

WORKS AUDIT MANUAL



OFFICE OF THE ACCOUNTANT GENERAL (AUDIT)-II, MAHARASHTRA,
NAGPUR

PREFACE

This Manual is intended to be a guide for the officers and staff of the Economic Sector of the Office of the Accountant General (Audit) II Mah, Nagpur which covers 19 districts and 7 Departments of Government of Maharashtra(**Appendix-I**).

This manual has been prepared by referring Indian Auditing Standards published by IA&AD (Third Edition, 2017), Regulations on Audit and Accounts 2007, Performance Auditing Guidelines, Compliance Auditing Guidelines 2017, CAG' Manual of Standing Order (Audit), OAD manual , Audit Quality Management Framework, Internal Control Evaluation Manual, Standing orders on role of audit in relation to Fraud and Corruption and various Instructions/ Circulars/ Guidelines issued by HQRS from time to time. This manual also includes best International Audit practices consistent with IA&AD mandate. The instructions contained in this Manual are supplementary to those contained in Comptroller and Auditor General's Manual of Standing Orders (Audit) Edition 2002 as well as the instructions contained in the Manual of the Outside Audit Department prepared by the Principal Accountant General (Audit) I, Maharashtra, Mumbai. This Manual has been compiled for use in I.A. & A.D and confined to O/o. Accountant General (Audit) II, MAH. Nagpur only and should not be quoted as authority in any correspondence with other offices.

Vetting (HQ) section will be responsible for keeping the Manual up to date and ensure that all orders affecting changes are incorporated in the Manual with due care and promptitude.

Suggestions for improvement of this Manual are welcome and should be brought to the notice of the Vetting(HQ) section.

Nagpur:

Dated:

Accountant General

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CHAPTER I – GENERAL

CONSTITUTION AND FUNCTION

Constitution and Sanctioned strength

1.1 Economic Sector (ES) wing has been constituted for conducting local audit of the accounts of the offices of the State Government falling under the ES Departments. The audit conducted centrally in this office is supplemented by periodical test audit of initial accounts, documents, vouchers etc., with a view to ensure the propriety and the accuracy of the original data on which the accounts of an office are based and submitted to this office.

1.2 (a) Vetting (Headquarter) section is the controlling section and exercises control over the administration and working of field audit parties.

(b) The field audit work has been distributed among the following types of field audit parties:

(i) Review parties for carrying out efficiency cum performance audit.

(ii) Audit under Sections 13, 14, 15 & 19 conducted locally by scrutiny of records of the sanctioning authorities and autonomous bodies.

1.3 The local audit party normally consists of Two Assistant Audit Officer (AAO) and one auditors.

1.4 The field parties are supervised by Sr. Audit Officer/Audit Officer. The “ A” category units are fully supervised by Sr.AO/AO.

Functions

1.5 ES wing is responsible for conducting local audits and inspections of the accounts of the State Government offices falling under departments of ES for which the CAG is statutory responsible under the CAG’s (DPC) Act, 1971.

The functions include **Audit Planning, Execution, Reporting and Follow up.**

Audit Planning:-

- 1) Electronic data base of auditee profile,

- 2) Materiality and Risk Assessment,
- 3) Audit Objective , scope and Methodology
- 4) Focus on criteria,
- 5) Identification of key risk areas and statistical sampling techniques,
- 6) Scheduling of Audit,
- 7) Training and capacity building,
- 8) Staffing for audit,
- 9) Assignment of personnel,
- 10) Parameters for distribution of work,
- 11) Standard formats and checklist,
- 12) Provision for supervision and review of audit

Audit Execution: -The Audit execution of audit planning includes following:-

- 1) Entry Conference
- 2) Determination of the audit approach
- 3) Developing and executing audit testes through evidence gathering, evaluating evidence , developing audit opinions;
- 4) Developing findings and ensuring that replies/ responses from the management are received;
- 5) Developing recommendations; and
- 6) Exit conference

Reporting: -The audit report should be complete, accurate, objective, convincing, clear and concise. The audit product includes all reports/appraisals/ comments/ opinions/findings that emerge from the audit process and its follow up. The response of the auditee should also be adequately reflected, and any divergence of opinion should be dealt with clearly.

Follow up:-Follow up of the audit output improves the quality and effectiveness of audit by assessing the response of auditee to the work performed by audit in terms of results and impact. There should be an assessment of action taken by the auditee in response to audit findings.

(Authority: - CAG's operationalization of AQMF dated 04/06/2009)

Preparation of Tour Programme

1.6 (a) Maintenance of Master Programme Register

District wise Master Programme Register should be maintained at the Vetting (Headquarters) section showing:

- (i) Name of the office to be inspected with full address and telephone number,
- (ii) Periodicity;
 - (iii) Time allotment and
 - (iv) The month and year of last audit.

The register should contain suitable columns to record the dates of audit for five years after which it should be prepared afresh, after deleting the offices not in existence and adding newly formed. Any additions and alterations in the existing entries in the register should be made at once quoting full reference to the relevant orders under the dated initials of the Branch officer. The register should be submitted to the Branch Officer as well as to the Group Officer as mentioned in calendar of returns.

1.7(b) With the help of the Master Programme Register, quarterly tour programme of the local audit parties should be prepared. No hard and fast rules can be laid down in this behalf, but the following requirements should be ensured:-

(I) The tour programme of the local audit parties should be prepared indicating

- (1) Designation of the D.D.O. and name of office, telephone No., if any;
- (2) Periodicity;
- (3) period from which an audit is due;
- (4) time allotment; and
- (5) Holidays.

(II) Name of the office should normally be included in the programme of audit in the month in which the inspection falls due.

(III) As far as possible all inspections to be carried out in a particular station or area should be conducted at a single visit in each quarter of the year to ensure maximum economy in travelling expenses. The programme should be so framed that normally the field parties follow the shortest and direct routes and there is no overlapping or covering of the same routes again by the same party or any other party.

(iv) To ensure maximum output, transit from Headquarters office to the field parties should be allowed on working days and transit from one station to another during tour can be given on Sundays and holidays. Full day transit should be allowed for tour station located at a distance of more than 200 Kms.

1.8 (a) The local audit programme may be organized in such a way as to ensure that audit of bodies and authorities selected under Section 13,14,15 & 19 of CAG's DPC Act, 1971 and other institutions, is completed according to the Audit Plan drawn out annually. The reviews of schemes selected should also be completed with the existing staff. The balance of staff may then be deployed on the normal work and it may be ensured that this is suitably phased so as to complete it with the available staff. For this purpose, it may be necessary to review the existing frequency and duration of the inspection of offices coming under the usual local audit programme of the wing with regard to the importance of the audit of particular office/institution. For example, if expenditures of the institutions mainly relate to salary and allowances and which are not likely to throw up important points for inclusion in the Audit Report, need be given only comparatively low priority in such programme. The intention is that, all institutions should be covered in the local audit programme over a period of time. It is not necessary to adhere to fixed schedules of annual, biennial or triennial local audit in respect of auditee units, financial transactions of which are more or less of a routine nature and which do not generally deal with development programme. All institutions should, however, be covered in local audits over a period of time without any fixity of schedules.

(b) The programme of audit of accounts in respect of which financial statements etc., are incorporated in the Appropriation Accounts and Audit Report, should be arranged in such a manner that all the audits are concluded well in advance of the date by which material has to be supplied to Appropriation Section.

Undertaking of new Audit

1.9 If Government or any other authority is requested to the Accountant General (AG) to undertake audit for which no orders were issued by the CAG, the AG should refer the matter to the CAG.

(Para 1.1.8 CAG's M.S.O. (Audit) Edition – 2002)

Special Audit

1.10 The special audit of an office or institution may be undertaken at the request of the State Government when a report of fraud, misappropriation or any other serious financial irregularity is received or when such irregularities are suspected.

(CAG's letter no. 285-T.A.I./110-77, dated 18th April, 1978)

Consent Audit:-

1.11 With the promulgation of the CAG's (DPC) Act, 1971, the practice of undertaking audit on "consent" basis **ceases** and audit undertaken by the CAG has to be under one or other section of this Act or any other enactment of Parliament.

Extracts of Section 2, 13 to 15 & 19 of the CAG's (DPC) Act, 1971.

Definitions

2. In this Act, unless the context otherwise requires

- (a) "Comptroller and Auditor General" means the Comptroller and Auditor General of India appointed under Article 148 of the Constitution;
- (b) "State" means a State specified in the first schedule to the Constitution;
- (c) "Union" includes a Union Territory, whether having a Legislative Assembly or not.

General provision relating to audit

13. It shall be the duty of the CAG-

- (a) to audit all expenditure from the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly and to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;
- (b) to audit all transactions of the Union and of the State relating to Contingency Funds and Public Accounts;
- (c) to audit all trading, manufacturing, profit & 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.

CHAPTER – II

DUTIES AND POWERS

Duties and powers of the Senior Deputy AG/Deputy AG (ES)

2.1 Each Inspection of ES Wing is under the direct charge of the Group Officer who is responsible for general administration of the wing ensuring its smooth and efficient working. His main duties and powers are given below:-

- (i) General Administration of the Wing;
- (ii) Personal Supervision of important audits by inspection during the course of audit as per requirement of HQ's office;
- (iii) Preparation of audit Plan/Programmes/Tour notes of Group Officer.
- (iv) Active involvement at every stage in performance audit work.
- (v) Marking of such paragraphs of the Inspection Reports at the time of approval, as are of sufficient importance for its inclusion in Audit Report.
- (vi) Scrutiny and approval of the weekly diaries of local audit parties.
- (viii) Approval of all extensions in the time allotments for local audit.
- (ix) Preparation of tour programmes including any deviation of all Gazetted and Non Gazetted staff of the local audit for obtaining approval of the AG.
- (x) Postings and transfers of all Gazetted and non-Gazetted staff to Headquarters or to various local audit parties within the Inspection of G & SS Wing after approval of the AG.
- (xi) Waiving of objections having monetary value up to the limits prescribed and subject to the fulfilment of conditions laid down in Para 7.1.16 of the CAG's Manual of Standing Orders (Audit) 2nd Edition 2002.
- (xii) Granting of regular leaves to AAOs and Sr. AOs for periods upto 60 days. He may sanction eight days casual leave to the staff working under him.

Inspections

2.2(a) The Group Officer is to supervise the field audit parties minimum of **seven days** in a month.

He should submit the tour note in the prescribed format along with his tour programme for the following months to AG for approval by 25th of the month, preceding the month to which it relates. He should not leave headquarters without the permission of the AG. The Group Officer shall prepare his tour programmes for local and outstation units, giving coverage to maximum number of units, rotation of stations, parties and units so as to avoid deviation at a later stage. However, any deviation from approved programme in respect of party unit, station (local or outstation) dates of supervision and transit shall have the prior approval of the AG.

(b) The Group Officer is liable at any time to be recalled from tour by the AG special purpose.

(c) Supervision of other audits i.e. annual, biennial, etc. should be as under:-

- Category A units having expenditure more than Rs55 crore will be audited annually and 100% supervised by Sr. AO/AO
- Category B units having expenditure between Rs 30 crore to Rs55 crore will be audited bi-annually and 50% supervised by Sr. AO/AO
- Category C units having expenditure less than Rs 30 crore will be audited once in three/four years for which no supervision required

In addition to that as far as possible full gazetted supervision should be provided for the following items of local audit:

(i) Efficiency-cum-Performance Audit

(ii) (iii) System audit wherever special audit of specific systems are taken up.

(iii) Audit of district and higher level offices which deal with development activities under plan programme.

(iv) Special Audits (Frauds, embezzlements).

(v) Other annual, biennial, etc. audits should be supervised to the extent of 50% subject to a minimum period of three days towards the closing stages of each local audit.

(Authority: CAGs letter number. 974-O&M/7-81/Vol. V dated 30.11.82 and 1271-O&M/7-81-V dated 24.9.85)

Duties of Sr. AO/ AO, Vetting (Headquarters)

2.3 The Sr. AO/AO in charge of Vetting (Headquarters) Section shall be responsible for supervision

and efficient working in the sections under their charge. He will assist the Group Officer (ES) in performance of his duties and in the discharge of the duties enumerated in clauses (iii) to (vi) in para 2.1 above and will undertake such other items of work as may be entrusted to them by the Group Officer. The Sr. AO / AO will have power to grant casual leave up to five days at a time to the AAO and up to eight days at a time to the staff working under AAO when the period exceeds to the power of sanction of the AAO. In addition, he may sanction regular leave with pay and allowances to the Sr. Auditor/Auditor working under him up to a maximum period of 30 days at a time.

Duties of Inspecting Officer

2.4 The Inspecting Officers (IOs) are responsible for supervision and efficient working of local audit parties entrusted to their charge. The IOs will have the following duties:

(i) The duties and responsibilities assigned to the IO according to the provisions in Section VI (6.1.8) of Manual of Standing Orders (Audit) are sufficiently exhaustive. Besides performing the coordinating functions to achieve over-all efficiency in performance and seeing that necessary process of audit of the various documents have been carried out by the staff under him. The IO will do a certain amount of original work and personally examine all important points raised by the staff with reference to original documents. He should personally review major scheme files, major procurements, financial powers of head of auditee unit, list of beneficiaries, etc and also see whether the state of accounts in the office inspected is satisfactory. He should himself draft the Inspection Report (IR) and discuss it with the head of the office inspected, wherever he is present at the close of the inspection.

(Annexure to Para 6.1.7 of MSO (Audit) – 2nd Edition – 2002)

(ii) In case of important audits, he should ensure that he gets necessary briefing where required from the Group Officer (ES) well in time with regard to any special point to be examined during such local audit. Likewise, in the case of special audits, he has to ensure that necessary guidelines on which special audit is to be conducted are obtained from the Headquarters and the period for which the records are to be examined in detail is also to be ascertained.

(iii) The IO shall make it a point to call on the Head of Office being inspected in the beginning of

audit and ascertain from him, if he has any suggestions, for looking into any point of importance in greater details. He should examine such suggestions and also other matters which come to his notice for deciding upon the lines on which the local audit is to be started.

(iv) The IO has to acquaint himself with the system of finance of the office /institutions, the accounts of which he is inspecting, what makes up its receipts and how its money is expended. He should then make up his mind as to what system of accounts is necessary for these receipts and expenditure, what registers are necessary for internal check purpose and how far the existing system conforms to this standard. This is the elementary and primary responsibility of the IO to be discharged at whatever stage he comes in on the inspection.

(v) The IO should guide their staff, do a certain amount of original work in respect of important transactions and should personally examine, with reference to the initial documents, all important points raised by their staff.

(vi) The settlement of outstanding paragraph of the earlier IRs is one of the important duties of an IO.

(vii) He should try to get all the facts and explanations on the spot by discussing the points raised during inspection with the Head of the Office. Wherever the IO feels that the points raised by him are so important that they may ultimately find a place in the Audit Report of the CAG, he should take particular care to examine all the issues involved, collect all the relevant information and also take attested copies of those documents which are likely to be useful in pursuing the matter with higher authorities, while editing the draft paragraphs for the Audit Report, Headquarters should not find themselves at a loss because of missing links in the facts and arguments set forth necessitating a fresh reference through the next audit party resulting in avoidable loss of time.

(viii) It should be recognised as one of the important duties of IO to report immediately to the Group Officer (G & SS), anything really serious or important which comes to light in the course of his inspection without waiting to be its inclusion in the IR.

(ix) The IO shall personally attend to the following items of work during local audit:-

(a) Disposal of previous IRs including review of old objections.

(b) Conduct a general review of the cash book and scrutiny of transactions involving heavy

expenditure and receipts of peculiar nature.

(c) Examination of system of stores, purchases and general review of purchases made.

(x) Approve the distribution of duties amongst the members of audit party.

(xi) Reporting of important and interesting cases to the Sr. Dy. AG/ Dy. AGs every month.

Duties of Headquarters Section.

2.5 Vetting (Headquarters) Section is responsible for the following items of works:-

(i) Keeping up to date the list of offices to be locally audited.

(ii) To draw out an audit plan of units to be audited in the next financial year for approval by the AG.

(iii) Preparation of tour programmes of audit parties and IOs under the orders of the Group Officer/Sr. AO/ AO (Headquarters).

(iv) Sending intimations of dates of local audit to the concerned offices in time.

(v) Ensuring that the local audit and inspection are carried out in accordance with the approved programmes.

(vi) To get the month/months account selected for detailed audit and intimating the same to the local audit parties.

(vii) To ensure that the IR of each office, of which the audit is completed, is received at Headquarters in time and is not detained by the local audit party beyond the prescribed period.

(viii) To ensure that all the IRs received are properly and promptly edited and issued to the concerned offices after approval by the Group Officer within one month .

(ix) Scrutinize the compliance of IRs received from the Departmental Heads, issue further remarks, if any, or take any further action on the same until all points raised in the IRs are finally settled.

(x) To review the outstanding paras monthly and maintain its up-to-date position.

(xi) Maintenance of all prescribed Registers and issue of reminders when due.

(xii) Supplying copies of all important orders, interpretations of rules and books, codes and manuals to the local audit parties which are useful for local audit purposes.

(xiii) Correspondence with the State Government regarding local audit.

(xiv) To see that list of payments and schedules of drawls relating to selected months are promptly

supplied to the field parties after obtaining it from Works Account Sections of the office of AG (A&E), Nagpur.

(xv) Furnishing of material required by the Report Section for its inclusion in the Audit Reports.

(xvi) Examination of the weekly diaries received from the local audit parties.

(xvii) Checking of movements of the party personnel shown in their T.A. bills with the sanctioned tour programmes, weekly diaries and casual leave registers, etc., and submission of the T.A. bills to Office Establishment-I Section within 60 days from the completion of date of journey, etc.

(xviii) Staff proposals of the ES Wing for each financial year are correctly worked out and submitted to the Administration Section well in time.

(xix) Seeing that all the local audit work is done punctually and regularly.

(xx) Preparation of periodical arrears reports and other returns.

(xxi) Maintenance of important orders files for guidance of the Headquarters Sections and local audit parties, and keeping the Manual up to date.

(xxii) Casual leave accounts of the staff of the ES (HQ) and local audit parties will be kept in Headquarter Sections.

(xxiii) All other miscellaneous and policy matters relating to the Inspection in connection with local audit/inspection and disposal of IRs etc., should be dealt with promptly.

(xxiv) Maintenance of all the prescribed registers shown in Appendix I. These registers should be examined by the AAO and submitted to the Sr. AO/ AO (Headquarters) and Group Officer (ES) on the due dates given in the Calendar of Returns maintained as per Appendix III of this Manual.

(xxv) All other miscellaneous and ancillary items of work as may be entrusted.

Distribution of Work at Headquarters

2.6 Work of ES wing is divided into two sections. These sections are under the charge of an AAO. The work between them is distributed as under:-

Vetting (HQ) I

Work regarding vetting to dispatching of IRs to the audited unit of following departments Public Works (Vidarbha & Marathwada); Irrigation (Government); Public Works (Electrical) (Vidarbha & Marathwada); Mechanical Division (Irrigation); Agricultural, Animal Husbandry & Fisheries; Co-

operation & Textiles; Tourism; Industry & Energy and Labour.

Vetting (HQ) II

- (i) Preparation of Audit Plan, tour programmes and dealing with matters relating to local audit;
- (ii) Preparation of staff requirements;
- (iii) Postings and transfers;
- (iv) Work regarding vetting to dispatching of IRs to the audited unit of Vidarbha Irrigation Development Corporation; Godavari Marathwada Irrigation Development Corporation; Tapi Irrigation Development Corporation; Forest and Sugar.

Draft Para Section

Work regarding processing of Draft Paras and its onward submission to Report Section for its inclusion in Audit Report is done by Draft Para Section.

Duties of AAO (Headquarters)

2.7 The AAOs of Vetting I & II hold the supervisory charge of the sections and are required:

- (i) to exercise a methodical, complete and clear supervision over the working of their sections to see that orders are understood and correctly followed, to maintain discipline and tidiness in the sections, to see that the work of the section is evenly distributed, to see that standing orders regarding leave, attendance, and general conduct are strictly observed and to bring any irregular habit, disorderly conduct, neglect of duties or insubordination on the part of their staff as detected by them to the notice of the Sr. AO/AO of VETTING(HQ).
- (ii) To maintain a Calendar of Returns showing the due and actual dates of submission of reports and returns to the various authorities. This should be submitted for Branch Officer weekly. Blank note sheets should be appended to and bound with the Calendar of Returns for the purpose of submission of the weekly reports in the prescribed format. The Branch Officer should record the result of his scrutiny and his further instructions, if any. The timely submission of the calendar of Returns should be watched through the Calendar itself.
- (iii) To maintain and keep in safe custody the Attendance Register, casual leave Register, Register of Financial Irregularities and to submit all reports (including Diary Reports), Registers, Statements etc. due from the section.

(iv) To see that:-

(a) The old records requisitioned from the records branch are not unnecessarily retained in the section; and

(b) All correspondence files and other records are duly arranged and delivered to the Branch when due.

(v) To see that no arrears of any kind accumulate and an arrears report in the prescribed form to be submitted effecting the true state of work in the section.

(vi) to overhaul thoroughly at least once in a month all papers on his assistants tables, racks stools, pigeon holes, drawers, almirahs, etc. to see that nothing has escaped or escapes disposal and that all disposed of papers, vouchers, etc. are regularly and properly filed.

(vii) to see that all Codes and Reference books supplied to the Section are kept upto date and are readily available.

(viii) to see that the Sectional Order Book and other files containing office orders, circulars, government letters, etc., are properly maintained and kept up to date.

(ix) to see that the particulars of all documents etc., sent out are noted in the registers prescribed for the purpose.

(x) to ensure the correctness of all information, facts, figures, communicated to government departmental authorities, other offices.

(xi) to pursue vigorously all cases of financial irregularities, losses, etc.

(xii) to maintain a note book for recording the various points which he has to watch but which are not required to be noted in any one of the prescribed registers. This record should be handed over to the successor whenever there is a change in incumbency.

(xiii) to sign ordinary, routine and printed letters for the Sr. AO/ AO whether he is on tour or at Headquarters.

(xiv) to go through carefully the letters received daily and to mark specially those letters which require prompt action and to see that no delay occurs in their distribution and disposal.

(xv) to see that the disposal of correspondence and bills received through Sectional Diaries. The Section's despatch number is given in case reply has been issued and the number and date of transit

register is quoted when a letter is finally transferred to another section for disposal. Cent percent the entries of disposal in case of letters from the Government of India, State Government and the CAG of India to be verified before submission of weekly diaries.

(xvi) to dispose of, himself, as far as possible, after obtaining necessary information from his assistants, all unofficial references and important letters from the Government of India, State Government and CAG and to see that where necessary a copy is invariably taken of all unofficial references for inclusion in the office files.

(xvii) to see that letters and other papers which are of interest to more than one section of the office as also the ruling and orders of general applications which are received direct in the section are circulated/communicated without delay to other AAOs for information and necessary action.

(xviii) To pass file orders on all letters, audit memos, etc.-except letters from the Government of India, State Government and CAG of India, which should be filed only under orders of Sr. AO/AO/ Group Officer in charge.

(xix) To review the Sectional Transit Register at the end of each month to see that all letters entered therein for transmission to other Sections are duly received by them under dated initials without undue delay; that effective steps are taken to dispose of the disputed letters and undelivered letters are shown as outstanding in the diary report.

CHAPTER III

RULES AND PROCEDURES FOR THE LOCAL INSPECTION STAFF

General Duties

3.1 The inspection staff is responsible for carrying out the actual audits/inspections, drafting of the IRs and despatching of such reports to the Vetting (HQ) section alongwith all relevant documents. Work regarding vetting to despatching of IRs to the audited unit is carried out by Vetting (HQ) Section. The inspection staff should, however, draw attention of the Vetting (HQ) section by separate notes to the defects in this Manual and should scrutinise at each inspection the relevant portion of the Manual to see whether it requires amendment in any respect.

IA & AD has adopted a code of ethics which should be observed by auditors at all times. The auditor promotes trust, confidence and credibility by adopting and applying the ethical requirements of the concepts embodied in key principles of the code- Integrity, Independence, Objectivity and impartiality, Confidentiality and Competence. The conduct of auditors should be beyond reproach at all times and in all circumstances.

Strength of Local Audit Parties

3.2 Ordinarily two AAO, one Senior Auditor /Auditors are attached to each local audit party. The Senior Auditor /Auditors work under the supervision of the AAO. Where there are two AAOs in a local audit party, the Senior AAO will be the in charge of the party.

Time allotment

3.3 The time allotment for each account is fixed in terms of (single) man days after taking into consideration the quantum of work in each account and past experience of the same account as well as additional work, if any, to be done during local audit.

Extension in time allotment

3.4 (a) The time allotment for the audit of an office/unit should not be exceeded except for very special reason and with the previous sanction of the Group Officer. The local audit parties should

take care to send the request for extensions well in advance so that the orders of the Group Officer in this regard are communicated to them before the expiry of time originally allotted. In no case, may an extension be availed of before it is actually sanctioned.

(b) While submitting request for extension in time allotment for any audit, full justification necessitating such extension should invariably be given.

Time allotment for Important/Long duration Audits

3.5 Ordinarily, the period for local audit should be allotted on the basis of category of unit. For **A** category unit 10 days should be allotted. For **B** and **C** category units, 8 days and 5 days respectively should be allotted. The composition of local audit party should be determined keeping in view the nature and complexity of the work of the organisation to be inspected. The composition of the party can be varied, particularly in respect of major and important local audits. For really important local audits, even three or four AAOs can be deputed with one or two Senior Auditor /Auditors and full time gazetted supervision provided with a view to improve the quality of local audit and cutting down its duration. It is also imperative to ensure that before commencement of the local audit, the party undertakes a detailed and in-depth study at the Headquarters regarding functions, nature and extent of activities and magnitude of its financial transactions of the office or organisation to be inspected. The IO should himself undertake some important and original work and brief the inspection party regarding description of the work required to be done by each member.

Detailed planning of the work should, from its very inception be the personal responsibility of the supervisory officer at the level of the Group Officer, who should ensure effective supervision of inspection work and provide necessary guidance. Their close supervision would be required particularly in the second half of inspection of major department offices and organisations. **It is also necessary to ensure that the personnel of local audit party particularly AAOs and Sr. AO/AOs are not changed in the midst of inspection.**

Note 1. The time allotted in tour programmes includes the time for writing of Audit Memos and IRs, but excludes time taken on journeys and Sundays and holidays on which work cannot be done.

Note 2. Local holidays and any other holidays declared by the State Government should be observed. A copy of the orders in support thereof should be submitted to Vetting (HQ) along with the relevant

weekly diary.

Note 3.If transit from one station to another falls on a holiday, such a day should be utilised for transit and not to be availed as a holiday.

Note 4.The auditors will not be allowed a day or as a part of a day during working hours for looking for accommodation or attending to papers received from the Head Office. Auditors arriving at a station before 12 noon are expected to put in at least half a day's work.

Note 5.The time allotted for local audits also includes time for the disposal of old objections.

Note 6.In case of second and fourth Saturday/ Sunday and two or more consecutive holidays, all the LAPs carrying out audit outside Nagpur and within a periphery of 200 Kilometres from Nagpur may avail evening transit to Nagpur on the working day before the first day of holidays and may avail morning transit from Nagpur to place of audit on the working day after the last day of holidays.

Review of Time allotment

3.6 A review of time allotments should be carried out every third year in order to see that the time allowed for the local audit of various types of offices is adequate and not more than adequate.

Programme

3.7 No variation is allowed from the prescribed programme without the previous permission of the Group Officer (ES).

Weekly Diaries

3.8 (a) *Preparation and Submission of Weekly Diaries* – Each AAO, Sr. Auditor and auditor should prepare weekly tour diary based on work done by him. Weekly tour diaries of the Senior Auditor /Auditors should be countersigned by the AAO who should also record a certificate on page No. 8 of the title sheet that the work done by the Senior Auditor /Auditors was reviewed daily and found satisfactory or otherwise, as the case may be. Weekly diaries for the work done in the week from Monday to Saturday should be forwarded to the Headquarters on Monday of the next week. Weekly tour diary forwarded by the AAO, Senior Auditor and Auditor should be scrutinized by the Sr. AO /AO of Vetting (Headquarters) and submitted to the Group Officer.

(Comptroller and Auditor General's letter No. 173-OLM/12-75/1 dated 24thSeptember 1975).

(b) Review of the work done by the auditors during Local Audit by the Supervisory Staff

(i) At present the supervisory staffs conduct only a general review of the work done by the Senior Auditor /Auditors during local audit. No record of the items of work specifically reviewed, the extent and the result of such a review is kept in any register or return. With a view to ensuring that the items of work attached to the auditor have been checked adequately during the local audit, it has been decided that the AAO (senior most among them in case there are more than one AAO) should conduct a test check of the work done by the Senior Auditor/Auditor including the check of totals expected to be made by the latter.

Period covered by Local Audit

3.9 (a) As far as practicable, every local audit or inspection should cover transactions from the date up to which the account was last audited to the month preceding the month in which inspection takes place. The Cash book should, however, be checked up to date. The local audits and inspections should be complete and thorough in respect of the transactions covered by them.

(b) In case of accounts in respect of VIDC, GMIDC and TIDC the period of audit would be up to the end of last financial year.

Categorization of units and Quantum of Gazetted Supervision

3.10 (a) Categorization of units in A, B and C category is based on five years expenditure (monitory limit), perceived internal controls, susceptibility to frauds / scams, visibility etc.

Public Works, Irrigation and Forest Department		
Expenditure criteria (Rs)	Category	Man-days
55 Crore & above	Annual	10
30 Crore to 55 Crore	Biannual	08
Less than 30 Crore	Triennial	05
Other departments of ES i.e. Agriculture + allied department		
25 Crore & above	Annual	10
10 Crore to 25 Crore	Biannual	08
Less than 10 Crore	Triennial	05

Supervision: As far as possible full gazetted supervision at the level of Sr. AO / AO should be provided for the following items of local audit: -

- (i) Efficiency cum performance audit (now, Performance Audit and Thematic Audit);
- (ii) System audit wherever special audit of specific system are taken up;
- (iii) Audit of district and higher level offices which deal with development activities under Plan Programme; and
- (iv) Special audits (frauds, embezzlements etc).

(Authority CAG's letter No. 1271-O&M/7-81 V dated 24-09-1985).

(b) Accountant General instructions regarding supervision of auditee units:-

- Category A units having expenditure more than Rs55 crore and above will be audited annually---- 100% supervision by Sr. AO/ AO.
- Category B units having expenditure between Rs30 crore to Rs55 crore will be audited Biennially--- At least 50% supervision by Sr. AO/AO.
- Category C units having expenditure less than Rs30 crore will be audited once in three/four years--- Supervision as per availability of manpower.

Intimation of dates of audit and Inspection (Para 4.22 of compliance auditing guidelines)

3.11 (i) After the overall strategy and audit plan, intimation should provided to the identified auditable entity.

(ii) Immediately after the approval of Quarterly programme of local audit, a copy thereof should be sent to the concerned audit units so that they may take necessary steps to keep their records ready for being made available to the local audit parties.

(iii) Copies of the approved programmes of local audit parties along with incharge IOs as well as subsequent amendments made therein should also be supplied to the respective IOs/ AAO for their guidance.

(iv) Intimation regarding change of dates of audit of any office consequent upon grant of extension/ postponement or otherwise should be sent to the Head of Office concerned immediately.

Working hours and Pattern of Holidays

3.12 (a) The local audit parties will observe the working hours and the pattern of holidays of the office/department visited by them. While every endeavour should be made to observe the above instructions as far as practicable, there would be no objection to minor adjustments being made in

working hours or pattern of holidays, in case of such parties to suit administrative convenience.

(b) The Government of Maharashtra offices observes the working hours from 10.00 Hrs to 17.30 Hrs. with half-an-hours break for lunch. Every second and fourth Saturday is closed holiday.

Attendance

3.13 (a) All the members of local audit party must attend the office which they inspect during the regular hours.

(b) Each local audit party should maintain an Attendance Register in which each member of the party shall mark his attendance. The attendance register should be closed in accordance with the instructions laid down in the Manual of Office Procedure. The attendance register should be submitted to the IO at the time of his visits to supervise the work of the party.

Calling of lists of payments for local audit

3.14 A copy of list of payments and also schedule of drawals for the selected months must be provided to the field parties for verification during the course of audit by an auditee organization. The audit party should prepare the list of drawals in duplicate from the treasury records for verification of transactions with the records of DDO i.e. cash book and prepare the list of remittances from the cash book of DDO for verification of transactions with the treasury records.

Distribution of work on Inspections

3.15 It is always convenient in the matter of practical results to entrust the more mechanical and routine portion of the work to the Auditors and more important work to the AAO including pursuance of other complicated investigations. Distribution of duties amongst the members of Audit party should be approved by the IO in case of supervised audit.

The broad line of the distribution of work as laid down in annexure appended to para 6.1.7 of CAG's Manual of Standing Orders (Audit) second Edition.

Defalcations and Frauds

Professional scepticism:-

Audit teams / officers should maintain an attitude of professional skepticism (an attitude that includes a questioning mind and a critical assessment of audit evidence) throughout the audit.

3.16 Definition of fraud:-

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

(a) In the event of Auditors finding anything likely to lead to the discovery of a defalcation or fraud or any serious irregularity, the circumstances should be communicated to the Group Officer and para should be incorporated in the IR as a major irregularities. When defalcation is of an important nature and in the auditor's mind beyond doubt, intimation should be sent to the Group Officer.

(b) In cases where frauds are suspected during the course of local audit, local Audit Party should take note of the detailed particulars of the documents on the basis of which the fraud is likely to be established and bring the matter promptly to the notice of the VETTING (HQ) who may bring this fact to the notice of the next superior authority of the department and, if necessary, to the Head of the Department. Sr. AO /AO of VETTING (HQ) should forward such type of paras to the Sr. AO/ AO (DP Cell) who should maintain a register in this behalf where details of the cases are kept on record and action taken by the departmental offices are watched in the usual manner.

(c) In order to streamline and regulate the process, it has now been decided that all Group Officers, while approving an IR should identify and submit to the AG the cases of suspected fraud, mollified and corruption warranting vigilance investigation. AG would examine the cases and record speaking orders before forwarding the extracts of IR paras to the Administrative Secretaries of the Department concerned demi-officially in strict confidentiality, highlighting the need of making vigilance investigation under intimation to the ADAI. The matter would be followed up with the Government till finality. Meanwhile, in case the matter is proposed for inclusion in the Audit Report, the fact of having intimated the State Government for taking urgent action on the matters may also be mentioned in the final Audit Para.

(CAG's office DO No. 1149-Rep(s)/187-2003 dated 28-8-2003)

Guidelines for detection of defalcations and frauds

3.17The efficacy of local audit depends largely on the intelligence, thoroughness and resourcefulness which are brought to bear on it. Even an apparently minor defect or irregularity might conceal a potential fraud or misappropriation which may come out through intelligent probe. The inspecting staff should be alive to this and exercise the checks intelligently and not in a mechanical way. An illustrative list of irregularities which are likely to conceal potential frauds is given below for guidance:-

- (i) Erasures, over-writings, interpolations, alterations and un-attested corrections in figures, pass orders etc. in cash books and registers, bills presented at treasuries, invoices, sales bills, receipts etc.
- (ii) Removal of pages from cash books / account books and registers.
- (iii) Tampering in totals and carry forward of totals, especially in cash books and stock books.
- (iv) Errors in totalling in bills.
- (v) Errors in carry over figures from subsidiary registers to main registers.
- (vi) Delay in disbursement of money drawn from treasury (including moneys recovered against court attachment, undisbursed salaries, etc.).
- (vii) Non availability of challans in support of remittance entries in cash book.
- (viii) Tampering of figures in challans.

Note: Fictitious entries of remittance in Cash book will be brought to light during the verification of credits for remittances for selected month/months direct from the books of the Treasury.

- (ix) Persistent delay in submission of payee stamped receipts, suppliers' invoices and countersigned detailed bills to audit.

Note: For this purpose a list of such items should be furnished by the Audit units to the Sr. AO/VETTING(HQ) along with the vouchers and other documents for scrutiny in local audit.

- (x) Payments made on duplicate invoices, absence of proper reference in invoices to entry in stock books.
- (xi) Issue in stock accounts not supported by proper indents and acknowledgement issued on free transfer bills not acknowledged by the recipients.
- (xii) Failure to cancel sub vouchers or paid vouchers.

(xiii) Bills presented at the treasury without its entry in the Bill Register, interpolations and alterations of entries in the Bill Register.

(xiv) Items of stores, works, etc. paid for in bills and not being traceable in the relevant registers, viz., stock accounts, works registers, measurement books, etc.

(xv) Signing office copies of bills in full, difference between the entries in the office copies and fair copies of the bills.

(xvi) Persistent failure to conduct physical verification of stores or to take action on the verification reports.

(xvii) Entries in important records like Cash Book, stock accounts, etc. not being attested.

(xviii) Absence of proper periodical scrutiny of cash book, stock books, contingent registers by the Head of the Office or the authorized Gazetted Government Servant.

(xix) Non reconciliation of departmental figures with those of Treasury.

(xx) Non accountal of cheques drawn from the treasury in DDO's Cash Book.

(xxi) IT fraud is an area of concern for audit. Collecting computer evidence requires careful planning and execution. Audit team/ officers should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

Necessary guidelines for dealing with frauds and corruption cases as issued by ASOSAI and INTOSAI's auditing standards i.e., General Principals, General Standards, Field Standards and Reporting Standards may be kept in view during audit of records of any organisation/office. Further "Standing Orders on role of audit in relation to cases of Fraud and Corruption" issued by CAG office on 06/09/2006 should also be kept in view.

Follow Up:-

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

Illustrative Fraud cases.

- Duplicate payments
- Duplicate Bituminous Vouchers
- Collusive or cartel bidding to fix artificial high price for goods or services
- Defective Pricing by submitting inflated invoices
- Splitting of purchases to avoid open competition
- Supply order in excess of requirement/need
- Undue benefit to ineligible beneficiary / person, etc.

Conduct of Local Audit/ Proforma regarding Entry and Exit Conference

3.18 Before taking up the audit of a Government office or body/authority, the AAO/IO should -

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

(ii) Study the CAG's Secret Memorandum of Instructions where in some of the important matters to which attention should be given by the local audit party and the IO are indicated.

(Para 6.1.25 of the CAG's Manual of Standing Orders (Audit) Second Edition 2002).

(iii) Ensure that the records, concerned with the audit units, which are required to be received from the Headquarters (like old IR file, Audit notes from CAP sections, etc.) have been received.

(iv) Call on the Head of the Office, the accounts of which are about to be audited at the very commencement of audit and seek his assistance in settlement of old objections, supply of records and information for the current audit and provision of office accommodation and facilities for the

conduct of audit. The officials directly concerned with audit, namely Drawing and Disbursing Officer, Administrative Officer, Accounts Officer, etc. should also be met.

(v) Obtain in writing from the Head of office an exhaustive list of various fields of activities and the records maintained (like Monthly Progress Report preferably of March month, which will reflect all activities during the year, Sanctions received during the years, Supplies received during the year, list of beneficiaries, etc.) so as to ensure that all fields of activities of the office inspected and all financial records maintained in the office are covered during local audit.

(vi) Ensure that distribution of work among the members of local audit party has duly been made. It should also be ensured that full details regarding the nature of work allocated to each member of the party is attached to the IR.

(CAG's letter No. 3010/Admn I/463-60 dated 2nd November 1962)

Note: The Audit party in the course of their audits can express independent opinions connected with the interpretation of various Act or Rule.

Entry Conference

The audit of the O/o _____ is scheduled to be held from _____ to _____ for the period from _____ to _____. The audit is entrusted to Local Audit Party (LAP) _____ of the O/o The accountant General (Audit)-II, Maharashtra, Nagpur. The LAP _____ is consisting of _____.

In the Entry conference held on _____, Shri _____ and his staff were apprised with the purpose & objectives of audit, timeliness and co-operation expected from them for its successful completion. The _____ instructed his office staff to extend all possible co-operation in this regard.

The following officers were present both from the Ministry and the audit side as given below:

From Ministry's side	From Audit side

Sr. Audit Officer/LAP-

Head of Office

Exit Conference

The audit of the O/o _____ is scheduled to be held from _____ to _____ for the period from _____ to _____. The audit is entrusted to Local Audit Party (LAP) _____ of the O/o The accountant General (Audit)-II, Maharashtra, Nagpur. The LAP _____ is consisting of _____.

The Audit Memorandum (AMs) issued by audit party have been received back and new observations which requires further action from your side are included in the Inspection Report. You may please see the Inspection Report.

The Inspection Report finally approved by the competent authority will be sent to you within one month.

Sr. Audit Officer/LAP-

Head of Office

Postponement and suspension of Local audit

3.19 Requests for postponement of audit are considered only in exceptional circumstances. All cases of postponement should have approval of the Group Officer. In cases whose requests for postponement of audit were not received through the Head of the Office/Department and the departmental office fails to produce the records on the scheduled date of audit, the AAO of the field audit parties should ascertain the reasons for non-production of records in writing from the Head of the office. The position should be brought to the notice of the Headquarters before taking up next audit in the programme. Where due to non-production/non-availability of prescribed account records of vital importance, an audit party is unable to proceed with the audit of an office, a detailed note indicating reasons for non-production/non-availability of records along with the remarks of the Head of the office inspected may be sent by the AAO/IO of the audit party to Headquarters seeking suspension of audit. Such note, if any, received from any party shall be accorded priority and orders thereon shall be obtained from the Group Officer. No audit should, however, be suspended without his prior permission. Where any audit is ordered to be suspended the reasons for suspension of audit shall immediately be intimated to the next higher authority of the office inspected with a request to trace/re-construct the concerned records for facility of audit.

