in accordance with the prescribed rules and orders and all items of receipt have been entered in the relevant register.
- (b) That the dues have been collected at the prescribed rates and have been remitted into treasury without delay.
- (c) That receipts have been granted for all collections.
- (d) (i) that remissions granted, if any, are supported by sanction of the competent authority.
(ii) Some of the important points to be looked into while checking the main register of revenue are indicated below.

10.13 Nominal Register of in-patients, Register of hospital stoppages and register of dietary charges-

It should be ensured that-

- (i) Date and time of admission, income, designation, address, time and date of discharge etc. in respect of each patient has been clearly noted in the respective column of the Register.
- (ii) All cases of paying patients entered in the nominal register, have been brought on to the Register of hospital stoppages.
- (iii) Hospital stoppage charges, dietary and other charges have been recovered at the prescribed rates and all such receipts have been brought in the cash book.
- (iv) the register of hospital stoppages has been closed once a month and a statement of demand, collection and balance has been drawn up, and the outstanding items have been carried to the succeeding month.

10.14 Paying Patients' Accounts

(i) **Paying Patients' Register-** This register may be checked with the Admission Register for the months selected for audit to verify that the names of all the patients who have been allotted room or bed in paying wards have been recorded in this register and that the rate of fees payable by the patients has been correctly noted.

(ii) **Receipts from paying patients-** The entries of payments in the Paying patients' register should be checked with the counterfoils of receipts to verify whether the advance for a week payable on admission was realised. Payments shown in the counterfoils should be traced in the patients' register as well as in the cash book.

(iii) **Dues from paying patients-** The entries in the bed head tickets of paying patients with regard to time and date of vacating the room/bed in the paying ward may be tallied with those appearing in the Patients Register.

(iv) **Paying Ward/Cabin Ledgers-** The ledgers should be examined to see that-

- (a) An account of occupation of all cabins and rooms etc. has been kept.
- (b) No cabin/room was kept vacant or reserved for nurses, students or doctors.
- (c) Recovery of full dues has been made in respect of all rooms occupied by paying patients.

(v) **Refund of excess payment-** the refund should be checked with-

- (a) The account of the patient in the Paying Patients' Register, on in paying ward/cabin ledgers and it should be ensured that the refund has been correctly made.
- (b) The acknowledgement of the payee.
- (c) The entry on the reverse of the counterfoil of the original receipt.
- (d) The entry of payment in the cash book.

10.15 Accounts of X-Ray, E.C.G. etc- It should be seen that-

- (a) Charges have been recovered in the case of all out-patients, whose incomes exceeds the prescribed limits, at the prescribed rates.
- (b) Charges have been recovered from patients entitled to free treatment but are desirous of owning the films.
- (c) The receipts are accounted for in the cash book without delay.

10.16 Register of fees charged for major operations and confinement- It should be seen that the assessment and collection of charges has been correctly made and duly accounted for and the amounts due have been entered in the register of hospital stoppages under the names of patients for prompt recovery.

NOTE- Bed head tickets of some of the patients who were operated upon, should be compared with the Operation Register.

10.17 It should be seen that poor funds accounts patients Property Register, Register of Miscellaneous demand and Register of Miscellaneous recoveries have been maintained properly and the receipts have been duly accounted for.

10.18 Stock Account- The primary object of examination of stock account is to see how far the departmental officers have procured stores strictly in accordance with the Store Purchase Rules so as to make the purchases most economical to the Government, to allow the issue of materials only to meet genuine requirement of the hospital and in accordance with the scale laid down, to link and correlate the purchase with the requirement so as to avoid overstocking of materials and to dispose of unserviceable articles to the best advantage of the Government. Besides, the following aspects should also be seen in local audit.

10.19 Stock Account relating to Diet Articles- (i) The receipt entries in stock accounts of dietary stores should be checked with the details furnished in the paid contingent vouchers of the hospital.

(ii) The monthly totals of issues of various articles entered in the stock register should be checked with the totals given in the ingredient statements.

(iii) The issues of diet and other articles to kitchen should be checked with the prescribed scale.

(iv) It should be seen that there is no abnormal shrinkage or driage of food articles.

10.20 Stock Account of drugs and medicines- It should be seen that-

(i) The drugs and medicines received from Government Medical Stores Depot and other sources have been correctly entered in the register.

(ii) Separate registers are maintained for costly drugs to enable the recovery of cost thereof from the patients.

(iii) The issues are supported by indents in the proper form signed by ward Doctors and are duly acknowledged.

(iv) The issues have been approved and attested by the officer-in-charge of the store, the quantity issued agrees with the quantity indented and daily balances have been correctly arrived at.

(v) The patients in private wards are not provided with the medicines from the hospital.

(vi) Records and registers in sub-stores, if any, and in the wards have been properly maintained.

(vii) The total of daily issues agrees with the total issues to all the wards and out patient departments.

(viii) The local purchases of medicines have been made according to the orders of the Government/competent authority.

(ix) The indents are based on the actual requirement.

(x) The time barred medicines have been removed from the stores under the orders of the competent authority.

10.21 Stock Account of sera and Vaccine- In addition to the checks prescribed in para-12 above, it should be seen whether

(a) A note regarding date of expiry has been kept in the remarks column of the register so that the stock is not kept unused beyond the prescribed date.

(b) Any appreciable stock is not kept unused beyond the prescribed date.

(c) Recovery of cost is effected from paying and other patients.

10.22 Stock Account of X-Ray Films and Electro-Cardiograph plates –

It should be checked that-

- (a) The receipts and issues (during the selected months for detailed audit) shown in the stock book of films or e.g. plates tally with the requisitions placed on the central store and with the entries of films and plates used, made in Register of cases respectively.
- (b) The films or plates used for experimental cases have been entered in the remarks column of the register of cases and that a monthly report submitted to the Head of the Institution stating complete details.

10.23 Stock Account of Surgical Instruments and appliances-It should be seen that articles received have been brought to account and the acknowledgements signed by the Ward Assistant Surgeons etc. are available in support of all issues to the Wards, operation theatres etc.

10.24 Stock account of furniture, crockery and linen etc-

It should be examined that

- (a) Articles returned from wards as unserviceable or requiring repairs or replacements have been entered in the disposal register as also orders of disposal recorded.
- (b) In the case of articles ordered to be auctioned, it should be seen that they have been entered in the auction register and subsequently sold and sale proceeds credited in the cash book.
- (c) The articles sent for repairs have been duly repaired and recoveries have been made from persons responsible for breakage or loss.
- (d) The linen have not been stocked in excess of requirements as judged from the linen in use and number of beds in the wards.

10.25 Stock Register of clothing, bedding etc-

It should be checked in audit that -

- (a) All the new articles shown as received agree with those shown in the bills of the supplier.
- (b) Issues to the ward are supported by a requisition slip signed by a medical officer and issues tally with the articles shown in the requisition slip, and acknowledgement has been obtained on the reverse of the requisition slip.
- (c) The issues to the wards tally with the entries of receipts to the Ward Register.

10.26 Accounts of containers and empties – It should be ensured that numerical account has been kept of all empties and these have been disposed of frequently by the auction. The sale proceeds should also be traced in the cash book.

10.27 Physical verification of stock-

It should be verified that-

- (a) A detailed account of consumable stores has been maintained by the matron in respect of hospital clothing and linen and by ward-nurses for medicines, hospital instruments and minor equipment's etc. quarterly physical check has been carried out by the responsible official and findings recorded in the register.

- (b) The stores are physically verified at least once in a year and auction, wherever necessary has been taken in accordance with the provisions in the M.P. Financial Code.
- (c) The system of verification of stores is adequate and proper.
- (d) The balance in hand is not in excess of requirements.
- (e) The Surgical equipments and appliances distributed to several places, such as operation theatres, wards etc. have been verified simultaneously in all the places.
- (f) Adequate action to dispose of surplus, obsolete and unserviceable stores has been taken.

ANNEXURE

LIST OF RECORDS TO BE KEPT IN A GOVERNMENT HOSPITAL

A. Expenditure Account: -

1. Cash Book, Permanent Advance Register.
2. Bill Register.
3. Acquittance Roll of Establishment.
4. Regular and Contract Contingent Register.
5. Attendance Register of Contingent Menials.
6. Acquittance Roll of Contingency Menials.
7. Fine Register of Contingency Menials.
8. File of Tenders and Comparative Statements
9. Register of Earnest Money Deposit of Contractors.
10. Register relating to daily expenditure of dietary articles vi.

- (a) Bed head ticket
- (b) Daily diet sheets of wards (Stewards diet sheet).
- (c) Daily consolidated diet sheet and
- (d) Diet Register.

11. Dhoby Account.
12. Milk Account.
13. Receipt Books and Stock Register of Receipt Books.
14. Register of sample diet articles sent to Public Analyst.
15. Register of used X-Ray Films.
16. Register of Ambulance.
17. Log Books.

B Receipt Account: -

1. Nominal Register of in-patients.
2. Register of fees charged for major operations and confinements
3. Rent Register.
4. Register of Recovery of Dietary charges.
5. Nominal Register of Radiographic and Electro-Cardiographic treatment.
6. X-Ray and Screening Register.

7. Register of Anti-rabic treatment.
8. Register of Miscellaneous Recoveries (due from staff).
9. Register of subscription and donation.
10. Register of miscellaneous receipts, such as
 - (a) Recovery on account of breakages
 - (b) Sale proceeds of old stores
 - (c) Ambulance hire
 - (d) Telephone charges from patients.
11. Clinical and Laboratory Income Register.

C. Stock Account

1. Stock Book of storable articles (diet articles and others).
2. Stock Book of Furniture, Crockery etc. in wards.
3. Stock Book of linen.
4. Stock Book of Drugs and Medicines.
5. Stock Book of expensive drugs, Stock book of Sera and Vaccines and Stock book of X-Ray materials.
6. Stock Book of surgical instruments and appliances.
7. Stock Ledger of office stores and empties.
8. Register of Books and periodicals.
9. Register of Condemned articles.
10. Stock book of clothing.

CHAPTER-10 A (I)

MEDICAL EDUCATION DEPARTMENT

10A (I) Introduction: - For the appropriate development of medical education, Indian System of Medicine and Homeopathy and Nursing Training in Madhya Pradesh with effect from 15th June

1995 out of the them Public Health and Family Welfare Department, a new department namely the Medical Education Department.

Following Directorate are functioning under the newly formed Medical Education Department: -

- (i) Directorate Medical Education.
- (ii) Directorate of Indian Systems of Medicine and Homeopathy.

Details of Responsibilities, organisation set up and dependently institution under the newly formed Directorates are as under: -

Prescribed Responsibilities of the Directorate of medical Education are as under:

- (i) Medical Profession and Medical Education.
- (ii) Nursing Profession, Nursing Education and Nurses Training.
- (iii) Dentistry Profession and Education there of.
- (iv) Matters relating to providing of Medical Assistance and Treatment to Government

Employees out of State: -

- (v) Matters relating to opening of colleges for Medical Education, Dentistry and Nursing in private sector.
- (vi) Lunatic and psychiatric including places for keeping lunatic and psychiatric for treatment.
- (vii) All other matters relating to services concerned with the department.

(II) Organisational Structure (Set up)

Following posts are available with the Directorate for carrying out different administrative/Educational/Research, Treatment, National Activities and for implementation of other National Health Policies.

- (i) Director of Medical Education One.
- (ii) Director of Major Hospital Project- One
- (iii) Superintending Engineer Major Hospital Project-One
- (iv) Joint Director-One
- (v) Deputy Director (Finance)-One
- (vi) Deputy Director (Non Technical)-One
- (vii) Assistant Director (Nursing)-One
- (viii) Administrative Officer-One

Following Institutions/Drawing and Disbursing Officer are functioning under the Directorate-

| Sl. No. | Name of Institutions | Sanction post | Head of office |
|----------------|---|----------------------|-----------------------|
| 1. | Autonomous Medical Colleges (Bhopal, Indore, Gwalior, Jabalpur, Rewa) | 05 | Dean |

| | | | |
|-----|---|----|-----------------------------------|
| 2. | Hospital related to Medical College (Bhopal, Indore, Gwalior, Jabalpur, Rewa) | 05 | Joint Director cum Superintendent |
| 3. | Sultania Zanana Hospital, Bhopal | 01 | Superintendent |
| 4. | Chacha Nehru children Hospital and Research Centre, Indore | 01 | Superintendent |
| 5. | Regional Institute of Optical Science, Bhopal | 01 | Director |
| 6. | Institute of Mental Health, Gwalior | 01 | Director |
| 7. | Institute of Mental Health, Indore | 01 | Superintendent |
| 8. | Dental Medical College, Indore | 01 | Principal |
| 9. | Autonomous Nursing college, Indore | 01 | Principal |
| 10. | Cancer Hospital Indore and Jabalpur | 02 | Superintendent |
| | Total | 19 | |

In addition to this one Nursing School is attached to each of the Medical college.

As per Notification No. F-1-18-95-55 / Medical Education published in MP Gazette Dated 25 March-1997 according in issued Medical Colleges and hospitals attached to them. Dental College Indore and Nursing College, Indore have been declared as Autonomous Institutions Management and control of these institutions has been entrusted to a registered society. The Society receives the fees payable by the students. studying in the institution and also the charges leviable from patient for the services rendered by hospitals.

(As per Administrative Report of the Medical Education Govt. of MP for the year 2000-01 and 2003-04)

(iii) Audit Checks

During the course of Local Audit of units comprised under the Directorate of medical educational while all the audit checks as have been mentioned in other chapters of this manual which may be applicable in this case should be exercised special attention should be paid to the points mentioned below:

A. Medical Education

All Medical Colleges and hospitals attached to them have been declared as Autonomous institutions. While conducting these units following points should especially be looked into:-

- (1) Whether tuition & other educational fees recovered by these autonomous institutions are being remitted in to treasury or not. Whether the fees recovered from the students is being kept in the personal account of the Institution/Autonomous body as deposit or otherwise.
- (2) Whether the amount received from the government has been kept in the account of the Autonomous body as a deposit. It should have been used for the purpose for which the amount was made available.

- (3) Whether the scheme sponsored by the central and state government are being implemented as per rules and whether the expenditure/progress report for the work statement are being sent to Govt from time to time or not.
- (4) Whether the material out of the amount received from the Government procured was purchased as per M.P. Store Purchase Rules. For the store material it should also be checked that the items which were supplied by the M.P. Laghu Udyog Nigam were purchased after obtaining the purchased at rates approved by D.G.S.&D at such rate only.

(Administrative Report for the year 2000-01 to 2003-04 of M.P. Govt Medical Education Department.)

CHAPTER-10 A(2)

10(A)(2) DIRECTORATE OF INDIAN SYSTEM OF MEDICINE AND HOMOEOPATHY

In Madhya Pradesh from 15 June 1995 Public health and Family Welfare Department was divided in to two parts from the administrative point of view and a new department namely Medical Education Department was erected. Directorate of Indian systems of Medicine and Homeopathy has been placed under the Medical Education Department.

(i) Departmental Set up and Organisational Structure

In Madhya Pradesh Directorate of Indian System of Medicine and Homeopathy was established in 1977-78 for the administrative control, development and upliftment of prevention of diseases, improvement of health providing medical services, through Ayurved, Unani and Homoeopathy system of medicine. Medical Colleges of these systems for providing education and training to Ayurved. Health workers (Dai) in training centres and for development of all systems of medicine except allopathy.

Following officers at Directorate level help in implementation of activities mentioned:-

| | | |
|--------|---------------------------------|-----|
| (i) | Director | One |
| (ii) | Joint Director (Ayurved) | One |
| (iii) | Joint Director (Homoeopathy) | One |
| (iv) | Deputy Director (Ayurved) | Two |
| (v) | Deputy Director (Unani) | One |
| (vi) | Deputy Director (Homeopathy) | One |
| (vii) | Deputy Director (Non-technical) | One |
| (viii) | Asstt. Director Ayurved) | One |
| (ix) | Administrative Officer | One |
| (x) | Statistical Officer | One |
| (xi) | Finance Officer | One |

(ii) Responsibilities of Directorate are as under -

(1) To provide health services of Ayurved, Unani, Homoeopathy systems of medicine and action relating to opening of new Ayurved, Unani and Homoeopathy Hospitals/Dispensaries.

(2) To implement the National and State level health programme.

(3) To impart Training, Education, Nursing Education and training in Ayurved, Unani and Homoeopathy systems of medicine.

(4) All over development, upliftment and control in the fields of education research and treatment in Indian systems of medicine and homoeopathy.

(5) All activities regarding admission in autonomous and private colleges of Ayurved, Unani and Homoeopathy systems and control of private colleges of Unani and Homoeopathy.

(6) All activities and control over admissions Ayurved Health workers (Dai) for Training in training centres of Government and Private sectors.

(7) Construction and Management of Govt. Ayurved, Unani Pharmacies and Dispensaries and Autonomous Colleges & Hospitals.

(8) Quality control of medicines by District Ayurved Officers as ex officio Ayurved medicines inspector.

(9) Control over medicine trader's by coordinating with MP Ayurved and Unani systems of medicines and Natural Therapy Board and State Homoeopathy council.

(10) To coordinate with Director Medical Education, Director Health Services, Controller of Food & Drug Administration and various Government and Non Government Organisations, Corporation and Boards for providing health services in MP for implementation of National Health Programme, quality control of medicines and for availability of raw/basic drugs medicines and to coordinate between department for conservation expansion of vegetables and herbs.

(11) Administrative control, Transparency and implementation of Right to Information in respect of various activities and responsibilities in M.P. through the Ayurved officer, Superintendent, Government Ayurved Pharmacy, Principal of Government Ayurved, Unani and Homoeopathy Colleges and Autonomous Colleges.

(12) To maintain coordination with the Government of various problems relating to various units of Ayurved, Unani, and Homoeopathy systems & naturopathy.

(13) Examining and recommendation of cases relating the development of medicine, parts by non-Govt organisations.

Centrally Sponsored Schemes

(1) Supply of medicine in rural dispensaries by the Govt under "Gramodyog Schemes".

(2) Completion of Strengthening of Govt. Ayurved Pharmacy, Gwalior and Govt. Unani Pharmacy and purchase of machines etc as per M.P. State Purchases Rules.

(3) Completion of building and strengthening of State first Ayurvedic Drug Testing Laboratory, Gwalior.

Forwarding of proposals for Grant-in-aid in respect of various schemes of Govt. of India and obtaining of sanction for grant-in-aid from Govt. of India for all Medical colleges in Madhya Pradesh.

(Administrative Report for the year 2000-01 to 2003-04 of MP Govt. Medical Education Department.)

Audit Checks

All the audit checks prescribed in other chapters of this manual should be applied.

While conducting audit of offices etc of Indian System of Medicine and Homoeopathy, Special attention should be paid the point mentioned in succeeding paragraphs.

- (1) It should be examined whether procedure prescribed under M.P. Store Purchase Rules was followed for purchase of medicine and equipments. Where proper procedure is not followed it should be commented upon by taking objection suitably.
- (2) At the Directorate level store and stock accounts for the material purchased by the District Officer should be obtained compiled and checked where any shortage/excess is found action for reconciling the same should be taken.
- (3) Cases of grant-in-aid paid by the Directorate to the subordinate institutions should be checked to ensure that the amount of grant was right fully utilised or not.
- (4) Cases of payment of loan and grant provided to the autonomous institutions should also be checked. Simultaneously it should also be verified that loan is being repaid as per rules.
- (5) Procedure for supply of medicines to rural dispensaries run by state Govt. under Prime Ministers Gramodyog Yojna should also be checked. It should be checked & ensured that the amount received from the Government is being utilised for the same purpose for which it was received.
- (6) Whether separate accounts have been maintained for the amount received from other department for purchase of medicine/equipment etc. in scheduled area.

It should also be checked whether the utilisation certificate have been sent or not to the department concerned.

CHAPTER 11

AUDIT OF PUBLIC SECTOR BANKS INCLUDING STATE BANK OF INDIA AND ITS SUBSIDIARIES.

11.01 Introductory

(a) The Public Sector Banks including State Bank of India and its subsidiaries deal on behalf of the Reserve Bank of India with the following transactions in relation to the Central/State Government, autonomous bodies etc: -

- (i) Transactions connected with Government business including that of D.D.Os/P.A.Os.
- (ii) Disbursement of Pensions to retired Central/State Government, Defence and Railway employees.
- (iii) Receipt of Indirect and Direct Taxes.
- (iv) Transactions relating to Public Provident Fund Scheme.
- (v) Transactions relating to National Defence Fund.
- (vi) Transactions relating to special Deposit Scheme.

(b) The local audit will be conducted by a Local Audit Party headed by a Assistant Audit Officer, for the purpose of identification should take with him/his specimen signature duly attested by the Sr. Deputy Accountant General/Deputy Accountant General (IC) and countersigned by the Agent of Gwalior Branch of the State Bank of India so that he is allowed access to the records of the Bank.

Note :- The OAD(M) Section will keep the letter of introduction ready and hand over before the date of commencement of audit.

11.2 The salient features of the individual transactions in the Public Sector Banks including the State Bank of India and its subsidiaries and the scope and extent of Audit thereof are contained in the subsequent paragraphs of this chapter.

11.03 Transactions connected with Government Business including D.D.Os/P.A.Os.

The Comptroller and Auditor General of India has laid down the following procedure for the audit of the transactions of Public Sector Banks including State Bank of India and subsidiaries handling receipts and payments on behalf of various Ministries, Departments under the scheme of departments under the scheme for departmentalization of Union Ministries accounts: -

- (i) The Banks will no doubt be audited by their own auditors who are expected to cover also the transactions on Government account. The scheme does not provide for an internal audit by the organisation of the Controller General of Civil Accounts, Who has also informed that no decision has been taken in this matter so far. The scope of our scrutiny should, therefore, take into account these factors.
- (ii) Since the branches of the Public Sector Banks are discharging more or less the treasury functions the inspection should be on the lines of Treasury inspection in accordance with general principles contained in Section VI Chapter 3 para 6.31 to 6.37 of C&AG: M.S.O. (Audit) and Section V-C of the Comptroller and Auditor General's Secret memorandum of instruction regarding the extent of Audit.
- (iii) All Public Sector Banks conducting Government business should be inspected annually by the Civil Inspection by the Audit Department is to assist the Banks/Government in establishing a system of sound working strictly in accordance with the prescribed rules. It is thus intended to supplement and not to replace the auditing or inspecting arrangements already in existence in

these banks. The audit inspection can do no more than to check generally that the rules prescribed by the Government are observed, apart from any other special enquiries which the government may desired to be made.

(iv) It will, thus, be ensured during local audit that: -

- (a) The procedure observed by 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 dispatched in time and credits are being afforded to the concerned Ministry, Department or office of Government without delays;
- (c) The specimen signature of all drawing officers are properly recorded and are referred to by the Bank official before they make the payments;
- (d) The procedure for dealing with cheques, the encashment of which is subject to the limitation of assignments, letters of credit, etc. should be examined to ensure that the rules are complied with.

[C.A.G's. Circular letter No. 34-9Ta.I/222-78 dated 22-04-79]

11.4 Disbursement of Pensions through Public Sector Banks

The Government of India have introduced a scheme for payment of Pensions to Central Government Civil Pensioners by Public Sector Banks vide Ministry of Finance O.M No. 10(23)-B(TR) 76 dated 11-6-76. This scheme has also been adopted in the State of Madhya Pradesh with effect from August 1977 vide MPFD Memo No. E/4/28/Ni-5/Four dated 14-06-1977]

11.05 Scope and Extent of Audit.

The Accounts, records and Registers maintained in the Branches of the Public Sector Banks making pension payments in respect of Civil (Central and State) Defence and Railway pensions should be checked by the same Local Audit Party according to the prescribed periodicity. The records etc. of the link branches relating to the claim for reimbursement from the Reserve Bank of India may, however, be checked once in a year with a detailed test audit of scrolls to the extent prescribed. During audit the following checks will be exercised by Local Audit Parties as prescribed in Note (2) BELOW para 64 of Secret Memo of Instructions. It should be ensured that the provisions of the scheme are strictly followed by the Public Sector Banks. This will interalia include that: -

- (a) Income tax is deducted at source wherever required and certificate of tax deduction is issued in April each year.
- (b) Payment is made only upto the date of death of the Pensioner and any overpayment 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 pension ceases to be payable, the P.P.O. is refunded by the paying branch to the Treasury Officer through the link branch, after making necessary entries in the P.P.O. as well as in the records of the bank.

2. In addition to the above checks with reference to the provisions of the scheme, the following checks may also, interalia be applied :-

- (a) No amendment or change is made in the P.P.O. by the bank itself.
- (b) The correct amount of pension has been credited to the Pensioner's account on the basis of the P.P.O. issued by the A.G. and received through the treasury under proper authorisation.
- (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 account of Pensioners.