Attitude of Auditors

3.20 The Auditors should be careful to see that no grounds are afforded for complaint from local authorities against the manner in which Inspection and Audits are conducted or in regard to the tone or the substance of their IRs. If the work of inspection of audit is to be of any value it should be conducted with tact and discretion and in a manner to avoid as far as possible all irritation to the local officers. They should also bear in mind that unnecessary meticulous or badly expressed objections not only bring discredit on audit and give rise to reasonable irritation but also cause an increase of work in both the Audit and the local offices.

3.21 Auditors, while yielding in nothing they consider to be part of their official duty should be careful to avoid friction with any of the officials with whom they come in contact. If they convince the officers by the manner in which they go about their work that they are there not to complicate procedure but to simplify it not merely to criticise but to assist, they will meet with little difficulty in

this direction. They should assist the local authorities with advice and may show by means of practical example, if necessary, how account registers should be posted and how a proper check is exercised, in order that there may be no possibility of mistake or omission due to ignorance on the part of the local officials. It is much better to prevent mistakes than in procedure than to discover such mistakes after they have been committed.

3.22The Inspection staff is strictly prohibited from being in any way under the obligation of any member of an office whose accounts are being or will be inspected by them 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 inspection party themselves. The use of the transport pertaining to any local departmental office for private purpose is definitely prohibited. The reputation of the office regarding honesty and efficiency depends to a large extent on the behaviour of the Inspecting staff. Any breach of these instructions should be reported forthwith by the AAO/AO/Sr. AO to the Group Officer confidentially.

General Audit Instructions

3.23For an intelligent and efficient audit or inspection of accounts, it is necessary that the Auditors should have an acquaintance with the various Acts, Codes and Manuals relating thereto, and they should also be conversant with the subsidiary rules and orders issued from time to time. Copies of all Acts, Codes and Manuals would be supplied, if required. They should also keep a note book in which they should record briefly important decisions contained in Government orders and in the orders issued from the department or in the papers sent for circulation. The formal rules for audit should be strictly complied with. Many of these rules represent in concise form the experience of many years and their value cannot be overlooked. Only they must not be converted into a fetish and applied in a rigid spirit or considered as all sufficing under circumstances where they are obviously inadequate. But when anything less is done than is laid down in them, the Auditors must bring the fact to the notice of the Sr. AO/ AO. Ordinarily they must be taken as the minimum of a good audit.

3.24The value of an audit depends largely on the intelligence and thoroughness with which the work is done. Sometime some informality, some irregular payment or some slight discrepancy is detected

in the course of audit. The tendency is to embody this in a formal objection statement, which in course of time is replied to the requirements of the Audit Department. These are complied within the particular case in question and there the matter ends. But what is when it should not end? Small circumstances like these, if taken up, may lead to the detection of larger irregularities or a defect of system liable to lead to fraud, and their value as such must be borne in mind. The AAO should look at everything in a fresh and original way, and when he realizes that he had touched on a matter which may repay investigation, he should go into it with an exhaustiveness which will not leave undiscovered detail. He must take nothing for granted. It is not, however, the function of an Auditor, except under special orders, to undertake such duties as enquiry into alleged oppression, the taking down of statements of witness, the examination of books of traders, the taking or checking of stock. If there are suspicious circumstances in the accounts, the Auditor should report the fact to the Group Officer. It is not the business of the Auditor but that of the Executive to undertake an enquiry

3.25As the object of the account is to present a true financial picture, intelligent and proper audit requires the visualising of all financial transactions in their proper perspective as a whole and not merely the examination of the details of the transactions which work to the final result. The Auditors should, therefore, prior to taking up the audit of the accounts of any particular institution, consult the printed administrative report of any other Government publications where the accounts of income and expenditure of the institution appear, so that they may obtain a correct perspective of the financial side of the institution and make their audit both intelligent and useful instead of allowing it to become merely a process of checking registers in a disconnected and mechanical way. (CAG's letter No. 57/Admn-I/135-34 dated the 28th January 1935).

3.26 Inmodern electronic/ IT environment, arithmetic correctness is obvious. Therefore it is the duty of Auditor to read between the lines and to see the propriety of sanction/expenditure and undertake scrutiny of decision taken by executives.

3.27No auditor is competent to undertake any investigation which is not strictly within the scope of the test audit, whether such an investigation results in extra time being taken or not. If anything is noticed in the course of an audit, the AAO and Senior Auditor should bring it specially to the notice of the Group officer.

3.28 Auditors should confine themselves to facts which have a bearing on accounts and finances and matters not falling strictly within the scope of audit should not be touched by them.

3.29 Auditors must call in writing, all registers and accounts of the offices inspected, required for audit purposes.

Note: AAO must examine all records required for audit and if any records cannot be produced, they should make sure of the reasons for its non-production and bring such failure, to the notice of the Head of the Office through incorporating paragraph in IR.

3.30 In auditing accounts all entries checked should be ticked by the Auditors and all vouchers, registers, etc. examined should be initialled by them. AAO/Auditors should not make notes, corrections or remarks in any of the registers or documents of the office which they are auditing.

3.31 Auditors should not apply merely mechanical checks to payment vouchers e.g. seeing that there is a proper acquaintance in support of payments, that amounts charged are arithmetically correct and that the rates are in accordance with the schedule of rates. In the interest of thorough audit, it is necessary to see that the charges in the bill are not extravagant and if doubt arises, the prevailing market rates may be ascertained through the District Officer. Cases of different rates paid for the same articles observed in auditing the accounts of two or more offices in the same locality should be investigated and the auditors should find out carefully the causes of such difference.

For e.g.:- In Social Welfare Department, grant of messing contact in same village /town to different agencies at different rates is matter of detail scrutiny.

In such cases, however, no hard and fast rules can be laid down as it demands the exercise of great care on the part of AAO. Such cases should generally be reported to the Group Officer for orders.

Check of Cash

3.32 The IOs are not required to verify by count the cash balance of the office inspected. It is, however, not the intention that an IO is debarred from verifying the cash of an office. If the circumstances in any case warrant this, in such a case the verification should be undertaken as soon as the necessity of the same is felt, and this should preferably be done in presence of the officer in charge. In this connection it may be borne in mind that, if in any case, the cash balance pertaining to a cash book is counted, a simultaneous count of all cash balances (with relevant accounts) in the

charge of the disbursing officer or other custodian of the cash chest is desirable. The same consideration applies in respect of surprise inspections. Wherever cash is verified it should be seen that the cash book is written up to date and all entries should be vouched to the date of verification. It should also be seen in audit that the cash chest contains nothing but the Government money and Government valuables.

Raising and pursuance of objections

3.33(a) All memos/other documents issued during the local inspection should bear the dated signatures of the issuing officers.

(b) Before the close of the audit, the audit memos issued should be received back from the officer in charge duly replied. Replies to audit memo should be carefully scrutinised by the AAO and an attempt should be made to remove as many objections as possible in the light of the explanation given by the officials. The efficiency of an Auditor will be judged partly by his success in having the objection cleared before he leaves.

(c) Finally, keep those objections which are fit for its inclusion in the IR and others should be deleted and then draft the IR.

Note 1: AAO should see that the requisitions and memos are promptly dealt with during audit and except in very exceptional circumstances which should be reported to the Group Officer. These must not be left with the local officials after the departure from the place of audit.

Note 2: If in any circumstances any of the objections finally included in the list of unsettled objections have not been made over to the officer whose accounts have been audited.

Note 3: In the case of Government Institutions all small irregular payment should be specially reported so that the Branch officer (Headquarters), the Group officer or the AG may waive the recovery thereof under para 7.1.16 of the Comptroller and Auditor General's Manual of Standing Orders (Audit) 2nd Edition 2002.

Note 4: It should be understood that only replies enabling an objections to be totally withdrawn, can be accepted. Replies such as 'noted', 'will be done', etc. and partial answers to objections are of no value.

Note 5: IR should not contain the original objections and the reply recorded at the preliminary stage

but each objection should be drafted afresh after taking into account the reply of the head of the office.

3.34The AAO should invariably serve an Audit memo in respect of all vouchers, documents or other relevant records as are not produced at the time of local audit but are promised to be shown later on. These objections could subsequently be dropped when vouchers are made available before conclusion of audit.

3.35Oral orders and explanation should not be given. Same should be repeated in the form of audit memos.

Settlement of old objections

3.36 (a) Settlement of outstanding paras of the earlier IR is one of the important duties of an IO and should be given adequate attention. The IO should take up the work relating to discussion of outstanding paras of previous IRs with the Head of Office and other concerned authorities soon after the audit commences and follow up the discussion with actual settlement of objections on the spot. This aspect of the IO's work is important and the IO should devote considerable portion of his time and attention to this work. The discussion and settlement of such items of objections in respect of office inspected should normally be done by the IO himself. Settlement of outstanding objections/paras ultimately depends on the merits of each case and should be dealt with extreme care and caution. However, the following guidelines may be kept in view for settlement of objections/paras which are outstanding in the old Inspection Reports:-

(i) The IO before treating objections/paras in the previous IRs as settled should ensure that the office concerned has furnished written reply/explanation for each objection so settled and their reply is placed on record. Based on replies/discussion with the authorities. He should also record brief justification for dropping the objection in the verification memo. In no case an outstanding objection/para should be treated as settled merely by recording "discussed and dropped".

(ii) Paras which are instructive in nature may be dropped provided the instructions are noted in writing by the department concerned.

(iii) Paras on non-completion of minor records may be dropped, if their completion has been made

and got verified in audit.

(iv) Paras on procedural matters like non-maintenance of a record, non-obtaining of a certificate relating to personal matters, non-attestation of some entries, etc., may be settled when complied with. When such type of procedural objections/paras are outstanding in one or more previous IRs and the irregularity has continued during current audit, the outstanding objections/paras in the previous reports may be dropped and a fresh para included in the current report mentioning it that it was pointed out in earlier IRs.

(v) Paras which are more administrative in nature may be dropped subject to the noting of the correct procedure by the departmental authorities.

(vi) Recoveries of petty amounts falling within the powers of the waiver under para 7.1.16 of the CAG's Manual of Standing Orders (Audit) 2nd Edition 2002 may be waived by the IO or proposed for waiver by the Group Officer/ AG, after issuing suitable instructions to the officers concerned.

(b) It is an important part of the duties of the field staff to see that the defects reported in previous Audit and IRs have been remedied and old objections are settled after review. There is a general tendency on the part of the field staff, to leave the review of old objections on the plea either that the replies to the paras outstanding from previous IRs have not been prepared by the office concerned or these have been submitted to Headquarters Section and further comments thereon are awaited. Leaving the review of old objections uncovered or making a half-hearted approach to this work does not help in reducing the number of old objection but also defeats the purpose of audit as it gives an impression to the office/ department concerned that we are not serious about the pursuit and settlement of the objections raised by the previous audit parties. It may also be possible to develop certain points into draft paras, if their latest position is ascertained and incorporated. The CAG are also laying great emphasis on the settlement of old outstanding paras and IRs.

All AAO (Field) and IOs are, therefore, directed that this item of work should be taken up in all seriousness. Immediately on reaching the office to be inspected, the Head of the Office should be requested for preparation of replies to previous objections. Special attention should be paid to settle maximum number of old objections (including those for which reply has been sent to headquarters office) by the discussion with the Heads of Offices and obtaining requisite information on the spot.

(c) All the IOs/AAOs should incorporate the latest position of the outstanding paras and their recommendations as a result of the discussion which they have with the departmental officer.

(i) All efforts should be made by the inspecting parties either to settle the objections through discussion or transfer the old objection to the new IR by updating them and dropping these from the old IRs.

(ii) The Group Officer should draw up an Action Plan for holding discussions on outstanding IR and objections with the Executive either at Headquarters (AG office or department) or during his inspection to the field offices. Detailed minutes should be drawn up indicating the compliance reports/replies and settle the objections on the spot on the basis of compliance.

(iii) AG may bring the matter of outstanding audit objections to the notice of Finance Secretary/Chief Secretary during periodical meetings with them.

(CAG letter DO No. 27 Audit (AP)/34-2001 dated 4-6-2002).

(e) Objections for more than 10 years old which are of routine nature i.e. petty recoveries, non-reconciliation with treasury, excess expenditure over budget allotment, recoveries from other Government Departments, etc. may be transferred to the respective Administrative Departments with a copy to the Finance Department for follow up of the objections departmentally. These objections will however, be watched through quarterly returns by the respective wings/sections but these will not be shown as arrears. The department wise list of outstanding paras showing the period, nature of objection, para number and brief gist along with all relevant papers may be forwarded demi officially to Government after approval of AG.

(f) Objections which have already become a part of Audit Report but are under discussion in PAC shall continue to be pursued till final settlement of objections by PAC through **Report section** and hence these paras will not form part of arrears.

Report on failure of Audit

3.37 The AG should submit to the CAG a separate report of every serious case of failure of audit as soon as it comes to light (including those pointed out by the Director of Inspection, if any) irrespective of any report which may be required for other purposes. The report should explain the manner in which the failure occurred, and mention the names of the persons responsible and the

disciplinary action taken or recommended.

(Para 1.23 of the CAG's Manual of Standing Orders (Admn.) Volume 1 (Third Edition)).

Fixation of responsibility for failure of audit

3.38 With a view to facilitating fixation of responsibility for failure of audit against any of the Auditors and AAOs it has been ordered by the CAG that proper records bearing the signature of each Auditor indicating work done by him should be maintained.

3.39 Each AAO should ascertain whether the Group Officer has issued any notes on the inspection of any of the accounts and see that the defects have been remedied.

Matter dealt with by Auditors to be kept confidential

3.40 Auditors should note that matters with which they have to deal are confidential. The audit is intended to be for the assistance of local officers and the Audit Department is not justified in permitting their shortcomings to become public.

Now on the introduction of RTI act, except those paras which are marked to DP cell as potential Draft Paras, all other observations can be made available to public on request.

CHAPTER-IV

INSPECTION REPORTS

Collection of information, copies of documents in support of objections, etc.

4.1 (a) All objections detected during the course of local audit should be communicated to the Head of the office inspected through Audit Memoranda (AM) issued over the signature of the IO/ AAO. The AM should be brief, precise and to the point. They should only seek confirmation/ information and not suggest any conclusion or pre-disposition on the part of the local audit party. These AM should be required to be returned in original immediately duly replied. If failed, delay should be brought to the notice of the head of the office promptly. Paras for the IR should be prepared only after considering the information/arguments advanced in the replies to AM. Where no replies are received, the para should be prepared on the basis of information gathered from records.

(b) The IO and the audit party should try to get all the information through accounts and other connected records and obtain explanations on the spot by personal discussion so that AMs are reduced to the minimum. The issue of AM should mostly be confined to confirmation of objections.

(c) The finalisation of material on each objections should not be postponed till the final stages of local audit as this is likely to lead to accumulation of unverified data and it may not be possible to include these objections in the Draft IR due to shortage of time towards the close of Audit.

(d) The IO/ AAO should ensure that the paras which merit inclusion in the CAG's Audit Report are fully supported by attested copies of all the documents referred to in the paras, the view of the head of the office on the paras and other relevant facts and arguments so that there is no difficulty in the VETTING (HQ) in processing of the paras for the Audit Report.

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

(f) The amount of overpayments or other irregular payments which have to be kept under objection

should be worked out to the extent feasible during the inspection itself and not left to be calculated by the office inspected and intimated to Audit later on.

(g) Where important initial records e.g. cash book, pass books, security registers, etc., are not maintained properly, the IO and the audit party, besides mentioning the technical defects and shortcomings in keeping these records should make a probe to see if the defective maintenance or non-maintenance indicates any misappropriation, etc.

Compilation of results of Audit.

4.2 The results of local audit are communicated through IRs which should include important points and cases of serious financial irregularities.

The AM and IR should be submitted by the local audit parties to the Headquarters duly attached with a Duty List.

4.3 The IR should be drawn upon in the following pattern:-

PART I – Introduction

This part may commence with an overview of the Audit Unit and may provide its functional/geographical jurisdiction, budget, financial performance and a perspective of the relative significance of the unit in the overall hierarchy of the department in pursuit of organisational goals. This may be followed by a brief explanation of the scope of audit, the sampling procedure followed and the audit sample- including the implemented units, the subject matters selected and the sources of audit criteria that have been adopted to evaluate the selected subject matters. It may indicate that the audit has been conducted in accordance with the applicable auditing standards of CAG.

PART II-Audit Findings

This part shall contain all positive and negative findings pertain to the audit unit and may be arranged in two distinct parts. The first part i.e. Part II A comprising significant audit findings relating to evaluation of the regularity related subject matters/ specific subject matters and propriety related subject matters and second part i.e. Part II B comprising other incidental findings related to both regularity and propriety aspects. The audit findings should be organised in decreasing order of materiality and significance, if possible.

Presentation of audit findings shall conform to the Auditing Standards and other reporting principles

and clearly bring out the applied criteria, the results of evaluation of the subject matter against the criteria highlighting the cause and effect relationship. Audit findings may also appropriately indicate the extent of non-compliance and whether they involve systemic issues or represent isolated cases of non-compliance.

PART III- Follow up on findings outstanding from previous reports

This part may indicate the progress of settlement of audit findings outstanding from previous IRs and list out the findings that continue to be outstanding.

PART IV-Best Practices

Any good practices or innovations, if noticed, during the course of audit may be mentioned.

PART V-Acknowledgement

This part may contain the acknowledgement of the extent of audit units cooperation in all matters including production of records called for in audit. It may also contain details of person holding the leadership positions in the audit units.

Instructions for drafting of Inspection Report.

4.4 (i) IR should entirely be in the printed form and its soft copy should be submitted with the IR to the Vetting (HQ) section for its approval by Group Officer.

(ii) IR should be prepared only on one side of the paper and in half margin with sufficient space for corrections. The pages must be serially numbered. All headings of paragraphs should be written on the top of each paragraph.

(iii) IR should be written in a clear and concise manner, the value of a report is not to be judged by its length or number of paras, though every point worthy of notice must be included who should give special attention to all matters which cannot be covered by a set of formal audit rules. Reports must be clearly expressed so that there can be no doubt as to the meaning of the point at issue.

(iv) Each paragraph should first explain the rules or orders infringed, next the transaction objected to, narrating the order of their occurrence, and finally the nature of the irregularity with its likely results.

(v) The IRs should contain only such cases/objections as are really important and likely to be eventually developed into draft paras for the Audit Reports. These should be very carefully drafted

as potential draft paras and should invariably include dates (at least one month) of various events or stages involved, e.g., in respect of drawal of amounts from the Treasury, date(s) of supplier bills, date(s) of payments and receipts of suppliers, date(s) of relevant sanctions or orders, particular financial rules or departmental requirements or orders infringed. The financial implications in respect of overpayments, irregular expenditure, non accountal or short recoveries, losses and shortages, etc. should always be mentioned, the full money value involved being assessed or worked out together with person(s)/Official(s)/Officer(s) involved or held responsible.

(vi) The draft paras should be drafted in a detached and dispassionate language and should be factually correct, brief and include all relevant information and financial aspects and dates, and emphasis should be laid on the exact point to be brought out, and only really essential comments which obviously follow may be added as statements or observations without qualifying words “Audit thinks that” or “The audit comments, or Had it been like this/that etc.”. Copies of relevant correspondence/notings from the departmental files or the original files should also be sent along with the Draft Paragraphs.

(vii) All cases of minor irregularities and audit objections pertaining to procedural defects in initial accounts and records, non-production thereof in audit, and other minor objections and contravention of rules, etc. shall be relegated.

(viii) All corrections of minor errors or compliance of financial rules and requirements should be got rectified and attended to and dropped during audit after discussions locally with Heads of Offices. Serious efforts should be made to have as many items as possible settled on the spot by giving proper guidance to the accounting staff, holding discussion with the Heads of Offices and ensuring as far as possible regarding rectification of the irregularities pointed out during the audit or at least by obtaining commitments to that effect.

(ix) The Report should be couched in polite language. Offensive or strong words, sarcastic language, etc. should always be avoided.

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

(xi) No suppositions, assumptions or allegations should be included in the Report. Only facts should be mentioned and inevitable conclusions drawn. There should be no reference to responsibility being fixed for any irregularity. It is for the administrative authority to take action in this respect.

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

Note 1. The State Government desires that the AO should not merely examine accounts and point out defects, but also convey some assurance to the administration that the accounts are satisfactorily maintained and that there are no indications of dishonesty.

Note 2. Serious notice will be taken, if any serious defects or irregularities omitted are subsequently discovered.

Note 3. If in any case, complete account records are not available of an individual item or head of accounts, it will ordinarily be sufficient to comment on it in the audit. In cases, however, where the amount involved is considerable or where the completeness of the records and information supplied affect the general system of accounts, the matter should be promptly brought to the notice of the Group Officer setting forth full facts for deciding, if the audit should be suspended.

(xiii) When higher sanction for any charge or practice is called for; the rule under which the authority sanctioning the charge in the first instance is not competent must be distinctly stated and the authority whose sanction is necessary specially named. Terms like “this appears to require higher sanction” or “the sanction of competent authority, is needed” only shows the inefficiency of the Auditor.

(xiv) Auditors will avoid repetition of what has already been said, but it will be open to them to bring fresh criticism on the accounts.

(xv) Auditors should quote freely in the AM the rules in the various codes and rules and sections of the Acts to which reference has been made. When a letter or a Government order is quoted, a copy should be attached to the AM.

(xvi) When Auditors come across cases of shortages in Government stores or defalcation of public

money and such cases have not already been reported to that office by the departmental officers, the omission to do so should be commented upon in the IR.

(xvii) When an Auditor comes across cases where an allowance is being paid to a Government Servant and Government sanction has not been obtained to the allowance, he should report the case to the Sr. Audit Officer/ Vetting (HQ) who will inform the same to the Financial Audit Wing-II Section with the approval of Group Officer.

(xviii) When any irregularity is noticed, which occurred during or which related to, periods covered by earlier inspections, the IO should specifically indicate his definite opinion whether the irregularity in question, could have been noticed in the earlier inspection or inspections, and under what circumstances this was not noticed earlier. It will be the duty of the Headquarters Section editing the report to verify the previous IRs, find out whether this irregularity or any aspect of it was actually noticed and to get the circumstances of any omissions investigated fully. Where necessary, explanations of previous inspection staff and officers should be called for under the orders of the Group Officer.

Language and tone of the IRs.

4.5 (a) Paras in the Draft IR should be self-contained and written in simple language so that it is intelligible to one, not familiar with the details of the working of the office locally audited and not fully conversant with audit language.

(b) In order to bring about uniformity in the style of reporting “**Style Guide**” for Audit Reports has been issued by the CAG for adoption which seek to encourage the use of plain simple English - short words, short sentences and short paragraphs.

Discussion of IRs

4.6 (a) The Draft IR should be discussed with the Head of the Office inspected on the last day of the audit. The discussion should not be postponed and the IO should have prior arrangements with the Head of Office or in his absence with his Deputy. The Report should be finalised on the last day of audit after discussion. In cases where no supervision at the level of Sr. AO/ AO has been provided, the Draft IR should be discussed and finalised by the AAO himself. Where there is difference of opinion, the views of the Head of the Office should be fully recorded against the relevant paras.

(b) After discussion, the Head of the office should be asked to record on the last page of the IR “Seen and discussed” over his dated signatures in token of his acceptance of the facts.

Submission of IRs

4.7 (a) The Draft IRs after having been discussed with the Department/Office concerned and where possible tentative draft-paras, should invariably be despatched to the Vetting (HQ) within three days from the date of completion of an audit. Any excuse for delay in the submission of IRs to the Headquarters will not be accepted.

(b) The Headquarters Section should ensure that the IRs are dispatched within three days from the date of completion of an audit. Whenever the submission of the IRs is delayed by an AAO by more than three days, an express reminder should be issued for securing early submission of the reports to Headquarters. The cases of delay in submission of IRs by the local audit parties without adequate reasons should be brought to the notice of the Group Officer.

Documents to be appended with the IRs

4.8 The following document should invariably accompany a Draft IR submitted to Vetting (HQ):-

- (i) Ranking of IR which should be properly filled in;
- (ii) Declarations regarding adherence to the code of ethics of C & AG (Annexure I & II);
- (iii) Draft IR with soft copy;
- (iv) Duty list duly completed in all respects and signed by the Sr. AO/AAO;
- (v) List of remittances;
- (vi) AMs with replies;
- (vii) List of drawals in duplicate;
- (viii) Audit Note Book;
- (ix) Rough sheets;
- (x) Old IR file.

Procedure for dealing with Draft IRs in the Head Office

4.9 IRs watching register: - A Register for watching the receipt and issue of IRs is maintained in the Vetting (HQ) section of head office. On receipt of the IR, columns 1 to 7 of this register should be filled in. Column no. 8 should be filled in at the time of its submission to Group Officer and column

no. 9 should be filled in after its approval by the Group Officer. Column showing date of issue should be filled in at the time of issue of IR to the concerned audited unit. The register shall be reviewed from time to time to ensure that all the IRs are forwarded within three days from the last day of audit. Where the IRs are not so received, reasons thereof should be ascertained by reference to the AAO concerned and steps taken to secure early submission of the Reports to Headquarters. The register shall be submitted to the Sr. AO/ AO weekly with a report indicating the number of IRs outstanding at the beginning of the week, the number of Inspections conducted of which Reports up to end of last week awaited, the number of reports issued during the week. The register should be submitted to the Group Officer for his review monthly as mentioned in calendar of return.

Preliminary Check

4.10 After the IRs is diarised it shall be subjected to preliminary examination to see that :-

- (i) Local audit has been carried out to the extent prescribed;
- (ii) All columns of the Duty list have properly been filled in and the AAO has signed at all places provided for in the title sheet;
- (iii) All statements, certificates and proformas, etc. required as per title sheet, questionnaire and paras of the IR have been received;
- (iv) IR has been discussed with the Head of Office;
- (v) There are no blanks and omissions of any data, etc.;
- (vi) The endorsements are correctly made on the AM and IR.

Vetting of IRs

4.11 In the case of local audit/inspections supervised by Sr. AO/ AOs, the IRs should be drafted by the Sr. AO/AOs themselves. Scrutiny as well as vetting of IR should be done by Vetting (HQ) wing and approved by the Group Officer.

Issue of IRs

4.12 (a) The important paras which are in the opinion of the Vetting (HQ) wing should be transferred to the DP cell who will process them into draft paras as is responsible for dealing with Draft Paras cases.

(b) On receipt of the Draft IR, duly approved by the Group Officer/Sr. AO/ AO, his orders, if any,

should be complied with and enter the date of return of the report from the Group Officer/Sr. AO/ AO in the Register for watching the receipt and issue of IR. It is the responsibility of the auditor to see that all errors and mistakes are corrected. In order to ensure that there is no undue delay in the comparison and issue of the IRs, the Auditors should indicate the date of receipt and the date of comparison on the office copy of the IR itself at the time of submission of fair copy for signature. Cases of delay on the part of Auditors, in this regard, should be brought to the notice of the Branch Officer.

(c) After necessary action has been taken as indicated above, the IR should be issued to the audited unit concerned duly entering the date of issue in the control register.

Time Schedule for issue of IRs

4.13 The IRs should be issued within one month from the date of completion of the inspection.

(Comptroller and Auditor General's letter No. 799-TAI/83-83 dated 16-7-83).

The following Time Schedule has been prescribed in order to observe these orders:-

- (i) The IR should reach Vetting (HQ) wing within seven days after completion of audit.
- (ii) The IR should be get approved by Group Officer and thereafter it should be edited, compared and issued. Finally, IR should issued within 30 days from the date of completion of audit. Any delay from this time schedule should be brought to the notice of the Group Officer and his orders obtained.

In the cases in which the IRs have been received but have not been issued within one month from the date of completion of the audit, the concerned Auditors should be reminded and such cases of delay brought to the notice of the Group Officer. Delay in issue of IRs up to one month may be condoned by the Group Officer after satisfying himself about genuineness of reasons. The IRs which are not issued within one month from the date of the completion of audit should be shown in arrears and the delay should be got condoned from the AG.

(CAG's letter No.799-TAI/83-83 dated 16-7-83).

4.14 In case of unsupervised audits, the IR will be approved by the Sr. AO/ Vetting (HQ).

(CAG's Secret letter no. 418-Admn. I/165-57, dated 9th February, 1959).

Record of objections in the objection Book

4.15 As required under Note 1 below para 7.2.7 of CAG's Manual of Standing Orders (Audit) 2nd Edition 2002, all objections arising out of local audit as embodied in the audit and IRs should be registered in Objection Books with the exception of those objection raised in local audit which cannot be expressed in money values. Necessary action to note the objections in the objection books should be taken after the draft IRs have been approved by the Group Officer. The No. and month of the item of objection books should be noted against each item in the IR.

(Authority- CAG's letter no. 40-Admn1/684-54 dated the 10th January, 1955).

Note 1: The CAG has decided that following categories of objections should also be noted in the objection Books maintained at the Headquarters section:

1. Outstanding dues to Government on account of credit sales for which accounts are kept by the departments for the purpose of effecting recoveries.
2. Advances made by departmental Agencies pending recovery in respect of which accounts are kept either in the Department or by the AG.
3. Short or non-recovery of departmental receipts noticed during the course of audit of initial accounts in the departmental office.
4. Cases of shortages in department balances of stock and difference between book balances of stock and counted balances noticed by Departmental authorities.
5. Discrepancy or shortage arising out of local audit in the initial accounts of stores and of a department, the audit of which has not been entrusted to the AG by the Government.

(Authority- CAG's endorsement No.2666 Admn./385-60, dated 28th August, 1960).

Before marking any item for keeping in objection book of Headquarters, it should be ensured that-

(i) Where credit sales are a normal feature of the activities of a concern, only delayed recoveries, which need to be pursued specially with the department are marked for keeping in Objection Book.

4.16 In addition to the copy or copies sent to the head of the Government office or institution inspected, a copy of the IR is also sent simultaneously to the next higher authority and his attention is invited specially to important items or serious irregularities or other points requiring his special attention. If the next higher authority happens to be an officer other than the Administrative

Ministry/Department of Government, it is for this officer to consider the necessity of forwarding a copy of the IR to the Ministry or Department in whole or in part.**(Practice of forwarding IRs to Department/Mantralay was discontinued).**

Necessary endorsements to this effect should invariably be recorded by the Auditor on the forwarding memos.

(CAG's letter No.2205-Admn II/608-Admn. I/58, dated 11th September 1959).

Progress Register of Settlement of Inspection Reports

4.17 A register to watch the progress in the settlement of IRs should be maintained. Separate pages may be allotted to each unit. At the time of issue of the IR, it should be entered in the particular page giving number of paras contained in it. The old paras existing in the old reports already entered in the register should be scored indicating the month of settlement. This register will be concise one depicting the position of IRs/paras outstanding at any given time or for more than six months old. A register should be submitted to Branch Officer and Group Officer on the dates mentioned in the calendar of returns.

Production of IR in a Court of Law.

4.18 It has been decided by the CAG that once the IR has been made available to the Head of the Office inspected in its final form, the question whether or not a privilege should be claimed for its production in a court of law should be decided by the AG in consultation with the departmental authorities concerned, and Audit need not claim any privilege for a report already issued if the departmental authorities do not wish themselves to claim any privilege to produce in a court the audit office record, only the finally approved office copy should be produced and not the original notes or drafts.

Note: The IR should be submitted to the AG for perusal, if there are any important points, which in the opinion of the Group Officer should be specially brought to his notice.

Advance Audit Comments

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

Annotated Copies

4.20 After the issue of the IR, all the subsequent correspondence regarding the IR is to be noted in the relevant columns of the register. In the remarks column of the register should be indicated individual No. of paras outstanding after six months of issue of the report. Paras which are subsequently settled should be circled and cross reference, to the letter No. etc. with which settled, be given. **Paras in respect of which the explanation etc. given by the department has been accepted, subject to verification at the time of next local audit, should be treated as settled for the purpose of the report of the register to be prepared monthly.** A report of the register should be prepared and submitted to the Sr. AO/AO of VETTING (HQ) on the date as mentioned in calendar of returns. The report should indicate detail cases in which annotated copies were due by the end of the preceding month have not been received. Cases of outstanding IRs for over six months should be indicated separately. The total number of paras outstanding after six months of the issue of the IR should also be indicated in the report.

[CA's letter No. 1656-Admn.III/152-60, dated 16th August, 1960]

ANNEXURE I to Para 4.8 (vi & viii)

CERTIFICATE TO BE ATTACHED WITH INSPECTION REPORTS

Certificate of verification of Drawals and remittances.

Certified that the drawals for the selected months are drawn from the record of Try./Sub-treasury and are verified from cash book of the _____ and found correct.

Signature of the person certifying the remittances

Countersigned

Assistant Audit Officer

Certified that the remittances for the selected months are drawn from the cash book of the Office of the _____ are verified from the records of Try/Sub-treasury and found correct.

Signature of the person certifying the remittances

Countersigned

Assistant Audit Officer

CHAPTER V

GENERAL PRINCIPLES AND PROCESS OF LOCAL AUDIT

INSTRUCTIONS

5.1 This Chapter deals with the general rules and principles in regard to the Local audit of receipts and expenditure. The special rules applicable to individual accounts or types of accounts are given in Manual of the Outside Audit Department Part-III issued by the Principal AG (Audit) I, Maharashtra, Mumbai. They are explanatory of, supplementary to the rules and instructions contained in the M.S.O. (Audit) and other appropriate codes issued by the CAG. It must be clearly understood that these instructions represent the minimum that is expected of an intelligent auditor and should never be construed as limiting the auditor's duties. Besides, points incorporated in Guidance Note issued by C & AG in August 2017 are also included in this chapter.

5.2 (a) Maintenance of Guard file: A guard file should be maintained for each auditable entity containing the legislations/rules/policies/orders that apply to the entity, Financial and outcome budgets, important long term contracts/MoUs and internal control process/ procedures instituted by the entity. The guard file should be updated in every audit.

Desk review: The audit party identified for audit of an individual entity should carry out a desk review at Headquarters before embarking on an audit. The review should comprise a study of the guard file, data analysis to determine the direction / focus of audit and to identify records /transaction that are potentially error prone for verification in the field. A desk review needs to be carried out for gaining an understanding of the entity to be audited and its focus areas.

Planning audit procedures: Based on an understanding of the individual entity, the SAO/AO in charge of the audit party should prepare a plan of audit procedures for the specific entity detailing the audit objectives, scope of audit. Main focus areas for audit and assignment plan for the team members which should be approved by the respective Group Officer before the audit is undertaken. Where a specific subject matter has been selected, an audit design matrix should also be prepared.

Audit Design Matrix (ADM): Compliance audit procedures in general involve establishing the relevant criteria and then measuring the relevant subject matter information against such criteria. ADM is required to be prepared in the following format:

Audit objective/Sub objective	Audit question on selected subject matter	Audit criteria	Data collection and analysis method	Audit evidence

When compliance audit is planned and conducted based on a top down and department centric approach, sampling for selection of transactions may have to be conducted at multiple levels. This multi stage sampling typically involves the following:

- Selection of transaction from the selected Audit Units falling directly under the chain of command of the selected Apex Auditable Entity relevant to evaluation of the selected subject matters for regularity and propriety audits respectively; and
- Selection of transactions from the implementing units, as considered necessary, relevant to evaluation of the selected subject matters for regularity and propriety audits respectively.
- Statistical sampling may be adopted for selection of transactions, which would enhance the level of verifiable audit assurance with exercise of professional judgement with regard to adoption of a suitable sampling methodology depending upon the selected subject matters, audit objectives being pursued and the envisaged scope of audit.

Conducting audits: Monitoring the field audit parties and supervising the quality of audit and documentation of the field audit work are the most critical processes and includes following process:

Interface with Headquarters: An effective two-way interface between field audit parties and Headquarters need to be established.

Certification of field audit process: The SAO/AO of the field audit party should certify that the audit process was conducted as planned in accordance with the Auditing Standards and Code of Ethics and those documentation requirements have been adhered to. It should not be forgotten that

what differentiates a local audit from the central audit is that the local auditor has access to basic facts and to the men who deal with them. The auditors should look at everything in a fresh and original way and when they notice that they repay investigation, they should go into it with exhaustiveness which will leave no detail unexamined. Sometime some irregular payment or some slight discrepancy is detected in the course of audit and the tendency is just to embody them in a formal AM and there the matter usually ends. Matters apparently of no moment, if properly pursued may and do leads to the detection of large irregularities or of as defect of system liable to lead to fraud and their value as such must be borne in mind. e.g. carry forward excess total on expenditure side will result in fraud.

(b) Local audit has to regard the detection of fraud as one of its duties. Such detection is almost impossible except at the verification of the original records. The local inspections give the expert eye of the trained auditors an opportunity to detect from the original records suspicious factors which could not come to notice in the Central Audit Office. Necessary guidelines for dealing with fraud and corruption (October 2003) as approved during IX ASOSAI Assembly October 20 – 26, 2003

Manila, Philippines may be kept in view during audit of records of any organization.

(Authority: CAG letter No. 283-Audit/M&C/252-2000 dated 8-11-04)

5.3 A pre-requisite to an intelligent examination of account is also a study of the budgets, annual accounts and the administrative reports of the institution concerned. The reports of the departmental auditors wherever they exist, should also be studied. A comparative study of the financial results obtained in more than one institution of the same kind might also be profitable.

GENERAL EXAMIANTION OF ACCOUNTS

5.4 (a) The Accounts of assessments and collection of receipts, stores, cash, measurements, muster rolls, etc., for the entire period covered by the inspection should be inspected and examined generally to see that they are maintained and checked in accordance with the prescribed rules and that the writings do not indicate any attempt to tamper with the records or to evade the requirements of rules. The recorded transactions should be surveyed intelligently and, if necessary, doubtful and abnormal items should be examined closely. 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 they are properly maintained and the totals and balances are correctly taken over to the main registers.

b) The nature of accounts record kept in an office depends upon the nature of business of the department/office has to transact. Nevertheless, every office handling cash and establishment matters is expected to maintain the following basic accounts record:-

(i) Cash Book.

(ii) Bill Register.

(iii) Contingent Register.

(iv) Stock Registers.

(v) Service Books.

(vi) G.P. Fund ledger and Broadsheets.

Besides the basic records referred to above, there are other accounts record which an Audit Party has to see quite frequently during local audit. The most common records and procedures which have to be scrutinized in local audit are indicated in this Chapter.

c) In examining various registers, etc., it should be seen in general that:-

(i) the Registers under scrutiny are maintained in the prescribed form.

(ii) the registers are page numbered and a certificate of page counting is recorded by a responsible officer on the first page.

(iii) all the columns provided therein are correctly filled in.

(iv) the transactions recorded therein are entered in chronological order.

(v) there is no evidence of tampering with the entries or pages of the registers.

(vi) There are no overwriting, erasures, etc. All transactions are properly made by drawing a line through the erroneous entry and inserting a fresh entry under proper attestation by the competent authority.

(vii) Each register is kept up to date and is reviewed by the competent authority at regular intervals, as provided in the Rules.

(viii) The recorded transactions should be surveyed intelligently, and if necessary, doubtful and

abnormal items should be examined closely.

(ix) Ordinarily the general examination should be conducted by the AAO and not left to his auditors.

Detailed Test Audit

5.5 The detailed test audit of the selected month/ months consists of

- (i) audit of the accounts of receipts.
- (ii) examination of the Cash Book.
- (iii) Audit of the accounts of Stores.
- (iv) examination of vouchers, which are submitted to Central Audit with original records and with contracts, etc.
- (v) audit of all vouchers not submitted to Central Audit.

Audit of receipts books

5.6 The stock account of receipts books should be examined to see that -

- (i) the number of blank receipt books received agrees with the indent or requisition sent to the press or other authorities and that all such receipt books are kept under lock and key by a responsible officer.
- (ii) only one book is issued to an individual officer on return of the previous used up book and the issues are in chronological order.
- (iii) the number of receipt forms contained in each book have been counted and a certificate to the effect recorded on the covering page under the initials of a responsible officer and all the forms are machine numbered.
- (iv) the issue of a receipt book and the return of a used up book are duly recorded and acknowledged.
- (v) for cancelled receipt form, there should be both the original and the duplicate portions in the receipt book.
- (vi) the stock is periodically verified by the Head of the office and a certificate to that effect showing actual closing balance available in the stock account by counting the numbers of receipts books in hand, should be recorded.

(vii) the return of the counterfoils of the used receipt books is properly watched and that counterfoils are recorded after check.

(viii) Similar verification should be done by the auditors as well.

Audit of Cash Book

5.7 The Cash Book should be checked in detail for the selected months and a general scrutiny should be made for other months.

A – General Examination:

General examination of the Cash Book is conducted to ensure that it is being maintained properly, in the prescribed form and the provisions of rules in this regard are being observed. It should be seen inter alia that:-

(i) All transactions of receipts and payments are correctly recorded in a cash book strictly in the order of occurrence and on the dates they actually took place and attested by the Head of the Office in token of check.

(ii) The totals of the cash book, if not checked by the officer-in-charge of the cash book, are verified by a responsible subordinate other than the writer of the cash book who initials it as correct.

(iii) The cash book is closed and balanced daily.

(iv) At the end of each month, the cash in chest is verified by the officer in charge of the cash book who has to mention in his own handwriting and over his dated signatures that the same tallies with the balance appearing in the cash book.

(v) There are no erasures or interpolations and that errors are rectified properly.

(vi) Adequate security as envisaged in Rules in respect of the Cashier has been obtained, accepted by competent authority and relevant document kept in the safe custody of the department.

(vii) There is no tendency to keep unduly large cash balance in hand and that cash in hand of cashiers, etc. does not exceed the amount of security taken from them.

(viii) A complete account of the permanent advance held, if any, is available in the cash book, full details of the cash in hand and un-recouped vouchers are being worked out and clearly recorded whenever the cash book has been closed.

(ix) The expenditure has not been incurred in excess of the permanent advance by spending

irregularly from departmental receipts or other undisbursed balances of amounts drawn from treasury for different specific purposes.