[CAG's letter No. 2795-TA.II/186-76 dated 24-12-76, 2604-TA.II/242-76 dated 4-11-78 and 252-TA.II/34-78, dated 3-3-80, 1153-TA.II/93-80, 26-11-80 and OO-No. OAD(M) AG.I/Gr.IV-196/810 dated 16-8-78]

11.06 Receipt of Indirect Taxes at the Branches of the State Bank of India; its subsidiaries and other Banks in the Public Sector.

With effect from 1-4-77 the Government of India introduced a scheme for receipt of Central Excise and other indirect taxes by nominated Public Sector Banks in addition to the Reserve Bank of India/State Bank of India. A Memorandum of Instructions issued by the Reserve bank of India in this regard was received under HQs circular letter No. 2588-TA.II/194-78 dated 27-12-1978. The State Bank of India, Central Bank of India and the Bank of India have been nominated for collection of Central Excise Customs and other dues and payment of Refunds etc. in Madhya Pradesh. As per para 40 of the Reserve Bank of India's Memorandum of Instructions the records of the Link Branch of the Public Sector, Banks will be subjected to scrutiny by the Officers of the Central Board of Excise and Customs and the C.A.G. of India. A complete list showing the names of the Central Excise units and the connected link Branches of the Public Sector Banks in Madhya Pradesh was supplied by the Collectorate, Central Excise Indore in their circular letter No.C.No.III (20)9/77/Rev 1 dated 21-2-1978.

11.07 Extent and Scope of Audit

The following procedure may be followed for the audit of these transactions in the Link Branch of the Public Sector Banks.

(i) The Revenue Audit Parties which audit the Central Excise and Custom Receipts and refunds in the Central Excise Collectorates etc. will continue to conduct the test check of collection of revenues and classifications of taxes etc. in accordance with the instructions issued from time to time. The L.A.P. will conduct a test check records maintained by the designated main branches of the banks mentioned in para 40 of the Memorandum of the Instructions issued by the 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 any particular case, the credits may be traced in the records by a reference to R.B.I./S.B. of India concerned.

(ii) Transactions for each month to the extent prescribed of the transactions for each month may be checked during test audit of the designated branch of the Public Sector Banks.

[CAG's circular letter No. 2588-TAII/194-78 dated 27-12-78 and CAG's MSO(Audit) para 6.31 of section- VI Chapter-3]

11.08 Receipt of Income Tax and other Direct Taxes at the branches of the State Bank of India its subsidiaries and other Banks in the Public Sector.

With effect from 1-4-1976 the Government of India introduced a scheme for receipt of income tax and other direct taxes by nominated public sector Banks in addition to the Reserve Bank of India/State Bank of India. The scheme was initially introduced with effect from 1-4-1976 in the eight metropolitan cities, which was extended to 66 other cities including the cities of Bhopal, Raipur, Indore and Jabalpur in Madhya Pradesh w.e.f. 15-11-76 and to the remaining cities w.e.f. 1-4-77. The scheme would be available for study and reference in the Banks subjected to audit by the L.A.Ps.

11.09 Extent and Scope of Audit

The audit procedure applicable to the receipts of Indirect Taxes as mentioned in Para 21.06 would be followed for the audit of these transactions also in the link branch of Public Sector Banks.

[CAG's Circular letter No. 2039-TA/73-76 dated 4-1-1978]

11.10 Public Provident Fund Scheme

Audit will be conducted with reference to general rules prescribed for the audit of General Provident Fund Transactions in Para 3.12.7 of M.S.O. (Audit). During Local Audit, in addition to the check of relevant records right from the application for admission to the fund till the stage of final refund of the amount maintained in the branches of the State Bank of India, the individual transactions should be test checked with reference to the statements already received in the audit offices. This check should be conducted to the extent prescribed of the number of accounts in each branch. Local audit will be specifically directed to verification of: -

- (i) The correctness of the amount of interest allowed with reference to the rate prescribed for the purpose; and.
- (ii) The signature of the officer of the Bank who authorised the payment.

[C.A.G.'s No. 2015 TA.I/325-68 dated 10-11-1970] Para 3.12.7 of C.A.G.'s M.S.O.-Audit]

11.11 National Defence Fund

The receipts of the Fund at the State Head Quarters will be collected through the following agencies: -

- (a) Branches of the State Bank or its Head Quarters will be collected business.
- (b) Specified commercial banks and their branches and branches of the State Bank and its subsidiaries not conducting Government business.
- (c) Cooperative Banks.
- (d) Reserve Bank of India or State Bank of India, as the case may be, at the State Bank Head Quarters. (Designate Offices.)
- (e) Post Offices.

- (f) The local Accountants General, Pay and Account Officer, Railway, Post and Telegraphs, Defence Accounts Offices and Civil Account Offices where Pre-audit system prevails, in respect of deduction from pay bills etc.

11.12 Branches of the State Bank or its subsidiaries conducting Government business.

The transactions relating to the National Defence Fund in these banks will be subjected to local audit at the time when audit of these institutions is undertaken in connection with the work done by them on behalf of the State Government as Agent of the Reserve Bank. The accounts of the National Defence Fund will, however, be locally audited annually.

At least 5% of the branches of the State Bank of India in the State should be subjected to local audit in connection with the transactions of the National Defence Fund. If the number of branches conducting government business subjected to local audit in normal course in a year falls short of 5% of the branches of the State Bank in the State additional branches of the bank should be selected to bring up the number to 5%

The quantum of check should be 12 percent of each month's entries. It has been ascertained that these banks maintain a separate receipt scroll in which the collections on this account are entered daily (by individuals paying the amount to the bank). The totals of collections made are struck every day in this scroll and taken to the ledger folio of the collections account and the total of the collections made every week as reflected in the Collections Accounts is remitted to the Reserve Bank of India or the State Bank of India at the head Quarters (Designated office) as the case may be for credit to "National Defence Fund" (State) Account 'A'.

It has also been ascertained that the receipts given to the payers are being filed separately and from the vouchers in support of the entries in the scroll. During local audit, the audit parties should go through the daily scroll forms for each month exercise check to the prescribed extent for detailed check with the receipts given to the donors filed separately by the Bank authorities. One month's entries in a year should also be selected for tracing from the daily scroll into the ledger folio of the Collections Accounts.

Besides the above detailed checks a general review of the records should also be made. The weekly remittance to the Head Quarters Office of the Bank as shown in the ledger folio should be checked with the acknowledgement given by the Head Quarters Bank which are reported to be kept in separate files by the branches.

[CAG's letter No. 355 tech-Admn/688/dated 21-2-1969]

11.13 National Defence Fund Accounts-Preservation of Records.

In accordance with the Government of India. Ministry of Finance O.M. No. F. 14(57)-B/75 dated 7.5.76, addressed to all State Governments read with the Reserve Bank of India circular letter no. 847/69-77/78 dated 26-9-77, the counterfoils of the used receipt Books are to be preserved for a period of three years or one year after the completion of audit, whichever is later. The counterfoils of the receipt books on which some objection has been raised by audit have to be preserved for one year after the objection is settled to the satisfaction of Audit Department.

The unused money receipt books, where there is no reasonable chance of their being used, should be cancelled by stamping the word "cancelled" prominently across each receipt from the counterfoils without signature of the authorised officer and thereafter returned to the authority who had originally issued these receipt books, who shall destroy them after keeping a note of the fact in the relevant records under proper attention.

[CAG's letter No. 1880-TA.II/168-72II dated 7-11-77]

11.14 Special Deposit Scheme for the benefit of non-Government Provident Fund, Superannuation and Gratuity Fund.

The Government of India have introduced with effect from 1-7-1975, a special Deposit Scheme for the benefit of non-Government Provident, Superannuating and Gratuity Funds in the State Bank of India and other Nationalised Banks vide Ministry of Finance (Department of Economic Affairs) notification No. F. 16(I)-PD/75 dated 30-6-75.

11.15 Scope and Extent of Audit

It should be ensured during local audit that: -

- (i) The repayment/refund of deposit does not exceed the original credit.
- (ii) The repayment/refund has been made in accordance with the provisions of the scheme.
- (iii) Where refund of deposit is made before the due date, it has been made under the circumstances mentioned in clause 9 of the Notification dated 30.6.75.
- (iv) The amount of deposit has been refunded in five equal annual installments vide clause 11 of the said notification, after it has become due for repayment on termination of the scheme.
- (v) The payment of interest on the Deposit, which would be a charge on the consolidation fund of India, has been correctly worked out with reference to the rate of interest prescribed under the scheme. Calculation of interest should be checked in respect of 10 percent of the total number of accounts maintained in a receiving office.
- (vi) General review of the records maintained in this connection in the Bank is conducted.
- (vii) Each item of deposit received should be verified with reference to the entry in the ledger maintained by the Deposit office and the receipt issued to the Depositor in form 'B'.

[O.O. No. OAD(M)/AG.I/II/123-A/31 DATED 10-2-1978]

In case the receipt in form B is not available in the Bank (as a result of Departmentalisation of accounts w.e.f. October 1976) the entries in the ledger may be verified with reference to the third copy of the scroll acknowledged by the office of the Bank conducting Government business.

[CAG's endt. No. 384-TA/1/9-81 dated 30-03-81].

11.16 Result of Audit-Forwarding of Inspection Reports

After completion of audit an Inspection Report will be prepared separately for each category of transactions in the Public Sector Bank inspected and sent to the Headquarter section after having discussed the same with the head of the Public Sector Bank.

After editing at the Head Quarters a copy of the Inspection Report will be issued to the Public Sector Bank inspected, with a copy to the Head Office/Link Office of the Branch inspected. In cases where a Bank is having transactions with the Department/Offices of various Ministries, instead of sending a copy of the report to the Administrative Ministry a copy may be sent to the Ministry of Finance (Banking Division) in terms of instructions contained in C&A.G.M.S.O. (Audit) para 7.1.12(iii). Half yearly lists of outstanding paras of the Inspection Reports may also be furnished to the Ministry of Finance as per instructions issued from time to time.

Separate Inspection Reports will be prepared for the following categories of transactions and sent to the concerned authorities mentioned below: -

I- Pensions

- (i) Central Civil Pensioner-Controller General of Civil Accounts New Delhi.
- (ii) Defence Pensioner-Controller of Defence Accounts (Pensions), Meerut.
- (iii) Railway Pensioner Financial Adviser and Chief Accounts Officer of the respective area.

[O.O.No. OAD(M)/Gr.II/138/12 dated 11-12-80 based on CAG's letter No. 590-TA. II/93-80 dated 22.05.1980 and 1470-TA-II dated 15.11.80 & C&A.G. MSO (Audit) Para 6.3.7 & 6.3.8.

II. Public Provident Fund Accounts and Special Deposit Schemes.

Separate reports for each category of transactions will be prepared and sent to the Controller of Accounts, Ministry of Finance, New Delhi in addition to copies being sent to concerned branch of the Bank.

III Reconciliation with Public Sector Bank/R.B.I.

Concerned Controller of Accounts and Pay and Accounts Officers with a copy to the Reserve Bank Deposit Group of Controller General of Accounts.

IV Receipts relating to Income tax and other Direct Taxes.

Chief Controller of Accounts, Central Board of Direct Taxes, New Delhi.

V Receipt relating to Central Excise and other Indirect Taxes

Chief Controller of Accounts, Central Board of Excise and Customs, New Delhi.

[O.O.No. OAD(M) Gr. II/138, 138A-A/OO/14 dated 1-4-1981 based on CAG's No. 210-TA.I/235-79 dated 27-2-1981 and 233-TA.II/27-81 dated 23-2-1981.

11.17 Certificate to be furnished by LAPs.

The L.A.P. conducting audit of the Bank will furnish certificates in forms I and II given below and append the same to the draft Inspection Report.

FORM 1

Certified that there were no transactions during the period from.....to.....

In Bank relating to the following categories: -

- (a) Government business including D.D.Os/P.AOs.
- (b) Payment of pensions (State/Central/Defence /Railways).
- (c) Direct/Indirect Taxes.
- (d) Public Provident Funds.
- (e) National Defence Funds.
- (f) Compulsory Deposit Schemes.
- (g) Special Deposit Schemes.

Asst. Audit Officer

FORM II

“Certified that the transactions under the following schemes etc. for the period from to occurring at the Bank were checked to the prescribed extent and no discrepancy noticed/discrepancies noticed commented in the Inspection Report.

- (a) Government business including D.D.Os/P.A.Os
- (b) Payment of pensions (State/Central/Defence/Railways)
- (c) Direct/Indirect Taxes.
- (d) Public Provident Funds.
- (e) National Defence Fund.
- (f) Compulsory Deposit Schemes.
- (g) Special Deposit Schemes.

Note: - Delete what is inapplicable

CHAPTER-12**RURAL ENGINEERING SERVICES**

Rural Engineering Service was established in 1973 in the Office of the Development Commissioner, Madhya Pradesh Bhopal with the dual objects of (I) exercising technical control on the construction works in the Panchyat Sector under the National Rural & Employment Programme and other local development programmes by guiding and advising local officer in

technical matters in planned implementation of such works, and (II) for execution of construction of works entrusted to it as per Government. The technical and administrative sanction may be accorded by various competent authority as authorised.

Vide M.P. Govt. Panchayat and Rural Development Department Letter no. 3150/22/V-10/RES/2000 dated 05-07-2000/No1539/524/22/V-10/RES/2001 Dt. 04-03-2001 and No 3499/19/22/B-10/G45/2002 Dt.24-10-2002

1 Organisational set-up

1.1 The organisational set-up of the Rural Engineering Service is as under: -

- (a) Superintending Engineer in the Office of the Development Commissioner, M.P. Bhopal is head of the organisation and has technical and financial powers of Chief Engineer, (Panchyat & R.D. Deptt. Memo No. 9496/3154/22/3/RES/86, dated 15.10.1986).
- (b) Executive Engineers in the Divisional Offices are incharge of the RES Divisions; and
- (c) The sub-division offices at the district levels are manned by Assistant Engineers.

1.2 The Development Commissioner, Divisional Commissioner and District Collectors are responsible for all over administrative control at the State, Division and district level respectively while supertending Engineers, Executive Engineer and Assistant Engineers (DDO'S) are responsible for technical matters at the State, Division (RES) and district level in rural areas respectively.

2 Applicability of provision of M.P. Public Works Manual.

In order to exercise technical and financial control over works, the provisions of the State P.W.D. Manual and C.P.W.A. Code were made applicable to the works undertaken by the Rural Engineering Services. Subsequently, when the old P.W.D. Manual was revised and the new P.W.D. Manual, 1983, came into force w.e.f. 1.2.84, the provisions of M.P.P.W.D. Manual 1983, were adopted to the extent given in the Panchyat and Rural Development Department Memo No 3429/22/V-3/6 RES dated 31.10.1980 and 9235/2032/V-3/RES/84, dated 20.11.1984 and Further revised S.O.R. w.e.f. 1-09-2003).

3. Drawal of Funds

3.2 Executive Engineers (R.E.S) have been declared as drawing and disbursing officers and they have been authorised to draw by cheques amounts required for meeting expenditure on works.

Assistant Engineers posted in RES have been declared as drawing and disbursing officers for the purpose of execution of construction and maintenance works. The running bills of which are upto Rs. 20,000/and final bills upto Rs. 1.000 or less.

(Panchyat and Rural/Development Department Memo Nos: 3489 332/22/V-3/RES/80, dated 11.11.1980 and 3678-285/ 22-V-3/RES/85 dated 18.4.1985).

4. The role of the Superintending Engineer and Executive Engineer is given in the succeeding paragraphs.

4.1 Superintending Engineer.

Superintending Engineer in the Office of the Development Commissioner is responsible for over all supervision of the Divisions. The Superintending Engineer functions as a link between the Development Commissioner and the Divisional Officers in all matters relating to finances, budget, and monitoring.

The cases regarding processing of scheme, their administrative approval, technical sanction, approval of tenders, sanction of extra items and substituted items, determination of rates excepting the matter falling within the competence of Divisional office are processed in the technical branch of the Office of the Development Commissioner.

4.2 Executive Engineer.

Each division under the charge of an Executive Engineer (Divisional Officer) is responsible for all functions relating to preparation of schemes, processing of cases for administrative approval, technical sanctions, invitations and acceptance of tenders apart from giving technical sanction and acceptance of tenders apart in matters failing within the powers of the Executive Engineer.

5. Sources of Funds:

An R.E.S. Division mainly operates on the funds made available by the Development Commissioner under N.R.E.P.R.L.E.G.P. and local development works as well as funds received from other Departments of Government for works to be executed in Division.

(Development Department Memo No: 275/22/V-3/RES, dated 17/12/1987).

6. Control over expenditure through letters of credit

In order to keep control over expenditure by Executive Engineer, the Collector shall issue from time to time a letter of credit (LOC). Wherein the Collector shall mention the amount upto which money can be drawn by the Executive Engineer during the specified period. A copy of the LOC shall be sent to the bank/treasury on which the Executive Engineer operates. The Collector may call for such details as he may think necessary about sub-head-wise programme of expenditure on different items. The Collector shall not place the entire allotment for the year at the disposal of the Executive Engineers in one lot nor shall he divert the stipulated amount of works expenditure to establishment of vice-versa.

The bank/treasury shall dishonor the cheques beyond the limit mentioned in the letter of credit.

7. Powers to accord administrative approval technical sanction and sanctions for expenditure on contingencies.

7.1 Administrative approval

No work other than a petty or repair work shall be undertaken without administrative approval of the competent authority.

(Paragraph 2-004 of M.P.P.W.D. Manual, 1983).

The powers to accord administrative approval in respect of local development works under various schemes are as under: -

Upto Rs. 3 lakh Gram Panchayat
 Rs. 10 lakh Janpad Panchayat
 Rs. 50 lakh Jila Panchayat
 Rs. 100 lakh Jila Yojna Samittee

More than Rs. 100 lakhs - State Government

(Panchayat and Rural Development Department memo No. 3150/27/B-10/RES/2000/Date/5.7.2000)

The powers to accord administrative approval for special repair works are as under: -

Upto Rs. 10,000 Gram Panchayat
 Rs. 40,000 C.E.O. Janpad Panchayat
 Upto 1 lakh CEO Zila Panchayat
 Above Rs. 1.00 lakh Zila Yojna Samitee.

(Panchayat and Rural Development Department Memo. No. 11539/524/22/V-10/RES/2001date 4/3/2001)

7.2 Technical Sanction: -

For every work, a properly detailed estimate shall be prepared for sanction of the competent authority. This sanction is known as technical sanction which must be obtained before the work is commenced.

(Paragraph 2.006 of M.P.P.W.D. Manual 1983)

The powers to accord technical sanction for local development works under various schemes are as under :-

Upto Rs. 5 lakh Assistant Engineer
 Upto Rs.50 lakh Executive Engineer
 Upto above Rs. 50 lakh Chief Engineer

(Panchayat and Rural Development Department memo No150/22/V-10/RES/240 Date 5/7/2000)

For special repair works, the powers to accord technical sanction are as under: -

Upto Rs. 10,000 Assistant Engineer
 Upto Rs. 1 lakh Executive Engineer

Above Rs. 1 lakh Chief Engineer

(Panchayat and Rural Development Department memo No 1539/524/22/B-10RES/2001 and Panchayat and Rural Development Deptt. member 3499/19/22/B-10/RES/2002- Date 24/10/2002)

7.3 Contingencies:

The powers of the Development Commissioner to sanction expenditure on contingencies are as under: - Non recurring: Rs. 300 each item

Recurring Rs. 250 per month each item

(Panchayat and Rural Development Deptt. memo no 2017/22/V-3 Estt./83 dated 24.3.1987).

8 Audit Checks

8.1 The audit Checks laid down para 3.2 & 53 of the C.A.G's Secret Memorandum of Instruction regarding the extent of audit shall be exercised. The distribution of the work amount Audit Officer/Sr. Audit Officer, Assistance Audit Officer and Auditor/Sr. Auditor is given in Annexure 'B'.

Before taking up audit of the accounts of R.E.S. the local audit party should obtain the information on the following points: -

1. Works completed during the period being covered by audit.
2. Flow of funds for the above works.
3. Works in hand and funds provided therefor,
4. Position of unutilised funds at the commencement and close of the year.

8.2 Audit of Divisions

The R.E.S. divisions function on the pattern of public works department divisions, and as such, all records maintained by a P.W.D. division are maintained. Therefore, otherwise would enable the party to direct their enquires to evaluate the performance of the division and the extent to which the object was achieved. The short fall in achievement would need further analysis to pin point the factors responsible for the shortfall.

(b) It should be as on whether proper and complete records of transactions are mentioned in accordance with rules and that the following records are completed: -

1. Register of works,
2. Works abstract,
3. Measurement Books,
4. Muster Rolls,
5. Contractors Ledger, etc

8.3 Works Expenditure

The audit party should scrutinize the records relating to works completed during the period covered by audit as well as the works-in progress and also conduct an in-depth study of accounts of two works of the maximum value selected for detailed check by the Inspecting Officer on the

basis of expenditure incurred on the work during the last three years keeping in view that the work was not selected for detailed analysis in the past few years and highlight cases of uneconomic and Infructuous expenditure true and defective accounting. Wide variations, if any, noticed between the estimates and expenditure on the work should be scrutinized to bring out faulty planning and defects in the method of preparation of estimates. The irregularities noticed in the implementation of work on matters given below may need special narration:-

- (a) Award of work in anticipation of administrative approval.
- (b) Incurring of expenditure in excess of the estimated cost.
- (c) Delay in completion of project/scheme resulting in extra expenditure.
- (d) Unrealistic estimates
- (e) Works not according to prescribed specification.
- (f) Lack of periodical inspection by prescribed authorities.
- (g) Variations in quantities in actual execution as compared to estimates.
- (h) Whether extra and substituted items were sanctioned by the competent authorities and whether the rates were correctly determined.
- (i) Excess payments.
- (j) Extra avoidable expenditure.
- (k) Where price escalation clause is applicable in any contract, it may be seen that the payments made strictly conform to the terms and conditions of the clause.
- (l) Financial implication in case of abandonment of work by contractor.
- (m) Non-implementation of penalty clauses or non-forfeiture of earnest money.
- (n) Defects in agreement, if any, and
- (o) The stores and stock Account should be scrutinized and irregularities noticed commented upon.

8.4 Deposit Works

Besides construction works under various schemes and projects R.E.S. undertakes Deposit works on behalf of other Department of Government on certain terms and conditions. It should be seen that the terms and conditions are fulfilled and the expenditure incurred on deposit works was accepted by the Department concerned and handing over reports of completed works available. It should be seen that there was no undue delay in settlement of accounts and that advance and deposits were received and interest was levied in case of delay.

(Approved by Principal Accountant General 16.07.2004)

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Deputy Accountant General/IC-I

ANNEXURE- 'A'

According to Panchayat and Rural Development Department memo No. 9235/2035/XXII/D-III/RES/84 dated 20-10-84. The following provisions of M.P.P.W.D. Manual, 1983 have been adopted and made applicable to works by Rural Engineering Service with immediate effect.

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| 5 | Procedure for survey and investigation of irrigation works | Not adopted |
| 6. | Rates | Not adopted |
| 7. | Selection of site for buildings | 2.031 and 2.033 |
| 8. | Preparation of scheme for Roads | Not adopted |
| 9. | Repairs of Buildings | 2.036 to 2.042 |
| 10. | Repairs of Roads | 2.043 to 2.055 |
| 11. | Repairs to irrigation works | Not adopted |
| 12. | Repairs to special Type of works of P.H.E.D. | Not adopted |
| 13. | Special instructions relating to bridges and cross drainage works | 2064 to 2065 2067 to 2070 |
| 14. | Tenders | 2.075 to 2.087 |
| 15 | Contract Agreements | 2.088 to 2.095 |
| 16 | Registration of contractors | 2.96 to 2.102 |
| 17 | Acquisition of land | 2.108 |
| 18 | Sale and disposal of land | Not adopted |
| 19 | Execution of works | 2.120 to 2.129 |
| 20 | Supplementary and Revised Estimates | 2.130 to 2.135 |
| 21 | Accedents | 2.136 to 2.143 |
| 22 | Hutting, Sanetary and Medical Arrangement for Laborers | 2.144 to 2.145 |
| 23 | Jail Works | Not adopted |
| 24 | Execution of public works by officer of other Departments | Not adopted |
| 25 | Deposit works | 2.162 to 2.173 |
| 26 | Works of other department executed by works deparment | 2.174 to 2.175 |
| 27 | Completion Reports, Certificates and plans | 2.176 to 2.183 |

CHAPTER-III BUILDINGS

| | | |
|---|---|-------------|
| 1 | Definition and Classification of Public | Not adopted |
|---|---|-------------|

| | | |
|----|---|-----------------|
| | Buildings | |
| 2 | Additions and Alterations to public Buildings | 3.003 to 3.006 |
| 3 | Capital cost of Buildings | 3.007 |
| 4 | Occupation of Public Buildings by Private persons etc. | Not adopted |
| 5 | Residences for Government Officials | Not adopted |
| 6 | Rent Rules | Not adopted |
| 7 | Purchase and sale of buildings | Not adopted |
| 8 | Hire of Buildings | 3.042 |
| 9 | Fixtures and Furniture | Not adopted |
| 10 | Circuit Houses, Rest Houses and Inspection Bungalows/Huts | Not adopted |
| 11 | Municipal Tax on public Buildings | Not adopted |
| 12 | Conservation of Ancient Monuments | Not adopted |
| 13 | Inspection of Public Buildings | Not adopted |
| 14 | Register of Buildings | 3.068 |
| 15 | Miscellaneous Rules regarding public Buildings | 3.070 and 3.082 |

CHAPTER-IV ACCOUNTS OF WORKS AND STORES

| | | |
|----|--|----------------------------------|
| 1 | Initial records of Accounts | 4.001 to 4.033 |
| 2 | Taking and checking of measurements | 4.034 to 4.045 |
| 3 | Register of Bills of suppliers | 4.046 |
| 4 | Payment of Bills | 4.047 to 4.051 |
| 5 | Note Books | 4.052 to 4.053 |
| 6 | Cheque Books and Receipt Books | 4.054 to 4.055 |
| 7 | Indent books and Disposal of counter-foils | 4.056 |
| 8 | Bank drafts | 4.057 to 4.058 |
| 9 | Custody of Cash | 4.059 to 4.064 |
| 10 | Imprest | 4.065 to 4.069 |
| 11 | Stores | 4.070 to 4.091 |
| 12 | Instructions for preparation and check of Road Material Returns | 4.092 to 4.112 |
| 13 | Instructions for concerning the Inspection of circles/division/sub division offices. | 4.113 to 4.118 |
| 14 | Recruitment of labour departmentally and its employment | 4.119 to 4.127 |
| 15 | Rules relating to Budget Estimates of works | 4.142 |
| | Departments | 4.146 to 4.152 4.154 to 4.156 |

CHAPTER-V-ELECTRICAL AND MECHANICAL

| | | |
|---|--|-------------|
| 1 | E/M formation & structure | Not adopted |
| 2 | Responsibilities of the C.E, E/M | Not adopted |
| 3 | Inspection of plants, machines and Electrical/Mechanical works | 5.006 |

Chapter-13

Audit of Women & Child Development Department

13.01 Introduction

In Madhya Pradesh Women and Child Development Department Directorate was formed on 15th August 1986 and all the schemes pertaining to Women & Child Development were transferred from Tribal Welfare and Panchayat & Social Welfare Department to this directorate. At Government level, Initially Women & Child Development directorate remained under the Administrative Control of Panchayat & Rural Development Department and in September 1988 a separate Women & Child Development Department was formed at Government level.

13.02 Duties & responsibilities of the Department.

1. To improve the social, economical, health & nutrition status of women in the State.
2. Improvement of physical, mental, intellectual and health & nutrition status of Children & their prevention from malnutrition.
3. To protect the constitutional rights of women, to improve awareness regarding laws pertaining to Women Welfare and security and various schemes.
4. Functioning as a coordinator of various schemes run/sponsored by different departments in M.P. for all out development of Women & Children so that benefits of schemes reach to beneficiaries.
5. Co-ordination in implementation of State Women Policy for ensuring the independence and empowerment of women. The details of various schemes, programmes and activities undertaken by the department are given in succeeding paragraphs.

13.03 Departmental set-up

I- Women & Child Development Department

Principal Secretary

Deputy Secretary (1)

Under secretary (2)

Section officers (2)

Clerical Staff

II Directorate of Women & Child Development

| | |
|------------------|--------------|
| Commissioner | (I.A.S.) |
| Project Director | (I.A.S.) (1) |
| Joint Director | (5) |
| Deputy Director | (5) |

| | |
|------------------------|-----------|
| Director of Bal Bhawan | (1) |
| Assistant Director | (10) |
| Statistical Officer | (1) |
| Accounts Officer | (3) |
| Clerical Staff | Group 'C' |

III From District to Anganwadi Level

(No. of posts sanctioned shown in bracket)

| <i>District Level</i> | <i>Block Level</i> |
|--|--|
| Distt Programme Officer (30 Post) | Child Development Project Officer (335 Post) |
| Distt Women & Child Development Officer (34 Post) | Asst. Statistical Officer (241 Post) |
| Astt Programme Officer (21 Post) | Asstt Project Officer (108 Post) |
| Chief Instructor (10) (Anganwadi Training Centres) | Supervisors (2063 Post) |
| Superintendent Government Institutions (12 Post) | Asstt. Women & Child Development Officer (592 Post) (Graduate/Non Graduate) |
| Nutritious food Inspectors (17 Post) | Anganwadi Workers (49784 Post) |
| | Anganwadi Assistants (49784 Post) |

13.04 Different Schemes & Activities of Department

1. Integrated Child Development Scheme

In M.P. at present there are 336 Integrated Child Development Projects in operation. Of these 185 are aided by World Bank & 151 are General Projects. 49784 Anganwadi Centers have been sanctioned under 336 Child Development Projects.

Following integrated services are provided through Anganwadi Centres.

1. Supplementary Nutrition
2. Primary Health check up
3. Primary Health-care/Consultancy Services
4. Immunization
5. Nutrition & Health-Education

6. Pre-school Informal Education

2. National Kishori Shakti Scheme

Kishori Shakti Scheme has been launched for imparting training for health care, balanced diet and economic independence to the girls of 11-18 years age belonging to Below Poverty Line families selected for training.

3. Supplementary Nutrition Programme

In Madhya Pradesh 49784 Anganwadi Centres under 336 Integrated Child Development Projects sanctioned by the Government of India are providing nutritious food from state funds. In these centers children between 6 month to 6 years age are provided 80 grams of supplementary nutritious food every day which provide 300 calories and 10 grams of proteins. Pregnant and Lactate Women and children suffering from malnutrition are provided double the quantity i.e. 160 gram per day Under this Programme supplementary Nutritious food is being supplied by the following institutions:-

- i) World Food Programme (14 Projects)
- ii) M.P. Agro Industries Corporation (19 Projects)
- iii) Women Self Help Groups (303 Projects)

4. National Nutrition Food Mission

National Nutrition Food Mission has been started to provide food to young girls, pregnant and lactating woman of B.P.L. families with the following objectives :-

- i) To reduce malnutrition
- ii) To eliminate deficiency of Iron, Iodine and Vitamin A.
- iii) To reduce old deficiency of energy.

5. Udisha Training Programme

Regular Training to the field staff of I.C.D.S. is given through this programme. The objectives of the programme are follows.

1. To bring qualitative improvement in the training of the field staff deployed to look after children in the age group of 0 to 6 years.
2. To bring Practical change in community approach for caring and development of the children.
3. To bring a positive change in the approach of field staff.

4. To coordinate in fields of development, health, nutrition and education of children.
5. To train the public representative and organizations concerned with child development

Institutions associated with the training Programme

1. R.C.V.P Naronha State Administrative Academy, Bhopal.
2. Mahatma Gandhi State Rural Development Institute, Jabalpur.
3. Middle level Training Institute, Indore.
4. Middle level Training Institute, Jabalpur

This Training Programme is conducted at the following 4 levels:

1. C.D.P.O/V.M.O Joint Training
2. Supervisor/LHV Joint training
3. Anganwadi worker/ANM Joint Training
4. Anganwadi Assistant (Female) Midwife (Dai) Joint Training

13.05 Departmental Institutions

1. Nari Niketan

In M.P. Nari Niketan have been established at Ujjain, Jabalpur, Satna and Gwalior districts for providing shelter to widows, unmarried mothers and women discarded by the society wherein facilities of housing, education, food and clothes are provided free of cost.

2. Women Restitute Home (Mahila Uddhar Grih)

Women and their children sent by the court under Immoral Traffic (Prevention) Act. are kept in this house for arranging housing, education and training along with their moral improvement. This center is being run at Indore.

3. Short Term Shelter Home

The housing, education and training facilities are provided to the women referred by the Court under different cases. These center are being run at Rewa & Jabalpur.

4. Government Girls Protection Home

Orphan & dependant girls in the age group of 13 to 18 years transferred from government child or mercy home are kept in these homes.

5. Women Residential Homed (Mahila Vasate Grih)

Working women homes are established in Indore & Jabalpur for providing housing facility to women working outside their hometowns.

6. Child Ashram, Indore

In this center housing, education, food, clothes, medical, health, sports and training facilities are provided to the orphan and dependent children under age of 13 years for their physical and mental development.

7. Government Child Protection Home

Child Protection homes are situated in three Districts i.e. Ujjain, Sidhi & Seoni. In these centers facilities of housing, education, food, clothes and training are provided to the children of lepers under the age of 13 year.

8. Government Protection Home, Bhopal

In this center children under age group of 13 to 18 years transferred from orphan Homes & Child Protection Homes are kept. They are helped for their rehabilitation by providing housing & education facilities.

9. Government Crèche

Government Crèches at Satna, Itarsi, Ujjain, Sagar, Jabalpur, Gwalior, Khandwa and Bhopal have been opened to take care of the children of working women within the age group of 6 months to 6 years belonging low and medium income groups.

10. Balwadi Cum-Sanskar Kendra's

These centers are being run in Mandla, Balaghat, Burhanpur, Gwalior, Mangawa (Rewa) and Bhopal. In these centers informal education is provided to the children in the age group of 3 to 6 years.

11. Tailoring, Embroidery and Doll making Centres

19 Tailoring and embroidery Centers are working for providing training to the poor, helpless and women of lower medium class families to make them self dependent. The doll making Training center is being run at Bhopal.

12. Jawahar Bal Bhawan

Jawahar Bal Bhawan is functioning at Bhopal for providing recreation facilities to the children along with development of their natural instincts. Different activities are organized by the centre.

13. Women Awareness Camps (Mahila Jagriti Shivar)

These camps are organized at village, block and district levels where information regarding various schemes run by the Department is given to women.

13.06 Schemes for sanction of grants to voluntary organisations.

1. 7 Orphanage are being run by the voluntary organizations with the help of grants from government for providing care and education to orphans.

2. For providing legal advice and aid to the women and children centers are being run.

3. Grant to M.P. State Social welfare Advisory Board

Grant is sanctioned by the government to meet the establishment expenditure of the board and its project.

4. Orphanage Home (Nirashrit Balgrah)

Under this scheme grant is provided to the voluntary organisations for providing proper care and education to the orphans.

5. Grants to Jawahar Bal Vikas Kendra

In Nehru Centenary year grant was sanctioned to the Bal Niketan Sangh Indore by State Government for the all out development of children belonging to Scheduled Casts and Scheduled Tribes.

6. Rehabilitation Training to the women in harness

Under this scheme grant is sanctioned for the purpose of providing vocational training to helpless women in harness and their dependent children to make them self-dependent.

7. Grant from National Children Fund (Rashtriya Bal Kosh)

Grant is sanctioned to the voluntary organizations for providing vocational Training to the youths of urban slums.

8. Grant from National Adolescent Fund (Rashtriya Shishu Nidhi)

Grant is sanctioned from this fund for running Creches (Jhula Ghar) for care of the children of working or sick mothers.

9. Grant for prevention of cruelty and injustice to women.

Under this scheme grant is sanctioned to educate the people against atrocities on women by way of publishing educational material and for dramas stories and other creative activities.

10. Short Term Residential Homes Scheme.

Under this central scheme grant in-aid is sanctioned to the institutions to meet the recurring expenditure on pay & allowances of the employees, house rent etc.

11. Self reliant scheme (Swadhara Yojna)

Under this Central scheme assistance is provided to women living in difficult circumstances for providing shelter, food and cloth.

13.07 Beneficiary oriented schemes of the department

I Ayushmati Yojna

Ayushmati Yojna was started by the state Government in the year 1991 to provide facility of free treatment to the landless rural women and girls admitted in the Hospital. An amount of Rs. 400/- for first seven days and Rs. 1000/- in case of treatment continuing for more than seven days is incurred on medicines and nutritious diet of the patient.

II National Motherhood Scheme

Under this scheme sponsored by the Government of India pre confinement aid of Rs.500/- is provided to the women belonging to BPL families of urban and rural areas. This amount is payable only up to two surviving children.

III Balika Smridhi Yojna

Under this scheme an aid of Rs 500/- is provided to the girls of urban and rural families Below Poverty Line born on or after 15th August 1997. There is also a provision for payment of scholarship up to the age of 18 years.

IV Self-Help Scheme (Swayam Siddha Yojna)

This scheme is being implemented in 36 blocks of 13 districts of Madhya Pradesh. Under this scheme self help group of women are formed to make them economically independent and empowered.

13.08 Duties of District Programme Officer posted at Division Level

I To pay special attention on availability of nutrition food regularly on Anganwadi centers in time.

II To ensure that monthly progress reports are prepared in time and submitted to higher officers.

III To have information regarding malnourished children.

IV To have adequate control on education, health & supply of nutritious food to women.

V To participate in District level coordination meetings and to keep informed about the situation.

VI To inspect the projects being implemented in his own jurisdiction at least 20 days in a month.

VII To inspect at least two projects being implemented in his jurisdiction on roaster basis to surprise inspection of Anganwadi.

VIII To submit the Inspection Reports to the Directorate on 10th of every month.

IX District Programme Officer is responsible to ensure timely submission of progress reports by the Projects and District Offices to the controlling offices.

X The Programme Officer will prepare the statistical report of I.C.D.S Programme & evaluate them.

XI It is also to duty of Programme Officer to see that Anganwadies sanctioned in his area are working regularly.

XII The Programme Officer will also ensure that villagers are being benefited by the services of Anganwadi working in his Project area.

13.09 Duties of District Women & Child Development Officers.

I The District Women and Child Development Officer is fully responsible for implementation of all the scheme being operated in the district.

II He is responsible for implementation of various nutrition food programmes run by the department for arranging godowns for storing food grains and inspection as well as successful functioning of Anganwadies.

III Arranging faculties for delivering lectures in the Anganwadi Training centre as and when demanded by the Chief Instructors.

13.10 Duties of Child Development Project Officer

Child Development Project Officer is Chief worker of Integrate Child Development Service Scheme. He has following responsibilities under his role.

1. Project Officer will be the Chief executive worker of Integrated child development service scheme.

2. He will allot monthly and annual budget of each Anganwadi center and its activities.

3. He will direct the team of supervisors & Anganwadi workers and will also arrange their meetings in project office from time to time.

4. He will ensure proper maintenance of registers and records by project and Anganwadi centers and will also inspect them from time to time.

5. He will also ensure proper maintenance of accounts of material supplied to Child Development service project.
6. He will organise the meetings of committee as a co-ordinator and will prepare its agenda/minutes.
7. He shall also work as Drawing and Disbursing Officer of I.C.D.S. Scheme.
8. He will arrange the Nutrition & sanitation demonstrations with the help of other project level workers.
9. He will be responsible to prepare progress reports from time to time & send them to respective higher authorities.

13.11 Women policy of the State

National women policy has been introduced in March 2003. Under this policy progressive provisions for autonomy honour, justice and equality of women have been made along with their social, economic and political empowerment. The objective of this new policy is to protect life of women & girls and to ensure equality, honour and also to increase participation in government.

Women policy of the state is as follows:-

1. To protect and secure lives of women
2. To ensure autonomy
3. Equality
4. Respect
5. Participation & Empowerment.

13.12 The delegation of power by Women and Child Development Department/ Panchayati Raj.

With a view to ensure the participation of Panchayats several schemes run by the Department, such as the facility of family environment for orphans, crèches, rural awareness, camps, Mahila Samradhi Yojna, Indra Mahila Yojna, Dattak Putri Yojna, Balika Samridhi Yojna and Rastriya Matratwa Suvidha Yojna etc have been transferred to Panchayats.

The powers to appoint Asstt. Women Child Development Extention Officer at block level supervisors, Anganwadi workers, Assistants under Integrated Child Development Scheme have

been delegated to Panchayats. Grants to voluntary organizations are sanctioned only on the recommendations of Panchayats.

Gram-Swaraj

Under the scheme of Gram Swaraj effective in the state with effect from 26 January 2001, the Powers for arrangement of Nutritious food, supervision, selection of beneficiaries, appointment of Anganwadi workers, establishment of crèches & Balwadis and implementation of National Maternity Help Scheme have been delegated to the Gram Sabhas.

Right to Information

In order to have transparency in departmental activities and decisions and to keep common man informed of these activities and decisions, the right to information has been made effective by the department from 25th September 1997.

Citizen Charter

With a view to keep common-man informed about the schemes being implemented by the department, working of government institutions & welfare activities, a time limit has been fixed for their implementation. Citizen charter has been made effective from the year 1997 where under the Competent authority is required to fix the time limit for implementation.

Review of cases of harassment to women

As per directions of Government of India during the year of women empowerment, Women harassment prevention Committees have been constituted under the chairmanship of District Magistrate to watch action, decision and appeal in such cases.

13.13 Commissions and undertakings under the Department.

M.P. Women Finance and Development Corporation was established in the year 1988. Schemes of the corporation are as under:-

1. Loan/Grant based schemes.

- (a) Gramya Yojna
- (b) Photocopier Scheme

2. Training based schemes

- (a) Samarth Yojana
- (b) Typing Scheme (Tankan yojana)
- (c) Kaushal Unnayan
- (d) Development of Industrial awareness

Schemes of the Government of India.

3. NORAD Scheme

This scheme implemented with the help of government of Norway. Government of India sanctions grants directly to voluntary organisations for imparting self employment oriented training to women.

4. Step Scheme

To empower the women economically and socially, Step scheme of the Government of India is implemented by the corporation. Under this scheme the Projects are prepared in the fields of Agriculture, Dairy, Fisheries, Animal husbandry, Handlooms, Sericulture and Khadi Village Industry etc. Under this scheme 90 percent of the total expenditure of the project is received as grant from Government of India and rest 10% of the expenditure is born by implementing organisation.

5. Marketing encouraging scheme

6 Developmental Schemes.

13.14 M.P. State Women Commission

M.P. State Women Commission was formed on 23rd March 1998.

Functions of the Commission.

- (a) Investigation and examination of all the cases pertaining to protection provided to women under constitution and other laws.
- (b) Submission of annual reports to State Government regarding implementation of protections;
- (c) To report matters of violation of constitutional and other provisions to appropriate authorities.
- (d) Preparation of Schemes for social and economic development of women and to advise them;
- (e) To provide funds for Court Cases involving matters affecting a large group of women;
- (f) Collection of information regarding various crimes of dowry, rape, kidnapping and harassment of women from selected areas of the state.
- (g) To entertain complaints concerning atrocities on women & minimum wages etc.

13.15 The Powers of Civil Courts delegated to the Commission

While investigating any case indicated in clauses (F) or (G) of sub clause (1) of the Commission's act, the Commission has been vested with all the powers of a Civil Court.

Formation of Committees:

The commission is empowered to form committees for deciding the cases taken by it from time to time.

Discharge of functions, Tour and Inspection

- (i) On the spot enquiry and Inspection to study the problems related to women in districts.
- (ii) To study the problems of women prisoners in the Jails of the state.
- (iii) To study the conditions of women in the hospitals of the state and to suggest reformative measures.
- (iv) To take initiative to help the women in distress and if necessary to discuss the matter with the officers.

13.16 Checks to be exercised in Local Audit

Selection of Anganwadi Centres.

Anganwadi centers should be established in Scheduled Caste, Scheduled Tribes areas and areas having majority of the population below poverty Line. The place selected for Anganwadi center should be neat and clean with good atmosphere and should be utilised only for the activities of the centre.

Selection of Anganwadi Workers.

The selection of Anganwadi workers should be done as per norms prescribed by the department. The worker should belong to the same village where the Anganwadi is in operation.

Actual Survey of the children

The survey of village and localities should be conducted in every three months. The names of beneficiaries whose eligibility has expired should be deleted.

Quantum of nutrition food

Distribution of nutrition food, in prescribed quantity; to the beneficiaries should be ensured.

Storage of Nutrition food

The Nutrition food should be stored only to the extent which can be consumed prior to the date it becomes unuseful. If the food material becomes unuseful the cost thereof should be recovered from the employee/officer responsible therefor.

Procedure prescribed in regard to Nutrition food.

In order to ensure the continuity of the programme it should be ensured that whenever as food material is received, before taking its delivery it should be ensured that the dates of manufacture and expiry of the material have been recorded on the packing. At the same time it should also be ensured that the quantity of the material received should be distributed to the beneficiaries prior to the date of its expiry. The quantity of the material expected to remain unutilized even after the date of expiry should not be received.

The maintenance of Growth Chart Register.

A Growth chart register is maintained for recording the information regarding development of children. Weight of the children should be recorded in it monthly.

Distribution of Honorarium

Honorarium should be paid to the Anganwadi workers and other employees every month through Bank.

Purchase of Salt

According to Departmental instructions only Iodized salt should be supplied. The ordinary salt should not be used in any condition. The Iodized salt should be purchased from the authorized government undertaking.

Achievement of Target under the schemes

The government have fixed targets for beneficiaries to be benefited under various schemes. For successful implementation of the schemes it is essential to achieve these targets.

Use of medicines supplied to the Anganwadies.

Proper use of medicine should be ensured. Expiry dated medicines should be destroyed.

Distribution of food grain

Distribution of food grains for at least 300 days per year should be ensured. Account of distribution of food grains should be maintained in prescribed proforma. Food grain distribution record should also be verified to ensure this. Samples of food grains received should be checked. If the food grains received is found to have lesser quantity of protein and calories proportionate recovery should be made from the suppliers bills.

The payment of the Bills regarding fuel and Transportation expenses of food grains.

To ensure proper functioning of the programme, payment of bills for fuel and transportation expenses of food grains should be paid regularly every month so that the programme for the next month is not affected adversely.

Use of UNICEF Vehicles:-

The Government of Madhya Pradesh in General Administration Department have issued instructions to prevent the misuse of vehicle received from UNICEF.

The vehicles should be utilized only by the Project Officer for project services only. The UNICEF vehicles should not be utilized for law and order, election and other purposes. The project vehicles should not be used by other officer. It should be used only for the purpose for which it has been provided.

It should also be ensured that project vehicle is not used by the project officer for coming to project office daily from nearby town. It is misuse of vehicle and in fructuous expenditure of Government money. Project vehicle should not be used out of project area without the permission of the Commissioner. The permission to take the vehicle out of the Division should be obtained from Directorate.

All the records pertaining to nutrition food should be completed in Anganwadi centers by the workers.

Testing of samples of food grains supplied as nutrition food.

The following instructions have been issued for testing the samples of food grains supplied under nutrition food Programme.

Samples of food grains should be tested every month to ensure its quality and wherever quantity of protein or calories is found deficient, recovery should be made as per agreement and rules. District women and Child Development Officer will be responsible if food grain is destroyed for any reason.

CHAPTER 14

AUDIT OF THE ACCOUNTS OF MISCELLANEOUS STATE

GOVERNMENT DEPARTMENTS

A Audit of Accounts of State Garage Bhopal

14.01 (a) The State Garage, Bhopal, is an independent office with the Deputy Secretary to Govt. of M.P. Home Department, as Head of the Department. The charge of the State Garage is held by Superintendent who is a class II Officer having drawing and disbursing powers.

(b) The State Garage is intended to maintain the vehicles placed at the disposal of Ministers and to provide conveyance on hire to officers of the State Government not below the rank of Deputy Secretary. It maintains a workshop for carrying out minor repairs and normal servicing and a petrol pump to supply P.O.L to departmental vehicles of State Government. The fleet of cars maintained by the Garage includes a pool of vehicles set a part out of the excess vehicles surrendered by Government offices in pursuance of the instructions contained in clause 6 (a) of Home Department memo No. F-17-21-73 (A) (2) 11 dated 30/10/73 which are meant exclusively for purpose of journeys within the city limits of Bhopal except the period of tours.

14.02 Scope of Audit:- The following will be scope of audit of various records and registers maintained for accounting of expenditure and receipts special to the activity carried out by the State Garage: -

(A) Account of Purchases- (i) It should be seen that in case of all purchases provisions of purchase rules framed by Government reproduced in Annexure to Chapter 4 have been followed.