(x) Full details of the money (other than permanent advance) held in the cash balance are also worked out and recorded in the cash book whenever the cash book has been closed.

(xi) In the case of undisbursed amount of pay and allowances, the dates of their withdrawal are recorded and no item is held in hand undisbursed for more than three months.

(xii) There is no evidence of removal or tampering with the pages of the cash book, and its pages are duly machine numbered; certificate of count of pages contained in a cash book is recorded under the signatures of the Head of the Office in the fly leaf before bringing the same in use.

(xiii) When the cash book is closed at the end of the financial year, it is to be seen that the permanent advance is fully recouped and does not exceed the sanctioned amount of the advance.

(xiv) In addition to the detailed check of accounts of one month, arithmetic accuracy of cash book should be done **for one more month** selected as random which should include checking of the opening balance for proper carry forward from the closing balance of the selected months. In the case of biennial or triennial audits and audits in arrears, checking of arithmetical accuracy of the cash book may be confined to two months selected for test check.

Accounts of permanent advances

5.8 The permanent advance accounts should be examined to see that :-

- i) The amounts of permanent advances held by various disbursing officers are not in excess of their normal monthly requirements as judged from the expenditure incurred out of these advances;
- ii) These advances are not multiplied unnecessarily by obtaining separate advance for subordinate officers in the same office who may require petty sums for their use; and
- iii) Where an officer spares small portion of his own advance for use by his subordinates who may require petty sums, its acknowledgements are obtained and retained properly on record.

(Authority: Para 3.13.12 of M.S.O. (Audit) 2nd Edition 2002.)

Register of valuables

5.9 In the case of offices/departments which receive a sufficient number of valuables such as bank drafts, cheques, postal orders, etc., it should be seen that all these valuables are noted in a valuable

register maintained for the purpose. The register should be examined to see that:-

- i) each valuable received is entered in this register on the day of its actual receipt.
- ii) Full particulars of each valuable, i.e. the nature of valuable, its number and date, the name of person and office from which received, the name of the bankers, if any, on whom the amount was drawn, the purpose of deposit and the reference to the authority under which each valuable has been received is invariably recorded in this register.
- iii) Proper and complete reference to remittance is shown against each valuable.
- iv) There has been no undue delay in remittances of valuable to treasury for credit to Government account.

Accounting of non-government money

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

Scrutiny of treasury challans

5.11 Treasury challans should be examined to see:

- i) that they are presented to the treasury in the prescribed form indicating full particulars of remittances.
- ii) 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 both in words and figures for which the challan was prepared. It should also be seen that the Treasury Challans have been signed in full as required under Treasury Rules.
- iii) that the challan by its appearance does not suggest any tampering in the entry of the amount deposited and that due precautions are taken in writing the amount (both in words and figures) to exclude the possibility of a fraudulent interpolation.
- iv) 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 and the genuineness thereof got confirmed from the Bank or Treasury, if they differ.

Bill Register

5.12 A Bill Register in the prescribed form is required to be maintained by every officer authorized to draw money from the treasury on bills signed by him. In examining the bill register it should be seen that :-

- i) no bill drawn on the treasury escapes entry in the bill register.
- ii) the bills are entered in chronological order and on the day on which they are actually signed by the competent officer.
- iii) the dates of encashment of bills and the amounts of the bills are correctly traceable in the cash book.
- iv) all the columns provided in the bill register are filled in and the entries made therein are attested by the Drawing and Disbursing Officer.
- v) the register is reviewed monthly by a Gazetted Officer and the results of review are recorded therein.

Rush of expenditure

5.13 Expenditure incurred during March of the financial year should be scrutinized to see :-

- i) that the charges against the appropriations of the year, as brought to account, are regular.
- ii) that the liabilities of one year are not brought to account in another year; and
- iii) that irregular methods of dealing with assets and liabilities of the year have not been resorted to, which might either have caused actual loss or extra expenses or might possibly result therein or be otherwise not conducive to financial efficiency.

5.14 The irregularities liable to occur after accounting heavy expenditure at the end of a year are:-

- i) Payments charged off in the accounts but not actually made to the parties concerned at the time;
- ii) Payments made before the work or service representing the payment is performed.

Registers of forms

5.15 In case of registers of Forms, besides other checks, special care has to be taken in the scrutiny of stock account of saleable forms, license forms, or the receipt forms to ensure that no such forms are issued without realisation of the cost thereof which should be traceable in the Cash Book.

Stationery Registers

5.16 It should be seen that :-

- i) All purchases of stationery and its receipt during the period of audit has duly been accounted for in the stationery register.
- ii) Issues of stationery articles are regulated by the sanctioned scale and all issues, are bona fide.
- iii) Periodical inspections and verifications are made.
- iv) Totals and closing balances should be checked.

Registers of Telephones

5.17 In local audit it should be seen that the instructions issued by the Government regarding the expenditure on official as well as residential telephones are being followed and the registers meant for keeping records of calls made, bills paid for telephone calls, etc. are properly being maintained.

It should be seen that:-

- i) Dues have been paid without delay.
- ii) In case of private calls necessary recovery has been made, and credited to Government. The receipts may be traced in cash book.

Accounts of securities

5.18 It should be seen that:-

- i) security is taken as required under rules from persons entrusted with the custody of cash or stores and from contractors for works & supplies and it is in the form prescribed by the Government;
- ii) security deposits are covered by a properly executed bond or agreement setting forth the conditions under which the security is held;
- iii) Government paper tendered as security is taken at its market value and that a readjustment is made if there is subsequent depreciation in value;
- iv) the register of the receipts and disposal of securities is properly maintained and that all entries since last audit are correct, and specially that acknowledgement of depositors for return of securities exist against the corresponding entry of receipt.
- v) the register as well as securities are examined at least once a year by a gazetted officer of the Department.

- vi) either the securities or the acknowledgement of their authorized custodians (vide Government Securities Manuals) are produced for inspection;
- vii) in the case of Post Office Saving Bank Pass Books, also see that they are hypothecated to the Head of the Office for the full amount of security required and are kept in his custody;
- viii) in the case of recovery of security deposits from subordinates in instalments, the monthly instalments are regularly recovered, and correctly accounted for in Government account;
- ix) securities and security bonds are kept in safe custody according to the rules in this regard and are not released without specific orders of a competent authority.

Audit of Contingent Expenditure

5.19 The audit of contingent expenditure requires a detailed knowledge on the part of the auditor of the rules and orders governing the transactions of the department whose account is inspected. All financial rules, delegations and orders affecting expenditure and the other transactions subjected to audit, must be scrutinized before the audit of transactions which they govern is conducted. This should be done with a view to seeing that they do not conflict with the orders of any higher authority and in case they have not been separately approved by a competent authority, the issuing authority possesses the necessary powers. If these powers are clearly defined, it should be ascertained that the orders defining the powers are exactly obeyed in every instance.

5.20 In partial modification of the existing procedure laid down in Headquarters office circular No. 16-Admn-II/86 issued vide No. 794-Audit-II/284-85 dated 21-5-1986 regarding collecting, segregating and transmitting the original paid vouchers to the field audit parties for check with reference to the records of the auditee organisations, a revised procedure of sending schedule of drawals and a copy of list of payments to the field parties for the selected months for verification during the course of audit of the auditee organisation is laid down for effective implementation as under :-

- i) The requisition for list of payments etc. will be sent to WAC section of the office of the AG (A&E) in time by Vetting (HQ).
- ii) After receipt of documents from AG (A&E), Vetting (HQ) will photocopy them as required and send them to field parties in accordance with the programme. The original list of payments etc.

should be returned to the D.C. Section thereafter.

iii) In cases where documents are not received by Vetting (HQ), parties should prepare the list of drawals from treasury records for verification of transaction with the records of DDOs viz. Cash Book etc. and prepare the list of remittances from the records of DDOs viz. Cash Book etc. for verification of transaction with the treasury records.

Audit checks to be applied to Contingent Expenditure:-

It should be seen that every public office exercises the same vigilance in respect of contingent expenditure as a man of ordinary prudence would exercise in spending his own money and that the rules regarding the preparation of vouchers as laid down in Maharashtra Treasury Rules are observed by the Drawing Officer.

See that the charges are of obvious necessity, are made at fair and reasonable rates and sanction required, for any special item, has been obtained.

5.21 (a) (I) It should be seen that all sub vouchers pertaining to the contingent bills relating to the months selected for detailed check, as are not submitted to Audit Office, are made available to Audit.

ii) See that the rates paid agrees with the rates given in the approved quotations, contracts, agreements, etc., executed for the supply of material purchased.

iii) Where acknowledgements of payments are received in advance and the actual payment are made subsequently, separate acknowledgements of payees are obtained at the time of payment. Such subsequent acknowledgements need not be stamped, if the acknowledgements obtained in advance are already stamped.

iv) Where a single stamped receipt is obtained from a payee in acknowledgement of payment against more than one voucher at a time, a reference is given on all concerned vouchers and the total amount of such vouchers agrees with the amount for which acquaintance is obtained.

v) See that all paid vouchers and sub vouchers are stamped 'PAID' or so cancelled as to prevent a second claim being preferred against the Government on the same score.

vi) Cash Memoranda from tradesmen are not taken as sub-vouchers unless they contain an acknowledgement of receipt of money and are affixed with stamp where the amount paid exceeds

Rs 5000.00. In cases where acknowledgements cannot be obtained, the cash memoranda should be stamped 'PAID' and initialled by the Drawing and Disbursing Officer.

vii) See that all vouchers for purchase of stores bear certificate by the competent officer regarding entry of stores in the relevant stock register indicating the page number of the stock register. Such voucher also bear certificate of the competent authority to the effect that the quantities of stores received are correct. Their quality good and they are according to the approved specifications, where prescribed.

viii) See that there are no erasures, over writings or alterations of total amount of the bill written in figures or in words. Corrections, if any, are properly attested by the disbursing officer and the amount of bills tally with the actual payees receipts.

ix) See that suitable notes regarding payments having been made on various sub vouches are also kept on the relevant purchase orders, indents and invoice/bills to prevent double payments.

x) See that where GST was payable on the stores purchased under the provisions of Act, the correct tax was paid in accordance with the specific provisions of the Act.

xi) Records relating to the under mentioned items of contingent expenditure, if any, should also be scrutinized in accordance with the rules, orders, restrictions or scales laid down by the State Government:-

a) Purchase/repairs of bicycles for office use.

b) Conveyance/ hire charges.

c) Hire of office furniture, electric fans, heaters, coolers, clocks and call bells, etc.

d) Rent for office or residential accommodation.

e) Payments to staff from the contingencies.

f) Purchase of stationery articles.

g) Entertainment/light refreshment.

xii) It should be seen that every payment is supported by a payment order signed by the head of the office or disbursing officer serving under his authority in this behalf. The payment order should specify the amount payable both in words and figures and that all pay orders are signed by hand and in ink. Every payment should be acknowledged by the payee with date. When the acknowledgement

on a voucher is given by a mark or seal or thumb impression, it should be seen that it has been attested by a responsible officer.

xiii) See that all payments for sums in excess of Rs 5000/- bear a revenue stamp.

xiv) Check all payments with vouchers. Those vouchers which sent to the office of the AG (A&E), should be obtained from the office. If any voucher or sub-vouchers, which under the aforesaid rule, should have been submitted to the AG are found to have been retained, the reasons for their retention should be enquired and their submission insisted upon.

xv) See that the purchase of computers, printers, scanner , photo copying machine , stationery etc. are made in accordance with the rules contained in Delegation of Financial Powers issued by Finance Department on 15.05.2009 and revised on 17.04.2015.

xvi) In the case of labourers employed at daily or monthly rates, see that muster rolls have been maintained and written up daily by the official immediate in charge, checked periodically by the supervising officer and that a certificate is recorded by the disbursing officer. Check the entries in the Muster rolls with daily reports, if any, submitted by the official in immediate charge to the disbursing officer showing on what work each labourer was employed on a particular date.

xvii) see that (i) each item of payment has been recorded in the contingent register and is initialled by the Head of the Office or other Gazetted Officer authorised in this behalf, (ii) that the amounts of work bills posted in the Contingent Register and included in the total is initialled by the disbursing officer.

xviii) see that (a) the permanent advance is recouped whenever it is running short and in any case at the end of each month, (b) the amount of the permanent advance is not in excess of monthly requirements and larger than absolutely necessary and that only petty contingent expenditure is met out of it, except as provided in Maharashtra Treasury Rules.

xix) see that subordinates, who have been given advances out of the permanent advance of the Head of the Office, submit acknowledgements at the transfer of charge and in April each year to the Head of the Office and that the latter submits one to the AG (A&E) in respect of the total permanent advance held by him.

The following points should also receive attention:-

- a) that the flow of expenditure is even and that if expenditure is unusually large in March, it does not lead to financial irregularities.
- b) that the expenditure is within the available appropriation and that all steps have been taken by the drawing officer with a view to obtain an additional appropriation, if the original has either been exceeded or is likely to be exceeded.
- c) an appropriation is intended to cover all the charges including the liabilities of past years, to be paid during the year or adjusted in the accounts of it. It is operative until the close of the financial year. Any unspent balance lapses and is not available for utilisation in the following year therefore, it should be seen that no money is withdrawn from the treasury to avoid the lapse of budget grant.
- d) all charges incurred must be paid and drawn at once, and under no circumstances they may be allowed to stand over to be paid from the grant of another year.
- e) that no money is withdrawn from the treasury unless it is required for immediate disbursement.
- f) that charges which are inadmissible or in excess of the sanctioned scale have not been sought to be concealed by showing them under contract , contingencies or by splitting them into two or more different bills or classes.
- g) that telephone connections have been made with the sanction of the State Government.
- h) that remittances, to places where there are treasuries or Sub-treasuries, have been sent by Government Bank Drafts or Cash Orders, whenever rules permit and money order fee is not unnecessarily spent.

Audit of Purchases

5.22 Purchases are examined to see that:

- i) They are properly sanctioned by competent authority and are made subject to usual restrictions, regarding the existence of necessary appropriations and to any monetary limits and other conditions prescribed generally or in regard to specific articles or class of articles;
- ii) The instructions governing purchase of stores are followed so as to ensure that they are made in the most economical manner in accordance with the definite requirements of the public services and the purchase orders are not split up to avoid the necessity for obtaining the sanction of higher authority, with reference to the total amount of the order;

- iii) In so far as can be ascertained from the purchase files, demands of other indenting officers received at the time of purchase have been bulked together, as far as possible, to secure the advantage of bulk supply rates, etc. and the total quantity in respect of all the individual contracts issued against the bulked indents does not exceed the quantity of bulked indents;
- iv) Whether purchase has been effected by single tender/quotation or negotiation. If so, whether sanction of the competent authority has been obtained and reasons for resorting to this method of purchase are recorded;
- v) All quotations/ tenders were opened on the due date and numbered and initialled with date by the officer opening to it;
- vi) The comparative statement duly signed is on record and has been checked with original quotations/ tenders;
- vii) Whether any delayed quotation/ tender has been incorporated in comparative statement and considered, and whether orders of the competent authority have been obtained to the consideration and acceptance of these quotations/ tenders;
- viii) The lowest offer has been accepted. If not, the difference between the lowest offer and accepted offer and the reasons recorded for rejecting this lower offer should be examined. It should also be seen whether the reasons are adequate. When favourable quotations are rejected on the ground that the capability of the firm was not tried before hand it should be seen if the matter regarding placing of a trial order with a view to secure economy in future purchases have been considered and appropriate action taken;
- ix) The successful tenderer has not indirectly derived an advantage over the other tender by the insertion of special conditions which have the effect of raising the rate quoted by him;
- x) The purchase price accepted is within the required limit of the estimated price of the indenter and if not, it should be examined whether confirmation about the availability of additional funds was obtained;
- xi) Suitable security as also sanction of the competent authority has been obtained.
- xii) No stores of defective and inferior nature are accepted and certified to be satisfactory in quality.
(Para 3.7.18 of MSO (Audit) 2nd Edition 2002);

xiii) The specifications indicated in the quotations agree with those shown in the notice inviting tender/quotations.

xiv) That the articles against Government requirements were purchased from approved sources i.e. Jail factories/ MSSIDC, etc. In the event of non-availability, the articles were purchased against rate contracts, if available, otherwise made local purchases within his competency.

Check of tenders and comparative statements

5.23The tenders received and the comparative statements prepared should be examined to see :-

- i) that the widest possible publicity was given for calling the tenders and due (sufficient) period of notice was allowed;
- ii) that tenders have been received on the prescribed forms in sealed covers;
- iii) that all tenders bear the dated initials of the officer opening them;
- iv) that the rates quoted by the tenderer have not been overwritten or changed without attestation by the tenderer and have been correctly transcribed in the comparative statement;
- v) that comparative statements have been approved by the competent authority duly checked and contain his orders about the tenders accepted;
- vi) that a complete and regular stock account of receipt and consumption of blank tender forms has been kept;
- vii) that the sale proceeds of tender forms have been correctly accounted for in the books and promptly credited to Government Account;
- viii) that the lowest tender has been determined by working out the cost of all items of work or supplies on the basis of an estimated quantity of work to be done or supplied and not merely by usual comparison of the tendered rates, without reference to the cost of work or supplies involved.

Check of Service Books

General

5.24(a) The local audit party should obtain from the office inspected the sanctioned strength of gazetted/non- gazetted staff under various categories and also a list of staff employed theiragainst on the date of commencement of audit. It should be ascertained whether service books for all Government servants in employment are maintained. In case service books for some of them are not

maintained, reasons therefore should be ascertained. Service books are the only document for the verification of service for pensions and as such adequate attention should be paid during local audit to the verification/check of service books. The list of staff members obtained from the office inspected and the number of service books checked should be recorded in the title sheet.

Audit checks

(b) In the audit of service books it should be seen that:-

- i) the service books are maintained in the prescribed form;
 - ii) service book is maintained for each Government servant from the date of his appointment and is kept up-to-date.
 - iii) all entries on the first page of the service book are complete, particularly the date of birth, and are attested at least after every five years.
 - iv) every step in the Government servants official life is recorded in his service book and each entry is attested by such superior officer, as may be, authorised in this behalf;
 - v) the official concerned signs his name in the relevant column of the service book in token of his scrutiny and acceptance of entries made in his service book;
 - vi) the period of suspension or any other interruption of service; is promptly recorded in the service book with full details of its duration under attestation of authorised officer.
 - vii) certificates of verification of service are recorded in each service book by the Head of Office. Where, however, the official was on foreign service, similar certificate is recorded in respect of the period spent on foreign service;
 - viii) except in the case of clerical error, no alteration in the date of birth once recorded in the service book is made without sanction of the head of the department.
 - ix) entries in pay columns agree with those shown in office copies of pay bills for the month or months selected for detailed audit;
- (CAG's letter No. 928-Admn.II/349-61, dated 26th June, 1962).
- x) increments have been granted correctly after excluding periods not counting for increment;
 - xi) all leave sanctioned to a Government servant is recorded in his service book and the debit thereof is traceable in the leave account;

xii) no pay is allowed to a Government servant from the date of superannuation or on the expiry of a term of extension of service sanctioned by a competent authority. Condition, if any, of passing of departmental examination, before grant of annual increment may also be kept in view;

xiii) the certificates regarding verification of antecedents as also of medical fitness are recorded in the Service book;

xiv) the Service Books selected for scrutiny should include those of all Government servants who are due to retire during the next five years. The check envisaged in para 3.3.7 of MSO (Audit) 2nd Edition 2002 should also be exercised during local audit.

xv) audit checks of pay fixation of Group A & B Officers may be exercised to the extent of 8 % of pay fixation cases.

(CAG letter No.352-Audit/M&C/227-2003 dated 31-12-2003)

Check of Leave Accounts

5.25The following procedure should be followed during scrutiny of the leave accounts:-

a) The total number of gazetted/non-gazetted officials in the visited office should be ascertained with reference to the gradation list, establishment bills or other records. This will enable the auditor to make sure that all service books and leave accounts have been submitted for inspection.

b) The object of inspection of leave account is mainly to educate the local officers to maintain these accounts correctly and to discover any mistakes with a view to their ultimate rectification. The auditors should not make any corrections or alterations in the leave accounts themselves but get them corrected by the office concerned, but when these cannot be got corrected on the spot, these should be incorporated in audit memos.

c) (i) The leave accounts of the persons likely to retire before the next inspection should be selected first and checked carefully, thereafter those of men who have taken long leave and finally of men who have taken leave rather frequently.

(ii) If, for any reason the service records of persons due to retire before the new audit falls due are not produced to audit, audit memo showing the names and designations of such persons to be issued and incorporate the fact of non-production of such records in the IR.

d) It should also be seen that:-

- i) Leave accounts are maintained in the prescribed form in all cases.
- ii) Credits afforded to leave accounts are correct.
- iii) The leave debit to leave accounts is correct.
- iv) Balances have been correctly worked out.

Check of increment certificates and record of arrear payments.

5.26 The increment certificates of Government servants whose names are omitted from pay bills should further be verified to see that notes of the arrear claims due to increment, revision of pay sanctioned retrospectively, supplementary claims in respect of allowances etc., of Government servants whose names do not appear in the pay bills are kept in the office copies of the original bills for the period to which the arrears pertain.

Verification of remittances into treasury

5.27(a) The State Government had required all the subordinate offices to carry out monthly reconciliation of the departmental figures of receipts remitted into the treasury with the treasury figures so that discrepancies in the amounts remitted and the amounts credited by the treasury may not remain un-reconciled and frauds or embezzlements of receipts may not remain undetected. For this purpose, at the end of every month, the Head of office should prepare a consolidated receipt and forward the same to the Treasury Officer for signatures. The Treasury Officer will send back the consolidated receipt to the Head of the Office after affixing his signatures thereon in token of acceptance or pointing out the discrepancies, if any.

b) It should be seen during local audit that whether the 'Remittance Book' is being maintained in the office inspected and whether monthly verification with the treasury records is being made. With a view to facilitate early detection of embezzlement of moneys, if any, by entry of fictitious remittances in the Cash Book, the CAG had decided that during local audit, credits for the receipts entered in the Cash Book for the months selected for detailed check should be verified directly from the books of the treasury. The AAO should have a list of remittances in respect of the selected months prepared from the entries in the Cash Book. He should then arrange to verify the credits from the books of the treasury by deputing an auditor whenever necessary. The verification should be made in respect of all remittances made by the office inspected during the months, selected for

detailed check.

(c) Discrepancies, if any, noticed by the AAO in the course of the verification, should be investigated and which are not satisfactorily reconciled should be reported in the IR. The AAO should furnish along with the IR a certificate to the effect that the amounts deposited into the treasury by the Head of the office during the months selected for detailed check (months to be specified) as recorded in the Cash Book have been verified with the Treasury Records and agree with the same or discrepancies have been reported in the IR.

Verification of withdrawals from the treasury

5.28 The withdrawals made from the Treasury by a Drawing Officer as recorded in his cash book should be verified at the time of local audit with the entries of those transactions, in the Treasury Officer records. For this purpose, the local audit party should prepare a list of drawals for the selected months for the detailed check from the treasury records and verify these drawals with the cash book maintained by the auditee unit. Audit observations in regard to discrepancies, if any, should suitably be commented upon in the IR. A certificate of verification of withdrawal should also be furnished by the AAO with the IR submitted to Headquarters.

Check of log books of Government vehicles

5.29 (a) A list of Government vehicles including staff cars, jeeps, station wagons and trucks, etc. should be called for in local audit from the office inspected. It should be ascertained whether rules and regulations regarding their use and maintenance have been framed and got approved by the Government. It should also be examined whether these rules are being observed in actual practice. It should further be seen whether the following essential records are maintained:-

(i) Log Books for each Government vehicle.

(ii) A record of repair of vehicle and replacement of spare parts indicating the cost and the dates on which it was carried out.

(iii) A record of cost of petrol, oil and lubricants consumed and all incidental receipts and expenditure.

b) The log books of Government vehicles should be examined to see that these are maintained in the prescribed form for each vehicle;

- ii) That the vehicle is used only for bonafide public purposes permissible under the rules and orders of Government and not for any private purposes without the orders of the competent authority;
- iii) That full details of all journeys undertaken are recorded covering the mileage done, places visited and relevant miles in meter recordings;
- iv) that in the case of authorised private or non-official journeys the charges recoverable, at the prescribed rates, have been recovered and credited to Government;
- v) that the purpose of journey is always recorded in detail under the signatures of the official using the vehicle, counter signed by controlling officer of the vehicle;
- vi) that all issues of petrol, oil and lubricants and consumable stores are duly recorded in the log books;
- vii) that the log books are closed after the prescribed periodical intervals and average number of kilometres run per litre of petrol or diesel is worked out;
- viii) that the yield of the kilometre per litre is not unduly low and where it is so the causes, leading thereto should be investigated;
- ix) that the petrol in tank of the vehicle is periodically verified by dip stick measurements or by any other standard method of estimation and a certificate recorded in the log book;
- x) that a kit of equipment and tools kept with the driver of the vehicle is entered in the log book;
- xi) that full details of all repairs to vehicle and replacement of parts are duly recorded in the log book;
- xii) that in cases where frequent repairs to vehicles, engines or replacement of some parts have been carried out, they are not indicative of any foul play;
- xiii) that a stock account of the condemned and replaced parts and accessories is maintained and their final disposal has been made to the best advantage of Government;
- xiv) that entries made in the log books are in ink or copying pencil;
- xv) that entries of mileage at the commencement as well as at the completion of journey are noted in the log books by the officers using the Government vehicle in their own hand writing and these entries have been signed by such officers;
- xvi) that all officials journeys outside the headquarters or jurisdiction of the vehicle(s) are supported

by written sanction of the competent authority;

xvii) that Government vehicles are not used for non-duty purposes to places of entertainment, public amusements, parties and pleasure trips, etc. and by officers on leave.

c) The records of repairs and replacements should be examined to see:-

i) that the cost of repairs and replacements is not on the high side;

ii) that the replacement of some part/parts is/are not repeated in quick succession;

iii) that the reasons for frequent repairs/breakdown of Government vehicles are not such as to indicate negligence of the drivers or laxity of control;

iv) that such repairs and replacements have been executed either by Government workshops or by authorised dealers or garages in accordance with the orders of Government in this behalf;

v) that the replacement of parts, for which a life has been prescribed i.e. engine, tyres, etc. have been made only after completion of the prescribed life;.

vi) that the vehicles have been periodically tested and inspected by the Transport Department.

(d) the inventory of equipment is scrutinised to see that it is checked by the Controlling Officer every month and losses, if any, due to negligence or fault are promptly recovered.

Audit of establishment pay bills

5.30Office copies of Establishment Pay bills are checked in local audit to see that:

i) there is proper and legally valid acquaintance for each amount disbursed, duly stamped where necessary and the amounts are disbursed to the persons entitled to receive them;

ii) an amount on account of pay and allowances remained undisbursed for three months are credited to Government;

iii) arrears of pay and allowances, leave salary, etc. are not drawn through regular monthly pay bills but are drawn in separate bills and a note of payment of arrears in the office copies of the bills for the period to which claim pertains is being made;

iv) disbursements made are traceable in the Cash book on the dates on which they occurred;

v) The bills relating to Class IV Government servants and such class III Government servants whose names do not appear in the pay bills under the orders of competent authority are audited in the Central audit to see that the number of employees for whom pay has been drawn agrees with the

sanction strength of the establishment. The nominal check which consists in comparing the rate of pay of each individual drawn in the bill is correct cannot be exercised in Central Audit, since the pay of such employees from time to time is not recorded in the Fly Leaf of the audit register. In respect of such bills the nominal audit should be conducted in local audit with the help of service books.

Test check of T.A. bill in regard to counter-signatures

5.31The countersignatures of the Controlling Officers on the T. A. Bills are taken as sufficient proof that they fulfilled the responsibility entrusted to them before countersigning. With a view to ensure that the duties assigned to the controlling officers in respect of T.A Bills are properly exercised, the T.A. Bills should be test-checked by the local Audit parties on the following lines:-

- i) that stations which could conveniently be visited in one continuous circuit were visited on different occasions necessitating more than one journey from Headquarters in the same direction;
- ii) that claims to travelling expenses for journeys performed by special means of conveyance were only paid in cases where the journey had actually been performed and that were the good reasons for using the latter;
- iii) that there is adequate evidence on which the Controlling Officer has been satisfying himself regarding the necessity, frequency and duration of journey and halts. It should also be seen that where the journey was performed by a State Conveyance, necessary recovery at prescribed rates for the use of the conveyance has been made in cash or deducted in the bills. The results of this test-check and the cases in which the controlling officers did not discharge the responsibilities assigned to them should be incorporated in the IR.

Audit of T.A. bills

5.32While auditing travelling allowance bills it should also be seen that:-

- i) travelling allowance advance drawn by individuals are fully adjusted promptly and that a second advance is not drawn before an account of the first advance is received.
- ii) Travelling allowance bills not preferred within one year from the date on which they become due (i.e. the date following the date of completion of journey in respect of which the claim is made) are not entertained and the travelling allowance advance granted in relation thereto are recovered in full.

- iii) Legally valid acquaintance of the person entitled to receive the payment has been obtained.
- iv) Amounts on account of travelling allowance bills remained undisbursed for three months should be credited to Government.

Nominal Audit of Establishment Pay Bills

5.33(a) Consequent upon the revision of Establishment Audit Procedure, the nominal audit of establishment has been entrusted. It has, therefore, been, decided by the CAG that the nominal audit of the Pay and allowance drawn by the individual should be conducted during local inspection in the manner and to the extent indicated in the following paras.

(b) The IOs/AAOs should incorporate separate paras based on the results of local audit of establishment, the service books and leave account.

Nominal check to be conducted during local inspection

5.34(i) (a) The nominal check during local Inspection will be conducted in respect of establishment pay bills of for the month/months selected for test audit (under the extent instructions in the case of annual inspections, one month is selected for detail test audit and in the case of biennial or less frequent inspections, two months are selected for detailed test audit. The months so selected for test audit will be the months for conducting the nominal check of establishment).

b) The nominal check will be exercised with reference to initial and primary records containing the authority for the events necessitating the regulation of pay and allowances of Government servants such as increment certificates sanctioning the increment, orders of promotion/reversion and fixation of pay on such promotion/reversion, sanctions of leave and the leave salary, orders of suspension, if any and the subsistence allowance

granted to him, general orders of Government governing the pay scales, different types of allowances admissible and specific orders of Government in regard to grant of special pay or compensatory allowance to any number of establishment or type of establishment. For this purpose, the local audit party will maintain a guard file of general orders governing pay and allowances of establishment. Copies of specific orders relating to particular establishment should be made available to local audit.

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 acquaintance rolls to ensure that the pay and allowances drawn have been disbursed and acquaintances obtained properly and accurately, the admissibility of pay and allowances drawn for each individual Government servant in these pay bills should be checked completely in the manner indicated above.

c) The above checks should be integrated with the check of service books as already prescribed and when service books are not made available they should be checked independently with reference to the initial and primary records mentioned above.

d) In addition to audit of pay and allowances drawn for the month/months selected for test audit in the manner prescribed above, 20 per cent of (a) cases of increments sanctioned to the members of the establishment of the office under inspection and (b) cases of fixation of Pay on promotion or reversion during the period covered by local audit should also be checked.

e) (i) Nominal audit of establishment will be conducted during the regular local audit of departmental offices. In case any departmental office is not subject to local inspection at all because of smallness of contingent expenditure incurred by that office it should be ensured that such offices should be subject to local audit at least once in three to five years for establishment audit.

iii) As regards the procedure of audit of pay bills of gazetted officers in whose cases the system of issue of pay slips by audit offices has been dispensed with and pay and allowances are drawn in the same manner as the non-gazetted establishments, the existing system will continue. Instructions contained in Chapter-2 of Section-III titled as “Gazetted Government Servants” Audit in CAG’s Manual of Standing Orders (Edition 2002) shall also be applicable..

Checks exercised in local audit of establishment charges

5.35(a) Test check of the initial and subsidiary records kept in the departmental offices regarding establishment vouchers for selected month or months to be examined with cash book, pay bills, acquaintance rolls, bill register, etc. Acquaintance rolls and the register of undisbursed pay and allowances are examined to see that each amount shown as disbursed has been disbursed to the eligible person and the arrangement for keeping a proper watch over the undisbursed amount is satisfactory.

b) Besides, the overtime allowance claims, Children education claims, reimbursement of tuition fee claims, T.A. bills, etc. are 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 during regulating such claims, rules and regulations have been followed.

Check of Stamp Accounts and Franking machine accounts

5.36 Stock account of postage stamps should be scrutinised to see that:

- i) Balances of stock of service stamps /franking machine account have been correctly carried over from previous month or months and that the totals and closing balances have been correctly worked out during the months selected for detailed check.
- ii) All purchases of stamps, whether by cheque/contingent bills/cash, made during the selected months are traceable in the stock register of service stamps.
- iii) Balances of service stamps in hand at the end of each month is physically verified by the competent authority and a certificate to that effect is recorded in the stock register.
- iv) All issues of stamps relating to the speed post/ registered letters are supported by postal receipts.
- v) Where stamps are issued in bulk to branches/sub-offices of the same office for use, proper accounts thereafter are rendered by such branches/sub-offices.
- vi) Service stamps/ franking machine have been used strictly only for official purposes.

Audit of General Provident Fund Accounts

5.37(a) General Provident Fund Accounts of the Class-IV Government employees are maintained by the auditee institutions.

(b) The AAO shall be responsible to see that the Departmental Officers, who are maintaining the General Provident Fund accounts of Class-IV employees, are maintaining properly. He should further supplement his audit with reference to the various rules and orders in the General Provident Fund Rules of State Government. To make himself conversant with the detailed instructions and procedure for the maintenance of the General Provident Fund accounts, the AAO may do well to refer to the relevant G.P.F. Rules. It should be seen in the local audit of General Provident Fund accounts that whether subscriptions have been properly recovered and credited to the accounts of

the subscribers concerned, whether interest has been calculated properly, whether advances and withdrawals from the Fund have been properly sanctioned and accounted for. It may also be seen that suitable notes regarding receipt of all nominations and insurance have been kept and physical verification thereof carried out from time to time. Final payment cases should be specifically scrutinised. It should also be seen that the various provisions of G.P. Fund Rules are observed by the Departmental Officers.

(c) The following records are to be checked in local audit:-

- i) Provident Fund Ledger Accounts.
- ii) Broadsheet.
- iii) Statement indicating the totals of debits and credits for each month.
- d) Index Register and Application Forms.

These records are checked to see that:-

- i) The General Index Register is maintained in the prescribed form duly updated;
- ii) Account number was allotted only after obtaining the application for admission duly supported by a nomination in the prescribed form. It should also be seen that particulars of member to whom an Account number has been allotted are noted in the General Index Register and the Ledger.
- iii) for each subscriber there is a nomination or record which has been accepted as valid by the officer competent to do so. The entries of the nomination form are attested by the competent officer in the Index Register;
- iv) a separate ledger folio is opened for maintaining the account of each subscriber.

Applications for admission to General Provident Fund are examined to see that they are obtained in the form prescribed under the G.P. Fund Rules, duly completed in all respect and no employee whether permanent or temporary except reemployed pensioner, is admitted to G.P. Fund unless he has been in continuous service for more than one year.

e) Nomination of the Subscribers.

It should be seen that nomination in the form prescribed under G.P. Fund rules has been received from each subscriber and a note to that effect is kept in the General Index Register and the ledger account of the subscriber. In scrutinising nominations it should be seen that if at the time of making

a nomination the subscriber has a family, the nomination is not in favour of any person or persons other than the member of his family as defined in the G.P. Fund Rules.

f) Subscriptions.

- i) The subscribers are contributing at the rate of not less than six per cent of the basic pay and not more than their basic pay.
- ii) No subscriber is allowed to discontinue subscribing to the Provident Fund except during leave which either does not carry any leave salary or carries leave salary equal to or less than half pay or half average pay or during the period he is placed under suspension.
- iii) The amount of subscription fixed by the subscriber is reduced once and enhanced twice at any time during the course of a year.

(g) Withdrawals

- i) The refundable and non-refundable advances from the Provident Funds are sanctioned by the competent authority only for the purposes laid down in the G.P.F. Rules and relevant orders on the subject.
- ii) The temporary advance is refunded in not more than 24 instalments or not more than in 36 instalments in cases they exceed three months' pay, or equal amount in whole rupees.
- iii) The advances are regularly recovered from the monthly pay bills.
- iv) Audit check of final payment cases/transfer advances may be exercised to the extent of 25% of such cases

(CAG letter No. 352-Audit/M&C/227-2003 dated 31-12-2003)

h) Interest

- i) The interest on subscriptions and withdrawals is allowed at the current rate prescribed by the Government. The interest worked out by the Departmental Officers should be actually checked by the AAO at the time of local Inspections.
- ii) The interest in fractions of a rupee exceeding 50 paise is rounded to the next higher rupee.

(i) Provident Fund Ledger

The provident Fund Ledger is examined to see that:-

- i) the ledger accounts are maintained in the prescribed form;

- ii) the name, designation and account number of the subscriber and the fact of nomination having been accepted are neatly recorded on the ledger folio assigned to each subscriber. The entries relating to acceptance of nominations are also attested by the Competent authority;
- iii) the pay of the subscriber as on 31st March each year is noted in the column prescribed in the ledger;
- iv) the subscription to G.P. Fund is not less than six percent of the pay of the subscriber as on 31st March of the preceding year;
- v) the G.P. Fund account is maintained in whole rupees;
- vi) the head of the office or a gazetted officer nominated by him initials the Provident Fund Accounts monthly in token of having verified that the amount of subscription deducted, refund of advances, temporary and final withdrawals are posted correctly;
- vii) sanctions to withdrawal from the G. P. Fund are promptly recorded in the ledger accounts and the entries made in the ledger are initialled by the Head of office or a Gazetted Officer nominated by him, while signing the bills for withdrawal;
- viii) subscriptions and refunds of advances as shown in the G.P. Fund schedules duly signed by competent authority and the payment of advances and withdrawals as per vouchers are correctly posted in the ledger accounts of the concerned subscribers;
- ix) where balances at the credit of subscribers have been received from other offices, complete details thereof are recorded in the ledger under the attestation of competent authority;
- x) Ledger accounts are closed regularly every year and correct amount of interest has been credited to the ledger accounts of the subscribers;
- xi) G.P. Fund Accounts statements are issued regularly to the subscribers every year and their acceptance of the balance noted in their respective ledger account.
- xii) General review of ledger cards exercised wherein unposted items, missing credits are to be checked with reference to the original Provident Fund Schedules.

(j) Broadsheet-sheet

Broadsheet-sheet is examined to see that:-

- i) it is maintained in the prescribed form;

- ii) it is closed regularly in every month;
- iii) the total amount of credit booked every month in the Broadsheet-sheet agrees with the total of the G.P. Fund deductions made in the pay bills for that month and that the total of the debits booked in the Broadsheet sheet agrees with the total of payment made out of the Provident Fund in that month.
- iv) at the end of each year the ledger balances are agreed with the Broadsheet-sheet balances and the Broadsheet-sheet is squared up to ensure its accuracy.

k) Statement of totals of debits and credits

It should be seen that the statements of totals of debits and credits as worked out in the Broadsheet-sheet each month are correctly prepared.

l) Interest

- i) the interest on subscriptions and withdrawals is allowed at the current rate prescribed by the Government of India. The interest worked out for recovery should be actually checked by the AAO at the time of local inspections.
- ii) The interest in fraction of rupee exceeding 50 Paise is rounded to the next higher rupee.

Audit of expenditure

5.38The expenditure of Government offices and Departments is audited centrally. But the accounts and supporting documents consist partly of original records and partly of copies of original records. The audit conducted centrally is largely dependent for its efficiency on the degree of care exercised by the departmental authorities over the accuracy of the original records from which the public account is built up. The main object of the local audit of the accounts of expenditure, therefore is :-

- i) to review such original records as are not received in the Central Office for audit.
 - ii) to test the degree of care exercised by departmental authorities over the accuracy of such records and to see that they are properly maintained in the prescribed forms; and
 - iii) to apply a test audit to such accounts, vouchers etc. as are not audited centrally or cannot be checked completely except at a local audit.
- (a) Before commencing the audit of expenditure in local audit the budget estimates and the actual expenditure incurred by the office under various heads of account should be examined to know the

nature and extent of expenditure under each head of account. It should be seen that the financial rules, delegation of financial powers and other orders specifically pertaining to the office for regulations of its expenditure are themselves introverts and that the audit is effectively conducted against them. The general instructions governing the audit of expenditure are contained in Chapter 2 of Section II of Manual of Standing Orders (Audit) 2nd Edition 2002. These instructions have to be borne in mind and carefully applied in the audit of expenditure so as to yield practical and material results.

(b) Besides INTOSAI's auditing standards i.e. Basic postulates, General Standards, Specific Standards audit work carried out by the auditors may also be kept in view. The auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI) which have been adopted with due consideration of the Constitution of India, relevant statutes and rules for the auditing standards for the Supreme Audit Institution of India (SAI). The auditing standards consist of three parts

(Source- Auditing Standards-2017)

- a) Basic postulates,
- b) General Standards,
- c) Specific Standards,

A. Basic Postulates

(i) The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply.

(ii) The basic postulates are:

- a) The SAI should comply with the INTOSAI auditing standards in all matters that are deemed material.
- b) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
- c) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the

accountability process to be in place and operating effectively.

d) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process. Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.

e) 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.

f) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.

g) The existence of an adequate system of internal control minimizes the risk of errors and irregularities.

h) Legislative enactment's would facilitate the cooperation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.

i) All audit activities should be within the SAI's audit mandate.

j) SAIs should work towards improving techniques for auditing the validity of performance measures.

k) SAIs should avoid conflict of interest between the auditor and the entity under audit.

B. General Standards in Government Auditing

The standards common to auditors and audit institutions are:

a) The auditor and the institutions must be independent.

b) The auditor and the institutions must possess the require competence.

c) The auditor and the audit institutions must exercise due care and concern in complying with these auditing standards. This embraces due care in planning, specifying, gathering and evaluating evidence, and in reporting findings, conclusions and recommendations.

The general auditing standards for the audit institutions are that they should adopt policies and procedures to:

a) Recruit personnel with suitable qualifications.

- b) Develop and train employees to enable them to perform their tasks effectively, and to define the basis for the advancement of auditors and other staff.
- c) Prepare manuals and other written guidance notes and instructions concerning the conduct of audits.
- d) Support the skills and experience available within the audit institutions, and identify the skills which are absent; provide a good distribution of skills to auditing tasks and assign a sufficient number of persons for the audit; and have proper planning and supervision to achieve its goals at the required level of due care and concern.
- e) Review the efficiency and effectiveness of internal standards and procedures.

Besides, the following audit standards which have ethical significance may be followed:

- The auditor and the SAI should be independent and should avoid conflicts of interest with the audited entity on matters that may impair their independence materially.
- The auditor and the SAI must possess the required competence.
- The auditor must exercise due care and concern in complying with the auditing standards.
- The auditor should at all times maintain absolute integrity and devotion to duty.
- The auditor should not disclose information obtained in the auditing process to third parties, either orally or in writing.

C. Specific Standards in Government Auditing

This section contains the specific considerations regarding their applicability to financial, compliance and performance audits, which the auditor shall observe as specific standards during the conduct of these audits.

The purpose of an audit of financial statements is to enhance the degree of confidence of intended users in the financial statements. This is achieved through the expression of an opinion by the auditor as to whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.

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 should also be alert to situations or transactions that could be indicative of illegal acts that may have an indirect effect on the audit results. 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 suspicious.

Financial reporting frameworks

Financial reporting frameworks are of three types.

- a) General purpose framework;
- b) Special purpose framework;
- c) Frameworks prescribed by law or regulations.

Competent, relevant and reasonable evidence should be obtained to support the auditor's judgement and conclusions regarding the organisation, program, activity or function under audit.

f) In Financial audit and in other types of audit when applicable, auditors should analyse the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with. Analysis of financial statements should be performed to such a degree that a rational basis is obtained to express an opinion on financial statements.

D. Reporting Standards

The following standards with variations apply equally in the scope of these reports.

- a) On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.
- b) The auditor should issue the reports in a timely manner for use by management, legislature and other interested users.
- c) The audit report may be presented on other media that are retrievable by other users and the audit organisations. Retrievable audit reports include those, which are in electronic formats and may be released on the internet.
- d) With regard to audit of financial statements, the auditor should prepare a report expressing opinion on the fair presentation of the financial position of the audited entity in the financial

statement.

(e) With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. These reports should indicate the scope of audit, main findings, total amount involved, modus operandi of the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud/serious financial irregularity.

f) With regard to Performance or Value for Money Audits, the report should include a description of the scope and coverage of audit, objective of audit, area of audit, main findings in respect of the efficiency, economy and effectiveness (including impact) aspects of the area (subject matter) which was audited and recommendations suggesting the improvements that are needed.

g) With regard to regularity audits, the auditor should prepare a written report which may either be a part of the report on the financial statements or the value for Money Audit or a separate report on the tests of compliance of applicable laws and regulations. The report should contain a statement on the results of the tests to indicate the nature of assurance i.e. positive or negative obtained from the tests.

h) Reporting standards constitute the framework for the audit organization and the Auditor to report the results of audit of regularity or performance audit or expressing his opinion on a set of financial statements.

i) These standards are to assist and not to supersede the prudent judgement of the Auditor in making audit observations, conclusions and report.

j) The expenditure 'Reporting' embraces both the Auditor's opinion on a set of financial statements and the Auditor's report on regularity, performance or value for money audit and also the reports prepared on periodical inspection of the records of an audit entity.

Follow up

(i) Adequate, prompt and proper follow up action by the entity on and in the light of audit conclusions projected will enhance the effectiveness of audit and promote public accountability.

(ii) Systems and procedures should be in place and implemented for securing appropriate

conclusions and preventive follow up action on audit reports. In subsequent audits and otherwise, the Auditor should examine and report whether satisfactory action was taken on the IRs.

Internal audit

It should be ascertained whether an internal audit system has been introduced in the entity and, if so, whether the unit responsible is completely independent of the operating unit. The prevalent system of internal audit should also be examined to verify whether it provides for an objective, timely, systematic and professional examination of financial, administrative and other operations subsequent to their execution for the purpose of their evaluation and verification and whether the system is geared to ensure prompt and adequate follow- up corrective action on the internal audit reports.

(a) Auditors should report the scope of their work on management controls and any significant weakness found during the audit.

(b) Reporting on management controls will vary depending on the significance of any weaknesses found and the relationship of those weaknesses to the audit objectives.

(c) In audits where the sole objective is to audit the management controls, weaknesses found of significance to warrant reporting would be considered deficiencies and be so identified in the audit report. The management controls that were assessed should be identified to the extent necessary to clearly present the objectives, scope and methodology of the audit. In a performance audit, auditors may identify significant weaknesses in management controls as a cause of deficient performance. In reporting this type of finding, the control weaknesses would be described as the "cause".

Chapter VI: Audit of Contracts

General

6.1 It is an important function of Audit to examine contracts or agreements for works or supplies entered into by the various authorities on behalf of the Government. The responsibility for placing and fulfillment of contracts for works to be done or supplies to be made rests entirely with the Executive, but this does not preclude Audit criticism where the procedure for placement of contracts has not been correctly followed.

(Paras 3.7.1 to 3.7.14 M.S.O. Audit)

Types of contracts

6.2 Contracts are of two kinds, viz., lumpsum and schedule, as defined below:-

(a) In the lumpsum contract the contractor agrees to execute the complete work with all its contingencies in accordance with the drawings and specifications for a fixed sum, the following being its essential characteristics:-

(i) In order to regulate the amount to be added to or deducted from the fixed sum on account of additions and alterations not covered by contract and not involving increase or decrease of quantities except when the designs is altered, specific mention should be made that the rates as provided for such items in the sanctioned schedule of rates of the divisions will be paid.

(ii) Except as provided in clause (i) no allusion is made in the contract to the departmental estimate of the work, schedule of rates or quantities or work to be done.

(iii) Detailed measurements of the work done are not required to be recorded except in respect of additions and alterations.

The form for lumpsum contract prescribed by Government is in form C.

(b) Schedule contracts are those in which the contractor undertakes to execute the work at fixed rates, the sum he is to receive being dependent on the quantities and kind of work done or material supplied. The form used for such contracts are B-1 (Percentage rate) and B-2 (Item rate).

(c) Cancellation of contract:

Clause 3 : In any case in which under any clause or clauses of this contracts the contractor shall have rendered himself liable to pay compensation amounting to the whole of his security deposit (whether paid in one sum or deducted by installments) or in the case of abandonment of the work owing to serious illness or death of the contractor or any other cause, the Executive Engineer on behalf of the Governor of Maharashtra shall have power to adopt any of the following courses as he may deem best suited to the interest of Government.

- a) To rescind the contract (of which rescission notice in writing to the contractor under the hand of the Executive Engineer shall be conclusive evidence) and in that case the security deposit of the Contractor shall stand forfeited and be absolutely at the disposal of Government.
- b) To carry out of work or any part of the work departmentally debiting the contractor with the cost of the work, expenditure incurred on tools and plant, and charges on additional supervisory staff including the cost of work charged establishment employed for getting unexecuted part of the work completed and crediting him with the value of the work done departmentally in all respects in the same manner and at the same rates as if it had been carried out by the contractor under the terms of the contract. The certificate of the Executive Engineer as to the cost of the work and other allied expenses so included and the value of the work so done departmentally shall be final and conclusive against the contractor.
- c) To order that the work of the contractor be measured up and to take such part thereof as shall be unexecuted out of his hands and to give it to another contractor to complete, in which case all expenses incurred on advertisement for fixing a new contracting agency, additional supervisory staff including the cost of work charged establishment and cost of the work executed by the new contract agency will be debited to contractor and the value of the work done or executed through the new contractor shall be credited to the contractor in all respects and in the same manner and at the same rates as if it had been carried out by the contractor under the terms of his contract. This certificate of the Executive Engineer as to all the cost of the work and other expenses incurred as aforesaid for or in getting the unexecuted work done by the new contractor and as to the value of the work done by the new contractor and as to the value of the work so done shall be final and conclusive against contractor.

In case the contract shall be rescinded under clause (a) above, the contractor shall not be entitled to recover or be paid any sum for any work thereto actually performed by him under this contract unless and until the Executive Engineer shall have certified in writing the performance of such work and the amount payable to him in respect thereof he shall only be entitled to be paid the amount so certified. In the event of either of the courses referred to in clause (b) or (c) being adopted and the cost of the work executed departmentally or through a new contractor and other allied expenses exceeding the value of such work credited to the contractor, the amount of excess value shall be deducted from any money due to the contractor by the Govt. under the contract or otherwise, howsoever or from his security deposit or the sale proceeds thereof provided howsoever, that the contractor shall have no claim against government even if certified value of the work done departmentally or through a new contract except the certified cost of such work and allied expenses provided always that whichever of the three courses mentioned in clause (a) (b) or (c) is adopted by the Executive Engineer, the contractor shall have no claim to compensation for any loss sustained by reason of him having no claim to compensation for any materials, or entered into engagement or made any advance on account of or with a view of the execution of the work or the performance of contract.

(d) Compensation for delay (Penal action against Contractor):

Clause 2 : The time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor and shall be reckoned from the date on which the order to commence work is given to the contractor. The work shall throughout the stipulated period of the contract be proceeded with, all due diligence (time being deemed to be the essence of the contract on part of the contractor) and the contractor shall pay as compensation an amount equal to one percent, or such smaller amount as the Superintending Engineer (whose decision in writing shall be final) may decide, of the amount of the estimated cost of the whole work as shown in the tender for every day that work remains un-commenced, or unfinished after the proper dates. And further to ensure good progress during the execution of the works, the contractor shall be bound in all cases, in which the time allowed for any work exceeds one month to complete.

1/4 of the work in 1/3 of the time

1/2 of the work in 1/2 of the time

2/3 of the work in 2/3 of the time

Full work 18 (Eighteen) Calendar Months (Including Monsoon)

In the event of the contractor failing to comply with these conditions he shall be liable to pay as compensation an amount equal to one percent, or such smaller amounts as the Superintending Engineer (whose decision in writing shall be final) may decide of the said estimated cost of the whole work for every day that the due quantity of work remains incomplete. Provided always that the total amount of compensation to be paid under provision of this clause shall not exceed 10 percent of the estimated cost of the work shown in the tender. Superintending Engineer should be the final authority in this respect irrespective of the fact that the tender is accepted by Superintending Engineer/Chief Engineer

Tenders:

6.3 The detailed procedure on the system of tenders was modified by Public Works Department of GoM vide GR dated: 12/04/2017 with introduction of Item Rate (B-2) tender along with Lump sum (C) tender only.

In order to bring greater transparency in procurement methods and to ensure better quality of work through competent and efficient contractors/Contracting firms, Government have taken necessary measures from time to time by introducing various reforms standardising the procedures for calling tenders for fair and free competition and also to avoid ambiguities in evaluation and award of Public Works. The evaluation of tender systems has further witnessed important change with the introduction of E-tender system by GoM vide GR dated:26/11/2014 which has made mandatory calling of all tenders above Rs 3 lakh by online system only.

Acceptance of tender:

6.4The condition of receipt of minimum 3 technically qualified bids in the first call cannot be relaxed. However, for works of emergency and urgent nature, if 2 technically qualified bids are received in the first call, then the same be processed with the permission of the CE. The CE while permitting the opening of 2 bids shall keep the reasons in writing on record. If only single bid is received in the first call then it shall be out rightly rejected and second call shall be made with short

tender notice of 8 working days.

6.5 If only single technically qualified bid is received again on second call, the tender shall be processed as per usual procedure. There is no need to recall the tender in such cases.

Extension of Time Limit:

6.6 In case of non-availability of land or any other valid reasons, the time limit extension shall be granted by the authority competent to accept the tender. In case the tender is accepted at Government level, the Chief Engineer shall be final authority for grant of extension of time limit (under intimation to Government). The reasons for granting the extension shall invariably be kept on record.

Submission of hard copy

6.7 Submission of hard copy is a requirement based on CVC guidelines and hence cannot be done away with. However, hard copies shall be opened only if there are problems in opening/downloading of tender offers. If the contractor inadvertently or otherwise does not submit hard copy, then it shall not constitute a bar to open his e-offer. His online tender shall be opened by the tender opening authority and shall be processed. If the contractors offer is lowest then it shall be accepted and his downloading of tender shall be treated as hard copy.

6.8 Tender fees

As the tenders are published online, the reduced tender fees shall be as follows.

Sr No	Cost of work put to tender	Tender purchase and process fees (Rs)
1	Upto 3 lakh	200 + GST
2	3 to 50 lakh	500 + GST
3	50 lakh to 200 lakh	1000 + GST
4	2 to 5 crore	2000 + GST
5	5 to 10 crores	3000+ GST
6	10 to 50 crores	5000 + GST
7	More than 50 crores	10000 + GST

Financial power of EE/SE/CE in respect of acceptance of tender:

Sr No	Authority	Financial Power (Rs)
1	Executive Engineer	Upto 1 Crore
2	Superintendent Engineer	1.01 Crore to 2.50 Crore
3	Chief Engineer	2.51 Crore to 30.00 Crore Tenders more than 30 Crore will be accepted by the Chief Engineer only after due approval from Government of Maharashtra.

Registration of contractors

6.9 GoM vide GR dated 16th August 2017 modified the procedure regarding registration of contractors. Henceforth, contractor will be registered under two categories.

Registered contractor: For execution of work up to Rs 1.50 Crore.

Unregistered contractor: No need of registration for execution of work beyond Rs 1.50 crore.

Earnest Money Deposit

6.10 The Earnest Money deposit for works shall be

- (1) For works costing upto Rs 1.5 Crore = 1 per cent
- (2) For works costing above Rs 1.5 crore = 0.5 per cent of amount due to tender or Rs 1.50 lakhs whichever is more.

Security Deposit

6.11 Henceforth, for all works the Security Deposit shall be 2 per cent of amount put to tender rounded to next Rs 1000.00.

6.12 Additional performance security:

Additional performance security (APS) is required to be submitted by the Contractor in such cases where quoted rate is less than 10 per cent. For tender amount up to 10 per cent, APS of 1 per cent and for tenders below 10 per cent additional APS of 1 per cent will be required to be credited by the Contractor. (Ex. Quoted 14 percent below - upto 10 % = 1 % and (14% - 10%) = 4%, i.e. total 5 per cent APS will be leviable and will be rounded to next Rs 1000.00.

Additional performance security is permitted to be accepted in the form of DD/ FDR/ BG of any Nationalized/ Scheduled Bank. This shall be enclosed in the financial envelope (envelope no.2). A self-attested affidavit that 'Additional Performance Security is enclosed in envelope No.2' shall be included in the Technical Envelope No.1. If the Additional Performance Security is not found included in envelope No.2 (financial envelope) (in cases which are found below 1 % of amount put to tender) the offer shall be treated as invalid and rejected forthwith.

Additional Performance Security of the successful bidder shall be returned immediately upon satisfactory completion of work; the certificate of which shall be issued by the EE before releasing the additional security.

Additional Performance Security for tenders below estimated costs shall be released on the day of opening of the financial bid except for L-1 and L-2. The Additional Performance Security of L-2 shall be released within time limit of 30 subsequent working days or award of work to L-1, whichever is later.

PREPARATION OF REALISTIC ESTIMATES

6.13 The standard data which forms basis for preparation of estimates for all Civil Engineering Works shall be updated taking the improved construction technology into consideration. The estimate is prepared on the basis of rates taken from the State Schedule of Rates (SSRs)

6.14 State Schedule of Rates (SSRs):

Chief Engineer (CE) Mumbai will be the Convenor of the SSR Committee. All Chief Engineers (CEs) and zonal Superintending Engineer (SEs) will be the members of the committee. A Chartered Accountant shall also be included as member of the committee. One member from Builder Association of India and one member from Contractors association in rotation from all regions shall be members of SSR Committee. The SSR committee will prepare the SSR and get approval of the Government latest by 30th April every year. The SSR will be effective from 1st June every year. The corrections in SSR as pointed out by CEs shall be considered by the SSR Committee.

The receipt of the Schedule of Rates should be watched through Calendar of Returns and checked as envisaged in item 7 of Annexure to para 2-2-46 MSO (Audit).

Clubbing of works

6.15 The work shall be clubbed together if they are in one continuous length of the Road. However, no clubbing shall be resorted to if the works are distinctly apart from each other and are on the same Road. For achieving good quality in execution, the minimum Road length shall be 10 Km and in case of building maintenance single estimate shall be prepared for one entire building.

Preparation of Estimates:

6.16 In order to prepare realistic estimates, the following provisions are permitted to be added in the estimate.

a) GST introduced w.e.f 1st July 2017 shall be compensated by PWD on production of net extra burden on account of GST (after deducting VAT or Excise as in earlier contracts). If the tenders are below or at par with estimated cost and the contractors give affidavit that they will not claim anything extra on account of GST, such tenders shall be accepted. Rest of the tenders shall be rejected and recalled immediately. The rates of various items in the SSR shall be exclusive of GST. While preparing estimate for the works, GST shall be added as per the prevailing rates, in the recapitulation sheet of the estimate prepared based on the SSR. The tenders shall be called based on the rates without GST. GST shall be payable on the accepted contract value.

b) A provision of 1 per cent of the tender cost shall be made in the abstract estimate towards Insurance. A provision of 1 per cent of the tender cost shall be made in the abstract estimate towards Labour Welfare Charges.

Price variation

6.17 There will be no price variation clause in the Standard Bid Document (SBD). However, star rates shall be provided for in the SBD for bitumen, cement and steel. The difference between purchase price of contractor and the star rate shall be recoverable from the contractors or payable to the contractors.

Variation in Quantities

6.18 The clause 38 regarding variation in quantities is deleted from SBD.

Excess quantity shall be executed only after prior permission of the authority granting Administrative Approval (AA) to the work. It shall be paid at tender rate only. The CE/SE/EEs are

directed to prepare the AA estimates based on geological investigation/RCC designs. No change in quantity of foundations and RCC shall be permitted. Also the Administrative Approval will stand automatically revised if Technical Sanction is for a lesser value.

Miscellaneous:

Turnover for bid capacity:

6.19 Highest turnover during the last 5 years shall be considered for calculating the bid capacity. The conditions of turnover in last 5 years has the word 'Minimum' in SBD, it shall be replaced by the work 'Maximum'.

The balance sheets audited by the Chartered Accounts shall be considered and accepted.

6.20 Pre-registered consortiums registered in Stamp office will be accepted as joint ventures.

6.21 For the works of Unemployed Engineers, conditions related to ownership of hot mix plants/ batch mix plants/ machineries shall not be mandatory. A self-attested hire agreement shall be sufficient. If the self-attested hire agreement is found false/ erroneous, stringent action shall be initiated by the Chief Engineer.

6.22 For works upto Rs.1.50 Crores, the condition of ownership of hot mix plant / paver shall not be made mandatory. A self-attested hire agreement shall be sufficient. If the self-attested hire agreement is found false or erroneous, stringent action shall be initiated by the Chief Engineer.

Audit of Contracts and Agreements:

The following points should be borne in mind while conducting the audit of contracts:-

6.23 According to Annexure 3.1.1 of Manual of Instructions of Central Audit (MICA) issued by the CAG, audit of contracts and agreements has been entrusted to the Audit Officer/Senior Audit Officer. It has been further clarified by Head Quarters that the audit of contracts and agreements shall be done by the A.O/Sr.A.O independently and that these documents will not be initially scrutinised either by AAO/Auditor. (Item 10 of the statement enclosed to CAG's circular No.33-TAI/1984 No.1343-TAI/199-83 KW, dated 20-10-84, incorporated as Appendix-7 in MICA). After receipt of contracts/agreements they should be submitted to the Branch Officer with encasement "Noted in the Audit Register". Each contract or Agreement together with the supplemental slips received if any, relating thereto should be filed in a separate file to facilitate check with the paid

bills.

6.24 The instructions contained in para 3-7-9 and Annexure-I and II thereto of MSO (Audit) should be borne in mind in the scrutiny of agreements.

6.24.1 In lumpsum contracts, in addition to the unit and the rate for each item of work, approximate quantity of work to be done should be specified. Arithmetical check should be exercised to see that the total amount of the contract is correct.

6.24.2 Where sanctions to extra items are received, it should be seen that they are really beyond the scope of the original contract.

6.24.3 When the agreement rate includes rate for bailing out water, it should be seen whether the water level is recorded in the measurement book, if bailing out water should be made from the bills.

- (a) The terms of the contracts are definite and there is no room for ambiguity or misconstruction therein.
- (b) As far as possible, legal and financial advice is taken in the drafting of the contracts and before they are finally entered into.
- (c) The terms of tile contract once entered into are materially varied without the consent of thee competent authority and there is adequate justification for such change.
- (d) Whenever practicable and advantageous contracts are placed only after tenders have been openly invited and in cases where the lowest tender is not accepted, reasons are recorded.
- (e) In selecting the tender to be accepted, the financial status of the individuals and firms are taken into consideration in addition to all other relevant factors.
- (f) Even in cases, where a formal written contract is not made, the orders for supplies are not placed without written agreement regarding price.
- (g) Provision is made in the contract for safeguarding the property entrusted to the contractor.
- (h) The payments are made in accordance with the terms, contained in the contracts.
- (i) In the case of construction/ erection, see that the work is periodically measured by a qualified engineer and entered in the measurement book and those measurements are test-checked by a superior officer in the Engineering Branch.
- (j) Check the rates charged/claimed in the contract keeping in mind the specification.

- (k) Examine the analysis of rates and see how it compares. With local P.W.D. rates.
- (l) In case of alteration or modification of the plan, see whether appropriate changes have been made in the contract.
- (m) Examine the rates fixed for extra items and ascertain the reasons as to whether these could not have been settled at the time the tender was recalled for.
- (n) Where material is supplied by the company, examine the stock account and utilisation of the material (with reference to the standard formula and measurement book).

Relative responsibilities of Audit Officers in India and Broadsheet in Audit of contracts

6.25 The relative responsibility of the Audit Officers in India and Broadsheet in respect of the audit of stores transactions passed on through (a) the remittance accounts of the High Commissioner for India in London (b) The accounts of the India supply Mission Washington, and (c) The accounts of other India Missions Broadsheet, are laid down in paras 3.7.12 and 3.7.13 of MSO (Audit).

Levy of liquidated damages

6.26 In respect of purchase orders placed by Government departments, it should be seen whether a clause regarding the levy of liquidated damages is incorporated to the effect that if the contractor fails to deliver the materials on or before the stipulated dates, he shall pay as agreed, liquidated damages and not by way of penalty, an amount equal to one percent, or such smaller amount as the competent authority may decide, of the total amount of contract for every day provided that the entire amount of liquidated damages shall not exceed 10% of the total amount of the contract as shown in tender. (Govt.G.O.Ms.No.58, dt.27-3-67, File 15-212).

Bank guarantee schemes

6.27 The scheme of accepting Guarantee bonds executed by Schedule Banks for the due implementation of Government contracts has been adopted by the Government. According to this scheme, the Government agree to accept from Nationalised Banks guarantee in lieu of the cash deposit required from the contractors for due fulfillment of the terms and conditions of the agreement entered into by them with the Government for the execution of the work.

6.27.1 The guarantees executed will, however, be accepted only after obtaining written confirmation from the Nationalised Bank which issued the Bank Guarantees.

6.27.2 In respect of Mechanical Works like designing, manufacture, supply, erection, testing, commissioning, etc., entrusted to the firms, the following conditions shall be incorporated in the tenderform.

1. Payment will be made at 82% of the contract on bill of any portion of plant and material from time to time delivered at as per break-up costs.

2. Payment upto 90% of the total contract value including all erection charges on taking over of each complete section of the plant after erection and testing.

3. The balance of the contract value after expiration of 12 month after due date of payment under clause 2 above

6.28 Arbitration Awards

6.28.1 Under the clause of agreement any dispute between the contractor and the Government may be referred to the Arbitrator appointed for that purpose. In the course of examination of arbitration awards it should be seen whether the award has been due to any defect in the clauses of the agreement. Necessary comments may also be included in the Report of Comptroller and Auditor General on the merits of each case.

6.28.2 Contesting Arbitration awards

a) An arbitration award cannot be impeached except on the grounds specified in the section 30 of the Arbitration Act, 1940 and therefore for contesting an arbitration award, the grounds should be strictly in accordance with the procedure laid down in Sec 31 of the Act.

Stamp-duty

6.29 All agreements entered into with the department (Corporation) by the contractors for execution of works, supply of materials etc., are subject to stamp duty as prescribed from time to time under the Indian Stamp Act, 1899 and this duty would be borne by the contractors executing the agreement.

6.29.1 STAMP DUTY ON TOLL GATE AGREEMENTS:

In respect of Toll gate agreements, stamp duty at the rate of five rupees for every one hundred rupees or part there of shall be levied for the price paid by the lessee to the lessor in consideration of lease i.e. 5% of the bid value.

(Authy: Art.20-Sch IA-The Indian Stamp Act.II of 1899) Source: The Indian Stamp Act

1997(7th Edition)

6.30 Contracts with foreign firms

The following peculiar features are generally noticed in the terms of contracts entered into with foreign manufacturing firms both outside as well as in India, for the supply of heavy machinery and equipment:-

(I) No provision for imposing penalties for late deliveries, to safeguard the interest of Government was made in the contract;

(ii) The “price variation clause” was introduced in the contract providing for extra payment on account of fluctuation or variation in the price of material etc., in the market and the supplier’s certificate was to be accepted as conclusive evidence of such variation.

(iii) Time limits for deliveries, when prescribed were not in practice, enforced strictly.

Extensions of these time limits were frequently recommended by the consulting engineers in some cases were even granted by them as a matter of course, thus nullifying the time limit clause and no attempts were made to improve upon the delivery period.

**Price
Variation
(Irrigation)**

If during the operative period of the contract as defined in condition (i) below, there shall be any variation in the consumer price index (New series) for industrial Workers for Nagpur Center as per the Labour Gazette published by the Commissioner of Labour, Government of Maharashtra and or in the Wholesale Price index for all commodities, prepared by the office of Economic Advisor, Ministry of Industry, Government of India or in the price of petrol / Oil and Lubricants, and major construction material like bitumen, cement, steel, various type of metal, pipes, etc. then subject to the other conditions mentioned below, price adjustment on account of

- (i) Labour component,
- (ii) Material component,
- (iii) Petrol Oil and Lubricants components
- (iv) Bitumen component
- (v)HYSD & Mild / T.M.T. / Structural Steel component
- (vi) Cement component

Calculated as per formula hereinafter appearing shall be made. Apart from these, no other adjustment shall be made to the contract price for any reasons whatsoever. Component percentages as given below are as of the total cost of work put to tender. Total of Labour, Material & POL components shall be 100 and other components shall be as per actual.

1)	Labour Component - K_1	5.10 %
2)	Material Component - K_2	69.19 %
3)	POL Component - K_3	25.71 %
	Total	100 %
4)	Bitumen Component	Actual
5)	HYSD & Mild /T.M.T /Structural Steel component	Actual
6)	Cement Component	Actual

Star Rates

- (1)Cement - Rs. 5800.00 per MT
- (2)Bitumen 80/100 Grade - Rs. 54480.00 per MT
- (3) Bitumen 60/70 Grade, - Rs. 55480.00 per MT

(1)FORMULA FOR LABOUR COMPONENT:

$$V_1 = 0.85 \times P \times \left[\frac{K_1}{100} \right] \times \left[\frac{L_1 - L_0}{L_0} \right]$$

WHERE

- V_1 = Amount of price variation in Rupees to be allowed for labour component
- P = Cost of work done during the quarter under consideration **Minus** the cost of Cement, Steel and Bitumen calculated at the basic star rates as applicable for the tender consumed during the quarter under consideration. These star rates are specified here
- K_1 = Percentage of Labour Component as indicated above.
- L_0 = Basic Consumer Price Index for Nagpur centre shall be average consumer price index for the quarter preceding the month in which the last date prescribed for receipt of tender falls.
- L_1 = Average Consumer Price Index for Nagpur Centre for the quarter under Consideration.

(2)FORMULA FOR MATERIAL COMPONENT :

$$V_2 = 0.85 \times P \times \left[\frac{K_2}{100} \right] \times \left[\frac{M_1 - M_0}{M_0} \right]$$

WHERE

- V_2 = Amount of price variation in Rupees to be allowed for material Component
- P = Same as worked out for labour component.
- K_2 = Percentage of Material Component as indicated above
- M_0 = Basic Wholesale Price Index shall be average wholesale price index for the Quarter preceding the month in which the last date Prescribed for receipt of tender falls.
- M_1 = Average Wholesale Price Index during the quarter under Consideration

(3) FORMULA FOR PETROL, OIL & LUBRICANT COMPONENT

$$V_3 = 0.85 \times P \times \left[\frac{K_3}{100} \right] \times \left[\frac{P_1 - P_0}{P_0} \right]$$

WHERE

- V_3 = Amount of price variation in Rupees to be allowed for POL component
- P = Same as worked out for labour component.
- K_3 = Percentage of Petrol, Oil and Lubricant component
- P_0 = Average price of H S.D. at Mumbai during the quarter preceding the month in which the last date prescribed for receipt of tender falls
- P_1 = Average Price of HSD at Mumbai during the quarter under consideration

(4) FORMULA FOR / MILD STEEL/ TMT/ STRUCTURAL STEEL COMPONENT

$$V_5 = \frac{S_0(SI_1 - SI_0)}{SI_0} \times T$$

WHERE

- V_5 = Amount of price variation in Rupees to be allowed Mild Steel TMT Steel component.
- S_0 = Basic rate of T.M.T HYSD/Mild Steel in rupees per metric tonne as considered for working out value of P.
- SI_1 = Average Steel Index published in the RBI Bulletin during the quarter under consideration.
- SI_0 = Average of Steel Index published in the RBI Bulletin for the quarter preceding the month in which to the last date prescribed for receipt of tender falls.
- T = Tonnage of steel used in the permanent works for the quarter under consideration.

(5) FORMULA FOR CEMENT COMPONENT

$$V_6 = C_0 \frac{(Cl_1 - Cl_0)}{Cl_0} \times T$$

WHERE

- V_6 = Amount of price variation in Rupees to be allowed for cement component.
- C_0 = Basic rate of cement in rupees per metric tonne as considered for working out value of P.
- Cl_1 = Average cement Index published in the RBI Bulletin for the quarter under consideration.
- Cl_0 = Average of cement Index published in the RBI Bulletin for the quarter preceding the month in which the last date prescribed for receipt of tender falls.
- T = Tonnage of cement used in the permanent works for the quarter under consideration.

(6) FORMULA FOR BITUMEN COMPONENT:

$$V_4 = Q_B (B_1 - B_0)$$

WHERE

- V_4 = Amount of price variation in Rupees to be allowed for Bitumen component.
- Q_B = Quantity of Bitumen (Grade) in metric tonnes used in the permanent works and approved enabling works during the quarter under consideration.
- B_1 = Current average ex-refinery price per metric tonne of Bitumen (Grade) under Consideration including taxes (octroi, excise, sales tax) during the quarter under consideration.
- B_0 = Basic rate of Bitumen in rupees per metric ton as considered for working out value of P or average ex-refinery price in rupees per metric tonne including taxes (octroi, excise, sales tax) of Bitumen for the grade of bitumen under consideration prevailing quarter preceding the month in which the last date prescribed for receipt of tender, falls, whichever is higher.

The following conditions shall prevail :

- i) The operative period of the contract shall mean the period commencing from the date of work order issued to the contractor and ending on the date on which the time allowed for the completion of work specified in the contract for work expires taking into consideration the extension of time if any for completion of the work granted by Engineer under the relevant clause of the conditions of contract in cases other than

those where such extension is necessitated on account of default of the contractor. The decision of the Engineer as regards the operative period of the contract shall be final and binding on the contractor. Where any compensation for liquidated damages is levied on the contractor on account of delay in completion or inadequate progress under the relevant contract provisions the price adjustment amount for the balance work from the date of levy of such compensation shall be worked out by pegging the indices L_1 , M_1 , B_1 , P_1 , CI_1 and SI_1 to the levels corresponding to the date from which such compensation is levied.

ii) This price variation shall be determined during each quarter as per formula given above in this clause applicable to this contract in B-1

iii) The price variation under this clause shall not be payable for the extra items required to be executed during the completion of the work and also on the excess quantities of items payable under the provisions of Clause 38 of the contract form B-1 since the rates payable for the extra items or the extra quantities under the clause 38 are to be fixed as per the current DSR or as mutually agreed subject to yearly revision till completion of such work. In other words, when the completion / execution of extra items as well as extra quantities under clause 38 of the contract form B-1 extends beyond the operative date of the DSR, from the rates payable for the same beyond the date shall be revised with reference to the next current DSR prevalent at that time on year to year basis or revised rates, in accordance with mutual agreement thereon, as provided for in the contract, whichever is less.

iv) This clause is operative both ways, i.e. if the price variation as calculated above is in on the plus side, payment on account of the price variation shall be allowed to the contractor and if it is on the negative side, the Government shall be entitled to recover the same from the contractor and amount shall be deductible from any amounts due and payable under the contract.

v) To the extent that full compensation for any rise or fall in costs to the contractor is not entirely covered by the provision of this or other clauses in the contract, the unit rate and prices included in the contract shall be deemed to include amounts to cover the contingency of such other actual rise or fall in costs.

WORKS EXPENDITURE

6.31 Some of the important and special points for works audit are detailed below:-

6.31.1.1 **Estimates-** The following points should be seen:-

- (1) That the estimates are prepared and sanctioned by the competent authorities according to the rules laid down by the management of the concerned.
- (2) That proper technical advice has been obtained, wherever necessary while framing the estimates so that the contingencies of shortages or excess over the sanction estimates in normal circumstances, when the work is actually executed, are avoided. Bring to notice cases where revised or supplementary detailed estimates had to be prepared in order to cover the actual or probable excess over the sanctioned estimate.
- (3) That there is no undue delay in closing the accounts of the works when the works are completed or abandoned and that excess over the sanction estimate are investigated and regulated by the sanction of the competent authority.
- (4) That any anticipated or actual savings on a sanctioned estimate for a definite project are not without special orders of the competent authority, utilized to carry out additional work not contemplated in the original estimates towards and unauthorized objects.
- (5) See similarly that any surplus recoveries of expenditure or savings due to abandonment of parts of the work and evidence by the quantities of the work executed or otherwise are not utilised for work on other section or towards an unauthorised, object.
- (6) Check the expenditure on each sub-head or sub-work with the estimated quantity of work to be done, the stipulated date and the total sanction cost and bring to notice all deviations from the sanctioned estimates.
- (7) Scrutinise the recoveries of the expenditure and examine all marked deviations from the provision for such credits in the estimates of the work.

6.31.1.2 **Tenders-**The following checks should be applied while checking the tenders for works expenditure:-

- (1) That the rates quoted for various items of works in the accepted tenders are not higher than the rates as per the schedule of rates of the P.W.D. of the particular area in which the work is being

carried out.

- (2) In cases where tenders are rejected on the ground that the rates quoted are unworkable, see whether the tenderer has specified in the tender itself any special advantage in support of the unworkable rates and whether such advantages have been given due cognizance by the concern while refusing the lowest tender on the ground of unworkability of the rates.
- (3) Where cement to be supplied by the concern, see that proper clause exists for the return of the empty cement bags.
- (4) Where water, electricity, etc. are to be supplied by the concern at the works site, see that the necessary clause exists for the recovery of the cost thereof.
- (5) Where any plant or machinery of the concern is to be utilised by the contractor at works site, see that proper clause exists for the recovery of the cost thereof.
- (6) See that necessary penalty clause exists for the non-completion of the work within the stipulated time.
- (7) Where the tenders received are substantially lower in amount than the estimate cost of the work, see that the estimates are as a rule revised by the concern.
- (8) See that the tenders are examined and work orders issued to the tenderers within the validity period of the offer.

6.32 Work Analysis:

Major works are to be marked for work analysis during the course of local audit. The following points are to be kept in view while scrutinizing the work analysis:

1. Whether proper investigation is done, pre-levels recorded and bench marks fixed.
2. Date and Reference to administrative sanction.
3. Reference to technical sanction amount.
4. Whether land acquisition is involved , if so,
 - (i) Date of sending requisition.
 - (ii) Date of joint inspection.
 - (iii) Date of DN/DD.
 - (iv) Amount deposited.

- (v) Whether L.A. proposals are returned if so reasons therefore.
- (vi) Date of resubmission of L.A. proposals.
- (vii) Whether the scheme required clearance from forest department if so whether the same is obtained.
 - 5. Whether any tests are conducted before preparing estimates if so what are the results of tests.
 - 6. Whether designs are confirmed by CDO.
 - 7. Whether quantities have been identified and the suitability and availability of material therein certified if so by whom.
 - 8. Whether the estimate is prepared adopting standard rate.
 - 9. Whether the rates adopted in the estimate are correct with reference to current SSR with which estimate is prepared.
 - 10. Whether any additional percentages added to estimate rates such as municipal area allowance etc.
 - 11. If so, whether those percentages are permitted and covered by rules.
 - 12. Whether all the leads and lifts been verified and certified by competent authority.
 - 13. Whether the quantities of materials, like rock properly worked out with reference to relevant rules.
 - 14. Whether the work site has been inspected by sanctioning authority before sanctioning the work.
 - 15. Whether classification of soils for excavation items supported by evidence.
 - 16. Whether any water leads provided beyond ½ Km if so reasons therefor.
 - 17. Whether machinery rate for excavation adopted when the quantity of excavation exceeds 1000 cum.
 - 18. How the excavated quantities of earth and rock proposed to be disposed off and what is the basis for conclusions drawn by the department.
 - 19. Whether the excavated rock is proposed to be stacked.
 - 20. Whether the estimate was split into parts if so reasons therefore.
 - 21. Whether the mix designs for concrete items are prepared and prescribed scientifically and not changed subsequently besides prescribing clearly the quantity and quality requirements and grade of cement to be used.
 - 22. Whether there is any change in design/specifications either before grounding the work or during execution if so reasons therefore and financial impact thereof.
 - 23. Whether any L.S provisions are made in the estimates for the works to be executed, if so reasons

therefor.

24. Whether periodical repair works, special repair works, flood damage repair works, cyclone damage works, and original works for same reaches were sanctioned and executed in the same year.
25. Whether the through rates wherever adopted have been correctly worked out.
26. Whether the unit rates are worked for standard units as prescribed in the rules.
27. Whether the milestones have been fixed after scientific assessment of work giving full details instead of giving arbitrary percentages.
28. Whether tender documents been prepared using standard forms and all items are correctly carried over without giving any room for ambiguity.
29. Whether the tender documents been approved by competent authority whether the notification been issued properly as per rules.
30. Whether the notification been issued properly as per rules.
31. Whether tender documents issued to all eligible tenders.
32. Whether adequate steps taken to attract better competition avoiding ring formation and preventing business cartels.
33. Whether pre-bid conference wherever required held and proceedings recorded.
34. Whether bids are properly opened by competent authority scrupulously following all prescribed rules.
35. Whether proper bid evaluation report and comparative statements prepared.
36. Whether tenders accepted within validity period by competent authority and acceptance in complete shape communicated to the successful bidders also whether the rates accepted are within the percentage limits prescribed by Government.
37. Whether proper agreement concluded by competent authority.
38. Whether mobilisation advance given as per agreement conditions.
39. Whether the contractor gave all the securities in terms of agreement and rules.
40. Whether the securities provided by contractor are converted into interest bearing securities if so was it covered by agreement and rules and approved by competent authority.
41. Whether the contractor kept up the pace of work as per schedule of progress, if not whether any

penalties are levied and recovered.

42. Whether the contractor mobilized sufficient men, material and machinery in terms of agreement and commenced the work.
43. Whether the work been inspected by competent authority periodically and inspection notes issued all suggestions and observations are adequately attended.
44. Whether there are any deviations during execution if so reasons therefor and their financial impact also whether they were approved by competent authority.
45. Whether all measurements are properly recorded, whether detailed measurement are recorded for all earthwork.
46. Whether the excavated quantities and pit measurements recorded separately and payments restricted to lowest of anyone.
47. Whether separate measurements are recorded for water leads wherever they are proposed.
48. Whether detailed measurements are recorded for stacking items wherever they are proposed.
49. Whether proper log extracts maintained for bailing out water wherever applicable.
50. Whether proper evidence of execution being done strictly with the machinery specified exists.
51. Whether all items been check measured by competent authority.
52. Whether all the deductions such as sales tax , IT ,withheld amount as per agreement, seigniorage charges, NAC contribution, insurance are properly recovered and credited to relevant accounts.
53. Whether payments for earth work are made of least of pit measurement or level measurements.
54. Whether the rebate offered if any is properly deducted.
55. Whether full rates are released for items for which part rates are to be released.
56. Whether the escalation payments properly worked out adopting correct indices and apply relevant formulae.
57. Whether any payments released for supplemental items before concluding supplemental agreement.
58. Whether overlaps for steel items are measured and paid.
59. Whether the rates for supplemental items are correctly arrived and adopted, both for new items and deductible items.
60. Whether there is any vitiation of tenders due to change in classification of soils during execution.

61. Whether adequate credits are given for retrievable items.
62. Whether additional leads are given during execution and quarries changed, if so reasons therefor and its financial impact.
63. Whether savings in certain items of work been unauthorisedly utilised for additional or revised items without sanction of competent authority. Whether the amenities to be provided to about in terms of agreement were provided by the contractor.
64. Whether the contractor stopped the work any time, if so whether adequate penal actions as per tender clause are taken by the department.
65. Whether there is any variation in specifications between estimate and tender documents/agreements if so what is its financial impact.
66. Whether the balance work if any entrusted after obtaining approval of Revised Estimate and at competitive rates.