(ii) The records of purchases should be scrutinised to see: -

- (1) That purchases are made at rate contract prices and where this is not possible at the price list of manufacture;
- (2) In cases of purchases made in emergency, that they were made after obtaining quotations (subject to quality);
- (3) That regular account has been kept of all purchases of parts supplied to cars;
- (4) That in cases of replacement of vehicles procedure laid down by the Government in Home Department memo No. 17-10-78/2-A(2) dated 25-11-1978 (reproduced at the end of chapter) as Annexure (A) has been duly observed.
- (5) That replacement of tyres, tubes and batteries was done on the criteria fixed by the Home Department.
- (6) That replacement of tyres made before covering prescribed mileage and batteries before the period fixed for them expires are duly supported by proper sanction of the Government.

(B) In respect of the vehicles supplied from the "Pool" of Cars maintained by the Garage [Referred to in para 23.01 (b)] it should be seen that instruction laid down in para 6 (a) of Government of M.P. Home Department Memo No. F. 17-21-73 A (2)/II dated 30-10-73 reproduced at the end of the Chapter as Annexure B, have been duly followed and that: -

- (1) No vehicles was provided to officers below the rank of Deputy Secretary without proper sanction,
- (2) Written requisition slips specifying clearly the purpose of visit and the places visited are collected by the drivers and passed on by them to the authorised officer in the State Garage at the end of the day;
- (3) The authorised officer has made entries in the log book verified the milometers readings;

- (4) The register of requisition slips and the log books are completed in all respects and the entries are properly attested;
- (5) When the state garage vehicles is detained for duty out side Bhopal the officer under whose charge the staff car of the State Garage has been placed has filed in the entries in the log book and attested them.
- (6) Hire charges are correctly worked out and recovered promptly at the rates prescribed in Home Department memo No. F-7-3-98/8dated 01-08-1998 reproduced as Annexure-(C).

(C) Accounts of Work Shop and Stores – (i) Deleted.

- (ii) The State Garage is required to store spare parts, tyres, tubes and batteries for 10 percent cars maintained by it. It should be checked whether these instructions are being followed properly.

(D) Accounts of Petrol Pump- All vehicles which are declared as Staff Cars by Home Department (in consultation with the Finance Department) are supplied P.O.L. from the petrol pump installed in the State Garage premises. The accounts of the P.O.L. should be scrutinised to see that:-

- (1) Proper record of the quantity of P.O.L. stocked, issued and balance is maintained in an appropriate form.
- (2) The Register of the account of the P.O.L. is regularly posted and the entries are attested by an authorised officer.
- (3) The monthly quota fixed by the Govt. for supply of petrol for the cars of Ministers/Deputy Ministers/Speaker/Deputy Speaker from the State Garage Petrol Pump has not been exceeded.
- (4) P.O.L. was not supplied before or after the hours fixed for the purpose (i.e. 9 A.M. to 6 P.M.).
- (5) That all supplies made from the State Garage petrol pump have been paid within one month from the date of issue of the bills under intimation to the Superintendent State Garage and the cases of default further supply of P.O.L. was discontinued.
- (6) Deleted.
- (7) Physical verification of stock in the petrol and H.S.D. oil pumps was conducted every quarter regularly in the Month of March, June, September and December.
- (8) Shortage of petrol and oil due to evaporation are written off only under proper sanction of the competent authority.

NOTE: - Shortages will be permissible upto a limit of one per cent in the case of petrol and 0.05 percent in the case of oils, calculated on the total stock received during the quarter, including the

opening balance of stock at the beginning of the quarter. Shortage upto this permissible extent can be written off by the Superintendent, State Garage and reported to Government. Shortages above the permissible limits should be reported to Government for orders.

14.03 The rule for the use maintenance and control of Staff cars and other Vehicles and other important orders issued by Government on the subject are reproduced in the Annexure to this Chapter.

ANNEXURE 'B'

(Referred to in Para 14.02)

TOP PRIORITY

**GOVERNMENT OF MADHYA PRADESH
HOME DEPARTMENT**

MEMORANDUM

No. F.17-21-73-A (2)/II

Bhopal, dated the 30th October, 1973.

To

2. All Departments of Government.
3. The Presidents, Board of Revenue.
4. All Commissioners of Divisions.
5. All Heads of Departments
6. All Collectors.

Subject: - Economy in expenditure- Use of vehicles etc.

1. The question of securing economy in Government expenditure on the use of purchase of Government vehicles has been under consideration for a long time. The State Government are pleased to order that notwithstanding anything to the contrary in the existing staff car Rules etc., the following orders shall hence- forth govern the use of Government vehicles: -

Use of Vehicle: - (a) Vehicles will be allotted by name to officers by Government in the Department concerned in consultation with Finance Department.

(b) In case of officers in the office of the Head of the Department, the following scales will regulate the number of vehicles to be allotted: -

- (i) Where the number of vehicle at present used is two or less, this number shall not be exceeded.
- (ii) Where there are more than two vehicles in use, the number will be reduced to two only. In case due to extra work more than two vehicles are required its justification be examined by a committee consisting of special Secretary, Finance, Home and concerned Secretary/Special Secretary and Head of Department.
- (iii) Offices of Director of Publicity, will however, be excluded from the above orders for which separate orders will be issued afterwards.
- (iv) In the Regional and District Offices of various Department not more than one vehicle each may be allotted. At Block and Tehsil level where vehicles are allotted to officers, the Department should consider the scope for withdrawing some of these vehicles.

2. All surplus vehicles should be returned to the State Garage or Departmental Garages by November 30, 1973 under intimation to Finance Department and Home Department. These would be the vehicles which will become surplus as a consequences of the orders in clause (I) above . The vehicles in excess of Government requirements should be disposed of. The position regarding the number of vehicles returned to the State Departmental Garage shall be reviewed by a Committee representing Home Department, Finance Department and Public Works Department (E&M).

3 No POL, shall be issued at Government expense for light vehicle allotted to officer e.g. cars, jeeps, station wagons, pick-ups etc. POL shall be issued only for trucks, tractors, ambulances,

cinema vans, mobile work shop vans and other similar vehicles used for functional purpose like transport of policemen, labour gangs, patients, materials etc. and flying squad. Vehicles given to Food Officers for purpose of rounding up hoarders and profiteers shall be allowed POL only to the extent that it is required for raids actually made and not for any other purpose.

4. No POL will be issued at Government expense to the touring Officers to whom Government vehicles are allotted shall be personally responsible for their proper maintenance and careful use. The cost of monthly servicing (including oil charge) and repairs shall be borne by the State Government.

5. The vehicle allotted to officers shall be used for city running

6. Some provision will have to be made for inescapable official journeys within the city limits. The following arrangement may be made for this purpose:-

(a) At Bhopal-(i) The State Garage shall set apart a pool of vehicles, out of the surrendered vehicles, exclusively for this purpose and these shall not be used for any other purpose so that its availability to the officers is ensured. This number will be suitably increased during Vidhan Sabha sessions. The officers who need the use of a vehicle for official purpose should requisition the same from the State Garage. The officers below the rank of a Deputy Secretary in the Secretariat shall not be entitled requisition such vehicle from the State Garage. Written requisition slips specifying clearly the purpose of the visit and the places visited must be handed over to the driver of the staff car placed at his disposal. At the end of the day, the driver will pass on all requisition slips to the authorised officers in the State Garage who shall personally make entries in the log book and verify the milometer readings. The register of requisition slips and log book shall be available for inspection by audit.

(ii) A Head of Department will be allowed to retain in addition to the vehicles allotted to the touring officers, mentioned in clause 1(b) one vehicle for use as staff car for city runs only and garaged in the office. In the interest of economy, a ceiling will have to be imposed on monthly expenditure on POL on this vehicle in consultation with Finance Department.

(iii) A ceiling on expenditure on POL of project vehicles for short distance runs within the project area may be prescribed in consultation with Finance Department.

(iv) The ceiling on the POL for city running by the officers in charge of law and order i.e. Magistrate, Police Officers, including Commissioner and D.I.G. should be determined in the light of average actual consumption during the last 12 months subject to maximum of Rs.300 per month.

(b) At Commissioner's Headquarters : - A pool of four vehicles shall be maintained at the commissioner's office out of the vehicles surrendered. No officer below the rank of head of office at the divisional level shall be entitled to requisition these vehicles. During conferencing and meetings, one vehicle may be used to pick up as many officers as possible at a time.

(c) At District Headquarters- A Pool of two vehicles shall be maintained at all Collectorates including those of divisional headquarters. Since district offices are very close to each other, two vehicles should suffice.

NOTE: - If an officer is called by a Minister/Minister of State/Deputy Minister on tour, he will be entitled to use the pool vehicles at the Divisional/District level similarly, for meetings convened by secretaries and Head of Departments on tour at Divisional/District level the officers attending will be permitted to use pool vehicles. POL for vehicles mentioned in this clause (a) to (c) shall be paid for by the state.

7. Officers should not use Government vehicles to go to places connected by train. The definition of places connected by train shall be the same as in the T.A. Rules, However, where the distance is short and the journey by trains takes as inordinately long time, the journey by Government vehicles shall be allowed provided the cost of POL and T.A. claims of the officers and driver does not exceed the expenditure which would have been admissible if the journey had been performed by train.

8. These order are not applicable to High Court, Public Service Commission, Vigilance Commission and Police Department.

These order use also not applicable to vehicles allotted to Commissioners/Collectorates for their official use.

[Authority:- Govt. of M.P. Memo No. F. 17/21/73-5 (2)/11 of 17-09-74]

This order would not affect those vehicles where the cost of running the vehicles is met by any other agency.

9. The above orders shall come into force with effect from 1st November, 1973.

(By order and in the name of the Governor of Madhya Pradesh)

NAGENDRA MOHAN VYAS

Under Secretary to Government Bhopal dated the 30th October, 1973 [No. 17-21-73-A(2)-II

Copy forwarded to: -

1. The Secertary/Military Secretary to the Governor of Madhya Pradesh Bhopal.
2. The Secretary, Public Service Commission, Madhya Pradesh, Indore.
3. The Controller, Printing and Stationery, Government of Madhya Pradesh, Bhopal
4. The Vigilance Commissioner, Madhya Pradesh, Bhopal
5. The Registrar/Establishment Officers/Accounts Officer, Madhya Pradesh, Secretariat.
6. The Finance Officers/Accounts Officers/ Treasury Officers, for information
7. The Accountant General Madhya Pradesh Gwalior for information
8. The Secretary Vidhan Sabha, Madhya Pradesh for information
9. The Registrar, High Court, of Madhya Pradesh, Jabalpur, for information.

CHAPTER 15

ASOSAI GUIDELINES FOR DEALING WITH FRAUD AND CORRUPTION

15.1 Introduction

BACKGROUND

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

15.1.2 This expectation is embodied in the INTOSAI Auditing Standards in the following words:

Auditors need to be alert for situations, control weaknesses. Inadequacies in record keeping, errors and unusual transactions or results, which could be indicative of fraud, improper or unlawful expenditure, unauthorised operations, waste, inefficiency or lack of probity. (Paragraph 2.2.41, General Standards in Government Auditing)

15.1.3 The XVI INCOSAI held in Uruguay in 1998 discussed “the Role of SAIs in Preventing and Detecting Fraud and Corruption” as one of its themes signifying a growing awareness of the INTOSAI to a problem that affects in varying degrees the individual member countries and collectively poses a challenge for the auditing community.

15.1.4 The Uruguay INCOSAI agreed that corruption in government results in waste of resources and reduces economic growth and the quality of life, and it undermines the credibility of state institutions and reduces their effectiveness. A realization was flagged that a strong correlation apparently exists between corruption and the weakening of state institutions. An understanding emerged that corruption often links up to the socio economic environment of the population, like social injustice, poverty, and violence, and that a country’s traditions, principles, and values influence the nature of corruption. While registering the gravity of the challenge posed by corruption, the intosai community also observed that it is difficult to detect many act of corruption on and to estimate their financial impact as the loss does not necessarily get reported in the financial statements.

15.1.5 The Uruguay INCOSAI adopted the following Accords:

SAIs agree that fraud and corruption are significant problems affecting all countries in varying degrees and that the SAIs can and should endeavor to create an environment that is unfavorable to fraud corruption. As provided in the Lima Declaration adopted by INTOSAI in 1977, SAIs agreed that they should be independent and have adequate mandates that enable them to effectively contribute

to the fight against fraud and corruption. It was also agreed that, where possible, SAIs should:

1. Seek an adequate level of financial and operative independence and breadth of audit coverage;
2. Take a more active role in evaluating the efficiency and effectiveness of financial and internal control systems and aggressively follow up on SAIs recommendations;
3. Focus audit strategy more on areas and operations prone to fraud and corruption by developing effective high risk indicators for Fraud:
4. Establish an effective means for the public dissemination of audit reports and relevant information including, establishing good relationship with the media:
5. Produce relevant audit reports that are understandable and user-friendly:
6. Consider a closer cooperation and appropriate exchange of information with other national and international bodies fighting corruption:
7. Intensify the exchange of experiences on fraud and corruption with SAIs.
8. Encourage the 'establishment of a personnel management procedures for the public service that selects, retains and motivates honest, competent employees.
9. Encourage the establishment of guidance for financial disclosure by public servants and monitor compliance as part of the ongoing audit process;

10. Use the INTOSAI Code of Ethics to promote higher ethical standards and a code of ethics for the public service.
11. Consider the establishment of a well publicized means to receive and process information from the public on perceived irregularities; and
12. Continue work regarding fraud and corruption through INTOSAI's existing committees and working groups; for example the Auditing Standards Committee will consider these issues as part of developing implementation guidance as part of a broader standard framework.

15.1.6 In furtherance of the INTOSAI framework, ASSOSAI initiated in December 2001 a project for Strengthening the Regional Training Capability which focuses on the improving audit skills for fraud detection. One of the major focus areas of the project is the development of regional guidelines on fraud and corruption, an initiative that received formal sponsorship of the ASOSAI in the meeting of the Governing Board held in Manila in October 2002.

15.1.7 It is hoped that these Guidelines will become a useful reference and guidance material for the SAIs of the region and would be instrumental in sensitizing auditors to concerns arising from fraud and corruption and would assist them in taking timely and appropriate actions.

DEFINITIONS AND CORRELATION

15.1.8 Chapter II of the Guidelines, which deals with conceptual issues related to fraud and corruption, lists some of the many general and specific definitions of fraud and corruption. The multiplicity of definitions underscores the various ways in which fraud and corruption are perceived and conceptualized. In their broadest connotation the terms fraud and corruption can be defined as follows:

FRAUD involves deliberate misrepresentation of facts and / or significant information to obtain undue or illegal financial advantage.

CORRUPTION involves effort to influence and / or the abuse of public authority through the giving or the acceptance of inducement or illegal reward for undue personal or private advantage.

15.1.9 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 accompanied by efforts to cover falsify/misdirect entity records and reporting. The efforts to misrepresent may involve the management itself an aspect that has received considerable attention in the wake of major corporate failures. When management gets involved in the perpetration 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. The problem which corruption poses for audit is that it links up as a concept 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 corporation pays an influential decision-maker a bribe to secure-a contract. 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 or reporting fraud. However, in many instances corruption does not necessarily result into transactions that are recorded and reported by the entity. This especially applies to situations where a position of authority or discretion available under rules is enchased by an official in the public sector. Such corruption, which because of its widespread prevalence, may be most responsible for undermining the social fabric and the credibility and functioning of state institutions, does not normally get reflected in information that comes in the purview of audit.

15.1.10 The Guidelines therefore propose that while fraud and corruption should be perceived independently for their numerous implications, the auditors should be well aware of the complex correlation between the two. In the Guidelines the two will be treated in combination, but attention would be drawn to possibilities of separate treatment, wherever the situation so warrants.

RESPONSIBILITIES FOR PREVENTION OF FRAUD AND CORRUPTION

15.1.11 It is an essential function of Management to establish controls and safeguard assets of the entity. It is also a primary responsibility of management to meticulously record all material transactions and fairly report the results of the

operations of the entity. The primary responsibility for establishing an environment that prevents valuable entity assets from being lost through fraud and corruption therefore clearly rests with the management. Further, since good management practices require the establishment of adequate controls and checks, the responsibility to detect fraud and corruption is a natural corollary of the responsibility to establish an environment that prevents and deters fraud and corruption. This responsibility includes the taking of remedial steps, including such disciplinary punitive / legal action as the circumstances may warrant and also includes the obligation to bring about changes to policies and procedures for ensuring that similar cases will not happen again.

15.1.12 This reaffirmation and unambiguous recognition of the primary role and responsibility of the management, however, does not relieve, the auditor of his responsibility to provide a credible assurance within his SAI's audit mandate about the actions taken by the management of those that may materially affects the picture that emerges from the audited financial reports. This responsibility covers situations where the financial reports or other auditable record may be materially misrepresented and the misrepresentation may or may not have taken place with the knowledge or involvement of the management. This responsibility of the Auditor is the extension of his responsibility to provide assurance about the audited entity and its financial statements and his obligation to made the management (either in each entity individually or through reports to the legislature) aware of any weaknesses in the design or operation of the accounting and internal control systems which are reviewed by him in the discharge of his professional duties. Although auditors are not primarily responsible for preventing fraud and corruption, audit can be a significant influence in reducing fraud and corruption. By conducting an audit that is sensitive to the risk of fraud and corruption, the auditors can make a proactive contribution to prevent fraud and corruption.

AUDIT MANDATE

15.1.13 While the legislative framework and mandate determine the policies and audit guidance adopted by each SAI, these Guidelines recommend that in its interpretation of its primary audit mandate, an SAI should be cognizant that public perceptions about fraud and corruption pose a serious risk to the credibility of its findings in individual audits and its national responsibility and role. Depending on their peculiar circumstances, the SAIs should actively consider adopting a formal policy or strategy for deterring fraud and corruption in the organizations covered in their audit jurisdiction. These Guidelines are based on the awareness that SAIs should have an adequate level of mandate to deal with cases of fraud and corruption in planning and conducting an audit and that this mandate is usually inherent in the

audit mandate. However, if an SAI feels constrained in its investigation of suspected fraud or corruption cases in the performance of its normal audit work, it should seek reinforcement of its audit mandate. This reinforcement could be in the shape of a regularity provision specifying that the SAI would be notified in all cases where fraud or corruption are suspected or reported.

UNDERSTANDING FRAUD AND CORRUPTION

- 15.2.1** Fraud and corruption includes both those committed by the government employees or management of an auditee (internal fraud and corruption), and those perpetrated against the auditee by outside individuals or groups (external fraud and corruption). Internal fraud and corruption may result in benefits being obtained either from the organization (e.g. theft of cash/assets, Falsification of payroll data), or from a third party (e.g., the theft of patients' property). The latter may not result in immediate loss to the auditee, but it may result in a liability for restitution where positions of trust have been abused. Examples of external fraud and corruption include making fraudulent claims for government grants and benefits or suppliers issuing false or duplicate invoices.
- 15.2.2** Whereas the loss to the auditee is usually fairly apparent in cases of "fraud" as defined above in the case of "corruption" the corrupt government employee may benefit from the act, but there may not be any loss to the auditee or effect on financial information. Both fraud and corruption are by definition without proper authority and involve breach of trust and therefore irregular.
- 15.2.3** There are many general and technical definitions of fraud. In most countries, fraud and corruption are legal concepts, although they are referred to in various ways. One of the factors distinguishing fraud from error is whether the underlying cause is intentional or unintentional although intent is often difficult to determine, particularly in matters involving the use of judgment.

DEFINITIONS OF FRAUD

- 15.2.4** XVI INCOSAI URUGUAY 1998 viewed fraud as a legal concept which involves acts of deceit, trickery, concealment, or breach of confidence that are used to gain some unfair or dishonest advantage; an unlawful interaction between two entities, where one party intentionally deceives the other through the means of false representation in order to gain illicit and unjust advantage.
- 15.2.5** According to SPASAI Fraud Guide, “fraud is a generic term which embraces all the means that human ingenuity can devise, which are resorted to by one individual, to get an advantage over another by false representations. There is no finite rule to define fraud as it includes surprise, trick cunning and unfair ways by which another is cheated.
- 15.2.6** Fraud, as it is commonly understood today, means dishonesty in the form of an intentional deception or a willful misrepresentation of a material fact. Lying, the willful telling of an untruth, and cheating the gaining of an unfair or unjust advantage over another, could also be used to further define the word fraud because both that and dishonesty denote intention or willingness to deceive.
- 15.2.7** The Canadian Audit Guide 21 on Fraud Awareness refers to fraud as an action where there is a loss of a valuable resource resulting from a false representation made knowingly without belief in its truth. Such actions could result in charges being laid under various applicable Canadian laws.
- 15.2.8** According to the National Audit Office of UK, fraud involves the use of deception to obtain an unjust or illegal financial advantage as well as intentional misstatements in, or omissions of amounts or disclosures from, an entity’s accounting records or financial statements. It also includes theft whether or not accompanied by misstatements of accounting records or financial statements.
- 15.2.9** The Fraud Examiners Manual views fraud as any intentional or deliberate act to deprive another of property or money by guile, deception or other unfair means. Similarly International Standard of Auditing (240) also treats fraud as 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.
- 15.2.10** Essentially, fraud refers to intentional misrepresentation of financial information by one or more individual among the management, employees or third parties. It involves the use of deception to obtain an illegal financial advantage.
- 15.2.11.** Fraud may involve:

- > Manipulation, falsification or alteration of records or documents.
- > misappropriation/misapplication of assets.
- > suppression or omission of the effects of transactions from records or documents.
- > recording of transaction without substances.
- > misapplication of accounting policies.

ELEMENTS OF FRAUD

15.2.12 The basic elements of fraud can be summarized as follows:

- > There must be at least two parties to the fraud, namely the perpetrator and the party who was or could have been harmed by the fraud, otherwise known as the victim;
- > A material omission or false representation must be made knowingly by perpetrator;
- > There must be intent by the perpetrator that the false' representation be acted upon by the victim;
- > The victim must have the legal right to rely on the representation;
- > There must be either actual injury or a risk of injury to the victim as a result of the reliance;
- > There generally is an attempt to camouflage; and
- > Fraud involves betrayal of trust.

DEFINITIONS OF CORRUPTION

15.2.13 Corruption is a complex issue. While its roots are grounded in a country's particular social and cultural history, political and economic development, bureaucratic traditions and policies one can generalize to state that corruption tends to flourish when institutions are weak and economic policies distort the marketplace.

15.2.14 The following definition of corruption is provided by the Asian Development Bank in the Anti-corruption Policy: "Corruption involves behavior 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 other to do so, by misusing the position in which they are placed.”

15.2.15 The Anti-Corruption Act of the Republic of Korea defines the term “act of corruption” as the act of any public official’s abusing his position or authority or violating laws and regulations in connection with his duties to seek gains for himself or any third party.

15.2.16 The Chartered Institute of Public Finance and Accountancy of UK defines corruption as the offering, giving, soliciting or accepting of an inducement or reward, which may influence the action of any person. That is, an individual receives a bribe as a reward or incentive for action or inaction contrary to the proper conduct of his or her duties, for the direct benefit; of a third party.

15.2.17 The World Bank defines corruption as the abuse of public power for personal gain or for the benefit of a group to which one owes allegiance.

15.2.18 Klitgaard (1996) developed a model to explain the dynamics of corruption.

Corruption = Monopoly Power + Discretion-Accountability

ELEMENTS OF CORRUPTION

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

- > There must be at least two parties to an act of corruption, namely the person who offers the reward or inducement and the party accepting it;
- > There must be misuse of office or position of authority for private gain;
- > There is either an offer and/or acceptance of 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.

.....
World Bank Publication Pillars of Integrity. The importance of SAIs in Curbing Corruption

> Corruption involves breach of trust.

FACTORS THAT INFLUENCE FRAUD AND CORRUPTION

15.2.20 It is useful for auditors to understand the motivational and organizational/environmental factors of fraud and corruption. The presence of these factors does not necessarily mean that fraud and corruption have occurred. Rather, awareness of their presence should increase the auditor's sensitivity to that possibility. The key factors generally associated with fraud and corruption are as follows:

MOTIVATIONAL FACTORS

15.2.21 Motivation and opportunity are the elements that generally underlie the commission of fraud and corruption. These could take the form of: **Economic motivation** – financial need or gain is the most common motivation for fraud and corruption. Often, persons convicted of fraud and corruption complain that they had unbearable financial problems for which there was no legitimate recourse.

0 **Greed** – persons with power and authority often commit fraud and corruption because they are motivated by greed.

0 **Prestige or recognition** – persons may feel they deserve more prestige or more recognition. These persons are often motivated by jealousy, revenge, anger or pride. They often believe that they are superior to others, that they are shrewd enough to confound and confuse others and can commit fraud and corruption without being discovered or detected.

0 **Moral Superiority** – persons may also be motivated by a cause or values that they feel are morally superior to those of the victim, or the government in this case.

ORGANIZATIONAL/ENVIRONMENTAL FACTORS

15.2.22 The organizational atmosphere and its perception play a major causative role in perpetration of fraud and corruption.

15.2.23 Where management is perceived as insensitive, insecure, impulsive or too strict illtreats employees and judges performance either on short term results or without considering operational constraints, the disgruntlement in the employee is likely to result in instances of fraud and corruption.

- 15.2.24** Systems and procedures adopted in organisations and organisational policies are particularly important. An organization in which the corporate policies are unclear, there is inadequate internal control, excessive regulations, red-tapism inadequate accountability or history of programme abuse is likely to have more instances of fraud and corruption.
- 15.2.25** An understanding of the organisational atmosphere will enable an auditor to assess whether there is a higher risk of fraud and corruption in the entity and planning of the audit could be suitably modified. Poor management structure and policies are indicated by a high turn over of employees absenteeism, poor documentation, low awareness of regulatory requirements and lack of transparency in reward systems.
- 15.2.26** It is important for the auditor to also understand that very often the perpetrator of fraud and corruption rationalizes his actions with some kind of justification. For instance an employee accused of fraud and corruption is likely to rationalise his action by saying or believing that his low pay justifies the action or since everybody is doing that he is also well within his right to do it; while a contractor could justify his acts of fraud and corruption as a cost of doing business or problems of securing contract from a government entity.

TYPES OF FRAUD AND CORRUPTION

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

- > *Bribery* is the giving, receiving, offering or soliciting of any “thing of value” in order to influence a person in the performance of, or failure to perform, his/her duties.
- > *False Statements and False Claims* occur whenever a person knowingly and willfully falsifies a material fact or makes a false or fictitious representation or files a false or fictitious claim’ that results in economic or financial loss to the person to whom the false representation has been made.
- > *Embezzlement* is the fraudulent conversion of personal property by a person in possession of that property where the possession was obtained pursuant to a trust relationship. Examples of means to conceal embezzlement are the use of kiting or lapping scheme.
- > *Kiting* occurs when a person withdraws cash from a bank on checks deposited by a person for which the cash has not yet been collected by the bank. To conceal the

fraud, the person continuously writes checks against non-existent account balances (“kites” checks from bank to bank).

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

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

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

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

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

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

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

0 **Over or under invoicing:** Occurs when there is deliberate misstatement of the invoice value as compared with goods or services received or supplied.

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

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

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

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

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

IDENTIFICATION OF HIGH RISK AREAS

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

> contracts of service/procurement

> inventory management;

> sanctions/clearances;

> program management;

> revenue receipt;

> cash management;

> general expenditure: and

> other areas with public interface.

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

CONTRACT FRAUD AND CORRUPTION

15.2.29 Procurement of goods and services is a major activity in the government sector and is traditionally prone to fraud and corruption. Understanding fraud and corruption in contracts may therefore be beneficial to the auditor. An illustrative list of the forms fraud and corruption can take in the area of contracts is given at **Appendix 1** to enhance the Auditor's understanding.

15.2.30 The audit of Contracts in most SAIs, therefore becomes an area of focus for the Auditor who has to be particularly sensitive to the possibility of Fraud in this area. **Appendix 2** lists out the warning signs that an auditor needs look out for. These would alert him to the necessity of further scrutiny or intensive examination. The size of the sample or the techniques adopted could also be suitably adjusted.

COMPUTER FRAUD

15.2.31 With the increased use of information technology in the function of entities and increased introduction of IT systems the auditors needs to understand that the perpetration of fraud and corruption and consequently detection of such instances become more complicated.

15.2.32 Computer 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.

15.2.33 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.

15.2.34 Audit evidencing in an IT environment is often more complex than traditional manual audit. In an IT environment not only it is necessary to understand the techniques of assessing system and data soundness but also necessary to establish means of collecting evidence. The standards of audit evidence collection have to be set by the SAIs in consonance with the legal framework and regulations in which the audit is carried out.

15.2.35 Since this is an emerging field of audit and is also undergoing rapid changes the SAIs may consider the pooling of information on the IT audits conducted and techniques adopted.

15.3 TREATMENT OF FRAUD AND CORRUPTION

BASIC PRINCIPLES

Auditing Principle

“Auditing Principle” here refers to Basis Principles as given in the INTOSAI Standards.

15.3.1 The SAI should consider compliance with the INTOSAI auditing standards in all matters that are deemed material (paragraph 1.0.6(a)).

INTOSAI Guidance

“INTOSAI Guidance” refers to the explanation of the Basic Principles General Standards, Field Standards, and Reporting Standards given in the INTOSAI Standards.

In general terms, a matter may be judged material if knowledge of it would be likely to influence the user of the financial statements of the performance audit report (Paragraph 1.0.9).

Materiality is often considered in terms of value but the inherent nature or characteristics of an item or group of items may also render a matter material-for example, where the law or regulation requires it to be disclosed separately regardless of the amount involved (Paragraph 1.0.10).

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 in relation to:

- a) the overall view given to the financial information;
- b) the total of which it forms a part.
- c) associated terms;
- d) the corresponding amount in previous years (paragraph 1.0.11).

ASOSAI Guideline

“ASOSAI Guideline” is the specific audit guideline on fraud and corruption as recommended by ASOSAI.

While determining materiality levels for different audit areas the SAI may take into account adjustments to the materiality level that may make audit more responsive to risk arising from fraud and corruption.

Auditing Principle

15.3.2 The SAI should apply its own judgment to the diverse situations that arise in the course of government auditing (paragraph 1.0.6 (b)).

INTOSAI Guidance

Audit evidence plays an important part in the auditor's decision concerning the selection of issues and areas for audit and the nature, timing and extent of audit tests and procedures (paragraph 1.0.16).

ASOSAI Guideline 2

SAIs should apply its own judgment to determine the extent of audit investigation to be undertaken in cases of suspected fraud and corruption.

Auditing Principle

15.3.3 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 effectively (paragraph 1.0.6(c)).

ASOSAI Guideline 3

With an increasing concern on fraud and corruption SAIs are expected to demonstrate that the audit addresses these concerns. The SAIs should actively consider adopting a formal policy or strategy for deterring fraud and corruption.

Auditing Principle

15.3.4 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 (paragraph 1.0.6 (d)).

Appropriate 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 (paragraph 1.0.6 (e)).

Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations (paragraph 1.0.6 (f)).

INTOSAI Guidance

The correctness and sufficiency of the financial reports and statements are the entity's expression of the financial position and the results of operations. It is also the entity's obligation to design a practical system which will provide relevant and reliable information (paragraph 1.0.24).

The SAIs should work with the accounting standards setting organisations to help ensure that proper accounting standards are issued for the government (paragraph 1.0.26).

ASOSAI Guideline 4

SAI should review whether applicable accounting standards ensure adequate recognition of assets and liabilities and disclosure of true financial position inclusive of any losses resulting from fraud and corruption. In case it observes any deficiency in this regard it should work with the audited entity and the accounting standard setting body to remove the deficiency.

ASOSAI Guideline 5

The responsibility for adequate and timely disclosure of any cases 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. Through its audit the SAI must evaluate and report on the adequacy and competence with which the management has discharged this responsibility.

Auditing Principle

15.3.5 The existence of an adequate system of internal control minimises the risk of errors and irregularities (paragraph 1.0.6 (g)).

INTOSAI Guidance

It is the responsibility of the audited entity to develop adequate internal control systems to protect its resources. It is not the auditor's responsibility. It is also the obligation of the audited entity to ensure that controls are in place and functioning to help ensure that applicable statutes and regulations are complied with, and that probity and propriety are observed in decision making. However, this does not relieve the auditor from submitting proposals and recommendations to the audited entity where controls are found to be inadequate or missing (paragraph 1.0.31).

ASOSAI Guideline 6

SAIs should be alert to shortcomings in systems and controls that are likely to provide an environment conducive for fraud and corruption and should proactively report to the management to improve the control environment and minimize the risk of fraud and corruption.

Auditing Principle

15.3.6 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 (paragraph 1.0.6(h)).

INTOSAI Guidance

The SAI must have access to the sources of information and data as well as access to officials and employees of the audited entity in order to carry out properly its audit responsibilities. Enactment of legislative requirements for access by the auditor to such information and personnel will help minimise future problems in this area (paragraph 1.0.33).

ASOSAI Guideline 7

Legislative enactment can ensure that all suspected and detected cases of fraud and corruption are reported to audit by the management. If considered necessary SAI can reinforce the mandate to investigate cases of fraud and corruption by seeking legislative enactments on these lines.

Auditing Principle

15.3.7 All audit activities should be within the SAI's audit mandate (paragraph 1.0.6(I)).

INTOSAI Guidance

The full scope of government auditing includes regularity and performance audit (paragraph 1.0.38).

Regularity audit embraces: -

- a) attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements;
- b) attestation of financial accountability of the government administration as a whole;
- c) audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations;
- d) audit of internal control and internal audit functions;

e) audit of the probity and propriety of administrative decisions taken within the audited entity; and

f) reporting of any other matters arising from or relating to the audit that the SAI considers should be disclosed (paragraph 1.0.39).

Performance audit is concerned with the audit of economy, efficiency and effectiveness embraces:

a) audit of the economy of administrative activities in accordance with sound administrative, principles and practices, and management policies;

b) audit of the efficiency of utilisation 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

c) audit of the effectiveness of performance in relation to the achievement of the objectives of audited entity, and audit of the actual impact of activities compared with intended the impact (paragraph 1.0.40)

ASOSAI Guideline 8

Normally sensitization of different types of audits undertaken by SAIs to fraud and corruption can be brought about under their existing mandates. However, where SAIs feel constrained, they can seek additional mandate.

Auditing Principle

15.3.8 SAIs should work towards improving techniques for auditing the validity of performance measures (paragraph 1.0.6(j)).

INTOSAI Guidance

The expanding audit role of the auditors will require them to improve and develop new techniques and methodologies to assess whether reasonable and valid performance measures are used by the audited entity. The auditors should avail themselves of techniques and methodologies of other disciplines (paragraph 1.0.46).

ASOSAI Guideline 9

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.

GENERAL STANDARDS

“General Standard” here refers to the General Standards as given in the INTOSAI Standards.

15.3.9 The SAI should adopt policies and procedures to recruit personnel with suitable qualifications (paragraph 2.1.2 (a)).

The SAI should adopt policies and procedures to support the skills and experience available within the SAI 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 (paragraph 2.1.2(d)).

INTOSAI Guidance

It should be open to the SAI to acquire specialised skills from external sources if the successful carrying out of an audit so requires in order that the audit findings, conclusions and recommendations are perceptive and soundly based and reflect an adequate understanding of the subject area of the audit. It is for the SAI to judge, in its particular circumstances, to what extent its requirements are best met by in-house expertise as against employment of outside experts (paragraph 2.1.18).

ASOSAI Guideline 10

The SAI should have an adequate inventory of skills to deal with cases of fraud and corruption. In the detailed examination of cases of fraud and corruption where an SAI feels the need to involve outside professional expertise, such professional opinion should only serve to augment the audit conclusion, the ultimate responsibility for the conclusion remaining with the SAI.

General Standard

15.3.10 The SAI should adopt policies and procedures to develop and train SAI employees to enable them to perform their tasks effectively, and to define the basis for the advancement of auditors and other staff (paragraph 2.1.2. (b)).

INTOSAI Guidance

The SAI should take adequate steps to provide for continuing professional development of its personnel, including, as appropriate, provision of in-house training and encouragement of attendance at external courses (paragraph 2.1.6).

The SAI should establish and regularly review criteria, including educational requirements, for the advancement of auditors and other staff of the SAI (paragraph 2.1.8).

ASOSAI Guideline 11

In considering the portfolio of skills that the SAI should have to meet the requirements of its audit mandate, the SAI should pay particular attention to training its auditors to deal with concerns about fraud and corruption, including experience gained from past fraud and corruption cases. Training could include developing forensic auditing skills provided that forensic investigation is covered by the mandate of the SAI.

SAI could consider sharing of information and knowledge of techniques, procedure and skill development in order to develop expertise in this area.

General Standard

15.3.11 The SAI should adopt policies and procedures to prepare manuals and other written guidance and instructions concerning the conduct of audits (paragraph 2.1.2(c)).

INTOSAI Guidance

Communication to staff of the SAI by means of circulars containing guidance, and the maintenance of an up-to-date audit Manual Setting out the SAI's policies

standards and practices, is important in maintaining the quality of audits (paragraph 2.1.14).

ASOSAI Guideline 12

SAI should consider reviewing the manuals, policies and prospectus from the perspective of conducting audits that are sensitive to fraud and corruption and dealing with suspected cases of the nature.

General Standard

15.3.12 The auditor and the SAI must be independent (paragraph 2.2.1(a)).

SAIs should avoid conflict of interest between the auditor and the entity under audit (paragraph 2.2.1(b))

INTOSAI Guidance

While the SAI must observe the laws enacted by the legislature, adequate independence requires that it not otherwise be subject to direction by the legislature in the programming, planning and conduct of audits. The SAI needs freedom to set priorities and program its work in accordance with its mandate and adopt methodologies appropriate to the audits to be undertaken (paragraph 2.2.9).

The legal mandate should provide for full and free access by the SAI to all premises and records relevant to audited entities and their operations and should provide adequate powers for the SAI to obtain relevant information from persons or entities possessing it (paragraph 2.2.19)

ASOSAI Guideline 13

The SAIs need to demonstrate that they are independent not only in a legal sense but in a practical sense as well so that they can perform an effective role against fraud and corruption. Demonstration of independence in practical audit work includes avoidance of any possible conflict of interest situation.

The SAI should be in a position to carry out an independent risk assessment and prioritize its audit planning accordingly.

Where necessary the SAI should work for legislation that would allow it access to all records and information required in the examination of cases of fraud and corruption.

ASOSAI Guideline 14

Without compromising on their independence to Plan and conduct audit the SAIs should consider establishment of means to received and process information from the public on suspected cases of fraud and corruption.

General Standard

- 15.3.13** The auditor and the SAI must exercise due care and concern in complying with the INTOSAI auditing standards. This embraces due care in specifying, gathering and evaluating evidence, and in reporting findings, conclusions and recommendations (paragraph 2.2.1 (d)).

INTOSAI Guidance

The SAI must be and be seen to be, objective in its audit of entities and public enterprises. It should be fair in its evaluations and in its reporting of the outcome of audits (paragraph 2.2.40).

ASOSAI Guideline 15

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

ASOSAI Guideline 16

In investigating and reporting cases of fraud and corruption the SAIs should be aware of the risk that perpetrators of fraud and corruption seek protection for their acts by accusing the auditors of libel and slander. The SAIs could consider working towards

changes in their legislation which protects their auditors against such allegations and likely legal proceedings.

15.3.14 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 (Paragraph 3.0.3 (a)).

INTOSAI Guidance

In planning an audit the auditor should:

- a. identify important aspects of the environment in which the audited entity operates;
- b. develop an understanding of the accountability relationships;
- c. consider the form, content and users of audit opinions, conclusions or reports;
- d. specify the audit objectives and the tests necessary to meet them;
- e. identify key management systems and controls and carry out a preliminary assessment to identify both their strengths and weaknesses;
- f. determine the materiality of matters to be considered;
- g. review the internal audit of the audited entity and its work program;
- h. assess the extent of reliance that might be placed on other auditors, for example, internal audit;.
- i. determine that most efficient and effective audit approach;
- j. provide for a review to determine whether appropriate action has been taken on previously reported audit findings and recommendations; and
- k. provide for appropriate documentation of the audit plan and for the proposed fieldwork (paragraph 3.1.3)

The following planning steps are normally included in an audit:

- a) collect information about the audited entity and its organisation in order to assess risk and to determine materiality;
- b) define the objective and scope of the audit;
- c) undertake preliminary analysis to determine the approach to be adopted and nature and extent enquiries to be made later;
- d) highlight special problems foreseen when planning the audit;
- e) prepare a budget and a schedule for the audit;
- f) identify staff requirements and a team for the audit; and
- g) familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary (paragraph 3.1.4).

The SAI may revise the plan during the audit when necessary.

ASOSAI Guideline 17

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.

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

> 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.

> For planning the audit the auditor should have a complete understanding of the auditee including the environment in which the entity operates the level of internal control and past performance of the auditee especially previous instances of fraud and corruption.

ASOSAI Guideline 18

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.

ASOSAI Guideline 19

The SAI 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.

Supervision and Review

Field Standard

- 15.3.15** The work of the audit staff at each level and audit phase should be properly supervised during the audit; and documented work should be reviewed by a senior member of the audit staff (paragraph 3.0.3 (b)).

INTOSAI Guidance

All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review brings more than one level of experience and judgment to the audit task and should ensure that:

- a) all evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report;
- b) all errors, deficiencies and unusual matters have been properly identified documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer(s); and

c) Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities (paragraph 3.2.4).

ASOSAI Guideline 20

For ensuring that all audits dealing with actual cases of fraud and corruption are adequately supervised, the SAI should develop policies, including a comprehensive supervision checklist, regarding supervision levels and procedures for managing the investigation of fraud and corruption.

When fraud and corruption are suspected in the course of audit the auditor should report the matter to the official of the SAI in accordance with the SAI's policy on supervision levels.

Study and Evaluation of Internal Control

Field Standard

15.3.16 The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control (paragraph 3.0.3(c)).

INTOSAI Guidance

The study and evaluation of internal control should be carried out according to the type of audit undertaken (paragraph 3.3.2).

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 (paragraph 3.3.4).

ASOSAI Guideline 21

The changes and improvements in the internal control system made by management when there have been previous instances of fraud and corruption or in response to changes in the auditee environment should be particularly studied and evaluated during audit.

ASOSAI Guideline 22

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. For meeting this objective legislation or executive guidance should ensure that audit is viewed as a stakeholder in the system development.

Compliance With Applicable Laws and Regulations

Field Standard

15.3.17 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 amounts or the results of regularity audits. The auditor also should be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements or results of regularity audits.

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 auditor also should be alert to situations or transactions that could be indicative of illegal acts that may have an indirect effect on the audit results.

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. (paragraph 3.0.3 (d)).

INTOSAI Guidance

The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor

needs to determine the extent to which these acts affect the audit results (paragraph 3.4.4.).

Without affecting the SAI's independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include consulting appropriate legal counsel and the applicable law enforcement organisations to determine the audit steps and procedures to be followed (paragraph 3.4.7).

ASOSAI Guideline 23

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.

Audit Evidence

Field Standard

- 15.3.18** Competent, relevant and reasonable evidence should be obtained to support the auditor's judgment and conclusions regarding the organisation, programme, activity or function under audit (paragraph 3.0.3 (e)).

INTOSAI Guidance

Auditors should have a sound understanding of techniques and procedures such as inspection, observation, enquiry and conformation, to collect audit evidence. The

SAI should ensure that the techniques employed are sufficient to reasonably detect all quantitatively material errors and irregularities (paragraph 3.5.3).

ASOSAI Guideline 24

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 certificate requires the qualification.

ASOSAI Guideline 25

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. Auditors should carefully determine how much evidence they should gather in support of audit conclusions. Auditors should also keep in view that the evidence gathered by them and the conclusion drawn by them could become the basis of legal or disciplinary proceedings. (Some of the sources of evidence and factors that may be consider in searching for evidence are listed in Appendix).

ASOSAI Guideline 26

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.

Analysis of Financial Statements

Field Standard

15.3.19 In regularity (financial) audit, and in other types of audit when applicable, auditors should analyse the financial statements to establish whether acceptable accounting standard 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 of financial statements (paragraph 3.0.3(f)).

INTOSAI Guidance

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 relationship and any unusual trends (paragraph 3.6.2).

ASOSAI Guideline 27

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

REPORTING STANDARDS

“Reporting Standards” here refers to Reporting Standards given to the INTOSAI STANDARDS

- 15.3.20 At the end of each audit the auditor should prepare a written opinion of report, as appropriate, setting out the findings in an appropriate form; its content should be easy to understand and free from vagueness or ambiguity, include only information which is supported by competent and relevant audit evidence, and be independent, objective, fair and constructive (paragraph 4.0.7 (a)).**

It is for the SAI to which they belong to decide finally on the action to be taken in relation to fraudulent practices or serious irregularities discovered by the auditor (paragraph 4.0.7 (b)).

INTOSAI Guidance

In formulating and following up recommendations, the auditor should maintain objectivity and independence and thus focus on whether identified weaknesses are

corrected rather than on whether specific recommendations are adopted (paragraph 4.0.26)

ASOSAI Guideline 28

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 conclusion 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 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 established in a court of law.

ASOSAI Guideline 29

The report may contain auditor's recommendations for the changes in the system and procedures that could prevent recurrence of such instances.

ASOSAI Guideline 30

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.

Appendix-I

TYPES OF FRAUD AND CORRUPTION IN CONTRACTS

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

- "Bribery and kickbacks" Money or 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 unauthorised information.
- Changes in Original Contract- Changes are made in the original contract requiring flow of additional funds from the government to the contractor, which may affect the basis on which the contract was awarded to the contractor in the first instance. This may also involve front-loading of contract in the hope of increasing the price of the original contract through change orders or subsequent modifications to the contract.
- Duplicate Payments- The contractor claims and receives payment for the same service or work done or goods supplied under the same or different contracts.
- Collusive or Cartel Bidding- Contractors form cartels to fix artificially high prices for goods and services supplied by them.
- Conflict of Interest – Contractors are awarded on the basis of vested interests of the decision makers.
- Defective Pricing- The contractor submits inflated invoices.
- False Invoices – The contractor submits invoices for goods that have not been delivered or do not properly represent the quantity or quality of goods and services supplied or work done as per contractor contracted specifications.
- False representations – The Contractor falsifies the goods specifications or his ability to provide certain services.
- Splitting of Purchases – The purchases of goods and services are split either to avoid open competition or having to seek the approval of higher authority.

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

Appendix-2

WARNING SIGNS OF POSSIBLE FRAUD AND CORRUPTION IN CONTRACTS

Procurement and contracting of goods and services present different opportunities for fraud and corruption at different stages of the procurement and contracting processes. The auditor would be well advised to look out for warning signs

corresponding to each stage, These warning signs indicate the increased risk factor in contracts and serve as red flags for the auditor.

Requirements defining stage

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

Bidding and selection stage

- > The specifications are not clearly defined
- > A very limited number of offers is received
- > Documentation indicates unusual involvement of an official
- > Suspicion about conflict of interest
- > Evidence of early receipt of information by some contractors
 - > Request for proposal is not properly advertised
- > Unusual handling of the bidding process
- > Evaluation criteria is not consistent for different offers
- > Exceptions to the tender deadlines

- > Changes in the bids made after their formal receipt
- > Lowest responsive bidder is not selected
- > Contractor submits unrealistic bid indicating collusion or bid rotation
- > Unusual withdrawal of bids
- > Re-bid results identical to original bids
- > Successful contractors use competitors as sub-contractors
- > Justification for single source procurement is inadequate

Contract performance and evaluation stage

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

Appendix-3

AUDIT EVIDENCE

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

> Always search for the strongest possible evidence;

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

Sources of Evidence

- > Documents from the auditee: During the course of examination of books of accounts, auditors investigate various documents that serve as evidence for the audit. These document may be originals or photocopies depending upon their importance.
- > Report of Internal Auditor: The internal auditor may have identified instances of deviation from normal procedure.
- > Interviews: Auditors can obtain important information from various government employees. Since they may have noticed internal control failure made by managers and fraudulent activities perpetrated by other employees, interviews may be useful in detecting material misstatements caused by fraud and corruption.
- > Inspection/Observations: Auditors can notice possibility of fraud and corruption through the examination of inspection/observation/physical verification report (e.g. forged document, inventory not in existence or inferior quality). Where any auditor

relies on physical observation for an audit conclusion this would need to be supported with properly documented evidence.

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

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

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

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

CHAPTER 16

Guidelines for Reporting on the effectiveness of Internal Controls

16.1 Introduction

INTOSAI's June 1992 Guidelines for Internal Control Standards defines an internal control structure as the plans of an Organisation, including management's attitude, methods, procedures, and other measures that provide reasonable assurance that the following general objectives are achieved:

- > promoting orderly, economical, efficient and effective operations and quality products and services consistent with the organization's mission;
- > safeguarding resources against loss due to waste, abuse, mismanagement, errors and fraud and other irregularities;
- > adhering to laws, regulations and management directives; and developing and maintaining reliable financial and management data and fairly disclosing that data in timely reports.