6.32.1.1 Measurement Books- The following points should be borne in mind while examining the measurement books:-

- (1) That the books outstanding for two year from the date of issue are duly called for, for record in office.
- (2) That missing measurement books are traced or action taken for their loss
- (3) That the stock of unused measurement books agrees with the balance.
- (4) That the fact of destruction of measurement books over 10 years is recorded in the register.
- (5) That at the measurement books are generally reviewed to see that the entries are made in accordance with the Instructions on the fly leaf of measurement books and that no entries are made by officers other than those empowered to do so.
- (6) That acknowledgement is taken from responsible persons whenever measurement books change hands.
- (7) That remarks made by the Assistant Engineer or the Executive Engineer and corrections in rates made after check measurement do not indicate that irregular and incorrect measurements have been made.
- (8) That the dates of measurements of any outstation works are correctly traceable in the progress

reports or travelling allowances bills of the officials concerned.

- (9) That in the case of cancelled measurements the cancellation is supported by the dated initials of the officers ordering the cancellation and also full reason for the same.
- (10) That check-measurement is conducted with discretion and that the items of work easily susceptible of fraud or which would most seriously affect the total amount of the bills, if inaccurate, are selected for check-measurement.
- (11) That the measurements are recorded and signed by the Senior Officer, when measurements are taken jointly by two or more officers.
- (12) Test-check the total measurements for a particular item of work as billed for making the payment with the estimated quantity of work to be done in order to find out the over measurements or measuring the same work twice.

Disposal of Unserviceable, Obsolete and Surplus stores, Spare parts, Vehicles, Tools, Empties, Scrap, By-products etc...

6.32.2 The following points should be seen in audit:-

- (1) See that the stores have been condemned or declared unserviceable or obsolete only after detailed visual survey by a Survey Committee comprising of the heads of the Planning Department and workshop or stores. Such survey may note insisted when the value of stores is not much.
- (2) See that written orders have been passed by competent, authority on the report of the Survey Committee declaring the stores as unserviceable, obsolete or surplus.
- (3) See that the method of disposal adopted is that recommended by the Survey Committee. If no method is suggested by the Committee, see that the sale is made to the best advantage of the concern through the recognised methods of sales.
- (4) See whether any reserve price has been recommended by the Survey Committee for the individual items of stores for disposal. If so, see that the reserve prices fixed have been taken into consideration at the time of disposal. If no reserve price has been indicated, suggest the necessity of the same.
- (5) See that the method of disposal and fixation of reserve price are approved by the competent

authority.

- (6) See that the disposal action is not unnecessarily delayed to the disadvantage of the concern.
- (7) See that the sales are sanctioned by competent authority and financial concurrence is obtained where necessary.
- (8) See that the sale value of stores sold is deposited by the purchaser within the stipulated time and that any extension of time if sanctioned by proper authority.
- (9) See that the description of stores sold as mentioned in the relevant disposal or auction documents tallies with the gate passes of concern.
- (10) See that stores removed by the purchase are within the prescribed period and that in case or default, penalty, if any by way of ground rent etc. is recovered from the purchaser.
- (11) In the case of disposal by auction, see that adequate publicity by way of advertisement, hand bills etc. was given in order to stimulate competition among the intending purchasers and that the terms of auctioneering agreement, if any, regarding prompt deposit of sale money etc. were strictly observed by the auctioneers and that the auctioneers' commission was allowed in accordance with the rates prescribed in the auctioneering agreement.
- (12) If the case of manufacturing concerns, special attention should be paid to the procedure for the handling of by-products and scrap which arises during the course of manufacture and their ultimate disposal.

The following points should be seen in audit:-

- (i) Whether any formula has been devised by the technical staff of the concern for determining the quantity of by-products or scrap that will arise in each operation of manufacture, If so, see how the quantities so determined compare with the actual quantities of by-product or scrap as shown in books of the concern for each month or each quarter
- (ii) In some cases the by-products are of only small value. In such cases the intricate calculations to ascertain their cost are not warranted and the sale proceeds of such by-products may either be treated as profit or as a reduction in the cost of the main product and credited to the account of the process from which they have been derived either in total or less a reasonable percentage etc overhandling expense. But in some cases the, by-products may be carrying considerable

value and assume much importance in as much as they may be regarded almost as main products. See that in such cases an accurate system of accounting is adopted to ascertain the cost of the by-product. See whether the by-products are in saleable condition or they require further processing before they can be sold. If they require further processing see that all expenditure incurred on their further processing is recorded separately and their cost is worked out similar to that of the main product.

- (iii) In the case of scrap, see whether the possibility of its utilization in some of the operations or processes of the concern itself or the operation of other manufacturing concerns has been considered.
- (iv) Find out what method has been adopted by the concern for disposal of the by-products or the scrap and see how far the method adopted results in the maximum financial benefit to the concern.

Suspense Account

6.32.3 The checks to be exercised are:-

- (1) That no amount is credited or debited to a suspense account without proper authority
- (2) That no credit is taken by debit to a suspense head.
- (3) That items noted in the account are cleared promptly, by recovery, payment or adjustment and
- (4) That no item is kept outstanding for an unduly long time without being cleared.

6.32.4 The following items should also be reviews at every audit:-

- (1) Service Rules and delegation of financial powers to various levels of Management.
- (2) System of Accounts and internal check.
- (3) Duties and functions of Internal Audit Department.
- (4) Rules regarding the allocation of expenditure between Capital and Revenue.
- (5) Control over acquisition, utilization and stocking of stores, spares etc.
- (6) Review of the growth of the administrative expenditure in relation to the volume of business transacted.
- (7) Review of the utilisation of men and machines. Idle time and surplus capacity should be carefully examined.

- (8) Review of the accounting procedure and state of accounts.
- (9) Review of the system of budgeting and implementation of budgetary control.
- (10) Examination and interpretation of the Cost and Statistical data.

Chapter VII: Transfer Entries

(Chapter 7 of Maharashtra Public Works Account Code)

Transfer entries, that is entries intended to transfer an item of receipt or charge from the account of a work in progress or of a regular head of account to the account of another work or head, are necessary in order-

- (a) Correct an error of classification in the original accounts;
- (b) Adjust, by debit or credit into the proper head of account (or work), an item outstanding in a suspense account or under a debt or deposit head;
- (c) Bring to account certain classes of transactions which do not pass through the cash or stock account, e.g.-
 - (i) For credit to “Purchases” on account of materials received for works from sources other than stock. (Vide paragraphs 10.3.5 and 10.3.9 of Account Code)
 - (ii) For credit to “P W Deposits” on account of balances due to contractors on closed accounts, (vide paragraph 10.5.19 of account code);
 - (iii) For credit to revenue heads on account of revenue not recovered in cash;
 - (iv) For original debits or credits to remittance heads based on transactions not appearing in cash or stock accounts, e.g. transfer of tools and plant to another department or Government when the value is recoverable from them;
 - (v) For credit to the heads concerned of the several percentages leviable under the rules. E.g., those on accounts of supervision (when not recovered in cash), establishment, tools and plant and workshop charges.
- (d) Respond to a remittance transaction advised by the Accountant General or direct by the department concerned, if the corresponding debit or credit to the remittance head has not already appeared in the accounts;
- (e) Relieve the account of a work in progress of:
 - (i) Items which have ceased to be debited to the estimate for the work, and

(ii) Suspense charges which can no longer be kept within the account of the work. Such transfer entries are necessary either when the accounts of any contractor or of the work itself are to be closed, or when any recoveries (otherwise than in cash) have become due, e.g., by the transfer of stores to any other work or account.

Chapter VIII: Bituminous Roads.

8.1 (Glossary of Highway Engineering Terms)

1. **Abrasion:** The removal of material from the surface of a slid by grinding or rubbing action.
2. **Asphalt:** A mixture of bitumen and mineral matter which may occur in natural deposit, or be produced by artificial means.
3. **Asphalt Emulsion:** A combination of asphalt with a small amount of soap-forming compound and water.
4. **Asphaltic Concrete:** A pre-mix of bitumen, sand and not less than 30 per cent by weight of mineral aggregate of a size larger than sand.
5. **Asphaltic Macadam:** A mixture of bitumen and a mineral aggregate of a size larger than sand.
6. **Ballast:** Stone or gravel with grit and clayey materials.
7. **Base Coat:** An intermediate course between the base course and the wearing coat.
8. **Base Course:** That part of construction resting upon the sub-grade and through which the load is transmitted to the sub-grade or the supporting soil. A base course is the layer immediately under the wearing surface.
9. **Benching, Stepping:** The formation of a series of small level platforms or steps upon an incline or slope.
10. **Berm or Shoulder:** The portion immediately beyond the edges of a carriageway (usually of earth) on which vehicular traffic may pass occasionally (while crossing) or the strip of land between side drain and the lower edge of bank.
11. **Binder:** Is a term applied to tar or bitumen used for binding road metal.
12. **Bitumen Macadam:** Consist of bitumen only.
13. **Bituminous Cement:** A general term of bituminous materials which bind together adjacent solid substances of a suitable nature.
14. **Bitumen:** Is by-product of the distillation or evaporation of crude petroleum either by natural process or in a refinery and is the basic constituent of asphalt. It is solid or semi-solid, black or brown in colour, is sticky and melts or softens on the application of heat.
15. **Black-top surface:** A general term applied to wearing coats or surfaces of roads in which tar or

bitumen is used as binder.

- 16. Bleeding:** The exudation of bituminous material on a road surface after construction.
- 17. Blinding, Gritting or Dressing:** Spreading of stone chips, sand or other fine material on a road surface after application of bituminous material, or to fill the voids or interstices in a ware-bound macadam surface.
- 18. Blindage:** The fine material so used.
- 19. Camber:** The convexity given to the curved cross-section of a carriageway between the crown and the edge of the carriage way, it is the difference in level between the crown and the edge of the carriageway. Sometimes called cross fall.
- 20. Carpet:** A wearing surfacing obtained by laying bitumen or tar concrete in two or more coats in a thickness of more than 25 mm.
- 21. Carriageway:** That portion of the roadway designed and constructed for vehicular traffic.
- 22. Chipping:** The term is generally intended to include uncrushed gravel as well as crushed rock (finer than 20 mm).
- 23. Chips:** Small angular fragments of stone containing no dust.
- 24. Coal Tar:** Is a bye-product in the manufacture of gas from coal.
- 25. Corrugations:** Ripples, waves or undulations which are liable to appear in all types of road surfaces.
- 26. Crazying:** The breaking up; of surface layer through cracking into some irregular shaped areas.
- 27. Creep:** The slow plastic movement of the material in a surface layer in the line and direction of traffic flow or gradient.
- 28. Creteways:** A carriageway in which a cement concrete wearing surface is provided for the wheel tracks only.
- 29. Crown:** The highest point (in cross-section) of a curved road surface, commonly at or near the center. The level of crown is called road surface level.
- 30. Crude oil:** Unrefined petroleum.
- 31. Cut:** the material excavated to make a cutting.
- 32. Cutting:** That portion of the site of a road where the formation has been excavated below the

ground level.

- 33. Detour:** An alternate circuitous (indirect) route for traffic going around a close portion of a road; a temporary route.
- 34. Embankment:** An earthwork raised above the natural ground by the deposition of material to support construction at a higher level.
- 35. Emulsion:** A freely flowing liquid at ordinary temperature in which a substantial amount of bitumen or tar is suspended in a solution of water in finally divided and stable state. Emulsions contain about 50 to 65 per cent of bitumen. Can be used in all climates and are very useful for patch repairs on bituminous surfaces. They are used cold and can work with wet chippings. Before application of emulsion the road surface should be thoroughly cleaned and slightly damped with water.
- 36. Fair-weather Road:** A road that can be used by traffic during dry weather only and not during monsoons.
- 37. Fat:** Containing an excess of bituminous material.
- 38. Filler:** any fine mineral powder added to bituminous mixture in the course of manufacture and which has been grounded to such degree of fineness that not less than 85 per cent by weight passes a 75 micron sieve. The common fillers are limestone dust, cement, granite dust, slate dust, coal dust slag dust etc. Lime seems to possess excellent qualities as filler and is used most.
- 39. Grading, Trimming:** The operation of excavating and shaping the surface of earthworks. The final shaping of earthworks.
- 40. Grit:** fine small sized sharp edged stone aggregate or coarse sand used for blinding road surfaces which have received a bituminous dressing. It gives a suggestion of roughness in the stone and of roughness to the work.
- 41. Gritting:** The operation of spreading small broken stones, chippings or gravel.
- 42. Grouting:** The action by which a binder in liquid form (cement, tar, bitumen, etc) is made to penetrate into joints, fissures or cracks in concrete work or between blocks, (or road aggregate) under the action of gravity or by applied pressure.

- 43. Lay-by:** The local widening of carriageway to enable vehicles to draw off the road for temporary parking or stoppage without obstruction to traffic flow.
- 44. Lean:** Containing a deficiency of bituminous material, or conversely, containing an excess of aggregate.
- 45. Leveling Course:** A course placed for the purpose of shaping old surface to proper cross section to receive a subsequent surface course.
- 46. Liquid seal:** Is a term used to indicate that the material used for dressing is in a liquid form and does not require to be heated.
- 47. Macadam:** Broken stone, road stone or road metal; Crushed or broken stone of regular size below 75 mm for road construction.
- 48. Mastic Asphalt:** Asphalt or bitumen heated and mixed with fine mineral fillers (lime-stone powder, sand or chipping, etc) to form a coherent void less impermeable mass, solid or semi-solid under normal temperature and of such consistency that it can be spread when hot by hand 25 mm to 50 mm thick with wooden floats and sets on cooling go give a firm impervious surface. The bitumen has 8 to 10 % of filler. The mastic is laid at a temperature of 160 degree to 175 degree on a prepared surface. Chippings are spread over the laid asphalt where the thickness is over 12 mm of under heavy traffic to reinforce the mastic and compacted. Mastic asphalt is said to be much more durable than the ordinary asphalt.
- 49. Matrix:** The binding material in which the larger particles of mineral aggregate are embedded.
- 50. Pavement:** is the hard crust placed on the soil formation after the completion of the earthwork.
- 51. Picking:** the loosening of the stop surface of road by pick axes or similar tools.
- 52. Pot-holes:** marked local depressions in a surface layer, roughly circular in plan, arising from the wearing away of material by traffic or by some other agent.
- 53. Prime coat:** the initial application of a binder to an absorbent highway surface prior to the construction of a wearing coat.
- 54. Primer:** a binder of low viscosity which on application to a surface, other than black-top surface, is completely absorbed. Its purpose is to water-proof the existing surface and prepare is to serve as a base for the construction of a black-top surface. A primer may be road oil, cut-

back asphalt or a low viscosity road tar.

- 55. Radial road:** a road which provides a direct communication between the center of an urban area and the outer districts.
- 56. Ring road:** a circumferential road built around an urban area to enable free flow of traffic.
- 57. Road:** a way for vehicles and for other types of traffic over which they may lawfully pass. It includes the entire area comprising the road way and all structures pertaining to the road within the limits of the defined boundary or right-of-way.
- 58. Roadway:** that portion of road (included within the construction limits) ordinarily used for traffic. It includes carriageway and shoulders.
- 59. Rut:** a groove or depression formed in a surface layer longitudinal to the road by wheels of travelling vehicles.
- 60. Scarifying:** the loosening of the top surface of a road by mechanical or other means.
- 61. Screenings:** the small size stone particles sieved through the lowest mesh of 6 mm prescribed for chipping sizes.
- 62. Seal Coat:** a dressing of tar or bitumen blinded with grit, etc., applied to open textured bituminous surfaces to render the surface water tight and strengthen the macadam. This may be pre coated chippings and applied as surface dressing. Thickness is about 12 mm and the size of grit used varies from 10 mm down to sand. A seal coat is more or less like a renewal coat of surface dressing.
- 63. Spoil:** Surplus excavated material.
- 64. Stripping:** the preliminary operation of cleaning the site of the works of turf, grass, weeds, brushwood and other extraneous material.
- 65. Sub-crust:** an intermediate layer acting as a cushion between the pavement.
- 66. Tack coat:** The initial application of a binder to an existing surface given to ensure thorough bond between the new construction and the existing surface.
- 67. Traffic density:** is the number of vehicles using the road per hour during peak periods and is the average of several peak days. The daily traffic is approximately ten times the maximum hourly traffic.

- 68. Trunk road, arterial road:** a main channel or traffic route which forms an essential part of the highway system of the country.
- 69. Water-bound-macadam:** the surface layer of a road in which the road metal has been consolidated with water and earthy material or rock particles. A type of surfacing in which stone fragments are first interlocked by rolling and then bound with smaller stone, gravel etc., which is forced into the interstices by booming, watering and rolling.

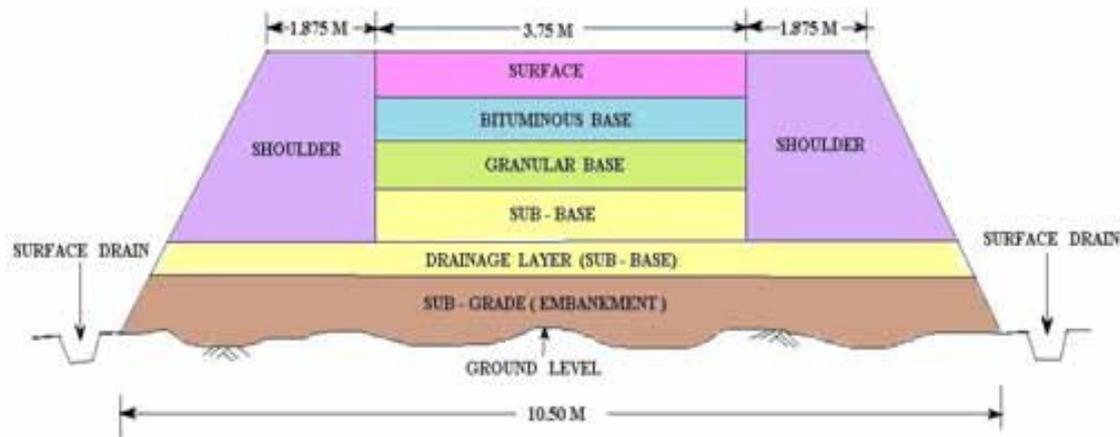
8.2 Classification of roads.

Roads in the country are classified into six categories:

- 1. Expressways (E):** The function of expressways is to cater for movement of heavy volumes of motor traffic at high speeds. They connect major points of traffic generation and are intended to serve trips of medium and long length between large residential areas, industrial or commercial concentrations and the central business district. Parking, loading and unloading of goods and passengers and pedestrian traffic are not permitted on these highways.
- 2. National Highways (NH):** these are main highways running through the length and breadth of the country connecting major ports, highways of neighboring countries, state capital, large industrial and tourist centers, etc.
- 3. State Highways (SH):** These are arterial routes of a state linking district headquarters and important cities within the State and connecting them with National Highways of the neighboring states.
- 4. Major District Roads (MDR):** These are important roads within a district serving areas of production and markets, and connecting these with each other or with the main highways.
- 5. Other District Roads (ODR):** These are roads connecting villages or groups of villages with each other and to the nearest road of a higher category.

8.3 Composition of Road structure

The Road structure cross section is composed of various components, viz., sub-grade, sub-base, drainage layer, base course, surface, shoulder etc. for evaluating the quantities and cost of work. The figure below indicates different layers of a cross section of bituminous Road:



- **Sub-grade (embankment)** -It is the soil foundation of the natural ground in its final shape after completion of earthwork on which the entire Road structure rests.
- **Drainage layer**- A layer of granular material above the sub-grade extended over the entire formation width to drain the sub-soil water.
- **Sub-base** -This work shall consist of laying and compacting well-graded material on prepared sub-grade. Sub-base materials comprise natural sand, moorum, gravel, laterite, kankar, brick metal, crushed stone, crushed slag, crushed concrete or combinations thereof meeting the prescribed grading and physical requirements
- **Base** – A part of construction resting upon the sub-base/sub-grade, made up of fine compacted material (granular bases which comprise conventional Water Bound Macadam (WBM), Wet Mix Macadam (WMM) or other equivalent granular construction); the driving surface lies on it.
- **Surface (Bituminous surfacing)** - Top layer of Road on which traffic ply consisting of bituminous binder and wearing course.
- **Shoulder**- The portion immediately beyond the edge of carriage way on which traffic may pass occasionally while crossing.

8.4 Process in road construction:

1. Pre-requisite activities before preparation of estimates

The specifications of IRC: SP19- (2001) stipulated two stages of pre-requisite activities namely feasibility study and detailed survey and investigation. These pre-requisite activities include fixing of bench-mark, taking of ground levels at 50-100 meter intervals, conducting of traffic survey, pavement design, collection of hydrological, physical and foundation data from concerned authorities, local enquiry and a study of nearby Road structures on the same stream in the vicinity, soil and material survey and identification of quantum of land acquisition

2. Crust design of flexible pavement

According to the IRC-37 -2001(guidelines for design of flexible pavements), the crust (thickness) as well as type of bituminous course is designed on the basis of California Bearing Ratio (CBR denotes strength of soil) of sub-grade (Sub-grade is top 30 cm to 50 cm layer of earthwork inroads) and design traffic in terms of million standard axle (MSA denotes load of traffic on road), which in turn is determined on the basis of commercial vehicles per day (CVPD), vehicle damage factor (VDF is a multiplier to convert the number of commercial vehicles of different axle loads to the number of standard axle load repetitions), design life and lane distribution factor (LDF). The IRC specifications further provides that wherever the designed traffic is one msa and the CBR of sub-grade is up to 10 *per cent*, provision of only 20 mm open graded premix carpet (OGPC) with seal coat should be provided as a bituminous wearing course. Provision of Bituminous Macadam (BM) and Semi Dense Bituminous Concrete(SDBC) is required when the cumulative traffic arrives to 5 msa on the basis of traffic survey.

Based upon the CBR per cent (2 to 10) and traffic range (1-150 msa) total pavement thickness is decided as given in IRC-37 -2001.

Chapter IX: Irrigation

Irrigation: The process of supplying water to the crops by artificial means is called irrigation. This is also understood by a different terminology called “Irrigated Agriculture of Irriculture”.

9.1 Glossary of irrigation terms.

1. A **canal** is the main channel of irrigation scheme from which as a rule, no direct irrigation takes place.
2. **Actual command:** is the area on which water will flow from complete canal system as constructed or is likely to be constructed.
3. **Aqueduct:** where the bed level of the canal is higher than the High Flood Level of the drainage, then the cross drainage works is called aqueduct.
4. **Apron:** a floor or lining of concrete, stone, masonry etc., to protect a surface from erosion or to withstand hydrostatic pressure. Aprons are provided on the upstream side of crest walls, below chutes or spillways, at the toes of dams, at the entrance or outlet of a culvert or water-way, etc., to prevent scour.
5. **Balancing tank:** is a subsidiary reservoir for storing excess water which is utilized during periods of short supply.
6. **Barrage:** a structure provided with a series of gates, erected across a river to regulate the water surface level and flow upstream, extending right across a river with the crest of the weir at one uniform level. (It is a gate controlled low weir). **Berm:** (i): The space left between the upper edge of a cut and the toe of an embankment; (ii) a horizontal strip or shelf built into an embankment to break the continuity of an otherwise long slope.
7. **Berming:** the deposition of material on the side of a channel forming a berm.
8. **Breach:** the gap created in a bank of a canal.
9. **Broad irrigation;** irrigation with sewage from a town (instead of with natural water), in which the disposal of the sewage is the primary object.
10. **Capillary:** the rise of water through soil pores without gravitational force.
11. **Caving:** the erosion of a river or canal bank by the undermining action of water.

12. **Chute:** (i) a high velocity conduit for conveying water to a lower level; (ii) an inclined drop or fall.

13. **Components of Earth dam:**

- a) **Cut-off-trench:** it is a barrier to reduce seepage of water through foundation and abutments.
- b) **Full-cut-off:** a full cut-off is in the form of an open excavated trench and back filled with compacted impervious material.
- c) **Partial cut-off:** a cut-off which does not go down to impervious stratum(layer).
- d) **Core:** a zone of impervious earth within a zoned earth or rockfill dam.
- e) **Casing:** all zones other than the core in a zoned earth dam, also called shell or shoulder.
- f) **Internal drainage system:** internal drainage system comprises of inclined filter, horizontal filter, rock toe, toe drain etc.
- g) **Filter:** filter is defined as a combination of layers of pervious materials designed and installed in such a manner as to provide drainage, yet prevent the movement of soil particles due to flowing water.
- h) **Rock toe:** the main functions of rock toe are to facilitate drainage of seepage water and to protect the lower part of the downstream slope from tail water erosion.
- i) **Toe drain:** the toe drain is provided at the downstream toe of earth dam to collect seepage from horizontal filter and to discharge the same away from the dam by suitable means according to site condition.
- j) **Free Board:** the vertical distance between the crest of the embankment and the maximum water level of reservoir is known as free board.

14. **Core wall or diaphragm wall:** Walls of masonry, sheet piling or puddled clay built inside a dam or embankment to reduce percolation.

15. **Creep:** the movement of the water under or around a structure built on permeable foundations.

16. **Crest:** (i) the top of a weir, dam, dike or spillway, frequently restricted to the overflow portion. (ii) the summit of a wave, peak of a flood.

17. **Cross drainage works:** when irrigation channels have to cross streams or drains in an uneven country, the works necessary to dispose of these drains are called cross drainage works.

18. **Culturable or cultivable command area:** is the portion of gross commanded area which is cultivated or is cultivable. (Gross command area minus the area of uncultivable land such as roads and paths of a village).
19. **Cut-off trench or key trench:** an excavation in the base of a dam or other structure filled with relatively impervious material to reduce percolation.
20. **Drop:** a structure for dropping the flow in a conduit to a lower level for dissipating its surplus energy.
21. **Dyke:** is an earthen embankment built on each side of a river some distance away from its banks, to control floods.
22. **Field channels:** are small channels generally made by cultivator which receive water through outlets fixed in the banks of distributaries or minors to the fields. Water courses are owned and maintained by the cultivators.
23. **Feeder:** a channel of short length construed primarily to convey water from one source of supply or system to another, or within the same system, when the off-taking channels are already in existence and have to be grouped together (on the feeder).
24. **Free-board:** the margin between a canal bank or the crest of a dam and the full supply level.
25. **Gravity dam:** A dam depending solely on its weight to resist the water pressure. It may be straight or slightly curved in plan.
26. **Guide bank:** a protective and training bank constructed at the site of a bridge or weir to guide the river through the waterway provided in the structure.
27. **Working head available:** the minimum difference between supply and delivery water levels available.
28. **Intake weir or diversion dam:** a barrier built for the purpose of diverting part or all the water from a stream into a different course.
29. **Irrigable area:** area within the command which can be irrigated both by flow and by lift.
30. **Jetty:** a dike (barrier) of piles, rock or other material, extending into a stream or sea to induce scouring or bank building or for protection.
31. **Leaching:** the washing out of salts from the upper zone of the soil by flooding.

32. **Navigational canal:** Artificial canal, primarily meant for transport by water.
33. **Ogee:** the over fall of a spillway in the shape of a double or S curve, which is convex at the top and concave at the bottom. An ogee shape serves the purpose of a slopping apron which ensures the formation of a standing wave for varying discharges and the residual velocity obtained on the downstream side is less than that on the vertical face type and as such are best suited for high falls.
34. **Penstock:** (i) a closed conduit or pipe for supplying water under pressure to turbine (for producing electricity). (ii) a sluice (outlet) or flood gate for restricting or regulating the flow from a head of water.
35. **Puddle:** a mixture of clay, sand and gravel or clay and moorum, in the proportions of 2:1 (or only clay) well kneaded with water, which is placed in structures to form a compact mass to reduce percolation of water.
36. **Regulator:** a structure through which the discharge can be regulated or varied as required.
37. **Scour:** the removal of material from the bed of a channel by flowing water.
38. **Siphon or syphon:** a closed conduit (pipe or tube) for conveying water over an obstacle shaped like an inverted V by raising it above its original surface level so that a part of it rises above the hydraulic grade line, and delivering it at a lower level. It utilizes atmospheric pressure to effect or control the flow of water through it.
39. **Sluice:** (i) an outlet for the water from a canal to the fields; (ii) a conduit for carrying water at high velocity; (iii) an opening in the structure for passing debris; (iv) to cause water to flow at high velocities for wastage for purposes of excavation, ejecting debris, etc.
40. **Spillway:** a passage for the flow of surplus or waste water in a weir or conduit.
41. **Tail:** this term is usually applied (prefix) to the works built at the finishing end of a channel for the distribution of its water there at. E.g., tail cluster, tail regulator, etc.
42. **Toe walls:** longitudinal shallow retaining walls built near ground level (at the foot or the slope) for supporting the pitching on the face of earthen embankments.
43. **Waste weir (or spillway):** is an escape provided for the passage of surplus water from a tank or a reservoir.
44. **Weir:** weir is a general term for a continuous solid barrier (wall of stone or masonry) built

across a river or channel over which water may flow and which raises the water surface level upstream in order to supply a canal taking off above it and to pass over its top the excess water.

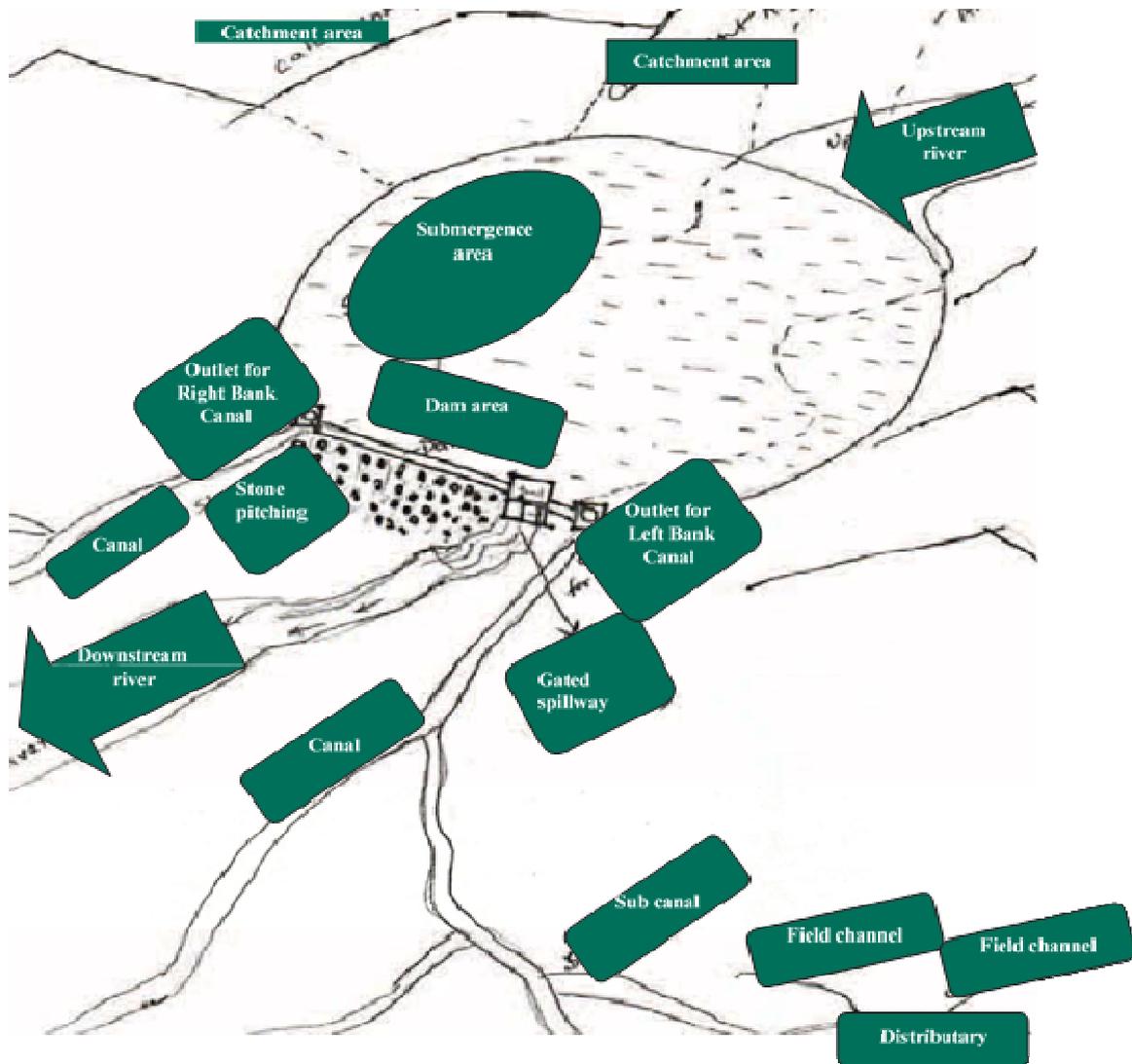
45. **Lift irrigation:** water raised by pumps or other lifting devices to an area or some point in the supply system of which the level is too high for irrigation by flow.
46. A **Branch Canal** is a channel taking off from the main canal, which has the same function as the main canal, viz., carrying water to distributaries.
47. **Distributary-** (a) A Major Distributary is a channel taking off from the main canal or a branch canal and its main function is to supply water to minor distributaries and outlets.
- (e) A **Minor Distributary** is a channel taking off from a major distributary and supplying water to outlets.
48. An **Outlet** is a regulating device through which water is supplied to water courses. They are numbered serially from head to tail of the distributary of minor and where two outlets face each other the one on the right bank has the lower number.
49. A **Minor** is a branch of distributary and has the same function as distributary. A minor is given the name of the village mainly served by it.
50. A **Water Course (or field channels)** is a channel taking off from a Government channel and irrigates fields.
51. A **Balance of Balancing tank** is a subsidiary reservoir for storing excess river water which is utilized during periods of short supply.
52. A **Pick-up Weir** is a masonry weir constructed across river at the head of works of a canal to raise the level of water sufficiently high for it to flow into the canal.
53. A **Bandhara of Dharan** or Nalla Pick-up Weir is a weir across a nalla to divert water into a channel for irrigation.
54. **Gross area** is the total area included within the farthest limits upto which the canal water is proposed to be supplied.
55. **Gross Command Area** is the area arrived at after deducting from the 'gross area' such areas within irrigation limits as are not commanded by the Project.
56. **Actual command** is the area on which water will flow from complete canal system as constructed

or likely to be constructed.

57. **Culturable Command Area** is the portion of 'gross commanded area' which is culturable.
58. **Actual Irrigable Command** is the portion of the 'actual command' which is suitable for irrigation.
59. **Area irrigated** is the area to which water is actually supplied.
60. **Area assed** is the area on which assessment is charged.
61. **Intensity** is the percentage of the 'area irrigated' bears to the 'actual irrigable command'.
62. **Catchment** is the area which drains into drainage.
63. **Drainage** means the natural lines of depression in the area through which storm water escaped to the river.
64. **Drainage channel** is a natural drainage when improved by clearance or byexcavation.

9.2 Preparation of projects

(Chapter-6 of PWD Handbook of Govt. of Maharashtra)



Dam: A dam is a wall of solid material built across a river to block the flow of the river. The continuous flow of water from the river upstream of the dam accumulates in the reservoir formed upstream of the dam. Depending on the purpose, water from a dam is released into canals for irrigation purpose or into pipelines to supply water to a city or to a hydro-electric power station to generate electricity. Excess water in the storage reservoir is released through

spillway to prevent water flow over top of the dam. The water in the dam is released in controlled quantum as required from an outlet valve into the Left and Right Bank Canals. The water from the canals flow through sub-canals, distributaries, minors and finally into the fields through field channels to irrigate the command area. The total gross area proposed to be irrigated under more than one crop during the same year is counted as many times as the number of crops grown and irrigated is termed as Irrigation Potential (IP) created.

9.3 Types of Irrigation works

Main types of irrigation works are as under:

- Large storage reservoir and pick-up weirs.
- Medium and minor irrigation and small tanks.
- Diversion Bandharas.
- Lift irrigation and tube wells.
- Wells.

9.4 Classification of projects:

The irrigation projects are classified as major, medium and minor irrigation projects according to the following criteria:

1. **Major projects:** A major project includes river valley development programme. Generally two or three dams are proposed or a power generation project is prepared. The benefits and losses (submergence) are also large. The time period of completion of such projects is about 8 to 10 years with culturable command area of more than 10,000 Ha.
2. **Medium projects:** A medium project is generally proposed on a river with sufficient discharge. The benefits and submergence are low as compared to major projects. The time period of completion of such projects is about 3 to 6 years depending upon size and use with culturable command area of less than 10,000 Ha and more than 2000 Ha.
3. **Minor projects:** Minor projects are schemes proposed on local nalla, or sometimes even on rivers where major and medium projects are not feasible. The time period of completion of such projects is generally 2 to 3 years depending upon the scope of the project with culturable command area upto 2000 Ha.

9.5 Process in preparation of irrigation projects (dams, storage tanks etc):

9.6 Importance of investigation: In order to ensure preparation of sound and economical projects, it is necessary to have thorough and systematic investigation. The aim of field investigations is to determine the most suitable site w.r.t. safety, practicability and economic feasibility available within a given area for a reservoir impounding dam and other structures for the storage and control of water for irrigation, domestic consumption and industrial use.

9.7 Stages involved:

Stage one: Reconnaissance: This phase of investigations has the objective of locating, first, all possible sites that could be developed for the envisaged construction and then to eliminate as many of them as practicable on the bases of areal geology, topography and perhaps a little foundation exploration. an estimate of all possible site for purpose of locating the more promising sites.

Stage two: Selection: Programme of investigation for this phase is planned to make the final selection out of sites proposed in the reconnaissance report. This stage of work usually includes the following:

- 9.7.1 Accurate topographic (landscape, geography) surveys.**
- 9.7.2 Geological surveys and investigations.**
- 9.7.3 Foundation exploration in conjunction with Geological surveys to determine the character of foundation material.**
- 9.7.4 The location and testing of materials for construction.**
- 9.7.5 Property survey.**
- 9.7.6 Preparation of tentative plans and cost estimate.**

9.8 Accurate topographic (landscape, geography) surveys

9.8.1 Control surveys: the purpose of a control survey is to provide permanent and assessable bench marks and monuments to be used as reference points for other surveys throughout the given area. At the same time, the control survey will determine the exact relationship between existing point on the ground so that the surveys required during the development of a feature or project may be correlated and tied together.

9.8.2 Rail road and highway surveys: the movement of construction equipment and materials to a project construction site will normally require the construction of access roads as most project sites are not assessable from existing highways.

9.8.3 Reservoir surveys: reservoir site surveys are conducted to obtain the area submerged by the reservoir, the property submerged by the reservoir and data for area capacity.

9.8.4 Dam site surveys: the area covered by the survey should be of sufficient extent to accommodate all components of the project viz. da, spillway, outlet works, diversion works etc. and to include all possible or foreseeable developments of the site and the construction area.

9.8.5 Construction material deposit surveys: topographic surveys should be made of proposed sources of construction materials such as sand and gravel for concrete aggregate and other purposes, earth embankment materials and rock. The topographic survey map should show the location and depth of all exploratory pits and borings and should include cross-sections, classifications and descriptive notes and quantity estimates.

Plans and sections should be made of the borrow area showing the location and logs of test pits with demarcation of different types of soil.

The sand and gravel to be used for filters should be tested for suitability a for concrete aggregate.

9.9 Property surveys: Property surveys should be made for various reservoir levels so that cost of acquiring property and lands may be estimated for these levels. Survey consists of (i) Private property and (ii) Public property.

(i) **Private property:** information on Land, buildings, live-stock, Number if people that may have to be displaced and forest land etc. should be collected.

(ii) **Public property:** information on public property like schools, colleges, hospitals, roads, bridges, municipal buildings, railway lines, railway stations, forests etc. should also be collected.

9.10 Geological surveys and investigations: it is of utmost importance that the services of a competent geologist be utilized go prepare a geological map of the dam site and the vicinity. This is necessary to understand the foundations problems and their treatment. The geologist

should also make sure that the reservoir site contains no salt or other soluble mineral deposits that might make stored water unfit for use. The findings of the geologist will govern subsequent foundation exploration programme and the geologist will also assist in evaluating the quality of the concrete/masonry and earth construction materials.

9.11 Foundation investigations (subsurface explorations): the purpose of subsurface investigations is to know the bed rock surface profile in the foundations and nature of rock. The information is necessary before the various feature viz. the spillway, outlet, etc. are located. Bores should therefore be taken at every 150 meters on the axis of the dam. Where the overburden (soil, earth crust), so depth is shallow, trial pits should be taken as they give better information about the overburden strata and a bore in the trial pit through the rock may be taken to ascertain the nature and structure of rock.. Sufficient number of bore holes, trial pits should be taken in respect of, Spillway, Outlets, Tail channel, tunnels, Powerhouse structure etc.

9.12 Foundation of earthen dam: Boreholes at a minimum spacing of 150 meters all along the dam alignment should be drilled to a depth equal to height of the dam.

9.12.1.1 Whether the overburden has got adequate shear strength.

9.12.1.2 The extent of imperviousness (water proofness) of the overburden.

9.12.1.3 The nature and properties of the underlying rock to ascertain any treatment to safeguard against seepages.

9.13 Environmental considerations: The planning, construction and operation of irrigation projects have considerable impact on navigation, fish culture, wild life, recreational aspects and overall ecology of the affected regions. Some of these aspects of the ecology of the region as well as overall environment are irreversible in nature. It is, therefore, necessary that careful evaluation is made of these impacts, whether good or bad before the project is undertaken and necessary measures are planned well in advance to mitigate, wherever feasible, the adverse impacts.