The internal control standards prescribed by INTOSAI form a framework for an internal control structure that meets these objectives. INTOSAI's general and detailed standards are reiterated in chapter II and III respectively. These chapters also highlight the viewpoints on implementing the standards that were provided by INTOSAI members. There enlightening perspectives are

presented in the context of both control practices that have worked well and examples of control weaknesses that have been identified.

Also, the information furnished by INTOSAI's members for this study was valuable in identifying practices that Supreme Audit Institutions have found to be most useful in creating and monitoring a strong internal control framework. These common practices include-

- Having a constitutional or a legislative provision that establishes in law an overall basis (or a requirement and objectives) for maintaining effective internal controls;
- Presenting internal control standards to be followed when designing an internal control structure and which can be patterned after or adopted from INTOSAI's standards;
- focusing management's attention on its responsibilities for implementing effective internal controls and continuously maintaining a positive internal control environment;
- emphasizing the prevention of internal control breakdowns-rather than detecting and correcting them through such means as requiring managers to periodically undertake self-evaluations of internal control operations;
- stressing the role of internal auditors as a critical part of an organization's internal control structure; and
- ensuring that Supreme Audit Institutions play a key role in (1) establishing internal control standards, (2) creating a solid internal control framework, (3) working with internal auditors, and (4) evaluating internal controls as an integral part of both financial and performance audits.

These overarching elements of a sound internal control structure are further discussed in chapter IV. They reinforce guidance in these areas that the INTOSAI Internal Controls Committee promulgated in June 1992.

16.2 EFFECTIVELY IMPLEMENTING GENERAL STANDARDS

To provide the proper control environment within an organization, INTOSAI has established internal control general standards in the following areas (1) reasonable assurance, (2) supportive attitude, (3) integrity and competence, (4) control objectives, and (5) monitoring controls.

16.2.1 REASONABLE ASSURANCE

INTOSAI's first internal control general standard states that internal control structures are to provide reasonable assurance that the general objectives will be accomplished. Reasonable assurance equates to a satisfactory level of confidence under given considerations of costs, benefits and risks. This means that the cost of internal control should not exceed the benefit derived. INTOSAI member countries have experience in applying this standard.

New Zealand, for example, reports that each Chief Executive of a Government department has an obligation as a responsible manager for establishing and maintaining a system of internal control

procedures that provides reasonable assurance as to the integrity and reliability of financial reporting. While this responsibility is normally delegated to the organization's Chief Financial Officer (CFO), both the Chief Executive and the CFO sign a Statement of Responsibility, which is included as part of the organization's annual report along with audited financial statement and service performance measures.

In Japan, reasonable assurance that internal controls are effectively maintained is affected by public sector activities that have become increasingly complicated and diversified in the past decades and by increasing delegation of authority to lower echelons. But Japan's Constitution provides the overall foundation necessary to create an effective control environment through requirements such as for (1) the Cabinet to annually submit final accounts of State revenues and expenditure to the Diet (Parliament) and (2) the Board of Audit to audit these accounts every year.

On the other hand, in the Republic of South Africa Government internal controls are reported to not yet be at a satisfactory local not effective due to several factors, including the large size of its departments and slack control. Compounding these problems, management does not always have the knowledge to implement the appropriate internal controls and to maintain them in a working order.

Although the Republic of South Africa's internal control environment does not currently provide reasonable assurance that adequate internal control are in place and operating as intended, the government realizes this problem and is addressing them by means such as implementing an internal audit function in all government entities. Also, the government has appointed local and international consultants to facilitate the establishment of a professional institute for public finance and auditing.

16.2.2 SUPPORTIVE ATTITUDE

Another general control standard stipulated that managers and employees are to maintain and demonstrate a positive and supportive attitude toward internal controls at all times. INTOSAI member countries have learned first-hand the central role this standard can play in creating an effective internal control environment.

For example, in the early 1990 Iceland's National Audit Office conducted several audits among major governmental lending institutions that showed serious weaknesses in a range of areas related to controlling, monitoring and reporting non performing loans. In many instance government managers' lax attitude towards proper controls in lending collections risk management and application of loan loss reserves contributed to the weaknesses. As a result, at the end of 1991, the Development Fund of Iceland ceased operations because its management failed to recognize heavy loan losses. Improvements have been made in some areas, such as properly accounting for loan loss reserves, which is now done on a regular basis by all major government funds.

In another example, in the 1980s and 1990s, the United States experienced substantial savings and loan institution and bank failures, which cost the federal government hundreds of billions of dollars. Control weaknesses were a major cause of the failures, a key factor leading to these weaknesses was a fundamental flaw in management's philosophy and operating style regarding internal controls. For instance, at some savings and loan institutions, inadequate board supervision and the presence of a dominant figure had a detrimental effect on the viability of the institution.

This led to risk-oriented activities such as excessive growth-oriented practices, unwarranted loan concentrations and an over reliance on volatile funding sources.

However, INTOSAI member countries, including Iceland and the United States, view internal control as a major and important part of their operations. For example, in response to the savings and loan institution and bank failures, the U.S. Congress enacted legislation, the Federal Deposit Insurance Corporation Improvement Act of 1990, to address the serious weakness that contributed to earlier bank failures and to require reporting on the effectiveness of financial reporting internal controls. In another instance, the Kingdom of Tonga's government has demonstrated a supportive attitude toward internal controls by passing legislation and establishing related regulations and policies. These includes (1) laws to establish an internal control framework for disbursing public money and preparing accounts and (2) regulations setting out the internal control points for the receipt, expenditure, custody and handling over of public funds. Further the Audit Department emphasizes to government departments the importance of improving internal controls over financial management and programs.

16.2.3 INTEGRITY AND COMPETENCE

Regarding integrity and competence, INTOSAI's general control standards call for the following Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to understand the importance of developing, implementing and maintaining good internal controls and to accomplish the general objectives of internal controls. Several INTOSAI countries have found that, when this general standards is not adhered to, the result can be weak internal control situations involving large monetary values.

In one such situation, during a government wide review of purchasing goods and services, which represents a significant level of New Zealand's public expenditures, the Audit Office found an array of weaknesses it attributed, in part, to the lack of integrity and competence by purchasing managers. The deficiencies ranged from not documenting the decisionmaking processes for determining purchasing needs and not specifying delegations of authority to not providing adequate review and approval of specific purchases. The New Zealand Audit office also reports that a recent focus on sensitive areas of discretionary expenditures, such as using credit cards has resulted in instances of senior officials' integrity being questioned.

Another case in point is the United State Government's Department of Housing and Urban Development (HUD), which is the principal government agency responsible for housing, community development, and fair housing opportunities, while HUD has since taken action to change the way the agency is managed, in 1989, major incidents of fraud, abuse, and mismanagement at HUD were found and attributed to internal control weaknesses, including an insufficient mix of properly skilled staff.

On the other hand, INTOSAI member countries also report having internal controls practices designed to help avoid situations such as those just described. For instance, the National Audit office of the Peoples Republic of China reports internal controls covering personnel requirements. Applicants for a post go through strict examinations, are assessed and selected in an open and impartial way, and new members are trained. They will not be allowed to go to their new posts before they are able to procure the "Certificate for the Post". Thus, they are recognized according to their abilities. Further, the members are examined regularly and awarded or penalized

according to their work performance and contribution to their organization. When necessary, they will be transferred to other posts.

16.2.4 CONTROL OBJECTIVE

INTOSAI's Internal control standards also suggest that specific control objectives are to be identified or developed for each ministry/department/agency activity and are to be appropriate comprehensive reasonable and integrated into the overall organizational objectives. The following instances typify the experiences of INTOSAI member countries in establishing control objective, Which in some cases have not yet progressed beyond having overall organizational objectives.

The Republic of South Africa's Auditor-General reports that a primary objective for the government is to prevent errors or irregularities from occurring in management or financial information or, if any have occurred, to detect them. A range of specific overall control objectives have been identified and include (1) properly recording and accounting for business transactions and activities (2) safeguarding assets and information from misuse and misappropriation and (3) establishing limits to which various staff can commit an entity.

Also, the Auditor General for the Kingdom of Tonga reports taking the lead to identify and develop specific control objectives for each government, ministry and department activity. The Auditor General is in the process of ensuring that the control objectives are appropriate, comprehensive, reasonable and integrated into the overall organization structure. INTOSAI's internal control guidelines are being used as the foundation for this process.

Conversely, when internal controls and their objectives are not clearly established and understood, internal control breakdowns can result. For example, Japan's Board of Audit found that municipalities improperly included the medical costs of many retired persons in State subsidized, National Health Insurance costs. Significant overpayment in subsidy costs resulted. The problem arose, in part, because municipalities did not understand the State subsidy medical cost subsidy system and requirements.

MONITORING CONTROLS

In addition, INTOSAI's standards specify that managers are to continually monitor their operations and take prompt, responsive action on all findings of irregular uneconomical, inefficient and ineffective operations. The following cases show the importance of monitoring operations to ensure that controls are achieving the desired results and of building this standard into the methods and procedure used to control operations.

In one case, the Icelandic National Audit office reports a main internal control weakness to be the lack of understanding of the importance of internal controls among individual agency managers. Along with other problems, this weakness was evident in a lack of adherence to the established internal control structure. The National Audit Officer said that, although an Icelandic Government agency might have well defined internal controls on paper, the reality can be quite different. The audit office has found that, without the necessary understanding and monitoring, it is more convenient for people not to follow established control practices.

Another case involves the New Zealand government, which commonly uses consultants that represents a significant expenditure. The New Zealand Audit Office reports finding irregular, uneconomical, inefficient and ineffective operations associated with the use of consultants. Further, the Office's experience has been that the departments have not taken prompt, responsive action on these findings and thus, the standard calling for monitoring controls was not being adhered to.

On a more positive note, the United Kingdom's National Audit office reports that, when instances of weak internal controls are identified and reported, management responds to the points raised and early corrective action will normally have been taken. The Office's aim is to monitor follow-up action and to provide further advice to management as necessary. New areas to risk identified as a result of audit will be reflected in subsequent audit planning.

16.3 ACHIEVING CONTROL OBJECTIVES THROUGH DETAILED STANDARDS

To help achieve control objectives and an orderly and effective internal control structure, INTOSAI's internal control guidelines provide detailed standards covering (1) documentation, (2) prompt and proper recording of transactions and events, (3) authorization and execution of transactions and events, (4) separation of duties, (5) supervision, and (6) access to and accountability for resources and records.

16.3.1 DOCUMENTATION

Regarding adequate documentation, INTOSAI's detailed standards indicate the following. The internal control structure and all transactions and significant events are to be clearly documented and the documentation is to be readily available for examination. Documentation of transactions or significant events should be complete and accurate and should enable each transaction or event (and related information) to be traced from its inception, while it is in process, to after it is completed. A cross section of INTOSAI member countries reported having learned the detrimental effects of not having adequate documentation, as illustrated by the following three situations:-

First, the National Audit Office in the United Kingdom reported instances of non-existent or inadequate documentation to support financial transactions having been identified as a result of financial audits. For example, the Audit Office reported instances of the lack of documentation being submitted by employees to support payment made for expenses paid by government credit cards;

- the lack of adequate documentation to support legal aid applicants claims resulting in insufficient evidence to confirm entitlement and proper payment as authorized by parliaments and the government body being unable to produce documentation to support the decision of its management broad to dispense with competitive tendering for a contract.

Second, the government of Tonga's departments, ministries and statutory bodies have also identified nonexistent and incomplete documentation and records. For instance, at one department, copies of receipts were lost but the accounting officer and the accounts section did not consider this as serious or contrary to laws and regulations.

Third, as a result of examining documentation maintained to support transactions, the Republic of South Africa's Auditor-General identified and reported to Parliament a substantial number of instances involving payments from the government's Department of Labour where beneficiaries had been paid the same amounts based on the same source documents. In other instances, the same amounts had again been paid in respect to the same source documents, although the beneficiaries names were not exactly identical. The value of the double or multiple payments was substantial.

To help overcome deficiencies such as these, INTOSAI's internal control standards suggest that documentation of transactions or significant events should be complete and accurate. This should enable each transaction or event (and related information) to be traced from its inception, while it is in process.

16.3.2 PROMPT AND PROPER RECORDING OF TRANSACTIONS AND EVENTS

INTOSAI detailed standards also provide that transactions and significant events are to be promptly recorded and properly classified. This applies to the entire process or life cycle of a transaction or event, including (1) the initiation and authorization, (2) all stages while in process and (3) its final classification in summary records. As with documentation, INTOSAI's members reported on the challenges of meeting this standard as well.

For example, because of lapses in internal control in the system used to pay United States Army personnel, some individuals were paid that should not have been paid because they were no longer in the Army. Further, these improper payments were not detected by the payroll system. In one-month period that the US General Accounting Office reviewed, it determined that about 2,200 Army soldiers were overpaid. Many of these individuals received unauthorized payments for several months, with total overpayments reaching \$7.8 million. The improper payments occurred primarily because U.S. Department of Defence personnel did not comply with established procedures. For instance, field-level finance offices did not always enter soldiers separations from active duty and other personnel transactions in the payroll system in a timely manner and payroll staff could not provide adequate support for some payments.

The United Kingdom's National Audit Office has also reported instances which it has classified as control weakness involving transactions not being promptly and properly recorded. In one instance, procedures were not in place to ensure the prompt and secure handling and recording of cash receipts. For example, the Office identified delays of over two weeks in depositing checks, which increased the risks of misappropriation. In another case, the Office reported financial control weakness in purchasing, including failures to records the authorisation of transactions such as purchase order, inadequate proof of delivery and inadequate checking of goods received.

Moreover, in New Zealand, a number of Government entities have undergone significant system changes that were not fully tested. This has resulted in instance of untimely processing of transactions and lack of reconciliations; a common control deficiency reported by that country's National Audit Office.

To help prevent situations such as these, INTOSAI's internal control standards recognize that prompt and proper recording of information is essential. Meeting this standards is pivotal for

assuring the timelines and reliability and thus, the value and relevance to management of all information used by an organisation to support its operations and decision-making.

16.3.3 AUTHORIZATION AND EXECUTION OF TRANSACTIONS AND EVENTS

INTOSAI's detailed standards set forth the expectation that transactions and significant events are to be authorised and executed only by persons acting within the scope of their authority. Conforming to the terms of authorisation means that employees execute their assigned duties.

in accordance with directives and within the limitations established by management or legislation. But some INTOSAI members have reported instances where stronger controls over the authorisation of transactions could have resulted in more effective controls and savings. For instance, in 1992 the Icelandic National Audit Office audited showed several weaknesses in the overall structure and control in this area, including many contracts that were made with individual employees in an unstructured manner regardless of transportation requirements-- thus limiting managerial approval and other controls.

Yet another perspective on this issue was demonstrated by the Comptroller General of the Republic of Costa Rica through an example involving that country's use of State-owned vehicles. An audit detected that, while the use of such vehicles should be properly authorized, they were being used (1) for unauthorized purposes, (2) during non-working hours without authorization and (3) inappropriately by an official for discretionary purposes.

Based on studies of internal control problems such as these, auditors in China have reported agreement that the concept of internal control must cover control of authorization. They advise that this control is necessary to help ensure that personnel work within the limits of their permitted authority and thus, exert control over business activities at the point at which they are started.

16.3.4 SEPRATION OF DUTIES

As with the other detailed standards, INTOSAI's member countries fully understand the risk of error, waste or wrongful acts associated with having one persons control all key stages of a transaction or event. In this regard, INTOSAI's internal control guidelines direct that key duties and responsibilities in authorizing, processing, recording and reviewing transactions and events should be separated among individuals. Properly implementing this standard would greatly help to avoid situations like the following episodes reported by INTOSAI members, such as Tonga, which found that separation of duties is a major weakness that is common to departments and ministries of its Government.

In more specific example the Audit Office in New Zealand has found that risks have arisen as a result of the use of significant numbers of contracting staff in certain government entities. Although the entities may have met their aim of reducing expenditure, there has some times been a trade-off in creating separation of duties risk.

To address these kinds of problems, Japan reports that its control system to prevent accounting errors and fraud incorporates separation of duties, such as those of contract officers and disbursement officers. For example,(1) the Ministry of Finance notifies the disbursement officers

of approved disbursement plans, (2) the disbursement officers submit disbursement reports to the Ministry of Finance, (3) the contract officers notify the disbursement officers of contract amounts and contents, and (4) the disbursement officers approve disbursement after checking whether the contract amount is within the budgeted amounts.

However, as the United Kingdom's National Audit Office reports, it is often difficult for small organizations to maintain proper segregation of duties. The Office has found cases where (1) people were able to both authorize and check payments, (2) staff could requisition, authorize, and receive goods, and (3) there was little or no evidence that supervisory checks were done.

In case where small organization make adequate separation of duties difficult, INTOSAI's guidelines suggest that management must be aware of the risks and compensate with other controls. For instance, rotation of employees may help ensure that no one person deals with key aspects of transactions or events for an undue length of time.

16.3.5 SUPERVISION

INTOSAI's internal control guidelines prescribe that competent supervision is to be provided to ensure that internal control objectives are achieved. The efforts of INTOSAI members to implement and audit internal controls have underscored the importance of proper supervision of assignments and employees fundamental internal control mechanism.

The Comptroller General of the Republic of Costa Rica has provided two excellent case studies involving non compliance with INTOSAI's supervision standard. The first case relates to a computerised system used by banks that collect Customs revenues for the electronic transmission to Customs offices throughout Cost Rica. Auditors found that the process developed by Customs for confirming, recording and revising this information allowed for unsupervised modification of electronically transmitted data without any documentary support or verification of its validity and reliability.

The second case related to an evaluation of the Costa Rican Government's resources used to deliver health services particularly the external consultation service provided by one of the country's largest public hospitals. Auditors reported that medical resources were significantly underutilized because the established work schedule was, not complied with, which resulted in the misuse of available equipment and facilities and the absence of timely attention to waiting patients. The underlying cause was attributed to the absence of supervision and subsequent control of work timetables by the heads of medical specialties.

Another country, the Kingdom of Tonga, has also identified supervision, as well lack of training, as an internal control weaknesses common to most government agencies. The Auditor General has assisted in addressing these weaknesses by starting training programs, identifying supervisors for every level of staff and stressing the importance of these aspects of internal control systems.

A third INTOSAI member, the National Audit Office of the United Kingdom has found that adequate supervision is essential in operations such as those related to contracts. It found that monitoring the operation of contracts is key to ensuring that suppliers meet the terms and conditions of the contract for price, standards and delivery and that the contract remains competitive. The office found for instance that evidence of poor contract monitoring resulted in a

final cost of £ 1,80,000 on a contract initially worth £ 25,000 without the required approval for the increase having been made. In another case, a refund was due on a contract but because of poor monitoring, the government was unaware of the potential refund and thus did not make a claim.

To held ensure proper supervision, INTOSAI's internal control standards state that supervisors are to review and approve as appropriate, the assigned work of their employees. They must also provide employees with the necessary guidance and training to help ensure that errors, waste and wrongful acts are minimized and that specific management directives are understood and achieved.

16.3.6 ACCESS TO AND ACCOUNTABILITY FOR RESOURCES AND RECORDS

The last INTOSAI detailed standard instructs that access to resources and records is to be limited to authorized individuals who are accountable for their custody or use. To ensure accountability, the resources are to be periodically compared with the recorded amounts to determine whether the two agree. The asset's vulnerability would determine the frequency of the comparison. The work of INTOSAI members has demonstrated the effects of failing to effectively implement this standard to reduce the risk of unauthorised use or loss to the government and held achieve management directives.

In one circumstance involving access to records, the United State Government's tax collector, the Internal Revenue Service (IRS) has been plagued by poor internal controls over its computer systems. The U.S. General Accounting Office's financial statement audits showed that IRs did not have adequate safeguards to detect or prevent unauthorized employees access to tax payer information or to prevent employees from changing certain computer programs to make unauthorized transactions without being detected. The fundamental control problems included controls that did not adequately prevent users from unauthorised access to sensitive programs and data files. Also, numerous users had been given authorized access to powerful computer system privileges while could allow existing security controls to be circumvented.

In a situation involving the comparison of resources and records, the Auditor General for the Republic of South Africa reported finding that the completeness and correctness of the Department of Land Affairs's Bank balance could not be confirmed because the Department had not complied a bank reconciliation for more than one year. The difference between the balance according to the Department's accounting records and the bank's statement was great.

INTOSAI's internal control standards point out that restricting access to resources and a periodical reconciliation of records reduces the risk of unauthorised use or loss to the government and helps achieve management directives.

16.4 BUILDING EFFECTIVE INTERNAL CONTROL STRUCTURES

Consistent with INTOSAI's guidelines, member countries have stressed that building effective internal control structures requires the following critical elements: (1) legislative underpinnings (2) internal control standards, (3) managers who accept primary responsibility for effective controls, (4) periodic internal control self-assessments by managers, (5) internal audits of controls

and (6) a supreme audit organisation that is engaged in establishing and reviewing internal control systems.

16.4.1 LEGISLATIVE UNDERPINNINGS

As discussed in the INTOSAI internal control guidelines, in some countries, the Legislators will establish the overall objectives that the internal control structure should achieve while leaving the internal control standards to be established to a responsible central organization. In others, the legislators set specific controls for certain operations in legislation.

Indeed, INTOSAI members have found it helpful to have legislation that establishes an overall requirement and objectives for maintaining effective internal controls. For example, in Bolivia and in the Netherlands a Legislative foundation for public sector internal control is provided by the 1990 Governmental Management and Control Law and the Government Accounts Act, respectively.

In Japan, financial and accounting check and control systems are stipulated in the Public Finance Law and the Public Account Law, as well as regulations based on this law. The financial accounting activities of all the Japanese government's ministries and agencies are governed by these statutory check and control systems.

The United States Congress has also recognized the importance of having legislative underpinning to promote effective internal controls. For instance, it has enacted legislation that requires U.S. government agencies to (1) annually evaluate and report on the status of control systems, (2) have an independent audit function and (3) annually issue and have audited reports on their financial condition.

16.4.2 INTERNAL CONTROL STANDARDS

INTOSAI's internal control guidance also points out that, in establishing the framework for internal control structures, a specific authority should be assigned the responsibility for developing and promulgating the standards to be followed when designing an internal control structure. This responsibility could be assigned through constitutional or other legal enactment and given to a central organisation with authority across various government organizations.

Several INTOSAI member countries have prescribed internal control standards that are to be followed in establishing and monitoring and internal control structure and some have patterned their standards after, or have adopted INTOSAI's standards. For instance, the Office of the Comptroller General of the Republic of Bolivia used INTOSAI's Guidelines to prepare and issue.

internal control standards for use in the country. The Office reports that the result has contributed to and facilitated the achievement of control objectives. In the United States, under law, the Comptroller General is charged with developing internal control standards for use by agencies of the U.S. government. These were first issued in 1983 as Standards for Internal Controls in the Federal Government to provide the criteria for establishing and evaluating internal controls. These standards are currently being updated.

Another country, the Peoples Republic of China, has also found that a standard is necessary for assessing an organization internal controls. The National Audit Office reports that the standards is defined by auditors on the basis of the regulations issued by the Chinese government and related departments. The Chinese National Audit Office advise that such a standard which is usually referred to as an ideal control standards embodies the control links and procedures essential for a sound internal control system and it is used by auditors to impartially assess the target organization to determine whether its internal controls are complete and effective.

16.4.3 MANAGEMENT'S RESPONSIBILITY

INTOSAI's guidelines explain at length management's internal control responsibilities, emphasizing that all managers should realize that a strong internal control structure is fundamental to their control of the organization and its purpose, operations and resources. INTOSAI member countries that provided information for this study have experienced the need for focusing manager's attention on their responsibilities for implementing effective internal controls and continuously maintaining a positive internal control environment.

For example the Netherlands Court of Audit Reports that the framework of responsibility for internal control, which is a cornerstone of central government in the Netherlands has been developed by means of close cooperation between Parliament, the ministry of Finance and the Court. Also in this regard, the Government Accounts Act states that it is the minister who is responsible for pursuing sound financial management and for controlling the effectiveness and efficiency of management, organization and policy.

Another instance involves Iceland, where the Icelandic National Audit Office reports that management of individual government agencies is responsible for developing and implementing internal controls. Also, agencies within the central government such as the Central Accounting Office, the Financial Reporting Commission and to some degree the Ministry of Finance are directly responsible for implementation of financial controls.

Another example comes from Egypt, the Egyptian Central Auditing Organization reports that the senior management of an entity is responsible for developing and implementing internal controls such as by continuously reconsidering the organizational structure that has been created to direct and control its activities.

16.4.4 SELF-ASSESSMENTS

INTOSAI member countries concentrate on preventing internal control breakdown before they occur. To illustrate, South Africa's Supreme Auditor reports that a primary objective is to prevent errors or irregularities from occurring in management or financial information, or if any have occurred to detect them. Also, in Egypt, auditors evaluate internal control system to identify their efficiency in preventing or detecting major mistakes.

Several INTOSAI member countries require managers to periodically undertake self evaluations of internal control, operations. INTOSAI's guidelines recognize this practice as useful to ensure that controls for which managers are responsible continue to be appropriate and working as planned.

For New Zealand, emphasis is given to self- review procedures in each individual government entity. These procedures include a program of self-assessment covering internal audit and financial controls, as well as management review and evaluation of output effectiveness.

In another case, agencies of the United States Government are required by law to annually conduct control self assessment. These evaluations are to be made pursuant to guidelines issued centrally by the U.S. Office of Management and Budget. The results are to be reported to the U.S. President and the U.S. Congress. These reports are to state whether systems meet the objectives of internal control and conform to standards established by the U.S. Comptroller General. Also U.S. Government agencies are required to take actions to correct control weaknesses the self assessment identify.

In addition the Bolivian Comptroller General's future plans call for governmental institutions to schedule self-evaluations of the design, operation and effectiveness of their internal control structures. Bolivia's Comptroller General envision that the highest responsible officials in each public institution would carry out a self evaluation and at least annually report their conclusions to the office of the Comptroller General, which would (1) evaluate the process and outcome and (2) determine the reliability of the data generated by the institution and/or proposed corrective measures.

16.4.5 INTERNAL AUDITS

Management often establishes an internal audit unit as part of its internal control and self review framework. In this tradition, most INTOSAI members find the role of internal auditors to be a critical part of an organisation's internal control structure. For example the Supreme Auditors of both Bolivia and Egypt report that internal auditors should evaluate and periodically report on the effectiveness of and deficiencies in internal control structures and the risk that such weaknesses represent for effective government operations and protecting its assets.

The Netherlands is also typical the audit departments of the ministries audit the financial statements of their ministries and perform specific financial management systems audits. The Netherlands Court of Audit reports that, by advising the ministers on internal control weakness found during these audits, the internal auditors play an important role in the ongoing improvement of internal (financial) controls. This is reinforced by the performance of specific internal control investigations done at the request of the ministers.

In the United Kingdom, the Accounting Officers within each central government body, who are responsible for the financial management and internal control systems, are assisted in fulfilling these responsibilities by the services of an internal audit function. Internal audit operates as a service to management by measuring, evaluating and reporting on the effectiveness of the elements of the internal control system.

16.4.6 SUPREME AUDITOR'S RESPONSIBILITY

INTOSAI members have underscored the key role Supreme Auditors play in (1) establishing internal control standards, (2) creating a solid internal control framework, (3) working with internal auditors and (4) evaluating internal controls as an integral part of both their financial and performance audits. In sum, the Supreme Audit Institution should gear its work toward assessing

the adequacy in principle and the effectiveness in practice of existing internal controls in audited organizations.

One nation's Supreme Audit Institution described its internal control responsibilities this way. Control accomplished by the Comptroller General of the Republic of Costa Rica essentially consists of the financial, accounting, economic, operational, administrative and legal examination of public resources and is basically carried out by means of investigations and audits covering financial, operational, legal, computerized and special area.

Like the process reported in use by many INTOSAI Supreme Auditors Costa Rica's Comptroller General

- evaluates the internal control system in the audited institution, which is comprised of the control environment, the recording and information systems and control proceedings;
- verifies the effectiveness of the internal control system and identifies the critical areas in the activity under examination;
- prepare reports to the administration that summarise detected deficiencies and weakness and recommend measures to be adopted for their solution and for the prevention of more severe problems; and
- carries out pertinent follow-up studies to determine whether recommendations and measures which have been jointly agreed upon with the administration have been adequately enforced.

CONCLUSIONS

In 1992, when INTOSAI's Internal Control Standards Committee issued its guidelines for internal control standards, it called for Supreme Auditors to encourage and support the establishment of internal controls. As envisioned by the Committee, this would encompass (1) educating management as to its responsibilities for implementing and monitoring the control structures and (2) auditing those structures to assure that controls are adequate to achieve the desired result.

In the intervening 5 years, INTOSAI member countries have achieved a wide range of positive results and are making progress—in some cases, substantial progress—in fulfilling this vision. The individual country papers prepared by Supreme Auditors have provided considerable new insights into the use and assessment of internal controls by various INTOSAI members.

Through these papers, the committee has identified several common elements, which this chapter outlines, that are evident in sound internal control structures in all systems of government. These elements parallel INTOSAI's 1992 guidance, which provides a foundation for supporting the prescribed general and detailed control standards.

APPENDIX I

(Referred to Note below Para 1.01)

THE COMPTROLLER AND AUDITOR GENERAL'S

(DUTIES, POWERS AND CONDITIONS OF SERVICE ACT, 1971

(As passed by the House of Parliament)

A BILL

To determine the conditions of service of the Comptroller and Auditor General of India and to prescribe his duties and powers and for matters connected therewith or incidental thereto.

Be it enacted by Parliament in the Twenty Second year of the Republic of India as follows:

CHAPTER I

Preliminary

Short title

1. This Act may be called the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971

Definitation

2. In this Act, unless the context otherwise requires:

- (a) “accounts”, in relation to commercial undertakings of a Government, includes trading, manufacturing and profit and loss accounts and balance-sheets and other subsidiary accounts.
- (b) “appropriation accounts” means accounts which relate the expenditure brought to account during a financial year, to the several items specified in the law made in accordance with the provisions of the Constitution or of the Government of Union Territories Act, 1963, (20 of 1963) for the appropriation of moneys out of Consolidated Fund of India or of a State, or of a Union Territory having a Legislative Assembly as the case may be;
- (c) “Comptroller and Auditor-General” means the Comptroller and Auditor General of India appointed under article 148 of the Constitution;
- (d) “State” means a State specified in the First Schedule to the Constitution;
- (e) “Union” includes a Union Territory, whether having a Legislative Assembly or not.

CHAPTER II

Salary and other conditions of Service of the Comptroller and Auditor General

Salary

3. There shall be paid to the Comptroller and Auditor General a salary which is equal to the salary of the judge of the Supreme Court:

Provided that if a person who, immediately before the date of assuming office as the Comptroller and Auditor General, was in receipt of, or, being eligible so to do, had elected to draw, a pension (other than a disability or wound pension) in respect of any previous service under the Government of Union or any of its predecessor Governments, or under the Government of a state of any of its predecessor Governments, his salary in respect of service as Comptroller and Auditor-General shall be reduced-

- (a) By the amount of that pension; and
- (b) if he had, before assuming office, received, in lieu of a portion of the pension due to him in respect of such previous service, the commuted value there of, by the amount of that portion of the pension; and
- (c) if he had, before assuming office, received, or become eligible for receiving, a retirement gratuity in respect of such previous service, by the pension equivalent of that gratuity.

Tenure

4. The Comptroller and Auditor General shall hold office for a term of six years from the date on which he assumes such office.

Provided that where he attains the age of sixty five years before the expiry of the said term of six years, he shall vacate such office on the date on which he attains the said age.

Provided further that he may, at any time, by writing under his hand addressed to the President, resign his office.

Explanation: - For the purpose of this section, the term of six years in respect of the Comptroller and Auditor General holding office immediately before the commencement of this act, shall be computed from the date on which he had assumed office.

Leave

5 (1) A person who, immediately before the date of assuming office as the Comptroller and Auditor General, was in the service of Government may be granted during his tenure of office but not thereafter, leave in accordance with the rules for the time being applicable to the service to which he belonged before such date and he shall be entitled to carry forward the amount of leave standing at his credit on such date, not with standing any thing contained in section 6.

(2) Any other person who is appointed as the Comptroller and Auditor General may be granted leave in accordance with such rules as are for the time being applicable to a member of the Indian Administrative Service.

(3) The Power to grant or refuse leave to the Comptroller and Auditor General and to revoke or curtail leave granted to him, shall vest in the President.

Pension

6.(1) A person who, immediately before the date of assuming office as the Comptroller and Auditor General was in the service of Government shall be deemed to have retired from service on the date on which he enters upon office as the Comptroller and Auditor General but his service as the Comptroller and Auditor General shall be reckoned as continuing approved service counting for pension in the service to which he belonged.

(2) Every person who enters upon office as the Comptroller and Auditor General shall, on demitting the said office, be eligible to a pension of a sum of fifteen thousand rupees per annum which sum shall include the aggregate of all pensions payable to him and the commuted portion, if any, of his pension, and the pension, equivalent of the retirement gratuity, if any, which may have been admissible to him under the rules for the time being applicable to the Service to which he belonged.

Provided that if such a person is or becomes eligible, at any time, under the rules for the time being governing the service to which he belonged, to a pension higher than the said sum of fifteen thousand rupees, he shall be eligible to draw, as pension said higher amount.

(3) A person who, immediately before the date of assuming office as the Comptroller and Auditor General, was in receipt of, or had become eligible for receiving a pension in respect of any

previous service under Government, shall, on demitting office as the Comptroller and Auditor General, be eligible to a pension of fifteen thousand rupees per annum which sum shall include the aggregate of all pension payable to him and the commuted portion, if any, of his pension, and the pension equivalent of the retirement gratuity, if any, which may have been admissible to him under the rules for the time being applicable to the Service to which he belonged;

Provided that if such a person is or becomes eligible, at any time, under the rules for the time being governing the service to which he belonged, to a pension higher than the said sum of fifteen thousand rupees, he shall be eligible to draw, as pension, the said higher amount.

(4) Any other person who is appointed as the Comptroller and Auditor General shall, on demitting the said office, be eligible to a pension of fifteen thousand rupees per annum.

(5) The person holding office immediately before the commencement of this Act as the Comptroller and Auditor General shall be eligible to draw, at his option, pension at the rate at which it would be admissible to him if this act had not come into force or at the rate specified in this section.

(6) A person who demits office as the Comptroller and Auditor General by resignation shall, on such demission, be eligible to a pension at the rate of two thousand rupees per annum for each completed year of his service as the Comptroller and Auditors General:

Provided that in the case of a person referred to in sub-section (1) or sub-section (3), the aggregate amount of pension admissible under this subsection together with the amount of pension including the commuted portion, if any, of his pension, and the pension equivalent of the retirement gratuity, if any, which may have been admissible to him under the rules for the time being applicable to the service to which he belonged immediately before he assumed office as the Comptroller and Auditor General, shall not exceed fifteen thousand rupees per annum or the higher pension referred to in proviso to sub-section (2) or sub-section (3), as the case may be.

(7) If a person who demits office as the Comptroller and Auditor General is not eligible to any pension under this section but is eligible to a pension under the rules for the time being applicable to the Service, to which he belonged immediately before he assumed office as the Comptroller and Auditor General, he shall, not with standing any thing contained in this section, be eligible to draw such pension as is admissible to him under the said rules.

(8) Except where he demits office by resignation, a person holding office of the Comptroller and Auditor General shall be deemed, for the purposes of this Act, to have demitted such office as such if, and only if:-

- (a) he has completed the term of office specified in section 4, or
- (b) he has attained the age of sixty five years, or
- (c) his demission of office is medically certified to be necessitated by ill health.

Commutation of Pension

7. The Civil Pensions (Commutation) rules for the time being in force shall, with such adaptations as may be made therein by the President, apply to a person who had held office as the Comptroller and Auditor General.

Right to subscribe to General Provident Fund

8. Every person holding office as the Comptroller and Auditor General shall be entitled to subscribe to the General Provident Fund (Central Services).

Other Conditions of Service

9. Save as otherwise expressly provided in this Act, the other conditions of service of a person holding as the Comptroller and Auditor General including his emoluments during any period of duty out of India and his traveling allowance while traveling on duty, shall be determined by the rules for the time being applicable to a member of the Indian Administrative Service holding the rank of Secretary to the Government of India:

Provided that nothing in this section shall have effect so as to give a person, who immediately before the date of assuming office as the Comptroller and Auditor General, was in the service of Government, less favourable terms in respect of any of the matters aforesaid than those to which he would be entitled as a member of the Service to which he belonged, his service as Comptroller and Auditor General being treated for the purpose of this proviso as continuing service in the Service to which he belonged.

CHAPTER III

Duties and Powers of the Comptroller and Auditor General to compile A/cs of Union & States

10. (1) The Comptroller and Auditor General shall be responsible:

- (a) For compiling the accounts of the Union and of each State from the initial and subsidiary accounts rendered to the audit and accounts offices under his control by treasuries, offices or Departments responsible for the keeping of such accounts; and
- (b) For keeping such accounts in relation to any of the matters specified in clause (a) as may be necessary:

Provided that the President may at the authority with the Comptroller and Auditor General by order, relive him from the responsibility for compling-

- (i) The said accounts of Union (either at once or gradually by the issue of general orders); or
- (ii) The accounts of any particular services or departments of the Union:

Provided that the governor of the state with the previous approval of the president and after consultaion with Comptroller and Auditor General, By order, relive him from the responsibility for compling-

- (i) The said accounts of the state (either at once or grduallyly by the issue of general order); or
- (ii) The accounts of any particular services or departments of the state that the President may, after consultation with the Comptroller and Auditor General, by order, relieve him from the responsibility for keeping the accounts of any particular class or character.

(2) Where, under any arrangement, a person other than the Comptroller and Auditor General has, before the commencement of this Act, been responsible:-

- (i) For compiling the accounts of any particular service or department of the Union or of a State, or

- (ii) For keeping the accounts of any particular class or Character, such arrangement shall, notwithstanding anything contained in sub-section(1) continue to be in force unless, after consultation with the Comptroller and Auditor General, it is revoked in the case referred to in clause (i), by an order of the President or the Governor of the State, as the case may be, and in the case referred to in clause (ii), by an order of the President.

Comptroller and Auditor General to prepare and submit accounts to the President, Governors of States and Administrators of Union Territories, having Legislative Assemblies.

11. The Comptroller and Auditor General shall, from the accounts compiled by him or by the government or any other person responsible in that behalf, prepare in each year accounts (including in the case of accounts compiled by him, appropriation accounts) showing under the respective heads the annual receipts and disbursements for the purpose of the Union of each State or each Union Territory having a Legislative Assembly, and shall submit those accounts to the President or the Governor of a State or Administrator of the Union Territory having a Legislative Assembly, as the case may be, on or before such dates as he may, with the concurrence of the Government concerned, determine.

Provided that the President may, after consultation with the Comptroller and Auditor General, by order, relieve him from the responsibility for the preparations and submission of the accounts relating to annual receipts and disbursements for the purpose of the Union or of a Union territory having a Legislative Assembly:

Provided further that the Governor of a state may, with the previous approval of the President and after consultation with the Comptroller and Auditor General, by order, relieve him from the responsibility for the preparation and submission of the accounts relating to annual receipts and disbursements for the purpose of the State.

Comptroller and Auditor General to give information and render assistance to Union and States

12. The Comptroller and Auditor General shall, in so far as the accounts, for the compilation or keeping of which he is responsible, enable him so to do, give to the Union Government, to the State governments or to the Governments of Union Territories having Legislative Assemblies as the case may be, such information as they may from time to time, require, and render such assistance in the preparation of their annual financial statements as they may reasonably ask for.

General Provision relating to audit

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 of each Union Territory having Legislative Assembly and to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to 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 receipts and expenditure of bodies or authority substantially financed from Union State Revenue

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 Comptroller and Auditor General 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 legislative Assembly in a financial year is not less than Rs. Twenty Five lacks 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 sub-section to be substantially financed by such grants of loans, as the case may be.

(2) Not with standing anything contained in sub-section (i) The Comptroller and Auditor General may with the previous approval of the President or the Governover of a state or the Administrator of a Union territory having a Legislative Assembly, as the case may be, Audit all receipt and expenditure of any body or authority where the grants or loans to such body or authority from the consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly, as the case may be in a financial year is not less than rupees one cror.

(3) Where the receipts and expenditure of any body or authority are by virtue of the fullfilment of the conditions specified in sub-section (1) or sub section (2) audited by the Comptroller and Auditor General 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 not with standing that the conditions specified in sub-section (1) or sub-section (2) are not fulfilled during any of the two subsequent years.

(Amendment effective from 1983-84 onwards : Authority- o.m. No. 19-TA.I/1984-T,26-TA.I(RGL)/15-84 dated 16-7-84)

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

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 organisation, the Comptroller and Auditor General shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given and shall for this purpose have right of access, after giving reasonable previous notice to the books and accounts of that authority or body; Provided that the President, the Government 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

Comptroller and Auditor General, 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 authorised 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 Comptroller and Auditor General 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 of 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 Comptroller and Auditor General:

Provided that no such authorisation shall be made except after consultation with the Comptroller and Auditor General and except after giving the concerned corporation a reasonable opportunity of making representations with regard to the proposal to give to the Comptroller and Auditor General right of Access to its books and accounts.

Audit of receipts of Union or of States

16. It shall be duty of the Comptroller and Auditor General to audit all receipts which are payable into the Consolidated Fund of India and of each State and 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.

17. The Comptroller and Auditor General 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.

As amended/Introduced by the Comptroller and Auditor General's (Duties, Power and condition of service Amebdebt Act, 1976 (No.58 of 1976).

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

18.(1) The Comptroller and Auditor General 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 the 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 account 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 Comptroller and Auditor General, 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

19. (1) The duties and powers of the Comptroller and Auditor General 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. (1 of 1956)

(2) The duties and powers of the Comptroller and Auditor General 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, where he is of opinion that it is necessary in the public interest so to do, request the Comptroller and Auditor General to audit the accounts of a corporation established by law made by the Legislature of the State or of the Union Territory as the case may be, and where such request has been made, the Comptroller and Auditor General 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.

19A (1) The reports of the Comptroller and Auditor General, in relation to the accounts of government company or 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 Union Territory having a Legislature Assembly, means the Administrator of the Union Territory.

(Authority: - circular No. /9-TAI/1984 letter no. 726-TA.I(RGL)/15-84 date 06.02.1984)

Amendment effective from 1983-84 onwards.

Audit of accounts of certain Authorities or Bodies.

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 Comptroller and Auditor General by or under any law made by Parliament, he shall, if requested so to do by the President or the Governor of a 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 purposes 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 Comptroller and Auditor General may propose to the President or the Governor of a State or the Administrator of a Union Territory having Legislative Assembly, as the case may be, that he may be authorised to undertake the audit of the accounts of any body or authority, 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 Comptroller and Auditor General 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 Comptroller and Auditor General 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 representation with regard to the proposal for such audit

CHAPTER IV

Miscellaneous

Delegation of power of Comptroller and Auditor General

21. Any Power exercisable by the Comptroller and Auditor General under the provisions of this Act, or any other law may be exercised by such officer of his department as may be authorised by him in this behalf by general or special order:

Provided that except during the absence of the Comptroller and Auditor General on leave or otherwise, no officer shall be authorised to submit on behalf of the Comptroller and Auditor General any report which the Comptroller and Auditor General is required by the Constitution or the Government of Union Territories Act, 1963 (20 of 1963) to submit 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.

Power to make rules

22. (1) The Central government may, after consultation with the Comptroller and Auditor General by notification in the Official Gazette, make rules for carrying out the provisions of this act in so far as they relate to the maintenance of accounts.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-

- (a) the manner in which initial and subsidiary accounts shall be kept by the treasuries, offices and departments rendering accounts to audit and accounts offices;
- (b) the manner in which the accounts of the union or of a state or of any particular service or department or of any particular class or character, in respect of which the Comptroller and Auditor General has been relieved from the responsibility of compiling or keeping the accounts, shall be compiled or kept;
- (c) the manner in which the accounts of stores and stock shall be kept in any office or department of the Union or of a State, as the case may be;
- (d) any other matter which is required to be, or may be, prescribed by rules.

(3) Every rule made under this section, shall be laid, as soon as, may be after it is made, before each house of Parliament, while it is in session for a total period of thirty days which may be comprised in one session or and if, before the expiry of the session immediately following both Houses agree in making any modification in the rule or both Houses agree that the rules should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Power to make regulations

23. The Comptroller and Auditor General is hereby authorised 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 Departments the general principles of government accounting and the broad principles in regard to audit of receipts and expenditure.

Power to dispense with detailed audit

24. The Comptroller and Auditor General is hereby authorised to dispense with, when circumstances so warrant, any part of detailed audit of any accounts or class of transaction and to apply such limited check in relation to such accounts of transaction as he may determine.

Repeal

25. The Comptroller and Auditor General (Conditions of Service) Act, 1953. (21 of 1953) is hereby repealed.

Removal of Doubts

26. For the removal of doubts, it is hereby declared that on the commencement of this Act the Government of India (Audit and Accounts) order, 1936, as adapted by the India (Provisional Constitution) order 1947, shall cease to be in force except as respects anything done or any action taken there under.