9.14 Land acquisition proceedings: As soon as the property surveys have been made, the mater should be handed over to revenue department to take necessary steps to start procedure

for acquiring the area in question at the earliest as land acquisition take considerable time and may impact on construction schedule.

9.15 Submergence of land and rehabilitation: details of the area submerged under the reservoir at different levels (cultivable land) may be collected as this needs to be acquired. The data should include the number of villages that get submerged and others which will be required for construction purposes.

9.16 Preparation of project reports: All the Major Irrigation projects are required to be approved by the Central Water Commission, New Delhi. Medium and Minor irrigation projects are cleared by the State Government and only proforma giving vital information about these projects is required to be submitted to CWC, New Delhi for information.

Proposal for project is taken up in accordance with master plans for river valley development. Details of investigations and proposals if any made in the past are referred to. The prospective site for constructing a dam for storing water is marked on toposheet. A preliminary note is prepared on the basis of top sheet studies and is got approved from Government. Preliminary survey of the dam site, sub-soil exploration by holes and approximate canal alignment based on top sheet studies are carried out. Available information regarding rainfall, approximate yield from catchment area, existing trend of crop/pattern etc. is collected and general feasibility of the project is studied. An approximate scheme is formulated and a rough estimate is worked out. A preliminary report incorporating this rough study is submitted to Government for preliminary approval.

9.17 Criteria of feasibility: Feasibility is judged from the following criteria:

Major and medium projects: Benefit Cost ratio should be more than 1.5 for major and medium projects and for minor projects it should be more than 1.0

9.18 Operations carried out after obtaining preliminary approval:

- (i) Carrying out detailed surveys and investigations.
- (ii) Preparing designs and drawings.
- (iii) Preparation of Project Report.

9.19 Chapters to be included in a Project Report:

- 9.19.1 Salient features of the project.
- 9.19.2 General description and history of the project.
- 9.19.3 Hydrology and water planning.
- 9.19.4 Head works.
- 9.19.5 Irrigation.
- 9.19.6 Construction materials, labour and equipment's.
- 9.19.7 Colonies, approach roads and communications.
- 9.19.8 Submergence of land and rehabilitation.
- 9.19.9 Estimates and analysis of rates.
- 9.19.10 Construction programme and organization.
- 9.19.11 Financial forecast and benefits.

Reports of specialists, e.g. a geologist, soil chemist and any other expert who has been consulted should as a rule, be appended to the Project Report.

CHAPTER X -AUDIT OF IRRIGATION DEVELOPMENT CORPORATION

10.1 INTRODUCTORY

As per Section 19(3) of Comptroller & Auditor General's (Duties Power & Condition of Service) Act 1971 the Governor of State or the Administrator of 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 Legislature of State or of the Union Territory and where such request has been made the comptroller and Auditor General shall audit the accounts of such Corporation and shall have for the purposes of such audit right access to the book and the Govt. of Maharashtra under Gazette notification_(i) III of 1996 dated 25-1-1996 (1i) XXVI of 1997 dt. 28-4-1997 (iii) III of 1998 dt. 6-1-1998 (iv) IV of 1998 dt. 6-1-1998 (v) XXIII of 1998 dated 17-8-1998 have created Five Irrigation Development Corporations namely (i) Krishna Valley Development Corporation (ii) Vidarbha Irrigation Development Corporation (iii) Kokan Irrigation Development Corporation (iv) Tappi Irrigation Development Corporation (v) Godawari Marathwada Irrigation Development Corporation. The Gazette notifications outlining the functions, powers & accounting systems are enclosed as 'appendix 6' to this manual. AS per request made by Govt. of Maharashtra under Irrigation Department Notification No. 1098/94/90 Audit dt. 12-2-1999. The audit of these Corporations were entrusted to C & A.G. The terms and conditions under audit was entrusted are outlined in the Appendix-7.

- | | |
|---------------|----------------------|
| (1)K.V.I.D.C | 1-4-1996 to31-3-2001 |
| (2)V.I.D.C. | 1-4-97to31-3-2002 |
| (3)T.I.D.C. | 1-1-98to31-3-2000 |
| (4)K.I.D.C. | 1-1-98to31-3-2000 |
| (5)G.M.I.D.C. | 17-8-98 to31-3-2004 |

As a result of formation of Corporations, 202 Irrigation Divisions where stands transferred to

these Corporation along with all assets and liabilities.

Foregoing instructions which are framed for audit of autonomous bodies under Section 19(3) and Section 20 of CAG Act 1971 (DPC) are applicable mutatis mutandis in the audit of Irrigation Development Corporation. Instruction given below are supplemented to instructions given in preceding paras in regard to audit of Works expenditure and are applicable Mutatis mutandis.

CHAPTER XI – MINOR IRRIGATION (SMALL SCALE IRRIGATION)

11.1 INTRODUCTORY

Small Scale Irrigation (SSI) projects play a vital role in irrigating small patches of land that cannot be irrigated by a major or a medium irrigation project. Projects having irrigation potential up to 250 ha qualifies under SSI and are implemented and managed by the Water Conservation Department, Government of Maharashtra.

11.2 Different types of projects

SSI projects are of different types and are expected to take duration of six months to three years for completion. These have been explained below:

- **Minor Irrigation (MI) Tank**

This comprises of an earthen dam with head regulator for storage of water, which is distributed to the fields through a network of canals and its distributaries.



- **Storage tank or capacity tank (ST)**

This consists of small structure made of impervious material, meant for storing monsoon flow.

- **Percolation tanks (PT)**

These tanks are mainly constructed for recharge of ground water so that wells existing on the downstream do not get dried up.

- **Bandhara**

Bandhara or a 'dharan' is a barrier built across a stream to pick water and divert it into channel for irrigation. The barriers, also called pick up weirs can be kutchha or pucca, depending on the water flow. Pucca Bandhara is of two types:

- Ordinary Bandaras having full masonry wall with scouring sluices.

- Kolhapur type Weirs (KTW) having open weirs consisting of a number of piers having side grooves for fixing the wooden needles. The needles are put across the piers for the required height to form a continuous weir. The height of the weir can be changed by removing the needles or putting additional needles.



- **Lift Irrigation scheme (LIS)**

LIS are provided to lift water from the surface flow of stream, river, canals, tanks etc, for irrigating the lands situated at a high level and which cannot be irrigated by flow irrigation.



11.3 Organizational set-up

Secretary, Water Conservation Department is the administrative head of the Department. The Chief Engineer (CE), Small Scale Irrigation, Pune is the technical head who is assisted by six Superintending Engineers (SEs) operating through their Circle Offices in Amravati, Aurangabad, Nashik, Nagpur, Pune and Thane. The execution and maintenance of the projects is controlled by 25 Executive Engineers (EEs) at divisional level, who are assisted by 127 Sub-Divisional Engineers.

11.4 Planning

As per paragraph 2.8 of Maharashtra Minor Irrigation Manual, 1983, the EE in-charge of the Divisions should prepare District Master Plans bringing out special features of the districts, normal crops grown, irrigation practices, different aspects of irrigation achievements, possibilities, limitations, targets *etc.* in the form of charts, maps and statements. The Master Plans were expected to reflect a shelf of projects for the next 15 years and serve as an important tool for planning and funding of SSI projects.

11.5 Surveys

As per Chapter 3 and 4 of MI Manual 1983 envisage that irrigation schemes should be prepared after the preliminary investigation which includes estimation & identification of land for the project, topography of the site, the source of water, seasonal discharge of water, type of project and other environmental aspects. After preliminary investigation, a survey to determine the quantities of earthwork, masonry work, storage capacity is carried out to prepare the DPR for the project. The detailed cost estimates, Benefit Cost Ratio (BCR) and other economic parameters such as Culturable Command Area (CCA), annual irrigation, intensity of irrigation also need to be reflected in the DPR.

11.6 Benefit Cost Ratio

As per Maharashtra Minor Irrigation Manual, 1983, the benefit cost ratio is defined as the ratio of annual additional benefit on account of irrigation divided by the annual cost of providing those benefits. The additional benefit is the difference between the value of agricultural produce after irrigation and before irrigation. The annual cost is that cost of running a scheme comprising of fixed

and running charges plus administrative expenses calculated per ha of irrigated land. The calculations of benefit cost ratio are incorporated in the project reports, as it is an essential requirement to determine the economic feasibility of SSI projects. For an irrigation project to be economically feasible, the benefit cost ratio should not be less than one.

11.7 Financial Viability of Projects

To determine the financial viability of various types of projects to be executed in different regions of the State, the State Government from time to time had laid down economic yardsticks measurable in cost per Thousand Cubic Meter (TCM) of water storage, based on year of district schedule of rates used for preparation of estimates. The project estimates should be within the economic yardsticks in order to ensure that they are financially viable. The yardsticks were applicable as per the year of district schedule of rates used for preparation of estimates.

11.8 Execution & operation of projects

Time over run

As per information booklet published by the State Rural Development and Water Conservation Department from time to time, a typical SSI project must be completed within six months to three years, depending on the type of irrigation structure being constructed.

Incomplete/Sub-standard Execution of Projects

As per Maharashtra Minor Irrigation Manual, 1983, gorge filling (Gorge filling work is the final stage before commissioning of a dam) of minor irrigation tanks should be undertaken only after the canals and distributaries covering 33 per cent of the command area are completed in all respects, including cross drainage works. Further, as per tender conditions, material used for construction works were to be tested by the contractors from Government approved laboratories for quality, and the quality certificates so issued by the Government laboratories were to be appended with the running account bills of the contractors.

Insurance Cover not taken for Project Assets

As per Government Resolution of August 1998 read with instructions issued (April 2005) by Directorate of Insurance, Maharashtra State, the contractors shall take out necessary insurance policies so as to provide adequate insurance cover for execution of the awarded contract works for

total contract value and complete contract period, compulsorily from the Directorate of Insurance, Maharashtra State, Mumbai only. In case the contractors fail to take out policies, one *per cent* of the contract value shall be recovered from them (as premium amount) and remitted to the Directorate of Insurance.

Expenditure incurred without obtaining Revised Administrative Approval

As per the Maharashtra Public Works Manual, 1984, revised administrative approval (RAA) should be obtained when the expenditure exceeds the administrative approval (AA) by more than 10 per cent or Rs one crore, whichever is less and excess over the amount of RAA should not be allowed without the permission of the competent authority.

Split up of projects

The MPW Manual Para 136, Note 2 for para 198, discourages splitting of works and encourage preparation of combined Schedule B so as to obviate receiving different rates for the same item under different sub estimates.

11.9 Operations and Maintenance of Projects

As per existing guidelines of WCD (July 2000), all completed SSI projects are to be handed over to Water Users' Associations (WUAs-The WUAs are to be formed by the concerned Divisions to make them responsible for the day-to-day operations and maintenance of irrigation projects, through water charges collected from the project beneficiaries) for their operations and maintenance (O&M). However, till the projects are handed over to WUAs, the respective Divisions are responsible for O&M of the projects.

Monitoring of Projects

Government Resolution of July 2000 prescribes that in respect of completed works, pre and post-monsoon inspections by the EEs would be mandatory. Further, Government Circular (August 2002) also stipulates the norms for inspection of projects by the CEs (eight inspections per month), SEs (10 inspections per month) and EEs (15 inspections per month) for ensuring quality and timeliness of the ongoing projects. The CEs/SEs/EEs were also required to prepare inspection notes indicating quality of works being executed, delays if any, with reasons and such other matters as deemed necessary along with recommendations.

Recovery of Water Charges

The levy and collection of water charges is governed by the Maharashtra Irrigation Act, 1976 (MIA) and Maharashtra Water Resources Regulatory Authority (MWRRA) Act, 2005. The per ha water rates for irrigation purpose are levied from time to time on the basis of seasonal cropping pattern except water supplied to WUAs which is on volumetric basis.

CHAPTER XII – BUILDINGS

Terms and Measures

1. **Load bearing wall:** A wall designed to carry a super-imposed load. The thickness of a load-bearing wall should be sufficient at all points to keep the stress due to dead, live and other loads, for which the structure is designed, within the prescribed limits.
2. **Column:** An isolated vertical load bearing member, one of whose horizontal surface dimensions, whilst not less than the other horizontal surface dimension, is not more than four times as great.
3. **Pier:** Piers are usually in the form of thickened sections of a wall bounded into load bearing wall at the sides and extends to full height of the wall placed at intervals along the wall, to take concentrated vertical loads or to thicken the wall so that it can carry additional load or resist lateral pressure without buckling. The thickness of a pier is the overall thickness including the thickness of the wall.
4. **Pillar:** A pillar is a detached masonry support. This can be rectangular, circular or of any such shape. In case of rectangular pillars, the breadth shall not exceed three times the thickness and the thickness itself shall not exceed more than three bricks. (The terms-Column, pier and pillar are very loosely used.)
5. **Buttress:** A member similar to a pier except that it is intended to provide lateral support only. It need not extend to the full height of the wall. (It is in fact a projection of masonry built into the front of the wall to strengthen it for lateral stability against thrust from an arch, roof or wind pressure.)
6. **Lateral support:** Means support which will restrict movement in the direction of the thickness of the wall or thickness or width of a pier or column.
7. **Retaining wall:** A retaining wall is a wall built to resist the pressure of earth filling or backing, deposited behind it after it is built.
8. **Breast wall or face wall:** Is a similar structure to retaining wall built to protect the freshly cut surface of a natural ground, whether with vertical or inclined face, to prevent it from fall due to the action of weather.
9. **Back filling:** That portion of the material retained by the wall (including special filter material),

which has been placed behind it after construction to fill in the space between the wall and the natural ground.

10. **Backing:** All the material retained by the wall.
11. **Earth pressure:** Any pressure exerted by or through the retained soil at the back of the wall, usually an active pressure or thrust.
12. **Active earth pressure:** The lateral pressure exerted by the soil on the back of a wall.
13. **Passive resistance:** The lateral resistance of the soil on the front of a wall.
14. **Surcharge or surcharge load:** The part of the material or load supported by a retaining wall, at a level above the top level of the wall, which may, by virtue of its nature or position increase the active earth pressure on the wall.
15. **Toe wall:** Toe wall is a small retaining wall built at the foot of an earth slope.
16. **Return walls:** A return wall is a retaining wall built parallel to the centre line of a road to retain the embankment.
17. **Revetment walls:** Have the same function as retaining wall, viz., to keep in safe equilibrium masses of earth and to prevent sliding action. They usually have projections like buttresses at intervals.
18. **Arcade:** A series of arches with their supporting columns or piers.
19. **Arris:** The meeting of two surfaces producing an external angle.
20. **Base:** Base is immediately above plinth. A building having no plinth, immediately above footings.
21. **Basement or basement story or cellar:** Part of a building (Usually a storey) below ground level.
22. **Bat:** Part of a brick.
23. **Batter:** The slop away from you of a wall or timber piece, etc.
24. **Bay:** The space between two piers, columns or projections.
25. **Bay window:** A window projecting outward from a wall and reaching up to the ground.
26. **Bevel:** Any inclination of two surfaces other than 90 degree (either greater or less).
27. **Blocking Course:** A course of stones (or only one stone) placed on the top of a course to add

to its appearance and also to prevent the cornice from over turning.

28. **Bressummer:** joist embedded in concrete; beam over verandah posts on which purlins of slopping roofs rest. Also means a beam which carries a wall.
29. **Brick core:** Brickwork filled in between the top of a lintel and the soffit of a relieving arch.
30. **Brick nogging:** Brickwork filled in between wooden posts or studs (for making a wall).
31. **Chamfer:** To cut off, in a small degree, the angle or arris formed by two faces, usually at an angle of 45 degree.
32. **Chase:** A recess made inside of a wall to accommodate pipes or electric wiring, etc.
33. **Composite building:** A building of which part is masonry and part is either open or framed; or a building of which part is open building and part is framed building.
34. **Coping:** The capping or covering placed upon the exposed top of a wall (or parapet), usually of stone, to throw off and prevent the rain-water soaking into it.
35. **Corbel:** One or more courses of brick projecting from a wall (like a cornice), generally to form a support for wall plates, etc. A brick should not project more than $\frac{1}{4}$ beyond the lower course.
36. **Counterfort:** Is a projection of masonry, built into another wall to the full height thereof.
37. **Cowl:** A hood shaped top for a chimney; a ventilating top of a sewage pipe.
38. **Cross wall:**An internal weight bearing wall built into another wall to the full height thereof.
39. **Dormer window:** A small vertical window built in a sloping roof.
40. **Dowel:** A pin or peg let into two pieces of stone or wood for joining them; a cramp iron.
41. **Drip:** Part of cornice or projecting sill etc., which has a projection beyond other parts for throwing off rain-water.
42. **Efflorescence:** The formation of a whitish loose powder or crust, on the surface of brick walls.
43. **Extrados:** The outer surface of an arch.
44. **Frog:** Is a small recess on the top surface of a brick, made while moulding, usually embossed with the initials of the contractor. It forms a key for the mortar and also reduces the weight of the brick.
45. **Gable:** The entire end wall of a building. (The term is generally used for the triangular end

wall of a sloping roof.)

46. **Haunch:** That part of an arch lying midway between the springing and the crown.
47. **Herring-bone work:** Masonry work (generally in floors) in which the brick are laid slanting in opposite directions.
48. **Hydroscopic:** A substance that attracts water from the air.
49. **Intrados:** The inner surface of an arch.
50. **Jambs:** The two sides of doors, windows or other openings between the back of a wall and the frame. The portions of the openings outside the frames are called *Reveals*.
51. **Joggle:** A dowel or stub tennon joint by means of which one piece of stone or timber is fitted to another.
52. **Keystone:** The uppermost or central voussoir of an arch.
53. **King closer:** A brick cut lengthwise so that one end is nearly half the width of the other. They are used in the construction of jambs
54. **Lobby:** An open space surrounding a range of chambers, or seats in a theatre; a small hall or waiting room.
55. **Mantel:** The facing and shelf (usually ornamental) above a fire-place.
56. **Mastic:** A preparation of bitumen used for water-proofing and damp proofing etc.
57. **Mat finish:** A term applied to surface finishing (generally painting) which is free from gloss or polish (not shining).
58. **Mezzanine floor:** An additional (low storey) floor, gallery or balcony erected between the floor and ceiling of any storey.
59. **Mosaic:** Small pieces of stones, glass, etc. (generally of different colours) laid in cement mortar to form artistic patterns for flooring and dados, etc.
60. **Mullion:** An upright (piece) in any framing; a division piece between the sash of a frame.
61. **Pedestal:** A base or support, as for a column of statue, and generally of a bigger size.
62. **Pilaster:** A right-angled column or projection from a pier or wall; a square pillar made generally to support a concentrated load.
63. **Plinth:** The portion of the external wall between the level of the street and the level of the

floor first above the street.

64. **Queen closer:** A brick cut lengthwise into two so that each piece is half as wide as the full brick.
65. **Quoin brick:** A brick forming a corner in brickwork; it has one end and one side exposed to view.
66. **Recess:** A depth in the thickness of a wall.
67. **Refractory materials:** The term 'refractory' is applied to various heat resisting materials such as fire-bricks, furnace linings etc.
68. **Skew-back:** That (inclined) part of a pier or abutment from which an arch springs.
69. **Sleeper walls:** low walls erected at intervals between the main walls to provide intermediate supports to the lowest floor.
70. **Soffit:** The lower horizontal face of anything; the under face of an arch where its thickness is seen.
71. **Spall:** Bat or broken brick; stone chip.
72. **Spandrel:** The space between the top of a masonry arch and the roof, beam or carriageway, etc.
73. **Springing line:** A line of intersection between the intrados and the supports of an arch.
74. **Spring points:** The points from which the curve of an arch springs.
75. **Springer:** The voussoir placed next to the skew-back in an arch.
76. **Squint bricks:** Bricks used for forming acute or obtuse corners in brick masonry.
77. **Striking:** The releasing or lowering of centering's of arches or lintels.
78. **Underpinning:** The process of supporting the existing structure for renewing or repairing the lower walls of foundations.
79. **Vault:** An arched masonry structure (with series or arches).
80. **Veneered wall:** In a wall in which the facing material is merely attached to and not properly bonded into the backing.
81. **Voussoir:** The wedge shaped structure component of a stone arch.
82. **Weathering:** A slight slope or fall given on the upper surface of cornices, copings, sun-

shades, window sills, etc. to throw of rain water.

STAIRCASES

1. **Tread:** The horizontal upper surface of a step upon which the foot is placed.
2. **Riser:** The vertical portion of step.
3. **Nosing:** The exposed edge of the tread, usually projecting and rounded.
4. **Rise:** The vertical height between the two upper surfaces of two successive steps.
5. **Going:** The horizontal distance between two riser faces.
6. **Fliers: Steps rectangular in plan.**
7. **Fliers:** Steps rectangular in plan.
8. **Winders:** Steps tapering (triangular) in plan, used where the direction of the stair changes. That fitting into wall angle and which is the central winder of a series, is termed kite winder on account of its so formed shape.
9. **Flight:** A series of steps between landings.
10. **Landing:** A level platform at the top of flight between floors.
11. **Newels:** Posts used at the junction of flights of stairs with landings or with other flights, or at the foot of a stair.
12. **Curtail step:** The lowest step of a flight usually employed with geometrical stairs.
13. **Balusters:** The vertical members between the handrail and strings to stiffen the handrail and prevent persons falling through.
14. **Balustrade:** The framed fence formed by strings, handrails and balusters.

Standard size of stair case:

For ordinary residential buildings.

Rise = 18 to 20 cm

Tread = 23 to 25 cm

For public buildings.

Rise = 15 to 18 cm

Tread = 28 cm

XII: Maintenance and Repairs of Government Buildings

12.1 Introduction

Proper and timely maintenance preserves and enhances the life of the buildings and facilitates their use at their design capacity or efficiency throughout the life of the structures.

In Maharashtra, Public Works Department (PWD) is responsible for maintaining the Government buildings, which are categorized as (i) Residential buildings maintained under Major Head (MH) 2216-Housing, and (ii) Administrative buildings (non-residential) maintained under MH 2059-Public Works. The PWD issued (1991) guidelines for maintenance and repairs (M&R) of buildings spelling out planning and formulation of proposals, deployment of financial and human resources, technical aspects, supervision, monitoring and evaluation.

12.2 Audit points

- **Non-preparation of annual repair programmes**

As per guidelines issued by the PWD in 1991, the Superintending Engineer (SE) being the Circle head and the Executive Engineer (EE) being the Division head were required to hold quarterly meetings with the heads of the user Departments to discuss the programme of repair of buildings for the ensuing year. In this regard, the Printed Register of Buildings (PRB) maintained by the Circles and the Divisions were to throw sufficient information (such as, year and cost of construction, built-up area, specifications *etc.*) on the buildings due for repairs in a particular year. Based on the availability of funds and projected needs of the user Departments, the annual repair programmes were to be framed by the concerned SEs.

- **Creation of liability due to excess sanction of works**

At the beginning of the financial year, the work-wise M&R proposals duly arranged in order of priority was required to be submitted by the EEs to the concerned SEs for approval. In case, sufficient funds were not available, work/works having highest priority were to be taken up first.

- **Execution of works without sanction**

Execution of any M&R work without allotment of job number is deemed as unauthorized.

- **Buildings in urgent need of repairs remained unattended**

As per guidelines issued by the PWD in 1991 (Paragraph 2.1.8), priority for M&R should be given to relatively more dilapidated and unsafe buildings.

- **Capital works executed from maintenance grants**

As per M&R guidelines issued by the PWD in 1991, original works shall not be taken up against the maintenance grants as routine.

Weak internal controls and monitoring

Effective internal controls minimises the risk of errors and irregularities and helps to protect resources against loss due to waste, abuse and mismanagement.

CHAPTER XIII – ELECTRICAL WING OF PUBLIC WORKS DEPARTMENT

Terms and Measures

- 1. Alternating Current (AC):** Is a current which alternatively reverses its direction in a circuit in a periodic manner. A complete set of these changes is called a cycle. The number of times the current goes through these changes during each second is called the frequency of so many cycles per second.
- 2. Direct Current (DC):** Is a current following in one direction only and of uniform strength free from pulsation.
- 3. Volt:** The volt is the practical unit of electric pressure, the force that would carry one ampere of current against one ohm resistance.
- 4. Ampere:** Is the unit of electric current or quantity flowing. A current of one ampere flows when a potential difference of one volt is applied to a resistance of one ohm.
- 5. Watt:** The watt is the unit of power and is equal to 1 volt X 1 ampere.
- 6. Ohm.**The ohm is the electrical resistance of a conductor in which a constant current of 1 amp. flows under a constant voltage of 1 volt.
- 7. Ohms law:** The fundamental law in electric circuit theory which states that the current through any circuit element is proportional to the voltage across it.
- 8. Ammeter:** An instrument for measuring current passing through a conductor (wire).
- 9. Armature:** Portion of a dynamo in which the electric current is induced.
- 10. Commutator:** Copper bars at the end of the armature coils which rub against carbon brushes; current is collected through the carbon brushes.
- 11. Short Circuit:** An accidental connection between the positive and negative conductors and due to which the current is cut short and does not complete its circuit.
- 12. Transformer:** an instrument for reducing or transforming a high pressure to a low one by induction.
- 13. Horse power:** is the rate of expenditure of energy.
- 14. Brake Horse-Power:** is the power available at the engine shaft and is the indicated horse power minus the power dissipated in frictional losses within the engine.

- 15. Shaft Horse-power:** is the same as BHP, but is the term used for large engines where the output is measured by a torsion meter rather than by a brake.
- 16. Single-phase system:** The term phase is used in connection with AC systems only in the sense of circuit. Thus, a single-phase system means a system sending out power from one circuit only of the generator.
- 17. Three-phase system:** It has three circuits and three or four wires are used. This is the most universally employed system. Domestic consumers are generally given a single-phase service and three-phase service is given to large power consumers.

13.1 Introduction

The work of execution and maintenance of Electric Installations in all Government Buildings (Administrative/Functional & Residential) in the State is looked after by a separate wing known as Electrical wing which is headed by the Chief Engineer (Electrical) with its Head Quarter at Mumbai and is mainly responsible for commissioning and maintenance of Electrical Installations in Residential and Non-residential Government buildings.

13.2 Organizational structure

The organization headed by the Principal Secretary, Public Works Department is assisted by a Chief Engineer (Electrical) located at Mumbai and two Superintending Engineers (Electrical) with regional offices at Pune and Nagpur. The execution and maintenance of the electrical installation is carried out by 12 Executive Engineers at divisional level.

Electrical divisions under the jurisdiction of two circles are responsible for the execution and maintenance of electrical installations in the Government buildings, i.e. air conditioning, lifts, transformer, generator set, water pumps, fire fighting and fire alarm system, public work system, etc.

13.3 Audit points.

1. Buildings lying idle due to non-synchronization of civil work with electrical work.
2. Execution of works without proper sanction.
3. Excess expenditure due to inflated estimate.
4. Deficiencies in M & R of electrical installations of existing buildings.
5. Diversions of funds from one head to another.

CHAPTER XIV - Mechanical organization of Public Works Divisions

Vehicles play a crucial role in construction and maintenance works carried out by the Public Works Department (Department). While Construction Machinery (CM) like Diesel Road Rollers (DRR), Tippers, Trucks, and Tankers *etc.* are directly put to use for construction works, Inspection Vehicles (IV) like Cars and Jeeps are used by Departmental Officers to keep a watch on the progress of works. The overall responsibility for purchase, upkeep, repairs and maintenance of vehicles is vested with the Mechanical Wing of PWD.

The PWD is headed by the Secretary, PWD, Government of Maharashtra (GoM) at the *Mantralaya* level and the Chief Engineer & Joint Secretary (CE&JS) at the Department level is responsible for overall functioning of Mechanical Wing of the PWD. The CE&JS is assisted by a Superintending Engineer (SE), Mechanical. There are six Regional Offices headed by Assistant Chief Engineers (ACEs), Mechanical under the SE (Mechanical). Further, there are 27 Workshop Sub-Divisions under the six Regional Offices which are headed by Deputy Engineers (Mechanical). All the 157 PW Divisions in the State are attached to these 27 Workshops, which are responsible for repairs and maintenance of all vehicles (CM and IV).

14 Audit points

14.1 Inadequacies in fleet management

The Department has a centralized procurement mechanism for purchase of vehicles. Demands for vehicles are initiated by individual PW Divisions and consolidated at the level of the Secretary, PWD for assessing the State-level requirement of funds. The proposals are forwarded to Finance Department (FD), GoM for release of funds. On receipt of funds, the procurement is carried out by the State Level Purchase Committee comprising the Internal Financial Advisor, SE (Special Projects) and SE (Mechanical).

Number of vehicles that have to be written-off and eventually disposed of, because of fair wear and tear and obsolescence is an important input for ascertaining the number of vehicles to be procured. The timing of procurement process should also synchronize with the timing of disposal process.

14.2 Excess expenditure on repairs and maintenance of Construction Machinery

The SE (Mechanical) circulates every year the financial thresholds for repairs and maintenance of CM (per hour or per km as the case may be) to all the PW Divisions for strict adherence

14.3 Excess expenditure on repairs and maintenance of Inspection Vehicles

The FD, GoM fixed (May 2009 and April 2015) expenditure limits (per vehicle per year) on repairs and maintenance of Inspection Vehicles to be adhered to by the Heads of Offices¹ as under:

- ` 12,500 (2011-15) and ` 13,500 (2015-16) for diesel-run; and
- ` 10,000 (2011-15) and ` 15,000 (2015-16) for petrol-run.

14.4 Functioning of Departmental Workshops

There are 27 Workshops functioning under Mechanical Wing of PWD for repairs and maintenance of vehicles/machinery. As per Government Resolution (GR) of July 1982, all Workshops and Hotmix Plants are to be handled/operated on commercial lines and by job card system. Scrutiny of Scrutiny of records of six of 27 test-checked Workshops revealed the following:

- In four² Workshops, no repairs and maintenance works had been carried out during 2011-16 but, 29 to 37 technical and non-technical staff was found to have been posted in the Workshops during this period. While an expenditure of ` 3.73 crore had been incurred on pay and allowances of the staff for the idle period, on the other hand, repairs and maintenance works totaling 4,425 were outsourced to private agencies for which an expenditure of ` 14.03 crore was incurred during 2011-16.
- In the remaining two Workshops (Nagpur and Nashik), while 866 repairs and maintenance works valuing ` 85.07 lakh were executed during 2011-16, 979 works valuing ` 5.90 crore were outsourced during the same period. However, no job cards were found to have been opened for 866 works executed in these two Workshops in contravention of GR of July 1982.

¹ Executive Engineers of the PW Divisions in this case

² Achalpur, Amravati, Aurangabad and Pun



Aurangabad Workshop not in use for the last five years



Amravati Workshop being used as parking lot

14.5 Other points

- The GoM prescribed (July 1996) a time limit of three months for disposal of vehicles/machinery from the date of write-off orders, to avoid further deterioration and reduction in their realizable value, apart from clearing up the occupied space.
- Further, as per instruction issued (July 1982) by the Department, all the PW Divisions were required to maintain profit and loss accounts of CM being operated by them.
- The FD, GoM fixed (2009 and 2015) the limit for consumption of fuel for Inspection Vehicle at 2000 litre per vehicle *per annum*.
- As per Public Works Account Code, 1984, *proforma* accounts of each Workshop should be prepared annually consisting of the capital account, the outturn account and the profit and loss account. None of the test-checked Workshops prepared *proforma* accounts during 2011-16. As a result, the Department was not aware of the present values of assets such as, buildings, plants and machinery, stores, materials *etc.* and labour used as well as the profitability status of these Workshops.

CHAPTER XV - Working of Mechanical Organisation of WRD

Mechanical Organisation (MO) is the mechanical wing of Water Resources Department (WRD), Government of Maharashtra (GoM) which was established in 1959. The working of MO broadly included Earthwork, Hydraulic Gates and Hoist, Canal maintenance, Workshop management, Boring, Stores management, Transportation, Lift Irrigation Scheme, Tunneling, Emergency services and Disposal of Machineries.

15 Audit points

15.1 Replacement of old machineries

In the MO the shelf life of different Heavy Earth Moving machineries (HEM) ranges from 8,000 hours to 20,000 hours and life in years ranging from 8 years to 15 years.

Audit observed that even though the shelf life of each machinery was stipulated, the MO did not have any planned mechanism for replacement of old machineries

15.2 Non-availment of CENVAT credit

CENVAT Credit Rules allows manufacturer of final products to take credit of excise duties paid on any input or capital goods used in the manufacture of final or intermediate products. For claiming the credit of payment of excise duties on input goods, the manufacturer is required to maintain the records of Daily Stock Account and invoices properly.

15.3 Recovery from civil divisions

As per the provisions of the MPWA Code, estimated cost of job work / supply of stores should be paid in advance to the executing division(s) on the basis of proforma invoice and the final cost should be scrutinised and got adjusted before the end of the financial year.

15.4 Non-compliance to the observations made during pre monsoon and post monsoon inspection

The Inspection unit, Aurangabad conducts pre-monsoon and post-monsoon inspection of gated and non-gated dams in the region of Vidarbha, Marathwada and part of Western Maharashtra. The

deficiencies pointed out by the unit are classified in three³ categories and out of these, the deficiencies of Category I and II are of serious nature.

³ Categories of deficiencies: Category I deficiencies: Deficiencies which may lead to failure of dam; Category II deficiencies: Major deficiencies requiring prompt remedial measures; Category III deficiencies: Minor deficiencies which are rectifiable during the year

16.1 Introduction

- Public Private Partnerships offer a unique and innovative method of involving the private sector in the nation building activity and in accelerating the delivery of public goods and services of high quality through joint enterprises, without spreading the limited available resources too thin. The Eleventh Five Year Plan has estimated that in order to sustain the envisaged high annual growth rate, the investments in the infrastructure sector will have to be of massive proportions². It would be impossible for the public sector to meet such huge commitments in view of its limited capability for additional capital mobilization. The anticipated shortfall of at least 30 percent of the estimated total plan requirements³, which itself will be of a huge magnitude will have to be met by seeking active private sector involvement in the development of the infrastructure sector. Public Private Partnership (PPP) will be an attractive option in meeting this challenge.
- Private sector participation in infrastructure development is not, however, a simple matter. It requires a framework that can enable the private sector to secure a reasonable return at manageable risk, assure the user of adequate service quality at an affordable cost, and facilitate the Government in procuring value for public money. These conditions are more difficult to fulfill than is commonly realized. Because of multiple stakeholders pursuing conflicting interests, risk mitigation arrangements are usually complex. Inadequate preparatory work in relation to the framework for PPP projects, identification of projects, selection of private participants, preparation of strategic plan and project reports, drafting of contracts and other associated activities will only lead to excessive transaction costs, years of delay in project implementation, inadequate quality, and large contingent liabilities to the Government⁴. A project beset with such problems even after completion can get enmeshed in a high cost low demand syndrome.
- A number of questions arise in the context of the audit of PPP projects. The Comptroller and Auditor General of India (CAG) has already taken up the audit of a few PPP projects implemented by the National Highway Authority of India (NHAI) as also a few projects undertaken by State Governments. These audits were mainly based on the

² Estimated in the 11th Plan document at US \$ 494 billion at 2006-07 prices and a projected GDP growth rate of 9%

³ Investments in Infrastructure during the Eleventh Plan; The Secretariat for the Committee on Infrastructure; Planning Commission (October, 2007).

⁴ Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, Foreword to PPP in National Highways, Model Concession Agreement, November, 2005.

Guidelines issued by the International Organization of Supreme Audit Institutions (INTOSAI), among others. Since then, the need to develop a set of guidelines specifically adapted to Indian conditions has been keenly felt. Framed in the above context these guidelines are aimed at providing the required guidance in the audit of PPP projects especially in the infrastructure sector, to the public sector auditor.

16.2 What are Public Private Partnerships?

- Several definitions and explanations are readily available to clarify Public Private Partnerships (PPPs). United Nations⁵ defines public private partnerships as *“innovative methods used by the public sector to contract with the private sector who bring their capital and their ability to deliver projects on time and to budget, while the public sector retains the responsibility to provide these services to the public in a way that benefits the public and delivers economic development and improvement in the quality of life”*. According to the UN, Public Private Partnerships which aim at financing, designing, implementing and operating public sector facilities and services will have three main characteristics, namely,

- Long term (sometimes upto 30 years) service provisions;
- The transfer of risks to the private sector; and,
- Different forms of long-term contracts drawn up between legal entities and public authorities.

- In a paper titled *“Managing Public Private Partnership”*⁶, the World Bank describes PPPs as *“long-term arrangements in which the governments purchases services under a contract either directly or by subsidizing supplies to consumers. In other PPPs, the government bears substantial risks - for example, by guaranteeing revenue or returns, - on projects that sell directly to consumers”*. According to the Secretariat for the Committee on Infrastructure, Government of India, a *“Public Private Partnership (PPP) Project means a project based on a contract or concession agreement between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges”*.

⁵ Guidelines on Promoting Good Governance in Public Private Partnerships (UN-2006) : United Nations Economic Commission for Europe.

⁶ Marc Dutz, Clive Harris, Inderjit Dhingra and Chris Shugart

- The South African Law⁷ on the other hand defines PPP as a contract between a public sector institution / municipality and a private party, in which the private party assumes substantial financial and technical risks in the design, financing, building and operation of a project.
- In most cases PPPs combine the best of both worlds: the private sector with its resources, management skills and technology and the public sector with its regulatory actions and protection of the public interest.
- The concept of PPPs is of recent origin and started with the initiative of the Conservative Government in the United Kingdom under Prime Minister Margaret Thatcher, who actively promoted what is known as ‘Private Finance Initiative’ (PFI)⁸. The idea was to make private contractors meet the cost of constructions awarded to them in return for the public authorities agreeing to rent back the finished projects to provide public services. This enabled the government to build additional social facilities such as schools, hospitals, reformatories etc., without resorting to additional resources mobilization while the private sector retained gains and savings arising from designs and project management and also received from the government agency regular rents for the facilities. Though the arrangement seemed to benefit both sides, there were criticisms that the government was just “mortgaging the future” and there were apprehensions that the long term cost of paying the private sector to run these schemes was more than it would cost the public sector to build them on its own.
- Unlike in the case of PFIs, PPPs are projects jointly undertaken by governments, public sector bodies and entities with private sector partners to provide infrastructure services of the required / improved quality to the public and consumers at large and involves balanced sharing of the risks and benefits. In PPPs, the private sector invariably brings in the necessary finance to build the projects, undertakes designs and construction as also operation and maintenance, in return for the public sector either transferring its right to collect user charges, levies or tolls or pays compensation in accordance with an agreed pattern by way of viability gap funding, annuity or annual charges, based on certain pre-determined norms and principles.⁹ There could be different types of PPPs as

7 South African Finance Act, 1976

8 Some examples are Thames Crossing, Birmingham Relief Road, several hospitals under National Health Scheme (NHS) etc.

9 In certain situations where the viability of a project is high the private sector partner may be willing to share the upside of the revenue with the Government/ any other public sector partner

discussed in paragraph 1.3 below; but they all will have the following ingredients, which may be kept in view:

- i) government departments or agencies and bodies and entities under them on the one part and selected private sector parties on the other will enter into valid and legal contracts;
- According to the ‘Guidelines for Formulation, Appraisal and Approval of PPP Projects’, issued by the Secretariat of the Committee on Infrastructure, Planning Commission, “predictability and risk mitigation are key to successful PPPs. Unlike private projects where prices are generally determined competitively and government resources are not involved, PPP infrastructure projects *typically involve transfer of public assets, delegation of government authority for recovery of user charges, private control of monopolistic services and sharing of risks and contingent liabilities by the government.* Protection of user interests and the need to secure value for public money, as such, demand a more rigorous treatment of these projects”¹⁰.

¹⁰ Gajendra Haldea, Secretariat for the Committee on Infrastructure.

16.3 What Are the Types of PPPs?

- Broadly, PPPs could be categorized into *Institutionalized PPPs* and *Contractual PPPs*. Institutional PPPs are usually a joint venture (JV) between public and private sector stakeholders to carry out PPP projects by sharing the risks and to provide public services on a long term basis. The Noida Toll Bridge Company (NTBC) and the Bangalore International Airport Limited (BIAL) are examples of this kind. On the other hand, contractual PPPs fall under the concession model, in which case a facility is given by the public sector unit concerned to a private sector partner which usually designs, constructs and operates the PPP project for a given period of time. In some cases, the operation of a facility may be contracted out to another private party. Under both the categories the users pay for the facility availed and such charges accrue to the JV or the private sector partner.

Build, Operate and Transfer (BOT) Under this category, the private partner is responsible to design, build, operate (during the contracted period) and transfer back the facility to the public sector. The private sector partner is expected to bring the finance for the project and take the responsibility to construct and maintain it. The public sector will either pay a rent for using the facility or allow it to collect revenue from the users. The national highway projects contracted out by NHAI under PPP mode.

Lease, Operate and Transfer (LOT) As the name indicates, under this type of PPPs, a facility which already exists and is under operation, is entrusted to the private sector partner for efficient operation, subject to the Terms and conditions decided by mutual agreement. The contract will be for a given but sufficiently long period and the asset will be transferred back to the government at the end of the contract. Leasing a school building or a hospital to the private sector along with the staff and all facilities by entrusting the management and control, subject to pre-determined conditions could come under this category.