As amended/introduced by the Comptroller Auditor General (Duties, Powers and Conditions of service) Amendment Act, 1976 (No.58 of 1976)

Secretary, Government of India

APPENDIX-II

(Referred to in Para 2.02)

CALENDAR OF RETURNS

| S.No. | Name of Return | To whom due | When due | Authority |
|------------------|------------------------|-------------|--------------|--------------------------|
| 1 | 2 | 3 | 4 | 5 |
| A. Weekly | | | | |
| 1. | Calendar of Return | B.O. | Every Monday | O.O.88 dated 11.07.72 |
| 2. | Dairy of CAG's Letters | B.O. | Every Monday | O.O.TM/38 dated 20.05.59 |
| 3. | Dairy of Complaints | B.O. | Every Monday | -- |
| 4. | Hindi Diary | B.O. | Every | Sr.DAG's orders |

| S.No. | Name of Return | To whom due | When due | Authority |
|-----------------------|--|-------------|-------------------------------------|--|
| 1 | 2 | 3 | 4 | 5 |
| | | | Monday | dated 08.04.74 |
| 5. | Weekly report of Sectional Letters | Sr.DAG | Every Thursday | Sr.DAG order No.163 dt. 13.11.72 |
| B. Fortnightly | | | | |
| 6. | Register of removal of defects pointed out by Director of Inspection | B.O. | 1 st 15 th | O.O.IAD/2 dated 27.04.72 |
| C. Monthly | | | | |
| 7. | Consolidated Arrear Report | TM | 10 th | TM4/XI dated 31.05.66 |
| 8. | Record of work & stay of Local Audit Party | B.O./Sr.DAG | 20 th | Sr.DAG (IC) orders |
| 9. | Sanctioned strength of staff as on 1 st of each Month | OE-II | 3 rd | Sr.DAG (Admn.)/OE/ TR-474 dated 02.12.75 |
| 10. | Progress Register | BO/Sr.DAG | 5 th | OAD(M) OO 104 dated 31.03.71 |
| 11. | Check Register | BO/Sr.DAG | 5 th | OAD (M) OO 104 dated 31.03.71 |
| 12. | Control Register | BO/Sr.DAG | 5 th | OAD (M) OO 104 dated 31.03.71 |
| 13. | Disposal of Preliminary | AG | 20 th | IAD/13 dated |

| S.No. | Name of Return | To whom due | When due | Authority |
|---------------------|---|--------------------|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | memos/inspection reports by IAD submission of progress report of outstanding paras | | | 30.11.71 |
| 14. | Consolidated registers for watching supply of original documents requisitioned by police SPE Courts etc. | BO | 5 th | TM I/V/5/7 dated 06.06.71 |
| 15. | Material for Monthly DO letter from AG to CAG | Secretary to AG | 1 st | TM I/V/5/7 dated 06.06.71 |
| 16. | Report regarding AOs working in each group | OE 1 | 5 th | OE 1/6-0-10 OO/569 dated 03.02.75 |
| 17. | Register of drawals and remittances untraced during local Audit | Sr.DAG (IC) | 7 th | OAD (M) 125-73- 74 dated 01.09.73 |
| 18. | Register of Losses | BO | 5 th | OAD (M)/72-73 dt.26.05.72 |
| D. Quarterly | | | | |
| 19. | Consolidated Register showing supply of documents requisitioned by Police Courts S.P.E. | AG | 1 st January, April, July, October | TM I/V/5/7 dated 06.06.71 |
| 20. | Register of Pending Cases | Sr.DAG | 16 th March 16 th June 16 th Sept. | Para 366 of MOP and Sr.DAG's orders dated |

| S.No. | Name of Return | To whom due | When due | Authority |
|-----------|--|-----------------------------|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | | | 16 th Dec. | 09.08.74 |
| 21. | Review of arrears of expenditure Audit and Audited by CAW/RA Wing | Sr.DAG (IC) | 15 th April 15 th July 15 th Oct. 15 th Jan. | Sr.DAG (IC) orders dated 13.02.74 |
| E. | Half Yearly | | | |
| 22. | Statement showing drawing officer wise and department wise outstanding objections | Administration Department | 15 th June 15 th Dec. | TA I/363-68 II |
| 23. | Dictionary of Reference | AO | 15 th Feb. 15 th Aug. | Para 54 of MOP |
| 24. | Statement showing loans grants sanctioned to Bodies/Authorities situated within audit jurisdiction of the AG's | CAG | June, December | -- |
| E. | Annual | | | |
| 25. | Statement of audits undertaken under section 14, 19 and 20 of CAG's Act during the preceeding Financial Year | CAG | 30 th April | CAG's letter No.801/TA 14/7-74 dated 23.09.74 |
| 26. | Confidential Reports of Assets. | OE-1 (Confidential Cell) | 1 st May | OO 10 dated 21.05.49 and OE II 272 dated 19.09.75 |
| 27. | Arrears on Account of Inspections due but not | TM 1 | 10 th April | CAG's letter No.368 CAW |

| S.No. | Name of Return | To whom due | When due | Authority |
|-------|--|-------------|------------------------------|---|
| 1 | 2 | 3 | 4 | 5 |
| | conducted | | | 1/39-72 Vol.I dated 25.06.73 |
| 28. | Revision of rates of Audit Fee due to revision of scale | AG/CAG | As and when necessary | CAG letter No.64 Tech 33-65/Vol.II of 04.01.69 |
| 29. | Annual Forecast | AG | January 1 st Week | AG's orders dated 04.07.62 |
| 30. | Temporary staff to be sanctioned by CAG for the succeeding year | OE | 10 th July | OO Admn. 10.06.63 OO dated 20.06.79 |
| 31. | Audit falling under section 14 in one year but not falling under the section in subsequent years | CAG | 31 st October | 149 TA I/50-69/ Vol.II dated 02.03.74 |
| 32. | Material for Audit Report (Central) | AGCR | 15 th September | DA CR's DO letter No.R-7-2/75-76/186 dated 06.06.75 |

FORM OAD I**(Referred to in para 1.05 based on OO No.OAD I/6/68-69/25 dt.29.05.69)**

Office of the Accountant General, Madhya Pradesh

(Outside Audit Department)

No.OAD I/M**Dated Gwalior, the**

To,

The

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Subject: Local Audit Intimation Slip.**Sir,**

1. I am to inform you that a local audit party of this office will visit your office on or about and succeeding days; and test audit the accounts for the period.
2. I shall be grateful if action on the following lines is taken:
 - (i) Such steps as you may consider necessary be taken to ensure that all necessary records for the periods indicated above including those of all subordinate units/centres whose transactions form part of this establishment are kept ready for local audit. For your guidance, data and records required to be collected is indicated in the Annexure. The list if not exhaustive. The request to the party for further information and records may also kindly be met promptly.
 - (ii) The preliminary observation memoranda issued by the party should be returned to them with replies not later than 24 hours after their issue.
 - (iii) You may kindly arrange to be present at the Headquarter atleast towards the close of the Local Audit so that any points of importance may be discussed with you. The draft audit Inspection Report and the Test Audit Note may also be discussed with the Audit party.
 - (iv) The audit party may be afforded necessary facilities in carrying out its work; such as provision of suitable, separate and secure office accommodation in proximity to the units having the records; provision of stationary and typing facilities; necessary office furniture for use during audit etc. we shall be grateful for any assistance that the audit party may need in securing residential accommodation.

3. Extracts from State Government circular dated 24th April 1961 and dated 5th July 1967 concerning local audit by this office are also enclosed for your information.
4. The receipt of this letter may please be acknowledged.

Yours Faithfully,

Accounts Officer (OAD Headquarters)

Extract of para 4 from letter No.1484-514/I(iv), dated 24th April 1961 from General Administration Department, Government of Madhya Pradesh.

"In view of the importance and the utility of audit, the Government desire that the Head of office should see that at the time of audit of accounts of his office, particularly at the time of any special audit arranged at the request of the Government, the Audit party gets an opportunity of meeting him and has the fullest benefit of personal discussion with him. He should also ensure that all relevant accounts records are produced before the party during audit of accounts".

Extract of para 5 from letter No.4092/CR/471/IV/1/1/66 dated 5th July 1967 from Finance Department, Government of Madhya Pradesh.

"During the course of local inspection, the Audit staff will be issuing memos calling for information onwards points. It should be ensured that the particulars given in reply to such memos are correct with reference to the records so that, at a later stage, the accuracy of the figures and statements of facts contained in the Inspection Reports should not be called to question. To ensure, this, the head of the office should make necessary arrangements to see that the replies to audit memos are furnished only after approval by him. These audit memoranda should be attended throughness. Further, before finalising the inspection reports the audit officer generally discusses the irregularities noticed during the course of audit with the head of the office. This opportunity should be taken full advantage, of by the head of the office to see whether all the relevant materials have been made available to audit to enable them to bring out the full facts of each case in the Inspection Report"

**GENERAL INDICATION OF DATA AND RECORDS TO BE KEPT READY FOR
LOCAL AUDIT PARTY**

1. General Literature about set up and activities

- (i) Brief note and literature about set up of the office and its activities. Latest annual report or any other reports about progress of work and activities of the establishment.
- (ii) Statutory provisions/rules and regulations/departmental Manual and other instructions regulating the activities/receipts/expenditure, rules/regulations/orders regarding grants-in-aid and loans.
- (iii) Any Manual and instructions regarding accounts records.
- (iv) Orders regarding delegation of powers.
- (v) Particulars of pay centres/subordinate units whose records are required to be brought to the office during local audit for check; indicating their location and nature of activities and authority for setting up of the same (in Form 1 of the Annexure).
- (vi) Name of official who hold charge of the office, since the date of last audit (in form 2 of the Annexure).

2. Data of Accounts Records and Volume of Transactions

- (i) A list of accounts records (in Form III of the Annexure) maintained in the office and in each subordinate unit whose records are required to be produced during the proposed audit; together with all such records for the period of audit. The list should clearly indicate the number of cash books maintained and the nature of transactions entered in each cash book.
- (ii) (a) Date of actual/budgeted receipts and expenditure in Form IV of the Annexure. Data may be annexed separately for each major head where drawals are made under a number of heads.
(b) Allotment letter of funds for the current year and past 3 years; and office copies of monthly statement of expenditure for this period sent to higher authorities.
- (iii) A list of any development schemes operated by the establishment during last 3 years; together with data of receipt and expenditure in respect thereof during last 3 years and data of allotment for the current year and ensuing year.

3. Other Information about the Transactions

- (i) Particulars of (a) any Personal Ledger Accounts (b) Revenue Deposits in the Treasury and (c) any Bank Accounts (in Form V of the Annexure).
- (ii) (a) Particulars of any activities of commercial/quasi-commercial nature undertaken (involving production or purchase and sale of any commodities or services giving and taking of credits, maintenance of stock accounts) not necessarily from profit motives. Any Proforma Accounts in respect of them prepared and instructions relating to preparation of such accounts.
(b) Any stores and stock accounts maintained.
- (iii) (a) A list of purchase order placed and/or other contracts entered into by Officer-in-Charge of office inspected during last 3 years.
(b) A list of purchase order placed and/or contracts entered into by superior or other authorities during past 3 years against which transactions of receipts and payments and/or receipts or despatch of supplies are incurred by the office (in Form VI of the Annexure).

4. Position of pending Audit Inspection Reports and Departmental Instructions and Internal Audit

- (i) (a) Pending Audit Inspection Reports/Test Audit Notes with all correspondence and upto date position.
(b) List of records not maintained and/or not produced to audit as reported in previous audit and their present position.
- (ii) Latest list of pending objection (such as, wanting D.O.bills, etc.) received from Central audit sections concerned of the office of the Accountant General, Madhya Pradesh, Gwalior.
- (iii) Dates of last 3 internal audits; together with internal audit reports and subsequent correspondence.
- (iv) Dates of last 3 inspections by superior authorities (with their names and designations and disposal of inspection reports).

5. Data relating to Records of Personnel

- (i) A list of officials (name and designations) whose service books/leave accounts are maintained in two part those who are due to re tire within 5 years and others; together with

their service books and leave accounts. In case of those who are due to retire within 5 years, the date of retirement may be indicated.

- (ii) Records relating to personal advances and recoveries in respect thereof; whose detailed accounts are kept by the drawing officer.
- (iii) A list of officials (with name and designations) whose Provident Funds Accounts are required to be maintained by the establishment, together with such accounts.

6. Data about Losses/Enquiries

- (i) A list cases of embezzlements/misappropriations/thefts, shortage and of cash of stores etc. and losses on any account; together with case files.
- (ii) A list of officials (names and designations) under suspension; together with case files.
- (iii) A list of departmental enquiries and of complaints registered with the Police on any accounts.

ANNEXURE**Form - I****Statement of Centres/Units whose records are required to be brought to the audit office**

| S. No. | Designation of the unit and location | Nature of activities | Authority for setting upto the unit |
|---------------|---|-----------------------------|--|
| 1. | 2. | 3. | 4. |
| | | | |

Form - II**Incumbents on the post of the drawing officer since last audit**

| S. No. | Name of the officer | Duration | |
|---------------|----------------------------|-----------------|-----------|
| | | From | To |
| 1. | 2. | 3. | 4. |
| | | | |

Form - III**List of Records available**

| Sl.No. | Name of the Record | Nature of transactions | Period for which available |
|---------------|---------------------------|-------------------------------|-----------------------------------|
| 1. | 2. | 3. | 4. |
| | | | |

Form - IV

Date of actual/budgeted receipts/expenditure

| Heads | Actuals for previous 3 years | | | Allotment for current year | Budget Estimate/ Allotment for ensuing year |
|--------------------------|------------------------------|------------------------|------------------------|----------------------------|---|
| | Allotment/ Expenditure | Allotment/ Expenditure | Allotment/ Expenditure | | |
| 1. | 2. | 3. | 4. | 5. | 6. |
| Receipts Heads: | | | | | |
| (i) | | | | | |
| (ii) | | | | | |
| (iii) | | | | | |
| Total receipts | | | | | |
| Expenditure Heads: | | | | | |
| (i) Pay and allowances | | | | | |
| (ii) Contingencies | | | | | |
| (iii) Loans | | | | | |
| (iv) Grants | | | | | |
| (v) Works | | | | | |
| (vi) Other items | | | | | |
| Total Expenditure | | | | | |

Form - V**Particulars of Personal Ledger Accounts Revenue Deposits in the Treasury Bank Accounts**

| Name of Account | Type of Account | Purpose of Account | Name of Bank/ Treasury | Date of opening | Sanctioning authority and reference of authority | Value of transactions during previous year | |
|-----------------|-----------------|--------------------|------------------------|-----------------|--|--|-----------------|
| | | | | | | Opening Balance | Closing Balance |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. |
| | | | | | | | |

Form - VI**List of purchase orders/Contracts**

| S. No. | Date of Contract/order | By whom placed | Subject matter of the contract | Approximate financial implications in receipt/ expenditure |
|--------|------------------------|----------------|--------------------------------|--|
| 1. | 2. | 3. | 4. | 5. |
| | | | | |

Form OAD - 3(a)
(Referred to in Para 1.25(ii))
ANNEXURE II

LAP No.

Record of movement of the party for the month of

| Sl. No. | Name of official and designation | Period | | No. of working days | Name of unit audited with stations involved Particular of transit from one place to other | Name of I.O. and dates of supervision in case of supervised audit | Remarks |
|---------|----------------------------------|--------|----|---------------------|---|---|---------|
| | | From | To | | | | |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. |
| | | | | | | | |

CERTIFICATE: Certified that stamp account for the month of as detailed below tallies with the stamp register maintained by the party and an account has been sent to G.S.Despatch vide No. dated

1. Opening Balance:
2. Add: Receipts vide:
No.
Dated
Total
3. Less Total upto date expenditure from to
4. Closing balance

Form OAD - 3(b)**(Referred to in Para 1.25 (ii) and Para 1.29 (vii))****Event Report of Section for the period to memo of staff of
AGMP-I/II Gwalior****1. Persons present in the Section on 21st of the Month**

| Sl.No. | Name Ms/Shri | Designation and Permanent No. |
|---------------|---------------------|--------------------------------------|
| 1. | | |
| 2. | | |
| 3. | | |
| 4. | | |
| 5. | | |
| 6. | | |
| 7. | | |
| 8. | | |
| 9. | | |
| 10. | | |

2. Persons on leave on 21st of the month

| Sl.No. | Name Ms/Shri | Designation and Permanent No. | Kind of Leave | Period of leave | Whether sanctioned or not sanctioned |
|---------------|---------------------|--------------------------------------|----------------------|------------------------|---|
| 1. | | | | | |
| 2. | | | | | |
| 3. | | | | | |
| 4. | | | | | |
| 5. | | | | | |
| 6. | | | | | |

3. Persons transferred from the Section to other section during the period of Report

| Sl.No. | Name Ms/Shri | Designation and Permanent No. | Date of Relief | Name of section to which transferred |
|--------|--------------|-------------------------------|----------------|--------------------------------------|
| 1. | | | | |
| 2. | | | | |
| 3. | | | | |
| 4. | | | | |
| 5. | | | | |
| 6. | | | | |

4. Persons who joined the Section on transfer from other section during the period of Report

| Sl.No. | Name Ms/Shri | Designation and Permanent No. | Date of Joining | Name of previous section |
|--------|--------------|-------------------------------|-----------------|--------------------------|
| 1. | | | | |
| 2. | | | | |
| 3. | | | | |
| 4. | | | | |
| 5. | | | | |
| 6. | | | | |

Assistant Audit Officer/.....

(OO No.OEIII/Event/AG-I/33 dated 16.09.75)

Form OAD - 4**(Para 1.25 Note (i) and Para 2.04 (ii))****Register for watching monthly progress of receipt of movement reports from LAPs**

| Sl. No. | Name of the LAP | Name of the Assistant Audit Officer | Month upto which Reports is received | No. of months in arrears | Refernece of reminders issued/ explanation called |
|----------------|------------------------|--|---|---------------------------------|--|
| 1. | 2. | 3. | 4. | 5. | 6. |
| | | | | | |

INNER COLUMNS**LAP**

| Month | Name and Designation of each member of LAP | Period | Particulars of movement stay and transit | Name of the Supervisory officer | Remarks |
|--------------|---|---------------|---|--|----------------|
| 1. | 2. | 3. | 4. | 5. | 6. |
| | | | | | |

Form OAD 5**(Referred to in Para 1.26 (e))****FORWARDING MEMO****(For use by the Inspecting Officer/Assistant Audit Officer while submitting Draft Audit Inspection Report and other documents to O.A.D. Headquarters - Civil)*****BY REGISTERED POST***

To,

Shri

Assistant Audit Officer/OAD II/III

Office of the Accountant General

(General and Social sector Audit),

Madhya Pradesh, Gwalior

Memo

No.LAP/

(Station) dated:

1. Name of office Inspected
 2. (a) Date of Actual Audit
 - (b) Total No. of Working days From to
(excluding Holidays)
- NOTE :- These dates should be reconciled with the daily progress report of work done by Audit Party.
3. Name of Assistant Audit Officer/Auditor (1)
 - (2)
 - (3)
 4. Was the Audit Supervised Yes/No
 5. Name of Supervisory Officer Shri
 6. (a) Dates of Supervision
 - (b) Total No. of working days
(excluding Holidays)

7. Period covered during audit From to
8. Document forwarded:
- (a) Draft Audit Inspection Report Pages to
- (b) Test Audit Note Pages to

Note:- 1. No draft Inspection Report should be submitted unless and until it has been discussed and got seen by the head of office or by the next supervisory officer looking after his charge.

2. In case of supervised audit, Test Audit Note is to be signed by the Audit Officer after review as Test Audit Note is part of draft Inspection Report as per para 791 of M.S.O. Tech Vol.1.

- (c) Memo containing acknowledgement of objection Memo issued Pages to
- (d) Objection memos (Rough Sheets) Pages to
- (e) Other Misc. papers collected from office inspected. Pages to
- (f) Statement of settlement of paras of old Audit Inspection Reports. In addition to statement of settlement of paras of old Audit Inspection Report a specific mention should be made as to whether the old Inspection Report or files were received from the Headquarters. This should be recorded on the top of the statement (No. of actual statements along-with the key documents sent, separate file for each facts statements to be sent).
- (g) Certified list of drawals, In case the list of payments is received from the D.A. Section a specific certificate Pages to

daily diary should be quoted against this item. The distribution of work among the member of the party should however be placed at the top of the rough sheet, so that the actual work done be verified with the distribution of work originally made.

- (k) Certificates regarding checking of
- (i) Reference to para of the draft AIR indicating result of audit of establishment, service books and leave accounts. A certificate should be furnished by the LAP to the effect that the checks prescribed in para 4.15 of chapter 4 and chapter 5 of the OAD Manual (2nd edition) in respect of nominal audit, audit of increment certificates, pay fixation on promotion/reversion, service books and leave accounts office copies of establishment bills and acquittance rolls have been carried out. The following data should be furnished.

| | Total No. | No. Produced | No. Checked |
|-----|--------------------------|---------------------|--------------------|
| (a) | Service Books | | |
| (b) | Leave Accounts | | |
| (c) | Cases of Increments | | |
| (d) | Cases of Pay Fixation on | | |

promotion/reversion

[CAG's letter No.102-O&M/145-79 II dt.20.03.1980]

- (ii) Departmental Provident Fund Pages to
- (iii) Deduction under Additional Pages to
Emoluments (Compulsory
Deposit) Act 1974
- (l) (i) Whether admissibility of grant-in-aid Pages to
has been checked and certified under
Rule 31, 32, 33 of Unified grants-in-
aid Rules 1960.
- (ii) 3 copies of the statement audited Pages to
accounts by Chartered Accountant
are enclosed. In case these accounts
are not enclosed complete reasons
may please be recorded and facts of
non-preparation of audited accounts
along with reason for non audit by
Chartered Accountants included in
Draft Audit Inspection Report.
- (m) (i) Is the office maintaining the G.P.F. Pages to
accounts of all class IV employees
other Temp. Government Servants.
- (ii) Whether the accounts so maintained Pages to
are checked in accordance with the
instructions issued.
 - (a) No. of accounts maintained.
 - (b) No. of accounts checked.
 - (c) No. of accounts not produced

[See office order No. OAD (M)/OO/GPF/23, dated 24.05.1969]

- 9. Details of cases where capital expenditure was charged to revenue and Pages .. to....
vice verse.

10. (i) Months selected for detailed audit:
 The months selected for detailed audit should be specifically mentioned in a separate sheet of paper. It should be filed with the rough sheets and ref. to that page should be quoted against this item. In this statement it should also be specifically, mentioned whether all the documents are received from the DA section. If not, the details of the documents received and not received should be furnished. Pages to
- (ii) Whether the months were selected on spot or intimated by Central Office. Pages to
11. Reasons if the report was not discussed with the Head of Office. Pages to
12. Reasons if any, for delay in Despatch of Inspection Report. Pages to
- The reports are required to be dispatched within 3 days from the last day of inspection where report is dispatched beyond this period. Reasons for the delay should be indicated against this item.
13. Details of work done regarding tracing money receipts in the Cashbook month-wise tracing has been done, the specific months should be indicated. Pages to
14. Details of amount to be kept in objection book. Pages to

- 15. Verification of correctness of pay (in Pages to circular No. OAD I/MISC AER/2009/dated 27.07.1969

- 16. ¹Statement showing records of central office Pages to received and not received details of its return.

Certified that the audit inspection was conducted with reference to rules/orders/ circulars on the subject and to the best of my knowledge and belief.

Signature of Assistant
Audit Officer/Dated:

Signature of Inspecting
Officer/Dated

1

| | | | |
|------|----------------------|--------------------------|---------------------------|
| (i) | Name of Section | Name of records received | Used for Reference return |
| (ii) | Records not received | Name of Section | How work was managed. |

FORM No.8**(Referred to in Para 2.06(i))***Check Register for watching the receipt and issue of Inspection Reports*

| S. No. | Name of office Inspected | Name of Inspecting Officer and staff (L.A.P. No.) | Period of Audit | Date of Audit | | Date of Receipt of Draft Report | Date of submission to AO/SR. DAG |
|--------|--------------------------|---|-----------------|---------------|----|---------------------------------|----------------------------------|
| | | | | From | To | | |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. |
| | | | | | | | |
| | | | | | | | |

| Date of Approval | Date of on which sent to type | Date of return from type | No.& Date of Issue | Reference progress Register | Remark |
|------------------|-------------------------------|--------------------------|--------------------|-----------------------------|--------|
| 9. | 10. | 11. | 12. | 13. | 14. |
| | | | | | |
| | | | | | |

FORM No.9**(Referred to in Para 2.06(2))***Progress Register of settlement of Inspection Reports*

| Sl. No. | Name of unit Inspected | Date of completion of Audit | No. & Date under which Report was issued | Due date of receipt of reply | No. and Date of receipt of reply | Date of Receipt of last reply | Date of issue of further audit remarks |
|----------------|-------------------------------|------------------------------------|---|-------------------------------------|---|--------------------------------------|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. |
| | | | | | | | |
| | | | | | | | |

| Further correspondence | | Date of closure or Report | Remarks |
|---|--|----------------------------------|----------------|
| Date of receipt of further replies | Date of issue of further remarks or reminders | | |
| 9. | 10. | 11. | 12. |
| | | | |
| | | | |

FORM OAD - 16**OAD A.I.R. No.****Office of the Accountant General (G&SSA), Madhya Pradesh: Gwalior****Supervised*****Non Supervised*****EDITION MEMO**

1. Name of the office
2. (a) Name of Assistant Audit Officer/I/C
Audit Party
- (b) Name of the Inspection Officer
3. Date of Audit From..... to
4. Date of Review do
5. Date of despatch of the Report
6. Date of Receipt of the I.R. in OAD
Headquarter
7. Whether the delay, if any, has been
satisfactorily explained.
8. Entry in the check Register: Page No...../Item No.
9. Date of submission of the Report to the
Asstt. Audit Officer.
10. Reasons for delay in submission by more
than 3 weeks.
11. Important points to be noted in the Register
of financial irregularities.
12. Important paras to be reported to the Higher
Authorities in advance.
13. Important `

points for which draft paras may be prepared.

14. Whether the position of Part I (B) (1) is correct and agrees with the progress Register and A.I.R. file.
15. Whether the A.I.R. has been seen and discussed with the head of office.
16. Whether note of settlement of paras of old A.I.R. has been prepared by the party in duplicates.
17. Whether the drawals for the selected months for all the Major heads operated by the Drawing Officer have been traced from the list of payment received from the Central Office/Prepared by the party with the treasury records in the cash book and Bill Register and certificate of having done so is recorded on the list of payment received/prepared from treasury records.
18. Whether the list of remittances for the selected month was prepared by the Assistant Audit Officer from the cash book and verified from the treasury records and necessary certificate has also been recorded to this effect on the list of remittances.
19. Whether the special points marked by central office were reviewed by the party and findings have been incorporated in the A.I.R.
20. Whether the statement of records of work done by each member of the L.A.P. are enclosed and it tallies with the duty list.

21. Whether prescribed percentage of audit in respect of following items of works have been conducted and a certificate to that effect received in the prescribed proforma:
- (a) Service Books & Leave Accounts
 - (b) D.P.F. Accounts
 - (c) Additional Emoluments (CD)s
 - (d) Check of correctness of pay
22. The selection of months for detail audit was done on the spot due to non receipt of intimation from Central Office & whether a selection memo is enclosed with the A.I.R.
23. Whether the statement showing records received/not received from the Central Office in enclosed with the A.I.R. and whether the records not received has been entered on page at item no..... of the register of records not sent to audit parties.
24. Whether the receipt tracing has been done to the prescribed extent and a certificate to that effect has been received in prescribed proforma.
25. That the amount of Rs..... as per para of A.I.R. has been kept in O.B. and noted on page of O.B.
26. Whether all the objection memos (Rough Sheets) issued by the Party have been received along with the draft Inspection Reports.
27. Any other commission of the Audit Party **Dated Initials of Auditor**

28. Remarks of the Assistant Audit Officer with his dated initials
29. Remarks/orders of the Audit Officer/ Sr. DAG (IC) with his dated initials