<p>Build, Own, Operate (BOO) or Build, Operate and Transfer (BOOT)</p>	<p>This is a variation of the BOT model, except that the ownership of the newly built facility will rest with the private party <i>Own</i> during the period of contract. This will result in the transfer of most of the risks related to planning, design, construction and operation of the project to the private partner. The public Sector partner will however contract to ‘purchase’ the goods and services produced by the project on mutually agreed terms and conditions. In the latter case (BOOT), however, the facility / project built under PPP will be transferred back to the government department or agency at the end of the contract period, generally at the residual value and after the private partner recovers its investment and reasonable return agreed to as per the contract.</p>
<p>Design, Build, Finance and Operate (DBFO) or Design, Build, Finance, Operate and Maintain (DBFOM)</p>	<p>These are other variations of PPP and as the nomenclatures highlight, the private party assumes the entire responsibility for the design, construct, finance, and operate or operate and <i>or</i> maintain the project for the period of concession. These are also referred to as “Concessions”¹¹. The private participant to the project will recover its investment and return on investments (DBFOM) (ROI) through the concessions granted or through annuity payments etc. It may be noted that most of the project risks related to the design, financing and construction would stand transferred to the private partner. The public sector may provide guarantees to financing agencies, help with the acquisition of land and assist to obtain statutory and environmental clearances and approvals and also assure a reasonable return as per established norms or industry practice etc., throughout the period of concession.</p>
<p>Operations Concession</p>	<p>This is a generic term, used to clarify the essential features of PPP arrangements. The PPP agreements which authorize the private partner to recover its investments and expected returns</p>

¹¹ The term concession is used rather loosely to describe generically the various types of PPP arrangements as most of these bestow on the private sector partner the right to collect and keep in full or part the project revenue over a specified period called ‘ConcessionPeriod’.

on investments through concessions granted for a certain

period, computed on the basis of demand projections and growth, are called operations concession (OC). In these cases, the public sector (department or agency) which is responsible to provide the service to the public and collect revenue by way of user charges, toll, tariff etc., assigns its legal or statutory right to the private partner in return for the latter undertaking the responsibility to implement the project and maintain the required quality. The concession may be by collecting tolls and user charges or by the public sector making periodical payments of annuities or monthly / quarterly/ half-yearly charges on certain assumed basis, like shadow tolls etc.

Joint Ventures

In a PPP arrangement commonly followed in our country (such as for airport development), the private sector body is encouraged to form a joint venture company (JVC) along with the participating public sector agency with the latter holding only minority shares. The private sector body will be responsible for the design, construction and management of the operations targeted for the PPP and will also bring in most of the investment requirements. The public sector partner's contribution will be by way of fixed assets at a pre-determined value, whether it is land, buildings or facilities and /or it may contribute to the shareholding capital. It may also provide assurances and guarantees required by the private partner to raise funds and to ensure smooth construction and operation. The public service for which the joint venture is established will be provided by the entity on certain pre-set conditions and subject to the required quality parameters and specifications. Examples are international airports (Hyderabad and Bangalore), ports etc.

- The Government of India, Ministry of Finance, Department of Expenditure in July 2009¹² have issued Guidelines for establishment of Joint Venture Companies in infrastructure sector at Union Government level. Public auditors while auditing the PPP Joint Ventures of the State Governments should treat these guidelines as the best practice where the State Governments have not brought out such guidelines.
- All the PPP models described above may not be absolutely distinct from one another. In fact different PPP models may have overlapping features. What, however, distinguishes each type of PPP model from one another is the degree of risk and responsibility borne by the private sector partner as shown in the Chart A below:

CHART- A

{Degree and Involvement of Private Sector in service Concession Agreements¹³}

Degree Of Private Sector Risks And Responsibility	10. Privatization
	9. Build, Own, Operate.
	8. Build, Own, Operate, Transfer
	7. Design, Build, Finance, Operate
	6. Design, Build, Operate, Maintain
	5. Operations Concessions
	4. Design, Build
	3. Management Contracts
	2. Service Contracts
	1. Government Directly Providing the Public Service
Degree of Private Sector Involvement	

- To better appreciate the pre-requisites, the objectives, responsibilities and risk sharing arrangements under each variant of PPP, please see Charts B, C and D below.

¹² The Government of India, Ministry of Finance, Department of Expenditure vide OM No.24(24)/PF-II/2009 dated 21st July 2009 have laid down a clear set of Guidelines for establishment of Joint Venture Companies in infrastructure sector. Under these guidelines, issues of conflict of interest, accountability of public sector entity, extent of government shareholding, selection of JV partner, chairmanship of JV, evaluation of assets, appraisal and approval process, exit and termination of the JV have been covered. These guidelines have been reproduced at Annexure V of this volume.

¹³ International Federation of Accountants (IFAC): Accounting and Financial Reporting for Service Concession Agreements; 2008

Chart 'B'

Mapping PPP Options to Prerequisites

Option	Requirement			
	Political Commitment	Cost-covering Tariffs	Regulatory Framework	Good Information
<i>Service contract</i>	Low	Low	Low	Low
<i>Management contract</i>	Moderate	Moderate	Moderate	Low
<i>Lease</i>	Moderate	High	High	High
<i>BOT</i>	Moderate	High	High	High
<i>Concession</i>	High	High	High	High

Chart 'C'

Mapping PPP Options to Objectives

Option	Objective				
	Technical Expertise	Managing Expertise	Operating Efficiency	Investment in Bulk	Investment in Distribution
<i>Service contract</i>	Yes	No	Some	No	No
<i>Management contract</i>	Yes	Yes	Some	No	No
<i>Lease</i>	Yes	Yes	Yes	No	No
<i>BOT</i>	Yes	Some	Some	Yes	No
<i>Concession</i>	Yes	Yes	Yes	Yes	Yes

Chart 'D'

PPP Options - Summarised

Mode	Asset Ownership	O&M	Capital Investment	Commercial Risk	Duration (Years)
<i>Service contract</i>	Public	Public and Private	Public	Public	1-2
<i>Management contract</i>	Public	Private	Public	Public	3-5
<i>Lease</i>	Public	Private	Public	Shared	8-15
<i>Concession</i>	Public	Private	Private	Private	25-30
<i>BOT / BOO</i>	Private and Public	Private	Private	Private	20-30
<i>Divestiture</i>	Private and Public	Private	Private	Private	Indefinite

[http://cag.gov.in/sites/default/files/guidelines/PPP_Guidelines]

CHAPTER XVII: GENERAL PROCEDURE FOR AUDIT OF ACCOUNTS OF AUTONOMOUS BODIES FOR, CERTIFICATION OF ACCOUNTS UNDER SECTION.19 (2), 19 (3), 20 (1) OF COMPTROLLER AND AUDITOR GENERAL (DPC) ACT 1971

17.1 Audit as understood in common parlance, is an examination of the books of accounts to ensure that the final accounts prepared for publication or presentation are the true reflection of the books. The examination involves the verification of the authority for and the accuracy of the book figures with the help of such evidence as may be available in the form of vouchers, Invoices, receipts, and other documents. The auditor must therefore conduct, as far as possible, an independent investigation into the affairs as shown in final accounts at a given date which reflects the true state of affairs of the organisation according to the facts available to him, information ascertained by him and explanation given to him. In other words, the Auditor is an independent critic who gives his opinion without fear or favour to the organization /Government who rely on his skill for probing into all relevant matters in bringing out the true position.

17.2 A considerable time has to be spent on the routine work of checking the book entries, otherwise known in commercial line as vouching but in any organisation, it will hardly be possible to do such checking in any great detail without engaging an unmanageably large number of persons on the work. So, the auditor has to rely largely on the system of internal check existing in a particular organisation before deciding the extent of check to be exercised by him. It is only after scrutinizing the nature and extent of internal check existing in an organisation, the Auditor will be in a position to decide the direction in which his further studies must proceed and he should make: a special note of such weaknesses in the internal check and bear such defects in mind throughout the audit.

17.3 Certain detail instructions for the procedure relating to audit of certain specified records and transactions are given in chapter 4 of the manual of Commercial Audit published by Director of Commercial Audit. These instructions can be adopted with advantage for audit of non-commercial autonomous bodies, well. These instructions are not exhaustive by themselves and can be varied/supplemented with due regard to the requirements of audit of each

organisation. The quantum of audit, of, various records. are indicated in the next Section of this chapter and read with other secret Memo of instruction and specific office orders in this regard

17.4 It is pertinent to bring to notice in this connection that the Public Accounts Committee of the, Parliament has made the following recommendations in para 18 of their 18th Report.

"They also recommended that the Comptroller & Auditor General who is responsible for their audit should in addition to the normal expenditure audit; undertake an achievement audit of these organization including *inter alia* their original target and achievements".

Since audit of autonomous bodies is entrusted to the Comptroller & Auditor General in public interest, it is necessary that the audit of their accounts is directed to see that the objective of the organisations is achieved, that the expenditure incurred, to achieve the objective is reasonable, that there has not been wastage of displaced-at their disposal etc. For this purpose, efficiency-cum performance audit should be conducted periodically and material incorporated in the separate Audit Report. Where the points are considered significant, enough to be specifically brought due in the conventional Audit Report as well, there is no objection for suitable mention being made in Audit Report The accounts should be certified as representing true and fair picture of the affairs in the form mentioned below:

"Audit Certificate"

I certified, as a result of my audit, that in my opinion.....for the year ending 31st March 20 I have obtained all the information and explanation that I have required and subject to the observations in the appended Audit Report, I certify as a result of my audit, that in my opinion these accounts and balance sheet are properly drawn up so as to exhibit a true and fair view of the state of affairs of the..... .. according to the best of information and explanation given to me and shown by the books of the organizations.

Place:

SD/-

Date:

Accountant General

17.5 In every case, the certificate of audit must be signed by the Accountant General and a separate Audit Report compiled and issued. These separate Audit Reports in cases where they are to be placed before Parliament/State Legislature should be sent to Comptroller & Auditor General's office for prior approval before issue. There is, however no objection to issue a draft report to the Organisation/Government in the first instance giving reasonable time for reply and to finalize the report based on replied of the Organisation/Government. In such cases it is necessary to ensure that any delay in reply does not adversely affect timely certification of accounts and as such, for this purpose a working arrangement can be brought about in consultation with the Organisation/Government concerned.

17.6.1 In respect of every audit, it is not the case that every point of objection is worthy of mention in the separate Audit Report and there are quite a good number of minor objections, which have to be pursued by other means. In respect of such cases, the objections can be incorporated in an Inspection Report and compliance watched during the next inspection. In respect of all such cases where objections are pending for a long time, an omnibus para may be included in the separate Audit Report para may be included in the Separate Audit Report indicating number of reports and paragraphs pending and money value of objections involved. It is necessary for the Audit Office to compile and maintain up-to-date record relating to various Organisations under audit.

17.7 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 Organisation. The efficiency is bound to vary from. organisation to organization and as 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 organisations where the internal check is found satisfactory. In organisations 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 an adequate extent. In the circumstances it is not possible to have uniform quantum of audit for all organisations 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 document and should not be made known to the organisations audited. Besides the various organisations under audit will have different systems of accounting and sets of books and it will not be possible to envisage and prescribe 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 facts of each case and the actual quantum determined. Where it is necessary to decrease/increase the quantum, suitable justification therefor should be available on record for the increase/decrease allowed. Such decreases/increase should be subjected to critical review after the subsequent audits and specific orders obtained for continuance/modification. In cases, where audit of selected periods/records, reveals serious irregularities there will be no objection to increase the quantum on the spot and to have it approved later on. In respect of records/documents for which no quantum is prescribed the same may be determined locally. In the above circumstances, it is necessary that:

17.6.1.1 For each organisation a specific quantum of audit is determined with due regard to general instructions and facts of the case,

17.6.1.2 The quantum is reviewed from time to time. and

17.6.1.3 The quantum prescribed is treated as a secret document and not disclosed to the organisation. Since audit of organisations is conducted locally by senior auditors under adequate supervision, it has not been considered necessary to prescribe separate quantum for Junior Auditors, Senior Auditors and Inspection Officers.

“Wherever quantum of checks of particular institutions have already been prescribed previously, such quantum may be followed in respect of those institutions. In other cases the quantum of checks prescribed herein may be followed.”

Name of the record	Nature of checks applied
1. Main Cash Book	Arithmetical Accuracy. Carry Forward of balances. Tracing of receipts. Tracing of payments Establishment Expenditure & usual checks therein. Works Expenditure & the usual checks thereon. Other Expenditure & usual checks thereon.
2. Subsidiary cash Book	As detailed above
3. Establishment payment)	Correctness of pay fixation from time to time.

Records	<p>Correctness of monthly draws.</p> <p>Correctness of T. A & other Advances.</p> <p>Verification of acquaintances.</p> <p>Leave accounts and Service Records..</p>
4 Payments of wages	Scrutiny and review as prescribed.
5 Office Contingencies	
i) Scale regulated	i) Correctness of scales. ii) Correctness of payments As
ii) Other	above.
6. Purchases of stores	<p>i) General sanction, Procedure of purchase, Arithmetical accuracy, Acquittance etc.</p> <p>ii) Posting in stock account for purchases, issues including correctness of acknowledgements.</p> <p>Physical verification , review of stock position, losses etc.</p>
7. Contract payments for works	Checks to be exercised will include examination of plans and estimates, tenders, contract agreements, execution of works, measurements etc.
8. Measurement Books	Scrutiny to the extent needed as per local requirements.
Records connected with Vettings.	<p>Terms & Conditions</p> <p>Execution of bonds and safe custody.</p> <p>Actual payment voucher and their safe custody.</p> <p>Posting in loan ledgers.</p> <p>Correctness of balances and interest calculations.</p> <p>Acknowledgement of balances.</p> <p>Maintenance of lone ledgers review of loan files etc.</p>
9. Revenue Collections	Correctness of assessment and recovery.
10 Ledger postings	Tracing from cash books & other records.

11. Journal Entries	Arithmetical Accuracy.
12. Bank Reconciliation	Correctness. Review of item and action taken.
13. Suspense Transactions	Scrutiny, correctness and adequacy of action taken for clearance of suspense.
14. Investments	General scrutiny
15. Sundry Debtors	i) Acceptance of balances. ii) Posting of recoveries. iii) Pursuance of old cases.
16. Trial Balance, receipts and payments Accounts Income and Expenditure Accounts Balance Sheet.	Correctness of accounts/entries with reference to subsidiary ledges and other records.
17. Charging of Depreciation	Principal. Correctness of charging.
18. Account of utilisation Of	Scrutiny with reference to General/Financial Rules and Review.

[Comptroller and Auditor General's letter No. 1076-TA-I(RGL)/26-78, dated 7-11-1978 read with Comptroller & Auditor General's Circular No. 55-TA-I/82 received under No. 1303-TA-Im(RGL)/92-82, dated 6-10-1982]

Chapter XVIII: Separate Audit Report (SAR)

Laying of audited accounts and separate audit reports of Central/State Autonomous Bodies before Parliament/State Legislature(s)

Improvement in quality and contents of Separate Audit Reports (SARs) and Certification of annual accounts of Central/State autonomous bodies whose audited accounts are placed before the Parliament/Legislatures.

18.1 (a) Instructions have been issued in this office circulars No. 1471-Rep (C)/58-82 dated 25-10-1982, D.O. No. 364-Audit. II/72-90 dated 17-3-1992, 52-Rep(AB)/20-86 dated 25-2-1993, and 2-Rep(AB)/293-97 dated 16-1-98 on various matters relating to preparations of SARs. It has, however been observed that the instructions issued earlier are not being properly followed by some of the field offices and the draft SARs sent by field audit offices warrant substantial improvement/modification. The instructions contained in these orders and the 297 provisions of Manual of Instructions for Audit of Autonomous Bodies may please be followed carefully. In future, following aspects may be specifically kept in view at the time of preparation of draft SARs on the annual accounts of Central/State autonomous bodies.

(1) *Accounting policies*: Organisations may be advised to append to annual accounts 'Significant Accounting Policies' and 'Notes to Accounts'. The former can indicate 'significant accounting policies' e.g. items if any accounted for on cash basis, fixed assets and inventory valuation, etc. In the notes to Accounts non-applicability of Income Tax on the surplus of the organisation, exemption from statutory enactments, treatment of contingent liabilities etc. may have to be indicated. Such disclosures by the Autonomous Bodies will introduce transparency in accounts. The Accounts are read and certified only on the basis and parameters of such disclosures and they form part of the accounts certified by us. Therefore, any shortcoming in these aspects may however be commented in the SAR.

(2) *Transactions under Plan and Non-Plan*: Transactions need to be examined to ensure that there is no mixing up of 'Plan' and 'Non-Plan' in any inflow or outflow and if there be, suitable comments should be made in SAR. If 'Plan' and 'Non-Plan' are not separately depicted in the accounts, a separate schedule for the bifurcation for revenue and capital and 'plan' and 'non-plan' items may be insisted upon. If the organisation is not able to exhibit such important data distinctly under major activities/heads, it should be commented upon in the SAR.

(3) *Minus balances* shown in the accounts require careful probe in audit. They sometimes foretell serious irregularities. Reasons for each minus balance should be examined and commented upon.

(4) *Suspense heads*: The extent of amount in suspense heads and their relevance to the accuracy in accounts in as much as Suspense Accounts dilute the accuracy may be examined and commented in the SARs.

(5) *Fund Accounts*: If fund accounts for different purposes are found in the autonomous body, then the relevant transactions of each fund being accounted for in the respective fund should be checked in audit. Mixing up of funds should be commented upon in the SAR and audit of each fund account should be done specifically to assess the accuracy of each fund account.

(6) *Depreciation on capital assets*: Even though in autonomous bodies there is no concept of 'profit', it is the duty of audit while certifying the accounts, which includes the balance sheet, to mention the status of the assets in the context of depreciation due to usage, obsolescence etc. Depreciation is not necessarily a charge on profits. They can be provided for either actually out of surplus generated by the autonomous bodies, as in the case of revenue earning Port Trusts, or be deducted from the value of assets of non-revenue earning organisations so as to provide a true and fair view of the assets of the autonomous bodies. Continued exhibition of assets at book value despite obsolescence, reduced value with corresponding capital entry gives a totally wrong picture about the assets of the organisation. It is, therefore, essential and desirable that in supersession of instructions issued in 1982, in all such cases where the accounts indicate value on original cost, suitable comments should be made in the SAR wherever applicable on the following lines:

"The asset accounts depict book value of acquisition and do not exclude obsolescent, unusable, irreparable and condemned assets and also do not take into account depreciation with corresponding reduction of capital account. Therefore, the capital and asset accounts are overstated accordingly thereby not giving the correct picture."

If, however, the organisation indicates in the "Notes to Accounts" that the depreciation for the assets has not been provided for and quantified the amount no comment need be made by Audit on this point. It may, however, be ensured that the condition of the assets vis-à-vis the valuation is verified and a specific certificate from the organisations should be obtained that they are not holding any obsolete or unusable assets which should be cross checked with reference to corroborating

records during the audit and comments included where necessary.

(7) *Accountal of transactions on accrual/cash basis and exhibition in Balance sheet:*

The system of accounting is required to be on accrual basis so that Income and Expenditure Account and Balance Sheet make a meaningful depiction of the true and fair view of financial position of the organisation. If any deviation is made from this basic principle, unless it is properly spelt out in the "Accounting Policies" or "Notes to Accounts", SAR should always have clear comment of this aspect in respect of all such items. The Autonomous Bodies should be advised to adhere to accrual principle for all transactions with only rare justified exceptions clearly revealed.

(8) *Cross checking of accounts with schedules:* It has to be ensured in audit that all the schedules referred to in the accounts are correctly drawn up and figures shown there in tally with the accounts figures, as the schedules form part of the accounts certified by Audit.

(9) *Bank reconciliation:* It has to be ensured that comments about arrears in bank reconciliation highlighting possibilities of misappropriation and frauds and the risks involved due to non-reconciliation/delays in reconciliation and the procedural deficiencies and lapses are highlighted in the SARs. Wherever warranted SAR should contain a clear comment that the bank/cash balances as revealed in the books of account could not be verified in Audit due to such non-reconciliation.

(10) *Revision of accounts:* In all cases where accounts are revised at the instance of audit, suitable comments about the impact of such revision may be made in the SARs provided that the substantial revision was effected due to our audit scrutiny.

(11) *Register of assets:* These should be carefully checked in the context of earlier comments on this subject and certification on physical verification of assets insisted upon so that non-availability of such certificates is commented upon in SAR.

(12) *Concise and brief comments:* As the SARs are required to contain only "Comments on Accounts", it should be ensured that the comments to be included in the SARs are concise and brief with a clear statement about impact on account of each comment as a result of deficient procedure/accounting followed. The SAR should convey only final comment and should not read like as an Inspection Report or draft para. The SAR should always say the resultant under/over statement of head concerned and the impact on surplus/deficit/assets/liabilities in exact amounts.

(13) *Unspent Grants:* It is necessary that the organisations draw a distinction between annual maintenance/revenue grants and grants for specific/capital purposes.

The unspent grants refundable/repayable to Government/other agencies, as may be required under the conditions stipulated in the grants, are in fact distinctly shown as "returnable" in the liability side of the Balance Sheet of the Autonomous Bodies.

Non-depiction of such unspent balances in the Balance Sheet should be commented in the SAR.

(14) *Realisation of income due to the organisation*: It is necessary that income realised by an organization is accounted for as income in the Receipt and Payment Account/Income and Expenditure Account and is not allowed to be kept in a separate fund/account.

(15) *Completeness in accounts*: It should be ensured in audit that the accounts to be certified are complete in every respect and in cases where the accounts are voluminous, the organisations should be asked to suitably consolidate and index the annual accounts so that possibility of any accounts remaining out of the purview of audit is avoided. In order to ensure completeness and meaningful exhibition, all the three accounts, namely 'Receipts & Payment Account', 'Income and Expenditure Account' and 'Balance Sheet' with supporting schedules, 'Significant Accounting Policies' and 'Notes to Accounts' should come as a set to the audit to enable the auditor to check and certify these accounts. Incidentally figures should be reduced to a maximum of 5 digits for easy comprehension.

(16) One of the main shortfalls in ensuring utilization of grants/loans for such purposes for which the grants/loans are given to Autonomous Bodies is non-production of such certificates to the Ministry/Department/Government. While on one hand the accounts are purported to have accommodated such expenditure on revenue and capital heads and are certified by audit on the other hand. Audit also list out that such certificates are yet to be received. This is like absence of physical verification certificate for assets exhibited in Accounts certified. Therefore in future a distinct comment should be made in SARs that the assets/expenditure as exhibited in the current and previous year(s) accounts are not supported by utilisation certificates for the specific amounts for which certificates are yet to be furnished to the Government. It may please be ensured that these aspects are kept in view during the certification of accounts of Autonomous Bodies. Revision of the provisions of the AB Manual for the above wherever necessary would be issued in due course and these instructions may please be followed properly with immediate effect.

(CAG letter No. 111-Rep (AB)/49-99 dated 31-5-1999)

(b) It has been observed that comments are not arranged in the order of annual accounts (Balance Sheet, Income and Expenditure Account and Receipt and Payments Accounts, Notes on Accounts etc.). Comments are also not linkable with the respective heads of accounts under objection. It is essential that the above mentioned instructions issued are strictly complied with and SARs are prepared in a uniform manner. Further, it is essential that SARs should not contain any value for money/transaction audit issues.

A format of SAR and a few sample "Comments" are enclosed for information and guidance. It should be ensured that comments included in SARs are linkable with the respective accounting heads shown in the annual accounts/schedules. Comments framed should be specific and pointed and impact of such comments on the account should be clearly indicated along with a key-working.

(CAG letter No. 40-Rep (AB)/91-2003 dated 25-2-2004)

Format of Separate Audit Report

Introduction

(Setting up of Autonomous Body, audit mandate and Grants/Loans received during the year).

Comments to be included need not be comparative statements but should be concise and brief with a clear statement about impact on accounts of each comment as a result of deficient procedure/accounting practice followed. Comments should be pointed and indicate in exact amounts the resultant under/overstatement of head concerned and the impact on income/expenditure/Excess of Income/Expenditure over Expenditure/Income as well as on assets/liabilities.

Audit comments on accounts can be included as sub-paras at one place under this para depending upon defects noticed and the sub-paras may be arranged suitably one after another in the order of Form of Annual Accounts being certified under the heads Balance Sheet (Liabilities and Assets), Income and Expenditure Account, Receipt and Payments Account as illustrated below.

COMMENTS ON ACCOUNTS

2. Balance Sheet

2.1 LIABILITIES: Deficiencies noticed against various heads may be commented in short sub-paras.

2.2 ASSETS: Deficiencies noticed against various heads may be commented in short sub-paras.

3. INCOME & EXPENDITURE ACCOUNT

3.1 EXPENDITURE: Deficiencies noticed against various heads may be commented in short sub-paras.

3.2 INCOME: Deficiencies noticed against various heads may be commented in short sub-paras.

3.3 Excess of Income/Expenditure over Expenditure/Income:

4. RECEIPT & PAYMENT ACCOUNT

4.1 RECEIPTS

4.2 PAYMENTS

5. GENERAL

ACCOUNTING POLICIES & NOTES TO ACCOUNTS.

Brief comments about deficiencies noticed in accounting policies, notes on accounts, suitable disclosures not given on matters concerning accounts may be included.

6. EFFECT OF AUDIT COMMENTS ON ACCOUNTS

The net impact of the comments given in preceding paras is that assets as on _____ were understated/overstated by Rs _____ lakh, liabilities understated/overstated by Rs _____ lakh, and Excess of Income/Expenditure over Expenditure/Income for the year was understated/overstated by Rs _____ lakh.

7. Lack of response (If replies to draft SAR are not received within the stipulated period.)

CHAPTER XIX- GENERAL PRINCIPLES OF AUDITING AS APPLIED TO GOVERNMENT COMPANIES AND CORPORATIONS.

(Detailed instructions and procedure relating to audit of certain specified records/transactions contained in Chapter 4 of the Manual of Commercial Audit-referred to in Para 8.03 of Chapter 8).

19.1 SCOPE OF THE COMPTROLLER & AUDITOR GENERAL'S-

An audit may be described as an examination of the records of the transactions of a business or an undertaking so as to verify whether the accounts thereof are properly drawn up and exhibit a true and fair view of the state affairs of the concern. The records of such verification consist, in part of the books of accounts and in part of documents (known as vouchers) confirming or supporting the correctness of the entries in the books. Generally the auditor of the companies (Chartered Accountant) conducts such examination as he considers will justify his giving the certificate which is required to him. The Statutory Auditors; however work under a limitation. They have to admit all charges covered by the sanction competent authority so long as they are intra-vires of the Company Law. In other words, their functions are not comparable to those of the Comptroller and Auditor General who conduct what might be described as efficiency and propriety oriented audit. This would involve *inter alia*, a review of the decisions of the Board of Directors to ascertain to what extent their powers have been, exercised in the best interest of the undertakings and in accordance with accepted principles of financial propriety and an examination of the cost accounts to ensure that the unit is being administered efficiently and economically. It includes the verification of the correctness of the accounts, the propriety of the transactions and the evaluation of the performance of the Commercial Undertakings.

AUDIT PROGRAMMES.

Before commencing the audit of such concern the audit staff should familiarize themselves with the working of the undertakings, internal checks and internal audit in vogue. Some of the sources from which the preliminary information may be readily obtained are:--

- (a) The Acts, Rules, Regulations, Memorandums and Articles of Association.
- (b) Reports of Parliamentary or other Committees
- (c) Budgets.

(d) Accounting Manual.

(e) Policy pronouncements, directives etc. Made/issued by Government.

19.2 The programme of audit will be drawn up after obtaining a complete list of all the books of accounts. It should be clearly understood that the audit programme will not necessarily comprise the whole of the work incidental to the audit. It is intended that the quantum of audit prescribed should not make the audit more automatic in character, nor shall it in any way relieve the staff from bringing to bear on their work their critical faculties and powers of imagination.

PROCEDURE FOR AUDITING CASH TRANSACTIONS

19.2.1 Receipts:-The Chief aim while conducting the audit of receipts should be to ascertain that an adequate procedure has been prescribed and regulations have been framed to secure an effective check on the pricing of the products or cost of services and allocation of revenue.

19.2.2 The following points should be seen in audit:

19.2.2.1 Verify the receipts for cash sales with cash sales book and the duplicate cashmemos.

19.2.2.2 Verify the receipts on account of credit sales with the counterfoils of the receipts. See that all receipt boob issued are accounted for and the printed number on the counterfoils in the used book runs consecutively.

19.2.2.3 Vouch income from investments with counterfoils of dividend warrants and / or bank advices.

19.2.2.4 Vouch refund of T.A. Advance with T.A. Bills.

19.2.2.5 Examine the terms of discounts allowed to customers.

19.2.3 **PAYMENTS:-**The objects of audit of expenditure are to ensure;-

- (i) That the claims are made in accordance with the rules.
- (ii) That all prescribed preliminaries to the incurring of expenditure are observed such as proper estimates being frame and the expenditure being approved by the competent authority.
- (iii) That the expenditure is in accordance with the sanction properly accorded and is incurred by the officers competent to incur it.
- (iv) That the payment has been made to the proper person and that it has been so acknowledged.
- (v) That the charges are correctly classified and posted to the proper head of account, and

- (v) That the payments have been correctly brought to the account in the books of original entry.

19.2.4 The following points should be seen in audit

19.2.4.1 Vouch each payment with the receipt given therefor and/in the case of payments which are pasted to an impersonal accounts, examine the invoice, statement of, account, demand note or other independent document, which furnishes evidence that, the payment is a proper cover and duly chargeable to the account to which, it is debit able. In the case of the audit of Government Commercial and Quasi-Commercial Departments, compare the office copies of the vouchers with the paid vouchers received from the Accountant General's office.

19.2.4.2 For wages paid, examine the wages sheets together with the acquaintance of the workers.

19.2.4.3 For salaries inspect the salaries books and vouch his with the receipts given by the employees, endorsed cheques etc

19.2.4.4 Vouch payments on account of petty cash with the petty cashbook and examine the vouchers for the disbursements.

Similar procedure may be adopted for imprest accounts also.

19.2.4.5 Vouch book charges, interest etc. with the Pass Book. Similar check may be made in the Pass Book of customs authorities and Port Trust for the charges debited in the cashbook.

19.2.4.6 Vouch the bills payable with the return/matured bills

19.2.4.7 Vouch the purchase of investment with the brokers or bankers advices

19.3 GENERAL-

It should be seen that:-

(i) The system of receipt and payment of cash, cheques and bills, banking and custody of cash, verification of ,cash balances ,and recording, of cash transactions is adequate:, and satisfactory; whether there is any waste nugatory expenditure or loss, of cash due ,to inadequate safeguards.

(ii) All the receipts and payments are posted to the proper accounts in the ledger. The receipts and payments affecting the sales and bought Ledgers when total accounts maintained are posted in totals in the General Ledger.

(iii) The totals and carry' forward balances are correct

(iv) The balances of the bank accounts are periodically reconciled with the

balances shown in Passbooks.

i) The details of the various subsidiary books are periodically reconciled with the total

(vi) The general rules of recording the transactions in the chronological order

(vii) The, cashier does not handle the accounts books other than the cashbook.'

(viii) The custody and issue of receipt books, cheques books etc should also be, generally examined.

Audit Practice in connection with various Trading and Profit and Loss Account items

19.4 No hard and fast rules regarding audit procedure can be laid down, as the work to be performed must largely depend on the circumstances of each individual case. However, some of the important points for the audit of various items are enumerated below:-

A. Purchases

(a) Examine the Bought Day Book/Purchase Journal with the invoice examining the date of each invoice. See that it is made out in the name of the Company or Corporation, that it is approved as correct and see whether the kind, of goods bought are such as you would expect to find in the particular business. See that if purchases of different kinds are kept separate such item is entered in to its proper analysis' column.

(b) Check the totals and cross totals of the Bought Daybook.

(c) Check the postings of the Bought Day Book/Purchase Journal into the Bought Ledger and the total(s) to the debit of various purchase accounts.

(d) Check rest of the postings in the Bought, Ledger from: the books such as the cash book, purchase returns books. Check the totals and balances.

(e) If detailed records are kept of the quantities of stock coming in and stock, passing out, ascertain what steps are taken to reconcile the goods purchased as shown by the Bought Day Book with the goods received as shown by the stock records.

(f) Check the purchase procedure starting' from the preparation of stores indent to the passing of the bills for payment.

(g) Check the inspection notes with reference' to the remarks of the inspecting authority, follow up of rejection; recovery of amounts and action against unreliable suppliers.,

- (h) Check the routine for disposal of used and damaged stocks.
- (i) Check the routine for ensuring that the stocks are not issued in excess of the standards/estimates and that the total value of the stores consumed is absorbed in costs.
- (j) Ensure that when stores are purchased from contractors the system of open competitive tender is adopted and the purchase is made from the lowest tenderer unless the recorded, reasons' to the contrary.
- (k) Check that the rates paid agree with those shown in the contract or agreement made for supply.
- (l) Ensure that ordering quantities in use represent the economic quantity for purchase.
- (m) See that certificates of quality and quantity are furnished by the passing and receiving authorities before payment is made.
- (n) Stores in many cases represent a locking up of capital which is not justifiable unless essential. In order to effect economy in this direction it should be seen- that the balance in hand is not in excess of requirements for reasonable period.
- (o) Examine the system of physical verification of the stores on hand and the accounting adjustments of the excesses and shortages.
- (p) Examine the system of locating, accounting and disposal of unserviceable, slow moving, redundant and obsolete stores.
- (q) Compare the balances in the Bought Ledger at the end of the financial year with the creditor statements in order to see whether any mistakes have been committed while posting from the Bought Day Book and whether any wrong credits and debits have been posted.
- (r) Examine' whether the company is taking advantage of the period of credit allowed in every case.

B. Sales

- (a) As regards cash sales, the system under which goods are sold and the cash received and banked should be seen. Check the additions in the cash sales book and test the entries therein with the duplicate of cash sales slips in the sales men's book.
- (b) The procedure for obtaining orders, the planning of production in accordance with the orders in hand, and' anticipated demand, the reasonableness of the time lag, between the receipt of the order in the company and, the execution of the

order ,should also be examined.

(c) The credit policy followed by the company should be reviewed. The action taken against overdue account must be specifically examined.

C. Sales Returns

(a) Enquire into the system of recording goods returned by customers and issuing of credit notes in respect thereof

(b) Check the entries in the sales returns day book with the duplicates or counterfoils of credit notes issued and the goods returned book, if one such is kept.

(c) Check the additions of the sales returns day book and the postings of totals, periodically in the General Ledger.

D. Wages

(a) Ascertain the system in force for the recording and payment of wages in order to get an idea of the scope for errors, or of fraud.

(b) Check the wages sheets with primary records like Gate Card. Attendance production, overtime sheets etc.

(c) Test checks the bonus calculations to ensure that they have been correctly computed.

(d) Examine the system authorizing overtime.

(e) Check the unpaid and prepaid wages account.

(f) Checks leave payment (including payment from E.S.I.) and holiday wages payment sheets. Check the overtime wages, with special reference to the need, sanction of the competent authority and the periodicity.

(g) Examine the reconciliation statement of the wages paid with attendance or production records and ensure that the system of recording attendance and/or production is fool-proof.

(h) See that the analysis where necessary, is certified as, correct by those responsible and that the proper accounts are debited in the impersonal ledger. Special charged to capital account.

(i) Compare the weekly fortnightly or monthly totals of the wages sheets with each other and obtain satisfactory reasons for any large fluctuations.

(l) Glance through the wages sheets in order to see whether any large sums appear to have been paid to any one man. Examine those items fully. Examine the systems of wages payment with special reference to the adequacy of control over

dummy workers, idle time etc.

E. Salaries

(a) Ascertain the authority competent to create posts and see that the existing strength is always within the sanctioned strength; examine the documents in support of the fixation of pay of the employees and see that the pay has been fixed in accordance with the rules made for regulating pay. In some cases the salaries of Managing Director, F.A. and C.A.O.: General Manager, Secretary would probably be fixed by Government. In cases of others the Board of the Management may be competent.

(b) If the employees give receipts for their salaries, the receipts should be checked with the salaries book or if they are paid by cheque, the returned endorsed cheques or receipts may be seen.

The additions of the salaries book should be checked and the totals agreed with the payments in the cash book.

F General

The administrative set-up should be examined thoroughly so as to ascertain:-

(i) Whether the growth of, expenditure on administration is reasonable in relation to the turnover and total expenditure.

(ii) Whether the financial powers of various categories of officers have been clearly laid-down, whether such powers are properly delegated and whether they have been exceeded

(iii) Whether 'any unusual concessions or extra amenities are being provided to the staff or officers without the sanction of competent authority.

G. Rent, Rates and Taxes

(a) Examine each cash payment with the receipt given on the authorised form and see that period covered by the payment as shown by the receipt of the demand note is correctly stated in the cash book and see that the periods are continuous and do not overlap.

(b) At the end of the financial year scrutinise the various ledger accounts relating to the above items and see, that the payments have been made when due and the discounts, if any, have been availed.

(c) Compare the total charges shown in each ledger account with the corresponding charges in the previous year and account satisfactorily for any differences.

(d) In the case of new rents payable, obtain particular thereof from leases or agreements.

(e) As regards income-tax, call for the assessment order and see that proper adjustment has been made for tax deducted at source and advance payments.

H. Traveling Expense:-The main point to be considered is whether the travelling expenses incurred are in the interest of the company and whether the person incurring them is entitled to charge them against the company.

I. The travelling expenses of the directors (official of the company) are not chargeable to the company and in the case of non-official directors the provisions in the Articles of Association should be seen. In the case of persons on deputation the Government rules should be applied. The details of the travelling allowance and the approval of the competent authority should be seen together with the adjustment of advances already taken and the time-lag between performing the journey and submission of the bill.

J. Special Allowances: Where special pay or allowances are given, the justification for such pay/allowances and the order of the competent authority should be seen. In case of special conditions are attached for the grant of such allowances, the same should be carefully examined.

K. Bank Charges.-Bank charges as shown in the cashbook/bank book should be vouched with bank advices or the bank pass book. It may not be necessary to check small charges but it is advisable to ascertain the rate of interest payable and list of individual items and take an approximate calculation as to the total charges for the period in question having regard to the average balance of the loan outstanding, throughout the period.

L. Advertising. -In addition to seeing the receipts given for, the payments made under this head the auditor should carefully note the rate paid, the period covered and the media *approved*.

M. Petty Cash/Imprest Account: Ascertain the system under which petty cash disbursement are made and recorded and whether the records and vouchers are examined by any independent official.

Vouch the receipts shown in the petty cash book with the cheques drawn on account of petty cash as shown by the general cash book, Check the totals and cross-totals of the analysis column, if any.

Vouch the payments with, receipts, particular attention should be paid to large

amounts in the petty cash book.

Vouch the, payments for postage stamps with the postage account and dispatch register and check the additions in the latter book, comparing the total payments as between one period and another and obtain satisfactory explanations for wide variations. Examine whether periodical physical verification of stamps on hand is carried out. Where franking machines are in use, the readings in the bill should be checked with the expense in the dispatch register. The need for surplus checks may be examined.

The classification of petty cash expenses should be examined in a general way.

Where petty cash balances are considerable, the need for such a balance should be examined and reduction suggested if necessary. Withdrawal of reimbursement of petty cash when the balance is sufficient should be carefully scrutinised

M. Telephone and Trunk Calls- It should be seen 'separate registers are maintained for these charges. Private calls should be noted in the register for recovering the charges. The 'system of authorizing trunk calls should be examined and the method of accounting and verification of the official and private calls should also be reviewed

N. Bad and Doubtful Debts- In order to verify the correctness of the charge in respect of bad and doubtful debts it is necessary to verify on one hand that proper authority exists for writing off the amount so wing by the debtors which have been charged to the bad debt account and on the other hand that sufficient provision has been made for estimated loss on the remaining debts. Although the quantum of provision depend upon the management decision, it will be necessary. To verify that a regular procedure is adopted for reviewing the accounts and suitable action is taken where necessary. The accounts of customers whose outstanding have become doubtful should also be examined.

It is important that the authorisation to write off specific debts should be given by an authority such as the Managing Director of the Board of Directors, as it is not unusual for the fraudulent appropriation of the cash received from debtors to be cancelled, by entries writing off the debts as bad

It is useful to compare the ratio of bad debts reserve to the total debtors at the end of each year and also the percentage which the bad and doubtful debts bear to the total sales during the year. These comparisons may be of assistance in considering the adequacy of the doubtful debts reserve.

O. Directors' Fees- This may be verified with reference to the provisions in the Articles of Association of the Company. The orders of Government and the Directors attendance books.

P. Commission Payable-The agreement, if any, entered into with the company or letter issued to agents may be seen to verify the conditions under which the commission is payable and the rate at which it is payable. The arithmetical accuracy should also be checked to some extent.

In cases where the commission payable is based on profits earned, the provisions of the Companies Act should be borne in mind.

Q. Interest Payable- The payment should be vouched with receipts given or with other evidence such as endorsed cheque or with Bank Pass Book. It should also be seen that the proper amount of interest on account of all loans has been paid when due and the interest which accrued on the due date has been provided for. As regards interest payable on deferred payments the relevant clause under the Schemes/Agreement should be seen

R. Rent receivable-In order to verify the correctness of the income from rent, it would be necessary to call for the Rent Roll or list of properties and the rent recoverable from each. The particulars in this list of roll should be vouched with counterparts of leases and agreements.

The rents actually received should be vouched with counter foils of rent receipts. The details for arrear should be examined with reference to the rent registers and the action taken to recover the arrears should be watched. Where it should be seen that an adequate reserve is created in the accounts.

Depreciation: The Government of India Ministry of Finance (Department of Expenditure) have issued 'instruction to all undertakings which were following diminishing balance method to switch over to 'straight line method' as soon as possible vide O. M. N. F. 3(5)-PC/62, dated 11-4-1963. The compliance of this should be examined.

It should be seen that the rates adopted are reasonable. The basis on which the rates have been arrived at should also be examined.'

Generally assets are maintained at their original cost and the depreciation written off from time to time is accounted for separately. Hence whenever there is a sale, of, disposal of the asset, the adjustments in the asset account and depreciation account should be examined.

Audit Practice in connection with various Balance Sheet items

19.5 Some of the important points for the audit of various items are enumerated below-

A. Share Capital- The Memorandum and Articles of Association may be studied to see that the subscribed capital does not exceed the authorised capital and that the requisite procedure has been followed i.e. permission from the Controller of Capital issues, where necessary has been obtained the Directors have passed a resolution (other than the share taken by the signatories to the Memorandum) etc.

See that the application and allotment money has been duly paid and that the total amount paid into the Bank as shown in the Bank Account agrees with the credit in the Pass Book. Ensure that the total cash received on account of share capital as ascertained from the Register of Members agrees with the credit balance shown in the share account after allowing for share capital and the percentage of share held by Government or Governments, may also be seen'

The utilisation of the share capital money should be examined, especially in the case of subsequent issues. If any unused capital has been deposited in the band, the capital structure of the company should be examined bearing in mind the scheme originally proposed and the progress thereof

B. Reserve and Surpluses.-Share holders'/Directors' minutes authorising transfers to or from Reserve Accounts should also be seen. The Company's Articles of Association should be seen in order to verify that the operations in this respect are in accordance therewith.

While examining the classification of the reserve, the distinction between reserved and provision should be borne in mind (The term provision would include any amount by way of providing for any known liability of which the amount cannot be determined with substantial accuracy e.g. provision for taxation).

Care should also be taken to see that if any portion of the reserve account is as capital and not a revenue reserve; such portion is not afterwards transferred to the credit of the Profit and Loss Account or applied in reduction of a charge which would properly be debited to Profit and Loss Account.

The desirability and possibility of investing the reserves/surpluses should be examined carefully.

C Secured Loans.-The loan should examine with reference to the provision of

borrowing powers in the Articles of Association of the company.

The Register of mortgages and charges maintained by the company should be examined.

D. Unsecured Loan-The terms and conditions under which the loan has been taken should be examined.

In the case of both secured and unsecured loans the need for the loan and the utilisation should be critically examined. The ratio of loan to capital should also be examined. The principles enunciated by Government in their letter No.9(28)-P-II/61 dated 13-6-1961 and U.O.No.F.2(2)-W&M/61, dated 14-12-1964 should also be borne in mind (Reproduced as Annexure 'E').

E. Current Liabilities and Provisions- In addition to the verification of the total balances of the trade Creditors Ledger with the balance on the Bought Ledger total account check the individual balance at the end of the year with creditors statements. Care should be taken to see that the balances represent credit of recent date and that the latter ones have not been paid leaving the earlier ones outstanding.

Pursue invoice files relating to a few weeks in the subsequent year in order to ensure that all the invoices pertaining to the year under audit have been brought into account.

See whether provision has been made for all wages and salaries accrued upto the date of the accounts.

Review the ledger accounts recording rents, rates, taxes, water, electricity etc. and see whether charges accrued during the year and the amount accrued due at the end of the shown noticeable variations compared with the similar items in previous years. Similarly comparison may be made regarding expenses of a fixed nature.

Inquire whether any special claims against the company were being made or whether there were any legal or other charges for which account have not been received.

F. Interest Accrued- See whether interest on all loans has been accounted for up-to-date. Verify the interest calculations generally.

G. Dividend- See that dividend is not declared from the general reserve fund. In this connection a reference is invited to para 24 of the 120th Report of the Estimates Committee 1960-1961 and para 20 of the P.A.C. 7th Report (Third Lok Sabha).

H. Provision for Taxation- Examine the provision for taxation bearing the following points in mind:-

- a) Advance payment of tax and penalty levied, if any;
- b) Tax liability in foreign countries;
- c) Development rebate;
- d) Adjustment of tax deducted at source;
- e) Final adjustment of the tax against advance payments.

The distinction between provision for taxation and reserve for taxation should also be borne in mind.

I. Contingent Liability-The following items may also be included under this heading and shown separately as footnote;

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for
- b) Suits filed by or against the company.
- c) Matters under arbitration.
- d) Pending labour demands
- e) Penalties under contracts, etc.

J. Land – To confirm the ownership of the free-hold property, examine the actual title deeds and the conveyance will state the purchase consideration. As regards lease hold property the lease deed should be inspected. If the property is mortgage the mortgage will be in a position to state the amount of mortgage and also that the title deeds are in his possession.

Legal expenses and conveyance charges in connection with the purchase of property can be properly considered as part of the cost of acquisition and charged to the asset account. These can be verified

Inquire whether the land is free-hold or lease hold, if latter, verify whether the lease is written of over the period of its duration.

K. Buildings-The construction of buildings may take place under contractor may be carried out by the company's own staff. In the former case it is usual for the architect to give certification from time to time as to the amounts which are due under the contract and these certificates, the contract itself and the receipts from the contractor for the amounts paid the him will constitute the evidence, which must be seen in audit.

Where the work is done by the company's staff the invoice for the purchase of

raw material charged direct to the building, stores issued and the wages paid will have to be examined with care.

In the both cases, the bill of the contractors the expenses charged to building account will have to be examined with reference to the authority competent to sanction the estimates, the sanctioned estimates (for rates and quantities) and measurement books (for actual work done). A similar procedure may be adopted for subsequent additions. Where buildings are purchased check the title deed and other relevant documents.

L. Plant, Machinery & Equipment's—Where newly form company has taken over plant and machinery from the existing company or Government department, the purchase agreement must be examined to verify the valuation. Where a lumpsum is paid for all the assets it must be seen with reference to technical reports.

Subsequent purchases of plant and machinery should be verify for the invoice duly supported by receipts given for payments. Sanction from the competent authority must be seen for all purchase.

It should be ascertained that the expenses for erection of machinery are only are capitalized and that revenue expenses are not added to the value of assets. Particular care should be taken to verify the disposal of the construction period, administrative expenses.

The adjustment of the value of the assets in the receipt of plant and machinery received under deferred payment scheme should be examined to see that the full value of the assets is brought into account. Where machinery and equipments is manufactured by the Company, examine the job cards and estimates. These costs generally include works overhead besides material and direct wages.

The Plant and Equipment Register should be examined every year. The opening balance, addition, sales, transferred and closing balance should be checked. Examine whether the individual balance in the Register agree with the total in the General Ledger.

M. Motor Cars and Trucks- The register maintained for the fleet of cars should be examined. This should be link with Road tax charges and insurance premium paid.

N. Investments- The nature of the investments and the classification should be examined. The existence of these should be physically verified, if considered

necessary. The dividend or interest due on these should also be verified with reference to dividend warrant/advice.

O. Loose Tools- When purchase from outside, the invoice and when manufactured in companies own workshop, the estimate and the job card should be examined. The list of loose tools must also be seen at the close of the financial year.

P. Stock-in-Trade, Stores etc- Test-check the totals and extension of the stock books or sheets. Compare the prices with those of some recent invoices for goods purchased by the company or with the prices quoted in trade journals or bulletins. Inquire into the system for ensuring that all goods which were included in stock had been daily charged up as purchases and that no goods representing sales during the financial period were also included in the stock at the end of such period.

The total stock at the end of the year may be compared with that of the previous year and variation may be enquired and where stock was analysed between various departments a comparison may be made with the totals relating to each individual department year by year.

The details shown by the stock books or sheets may be test check and it should be seen that certificate has been recorded by those engaged in taking stock and in the work of pricing, extending and adding figures. The certification from the Managing Director or other responsible person that the figures shown by the inventory or list was, to the best of his knowledge and belief, correct should also be arranged to be recorded.

The general rule for valuing stock in trade for purpose of preparing account is that it should be taken at cost or market price whichever is lower at a close of the financial year.

In the case of the manufactured or partly manufactured stock, proportions of the expenses of manufacture are, as a rule, added in the cost of the raw material in fixing the value.

The basis of valuation of the inventories from year to year must also be carefully noted and deviation, if any should be reported, if considered necessary.

Examine whether any line of goods has been discontinued during the year and if so, whether the stocks thereof have been adequately depreciated.

In case where continuous stock taking is maintained, examine the system as

whole and with reference to the frequency with each item is checked and the accounting adjustment of the shortages and excesses.

The value of the stock of finished goods, stores etc. are generally taken from the General Ledger with suitable adjustments necessitated by physical verification. In such cases examine the difference between the General Ledger and the detailed accounts.

Where old stock exists, examine the cost and the inventory value thereof.

Q. Goods-In-Transit- The invoices may be checked with reference to the clearing agents certificates, where the invoices are old, enquire into the causes for the delay. The method of valuation of these stocks may also be examined with reference to the items included in the cost.

R. Sundry Debtors- The individual balances in the sales ledger should be critically examined. Check such balances on to the schedule and check totals of the schedule and compare the total of the schedule with that of the total debtors account.

Where there are huge debit balance outstanding for long, care should be taken to ascertain the reasons for delay in collecting the dues. The accounts which show large credit balances should also be scrutinized carefully.

In case of debtors in foreign currency, ascertain whether the accounts have been agreed with statements received and the rate of exchange adopted.

In case of accounts carrying interest, examine whether this has been properly calculated or related at the date of the balance sheet.

Where impersonal accounts are included in Sundry Debtor, enquire into the details and a special note may be made, if necessary.

The balance against branches should normally be reconciled. Where there is difference, see how it is exhibited in the balance sheet and the steps taken to reconcile the difference.

The method of providing for bad and doubtful debts may be ascertained. The adequacy of the reserve may be examined with reference to the age of the debt, irregularity of the receipts in reduction of the balance and the notes and correspondence.

Examine the general terms of the credit given to customers and note the special concession, if any. The ratio of outstanding to sales may be worked out and compared with the previous year, variation, if any, may be examined in detail.

Ascertained the reasons for overdue debts and make special note of the debt due from Government Department.

The system of sending periodical statement of accounts of customers for confirmation may be studied and the fact whether allowances and discounts are properly authorised may be examined.

S. Loans and Advances- Examine the loan account to see that no cash loans are given. The system of adjusting the advances periodically against supplied or service must be enquired into. Examined the period for which the loans are outstanding and enquire into the reasons therefor. Where the loans are given against the security, examine the adequacy of the security. Examine the system of adjusting the advances against suppliers. Advances and liabilities for supplies from the same party should be adjusted.

T. Cash and Bank Balances- Examine the system of depositing withdrawing cash generally. The certificate recorded by the responsible officials periodically for having verified the cash must be seen.

Where the cash balance is large the need for that must be examined. The ways and means position should also be seen to find out whether the surplus money was properly invested in short-term deposits. The question of fixed deposit vis-a-vis the loans should also be carefully examined.

The statement reconciling the balancing as shown by; the cash book with that appearing in the Pass Book should be checked. The certificates received from the banks should also be verified.

The fixed deposit receipts and the call deposit receipts should also be certified. Where the verification is not done on the last day of the financial year, the account should be thoroughly examined and the balance as on that date should be arrived at and then verified.

U. Miscellaneous Expenditure Losses-The classification of the expenditure should be carefully scrutinised. Special attention should be given to the additions made from year to year; as such additions may result in temporary capitalisation of the revenue expenditure. Normally a loss in the Profit & Loss Account cannot exist simultaneously with a general reserve. This point should also be examined.

V. Construction Period Expenses- In the case of manufacturing concerned involving initially a heavy capital outlay, examined whether the construction work of the company is proceeding according to the time schedule and

expenditure during construction is being booked systematically, so that the cost of the particular unit of construction can be readily ascertained.

The allocation of the administrative charges and overheads, during the period of construction should be examined.

Articles of Association

19.5.1 While scrutinising the Articles of Associations of Government Companies, it should be seen that:-

- (1) There are no anomalies or discrepancies in the Articles of Associations vis-a-vis the Companies Act.
- (2) The Articles invariably contain an overriding provision for the issue of directives by Government in regard to the working of the Company which the Board will be bound to give effect to.
- (3) The Articles contain provisions regarding the appointment of contain top management officials like the Managing Director. Chairman, Manager or to posts carrying pay of Rs.2,250 or above, by or with the approval of the Government.
- (4) The Article, contain provision regarding the maximum number of the Board of Directors and that the majority of the Directors are appointed with the approach of Government.
- (5) The Articles do not provide for the revision of annual accounts after audit and adoption in the Annual General Meeting; and The Articles contain provision regarding prior approval of Government in the following matters:
 - (a) Sale, lease of disposal otherwise of the whole or substantially the whole of the undertaking of the Company;**
 - (b) Formation of a subsidiary Company;**
 - (c) Winding up of the Company;**
 - (d) Divisions of capital into different classes of shares;**
 - (e) Any programme of capital expenditure exceeding a certain amount;**
 - (f) Increase/reduction in the share capital of the Company;**
 - (g) Issue of shares/debentures at a discount or premium;**
 - (h) Sub-division and consolidation of shares;**
- (1) Borrowing any sum or sums of money for the purpose of the Company;
- (j) Investment in securities;
- (k) Allocation of profits and declaration of dividend;
- (1) Payment of commission to any person employed by the Company on the

profits of any particular business transaction or in the general profits of the Company; and

(m) Any other matter which in the opinion of the Chairman be of such, importance as to be, reserved for the approval of the Government.

BUDGET ESTIMATES

19.5.2 It should be seen that the Management had prepared capital and revenue budgets for the period under audit well in time as the budget is a standard with which the actual achievements of various departments etc. can be measured. The budget is the planning in advance of the various functions of a business that the business whole can be controlled. Thus the preparation of budget is a matter of prime importance in every concern, particularly those which are engaged in manufacturing business. It should, therefore be seen that a budget is invariably prepared in every concern; otherwise the necessity to prepare the budget estimates should be brought to the notice of the management. Compare the actual results under various heads such as the actual production, cost of production, sales etc. with the budget estimates and bring to notice cases where large variations are found.

CHAPTER XX
Compliance Audit Guidelines
Chapter 1:- Introduction

The chapter inter alia discusses applicability –

- a. to suit the needs of the IA&AD department, the specific adjustments for individual initiative and professional judgement for the AG;
- b. The audit mandate derived from the DPC act;
- c. Definition of compliance audit as a regulatory system to correct the deviations from the determined criteria and rules and regulations with special reference to ISSAI 4100 and CAG’s regulations on audit and accounts 2007.
- d. It is basically concerned with regularity and proprietary audit.
- e. It is about the three parties involved in compliance audit viz the auditor, responsible party and the intended users.

Chapter 2: General Principles of Compliance Audit

The chapter inter alia lays down that –

- a. The Auditors shall plan and conduct audit with professional scepticism (questioning mind) and exercise professional judgement (application of knowledge, skills and experience) and is expected to observe the prescribed code of ethics, take responsibility for overall audit and consider audit risk throughout the process and also the materiality of audit objections.
- b. Auditor should also prepare sufficient audit documentation.

Chapter 3: Compliance Audit Plan

It is inter alia stated in the chapter that –

- a. The entire audit universe (i.e. auditee units established for a purpose of implementation of Government policy) by a combined effort implements the Government policy as well as collects revenue and incurs expenditure till the last mile of implementation and this universe is broken down into units for planning and scheduling audits.

Chapter 4: Planning Compliance Audits

It inter alia includes planning for individual compliance audit i.e. –

- a. Understanding the auditable entity;
- b. Understanding the relevant principles of sound public sector financial management;

In it the scope of audit should be defined with reference to what to audit, who to audit, where to audit and which period to audit and prepare the compliance audit design matrix with the audit objectives and the relevant criteria.

Then the compliance audit in digital environment, the team composition and intimation to the auditable entity is discussed.

Chapter 5: Conducting Compliance Audits

It is stated inter alia herein that

- a. The conduct of audits is about gathering evidence, evaluating evidence, forming conclusions, documenting the audit process and communicating with the auditable entities.
- b. Audit evidence or simply evidence is the information used by the auditor for arriving at the audit conclusions.

Chapter 6: Reporting Compliance Audits

- a. Auditors should consider materiality for reporting purposes and adhere to the principles of completeness, objectivity, timeliness and contradictory process while reporting.
- b. The top down, risk based approach to conducting compliance audit, as described in earlier chapters, is envisaged to provide a department centric view of the extent of compliance. Present the results to the end users in a prescribed form.
- c. A Departmental Appreciation Note may be issued to the Apex Auditable Entity (Department/ Sector) where a specific subject matter has been selected to assess the extent of compliance from a departmental perspective or the Accountant General intends to draw attention of the executive towards system weaknesses etc. It includes broad overview of the department, objectives and scope, audit findings, conclusion and acknowledgement.
- d. A follow up process facilitates the effective implementation of corrective actions and provides useful feedback to the Apex Auditable Entity/ audit units and at the same time facilitates the auditors to plan future audits.

[http://cag.gov.in/sites/default/files/guidelines/Compliance_Guidelines_approved_fin_al_preface.pdf]

CHAPTER- XXI

PERFORMANCE AUDIT

Chapter 1: Introduction

1. They inter alia outline principles, objectives, approach, methodology, techniques and procedures for conducting performance audits. These guidelines are based on the existing guidelines of C&AG of India and International Standards of Supreme Audit Institutions- (ISSAI) 100, 300 and 3000 and ASOSAI Performance Auditing Guidelines
2. The Accountant General is expected to make situational or subject specific adjustments to the provisions set out in these guidelines.
3. Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement.
4. Performance Audits is required to address the issues of economy, efficiency and effectiveness.
5. Performance auditors may find answers to the following two basic questions:
 - a. Are things being done in the right way?
 - b. Are the right things being done?
6. The main objective of performance auditing is to constructively promote economical, effective and efficient governance. It also contributes to accountability and transparency.
7. Public Sector audits have certain basic elements (i) Three parties in the audit i.e. the auditor, the responsible party, intended user, (ii) the subject matter information and (iii) criteria to assess the subject matter.
8. The subject matter of a performance audit need not be limited to specific programmes, entities or funds but can include activities (with their outputs, outcomes and impacts) or existing situations (including causes and consequences). The subject matter is determined by the objective set out and formulated in the form of audit questions.
9. Audit criteria within the context of performance audit are audit specific, reasonable standards of performance against which the economy, efficiency and effectiveness of operations can be evaluated and assessed. These could be the rules and regulations in force.

10. As in all audits, the users of performance audit reports seek confidence about the reliability of information in the reports. The performance auditors should, therefore, in all cases provide findings based on sufficient and appropriate evidence and actively manage the risk of inappropriate reports.
11. Performance audits provide entities and stakeholders with information and assurance about the quality of management of public resources and also assist public sector managers by identifying and promoting better management practices.

Chapter 2: Mandate and General Principles of Performance Audit

1. The audit mandate of the Department is derived from the Constitution of India. Article 151 of the Constitution of India provides that the reports of the Comptroller and Auditor General of India relating to the accounts of the Union or a State government shall be submitted to the President or the Governor of the State respectively, who shall cause them to be laid before each House of Parliament/ Legislature of the State.
2. The General Principles are –
 - a. Auditor should comply with the relevant ethical requirements and be independent.
 - b. Auditors should set a clearly defined audit objective that relates to the principles of economy, efficiency and effectiveness.
 - c. Auditors should choose a result, problem or system-oriented approach, or a combination thereof, to facilitate the soundness of audit design.
 - d. Auditors should establish suitable criteria which correspond to the audit questions and are related to the principles of economy, efficiency and effectiveness.
 - e. Auditors should actively manage audit risk, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users.

Chapter 3: Strategic Audit Planning and Selection of Subjects

1. Strategic Audit planning is the process of determining the long term goals for the Department and the best approach for attaining them. It consists of strategic goals (mission statement), strategic objectives (more specific and detailed statements) and strategic measures to attain them.
2. Strategic Audit Plan of the Department sets out a vision that provides an important starting point in deciding what to audit; sets out the outcomes that we are trying to achieve and in general, better managed government programs and better accountability to Parliament and the public.

3. One of the important components of annual audit plan is the selection of specific subjects for performance audits to be undertaken in the audit cycle. The audit plan component for the performance audit would typically include subjects relating to specific sectors or the states under their audit jurisdiction and also certain audits with All-India scope.

Selection of subjects:-

- a. Risk profiling of audited entities, sectors and programmes help in deciding the selection of subjects.
- b. A topic will have a high significance if the project or activity it addresses is central to the functioning of the entity.
- c. Visibility of a subject is an assessment of the interest it generates in the general public and the legislature.
- d. Past audits by the Department could provide an index of significance, materiality and risk of the subjects.
- e. Estimated impact of the performance audit is also a criterion for prioritisation. This could be the impact of improved economy, efficiency and effectiveness of the entity, project or activity which is the subject of performance audit.

Chapter 4: How to plan individual performance audits

1. Through Pilot Study
2. By developing Guidelines and assessing resources
3. Through development of a detailed audit proposal that identifies the specific audit tasks to be undertaken
4. By drawing up an audit proposal after –
 - a. Understanding the entity/programme;
 - b. Defining the objectives and the scope of audit i.e. answering questions such as what, where, who, which period;
 - c. Determining audit criteria;
 - d. Deciding audit approach (system oriented, result oriented and problem oriented);
 - e. Developing audit questions;

Chapter 5: Various Elements of Implementing the Performance

1. This chapter contains the practices and procedures to be followed by the audit team during the implementation of the performance audit.
2. Entry conference at the commencement of performance audit is to be held with Secretary of the department concerned by the Accountant General. The purpose of

this conference is to inform the entity about the areas to be audited along with audit objectives, the audit approach and the time-frame within which the audit is expected to be carried out.

3. Accountant General should send an engagement letter to the Secretary/Chief Executive of the entity, communicating the launch of the audit along with details of the entity units tentatively selected for audit and the timeframe for audit and request him/her to issue necessary directions to the functional officers and field units
4. The steps involved in field audit process to collect, interpret and analyse the data in relation to the stated audit objectives are as under:-
 - a. Entry Meeting besides Entry Conference before commencement of the audit of selected auditable units.
 - b. Information may be gathered on the basis of physical evidence, documents (including written statements), oral testimonies (interviews), or by other means depending on the objectives of the audit.
 - c. Audit findings are the specific evidence gathered by the auditor to satisfy the audit objectives. The audit design metric and the audit findings matrix assume importance.
 - d. Developing Recommendations
 - e. Exit Meeting
 - f. Supervision

Chapter 6: Aspects Relating to Evidence and Documentation

Audit evidence is the information collected and used to support audit findings with the concept of competence, relevance and sufficiency of evidence, particularly in the context of performance audits.

Some factors that may affect the competence, relevance and sufficiency of the evidence are:

1. Samples selected are not representative (sufficiency);
 2. Evidence collected relate to an isolated occurrence (sufficiency);
 3. Evidence is incomplete and does not establish a cause and effect relationship (sufficiency, relevance);
 4. Evidence is conflicting (competence); and
 5. Evidence is biased (competence).
- file along with set of working papers.

Chapter 7: Reporting Process of Draft Performance Audit Report

The reporting process is illustrated as under:-

1. Preparation of audit observations
 2. Draft report issued to the entity
 3. Response of the entity
 4. Exit Conference
 5. Sr. Management response to the report
 6. Draft Final report
 7. Response of the entity or those charged with Governance on Draft Final report
 8. Final Report
- An Audit Observation is defined as an area of potential control weakness, policy violation, financial misstatement, inefficiency in programme implementation and achievement of programme objectives, or other problematic issue identified during the audit.
 - The audit teams should be encouraged to use Audit Design Matrix as well as Audit Finding Matrix for cross reference to ensure that nothing is left out.
 - The draft audit report is to be prepared upon conclusion of the field audit of the controlling unit of the entity and all field units selected for audit. The purpose of preparation of the draft report is to seek formal response of the entity audited.
 - It is important that the entity is persuaded to provide written response to the draft audit report.
 - The performance audit should be concluded with an exit conference with the Chief executive of the audited entity e.g. Secretary/ Pr. Secretary to the Government concerned as the case may be.
 - In case any information is required from third parties, audited entity would requisition the same from the third party and provide to Audit.
 - The supervision and review by the headquarters of the audit report prepared by field audit offices with particular reference to the audit findings and conclusions, recommendations, evidence, drafting, etc is a measure of quality control.
 - After incorporating the replies of audited entity and modifications suggested by headquarters, the draft final report should be prepared.

- Then send the bond copy of the report with appropriate annotations for the approval of the report by Comptroller and Auditor General, after which the report stands cleared for printing.
- Characteristics of a good report include completeness, objectivity ensured through balanced content and tone, the conclusions and recommendations follow logically, the report is easy to read and understand and consistency throughout.

Chapter 8: Follow-up Procedures

The objectives of follow up of performance audits are –

1. Assisting the legislature
2. Achieving improvements in performance of the public sector program
3. Evaluating the Department's performance
4. Providing an input to the strategic planning of performance audit by the Department.

The outcome of follow up procedure is continuous improvement and inventory of recommendations. An annual follow up programme should be undertaken to provide feedback to the legislature.

[http://cag.gov.in/sites/default/files/guidelines/PA_Guidelines2014.pdf]

CHAPTER-XXII

INTERNAL CONTROL

Internal controls are essential to ‘good governance’ and may be understood as activities and safeguards that are in place to provide reasonable assurance that things are “going as planned.” The credit for providing a versatile framework for the contemporary professional practice of internal controls goes to the Committee of Sponsoring Organisations (CoSO) initiative. CoSO was originally formed in 1985 in USA to sponsor the National Commission on Fraudulent Financial Reporting, an independent private sector initiative which studied the causal factors that can lead to fraudulent financial reporting. An array of concepts and views of internal control had developed over the years, expressed in various legislation, regulation, professional standards and guidelines, public and private reports, and a substantial and diverse body of academic literature. The scope of these writings was as broad as the wide variety of purposes internal control could serve and the many perspectives from which it could be viewed. CoSO was primarily an effort to integrate and unify the concepts of internal control. It emphasized the importance of the control environment, codes of conduct, competent and involved audit committees and an active and objective internal audit function. The CoSO study and the resulting 1992 report (Internal Control - Integrated Framework) was initiated to provide a common basis for the understanding of internal control among all parties and to assist management to exercise better control over an enterprise. Since its publication in 1992, the CoSO framework has had exceptional success and is widely accepted as the global standard for Internal Controls in both public and private sectors. The CoSO framework for internal control has been adopted by the INTOSAI and several other SAIs for evaluation of internal control within organizations. In many countries like the U.S. a series of legislations have been enacted that require public agencies to institute and support internal control mechanisms and to explicitly acknowledge the responsibility for internal controls over accurate financial and operational reporting.

Definition:

Internal control is broadly defined by CoSO as a process, effected by people and designed to provide reasonable assurance regarding the achievement of the following three objectives that all organisations strive for:

- Economy and efficiency of operations, including achievement of performance goals

and safeguarding of assets against loss;

- Reliable financial and operational data and reports; and
- Compliance with laws and regulations.

From the above definition it is important to note the following key concepts

- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is effected by people. It's not merely policy, manuals and forms, but people at every level of an organization.
- Internal control can be expected to provide only reasonable assurance, not absolute assurance, to an entity's management and board.
- Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.

Weak internal control not only permit fraud, they actually encourage it.

To achieve quality, processes must first be in control. To improve quality, controlled processes must be measured and evaluated to identify obstacles to success. Effective internal control opens the door that leads to achievement of success. The approach presented by the CoSO framework goes directly to the one key issue of any organisation - is there reasonable assurance of achieving our mission, objectives, goals and desired outcomes, while adhering to laws and regulations; and can we accurately report our success and outcomes to the public and interested third parties.

INTOSAI Guidelines for Internal Control

INTOSAI, in its latest guidelines has completely integrated the CoSO concepts of Internal Control. The definition and objectives of Internal Control have, however been extended to include the following

- 'fulfilling accountability obligations' in place of 'reliable financial data and reports'
- 'executing orderly, ethical, economical, efficient and effective operations' in place of 'economy and efficiency of operations including achievement of performance goals'
- 'Safeguarding resources against loss' has been added as a distinct and separate objective in place of the earlier 'safeguarding assets against loss' included as a part of the operational objective in the CoSO definition.

Ethics has been made an important control objective as ethical behaviour by public servants is considered a keystone of good governance. A practical dimension of this objective would be to have fraud control measures in place. Orderly and effective terms bring in systems and performance outcome aspects. Since budgetary accounting

on a cash basis (common in the public sector) does not provide sufficient assurance relating to maintenance of records of assets/resources, safeguarding of resources has been made an important control objective and the word 'assets' has been replaced by the word 'resources' which has a wider connotation. Accountability obligations in the corporate sector are fairly well defined in law (as well as professional accounting/reporting standards) and the Annual Reporting requirements including the Directors Report and Annual Financial Statements are well established practices. For the public sector, accountability is realized by maintaining reliable financial and non-financial information and fair reporting to internal and external stakeholders. For instance, budgetary assumptions, internal policy formulations, qualitative reports on performance, replies to legislative queries could all be brought within the orbit of internal controls.

Audit of internal control: Indian context

In India, no specific internal control legislations have been enacted. In the absence of specific legislation, the requirement for maintaining internal control is not clearly recognised as an explicit management responsibility. The traditional view that internal controls are the manualised rules and procedures guiding departmental functions still persists. Many procedures thought to be "internal controls" are simply processing procedures required to capture and record data, but they provide no effective "control." An audit of internal controls relevant to an audit objective is very often an exercise to secure compliance with applicable laws and regulations. The control environment is usually a given endemic situation and there is very little managerial flexibility in improving the situation. Risk identification and assessment is informal and rudimentary; and very often only an intuitive exercise motivated by the desire to cover short-term personal/departmental risks to career/reputation. Adoption of the CoSO framework would involve a paradigm shift in the managerial approach towards internal controls and internal audits. A moot point is whether the CoSO framework could be utilized for the audit process when far from being a statutory requirement it is not even a general expectation from the managerial class. The Committee felt that in the current global scenario of converging professional practices, it was inevitable that CoSO would emerge as the benchmark criterion for the management of internal controls. Accordingly through our audits we could recommend adoption of better practices in this area.

Components of Internal Control

Internal controls are “the whole system of controls, financial or otherwise, established by the management in order to carry on the business of the organization in an orderly and an efficient manner, ensure adherence to management policies, safeguard assets and secure, as far as possible, the completeness and accuracy of records”. Internal controls broadly consist of the control environment and control procedures. While the former reflect the attitude and commitment of the management towards running the organization, the latter are the processes established to reassure that the specific objectives of the organization are met. For control procedures to work in the fashion envisaged the various functionaries in the organization must perform their jobs correctly. Errors of judgment or misinterpretation, negligence and the like can undermine the effectiveness of internal controls. More serious impairment can arise out of abuse of authority or from collusion between functionaries to circumvent controls for perpetrating fraud. Therefore, the mere fact that internal controls are in place is not enough. The internal controls must be periodically assessed for their adequacy to ensure that they are being adhered to in the manner envisaged.

Internal Control is an intrinsic part of all systems within the organization. It is built in to the systems and is used by the managers to guide its operations on a continuous basis, it should not be thought of as a separate system within the organisation. Internal Control consists of five components (1) Control Environment (2) Risk Assessment (3) Information & Communication (4) Monitoring (5) Control Activities.

The first four components are generally called the broad components of internal control in as much as these are wider and relate to the broad frameworks for internal control whereas control activities are the specific procedures etc. established to achieve identified control objectives of the organization as may emanate from the first four. The broad components can influence effectiveness of control activities.

External Auditor (i.e. our office) assessing of internal control procedures implies:

- Determining the significance and the sensitivity of the risk for which controls are being assessed;
- Assessing the susceptibility to misuse of resources, failure to attain objectives regarding ethics, economy, efficiency and effectiveness, or failure to fulfil accountability obligations, and non-compliance with laws and regulations;
- Identifying and understanding the relevant internal controls;

- Determining what is already known about control effectiveness;
- Assessing the adequacy of the control design;
- Determining ,through testing ,if controls are effective;
- Reporting on the internal control assessment and discussing the necessary corrective action.

Audit Methodology:-

The audit party should consider the nature, scope and focus of their audit objectives to arrive at a conclusion regarding relevance of internal controls to audit. The audit party should examine the internal controls significant to the audit objectives and determine, if specific, internal control procedures have been properly designed and implemented. Based on the effectiveness of internal control the audit party should consider if it needs to modify the nature, timing, or extent of audit. Components of internal control or any weakness therein is significant to an audit's objectives if it is likely to significantly affect the (1) nature and/or presentation of other potential findings and conclusions that may result from carrying out the audit or (2) the auditor's judgments (either positively or negatively) about the sufficiency, competence, or relevance of planned audit evidence required to satisfy the audit's objectives.

The following aspects need emphasis on evaluation of internal controls of an entity:

- An internal control audit in an entity within the scope of regularity audit could cover three components i.e. a) assessment of financial reporting; b) operations; and c) compliance. It is essential to ascertain whether the audit assessment extends to all the three aspects or addresses issues. Also, ascertain whether the assessment covers all the five components of internal control as per the CoSO framework.

To form an opinion as to whether control systems provide managers with reasonable assurance that desired organisational outcomes will be achieved, the auditor has to consider the issue of materiality. No control system is perfect or one hundred percent effective whereas an effective control system should always prevent, or detect and correct, material errors, omissions, fraud or other adversities that impact on achieving desired outcomes. The Institute of Internal Auditors, defines materiality as "any condition that has caused, or is likely to cause, errors, omissions, fraud or other adversities of such magnitude as to force senior managers to undertake immediate corrective actions to mitigate the associated business risk and possible consequent damages to the organization". Material weaknesses are persistent if the same problem

appeared in prior periods; or the same problem has arisen elsewhere in the organization. Material weaknesses are pervasive if the effects of the problem seriously imperil safeguarding of assets; or the effects of the problem seriously imperil the achievement of operating, reporting or compliance objectives. A condition is "serious" if it has caused, or is likely to cause, errors, omissions, fraud or other adversities that increase business risk and possible consequent damages to the organization, but does not require senior managers to undertake immediate corrective actions to mitigate the associated impact on operations or outcomes.

Reporting:-

A "reportable condition" means that:

- the problem is serious, but not material; or
 - the problem is material but not persistent or pervasive; or
 - the problem is material and persistent or pervasive.
 - For financial audits (objective C above) the reportable conditions may include
 - Absence of appropriate segregation of duties consistent with appropriate control objectives: Absence of appropriate reviews and approvals of transactions, accounting entries, or systems output;
 - Inadequate provisions for the safeguarding of assets;
 - Evidence of failure to safeguard assets from loss, damage, or misappropriation;
 - Evidence of system failure to provide complete and accurate output consistent with the control objectives of the audited entity due to misapplication of control activities;
 - Evidence of intentional override of internal controls by those in authority to the detriment of the overall objectives of the system;
 - Evidence of failure to perform tasks that are a significant part of internal control such as reconciliations not prepared or not done on time;
 - A weakness in the control environment at an entity such as absence of positive and supportive attitude towards internal control by the management within the organisation;
- Deficiencies in the design or operation of internal control that could result in violation of laws, regulations, provisions or contract or grant conditions: fraud; or abuse that has a material effect on the audit objectives or the financial reports;
- Failure to correct deficiencies identified earlier.

Weak internal controls might leads to following types of frauds:-

- 1) Missing assets/inventory;
- 2) Pilfering;
- 3) Inflated travel claim;

4) Double payment;

5) False claims;

6) Payroll fraud.

- For the other objectives the reportable conditions would include any significant deficiencies in the internal control, all acts of fraud and illegal acts unless absolutely inconsequential, significant violations of provisions of contracts or grant agreements and significant abuse.

- Derive audit conclusion: The audit conclusions flow from and highlight the significance of the audit findings. This would indicate whether the internal controls under audit study are adequate and performing satisfactorily and highlight weaknesses noticed. The assurance with regard to internal controls could be a negative assurance – a statement that nothing came to the auditor's attention that would indicate inadequate controls.

NOTE: - The Detail checklist for evaluation of internal control issued by CAG office on 22/05/2009 may be referred while conducting such type of audit.

Appendix-I

Economic Sector:

Expenditure Audit of the following nineteen districts of Vidarbha & Marathwada are entrusted to this office as under:

Amravati, Akola, Aurangabad, Beed, Bhandara, Buldhana, Chandrapur, Gadchiroli, Gondia, Jalna, Latur, Nanded, Nagpur, Osmanabad, Parbhani, Washim, Wardha and Yavatmal.

There are 7 departments of Government of Maharashtra in the Vidarbha & Marathwada under Economic Sector as under:

1. Agriculture, Animal Husbandry, Dairy Development & Fisheries Department.
2. Co-operative, Marketing & Textile Department.
3. Industries Energy & Labour Department.
4. Public Works Department.
5. Tourism & Cultural Affairs.
6. Water Resources Department.
7. Forest Department.

Accounts of the following Autonomous Bodies are audited by Economic Sector.

Sr.No.	Name of Autonomous Bodies
1	Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad
2	Maharashtra Water Conservation Corporation (MWCC), Aurangabad
3	Vidarbha Irrigation Development Corporation (VIDC), Nagpur
4	Tapi Irrigation Development Corporation (TIDC), Jalgaon
5	Maharashtra Water Resources Regulatory Authority (MWRRA).

Appendix-II

(Relating to Important items of works of Inspecting Officer, Assistant Audit officer and Auditor)

General

Work to be done by Inspecting Officer Inspecting Officer of the Public Works Division should devote his personal attention of all the items of work specified in Paras 768, 769, 774, 780 and 789 of Comptroller & Auditor General's Manual of Standing Orders (Technical), Volume I (See also Para 58 of the Secret Memorandum). He should also personally carry out the following items of work

- 1) a) Review of all regular contract as defined in para 186 of Maharashtra Public Works Manual and a percentage of other agreement entered into since the last inspection and see that the computed tenders are properly checked, the manner in which (a) Contracts have been entered into the later on executed and (b) the plans and programmes are implemented should specifically reviewed with reference to the wisdom, faithfulness and economy observed. Suitable comments may be offered where very necessary.
b) Sanctions relating to the contracts for works supplies carriage, etc. required to be communicated to Audit by authorities higher than the Divisional Officer. If not communicated to audit, should be investigated with a view to find out the circumstances in which they could not be so communicated to audit in time and whether the terms and conditions have been complied with.
- 2) Review of register of revenue other than rents, including review of the procedure for assessment and application special attention being paid to cases where shortfalls in the revenue is noticed from any particular property.
- 3) Review of balances of stock, the system of equalization of stores and of stores verification.
- 4) Review of the accounts of workshop and manufacture operations as prescribed in Para 44 (AIT) of the Secret Memorandum.
- 5) Review of the banking arrangements to see that they are generally satisfactory. It should be seen in particular:
 - a) In whose custody the current cheque books are kept and by whom cheques are filed in
 - b) What stock of blank cheque books and receipt books is in hand? Where the books are kept and the account kept of the balance of books in stock should be

verified and

c) Whether the certificates of count of cheques is duly recorded by the drawing officer on each chequebook.

6) A review of the arrangement for the custody of each and every withdrawn on money from the chest.

(The particulars month/months for which the review was conducted would be specified and the certificate of check of the cash books in accordance with the provisions contained in Para 40 of the Secret Memorandum should be given in clear terms)

It is sufficient if 50 percent of the items of receipt in the cashbook are traced by the Inspecting Officer himself besides a general scrutiny of the cash book.

7) General review of the account of work, the nature and the extent of detailed scrutiny being left to the Inspecting Officer's discretion.

8) Review of the system and extent of check measurements by divisional and sub-divisional officers and review of the check of measurement book by the **Divisional Accountant**

9) Review of the following registers and accounts, the nature and extent of check being left to the discretion of the Inspecting Officer.

(1) MusterRoll

(2) Transfer entry Books

(3) Suspense and Deposit Registers.

(4) Schedule of rates.

(5) Register of rent of buildings and lands

(6) Monthly accounts

(7) Establishment Records

(8) Miscellaneous Items of work viz.

a) Review of the Register of Divisional Accountants objections and remarks raised by the Divisional Accountant on the vouchers and accounts of Sub-Divisional Officers and see that the Sub-Divisional Officers are inspected by the Divisional Accountant and remarks on the irregularities etc noticed and raised are communicated to the Sub-Divisional Officers.

b) Review of the Inspection Report and Inspection notes of Technical Examiner, Chief Engineer Quality Control Wing, Store Verification Unit,

Superintending Engineer Divisional Officer and Divisional Accountant

c) Review of the irregularities noticed in previous inspection reports which remain unsettled.

d) Review of the extent to which the Inspection Report and orders previously issued and compliance are being made.

11) Acceptance of tenders other than the lowest, extension of time limit and sanctions in extra items to be scrutinized and commented upon, if necessary.

12) It should be seen that the expenditure which is within the competence of the Divisional Officer's not incurred or regularised under the orders of sub-ordinate officers without the knowledge of the former.

(Instances in which the subordinate officers exceed their financial powers should be examined and commented.

13) It should be seen whether Divisional Accountant has issued the Audit Notes on Sub-Divisional accounts regularly and that he has inspected the Sub-Divisional accounts periodically, exercised percentage check of initial records and has kept the result of the Inspecting Officer review.

14) The following points should be seen in respect of lumpsum contracts.

i. See that the detailed drawing and specifications etc ready before tenders were invited.

ii. See that the estimated rates shown in the notice inviting tenders were based on reliable_____as computed from the schedule of rates. General system of recording certificates for making intermediate and final payments should be examined, to see that is based on the method laid down by local decision under Para1112 of M.P.W. Code

iii. See that the extra items sanctioned were not covered by the scope of contract

15.The following points should be seen in respect of Irrigation Division

a) Whether there is delay in utilisation of Irrigation Water after completion of irrigation scheme

b) After completion of Irrigation Schemes, whether irrigation water is being supplied for no charges therefore are being recovered.

c) Whether the actual expenditure is substantially more than the estimates

d) Whether there is delay in completion of construction of various components of projects

16.Selection of a few major and important items for selected months accounts for

check of accuracy thereof.

17. A separate para indicating that the reasons for non-settlement outstanding item under cash settlement suspense account both originating and responding items should be investigated during P.W. Inspection and specific comments included in the Inspection Report analysis the reasons and suggesting remedial measures. More tabulation year wise outstanding items under the suspense head is not sufficient.

Work to be done by the Inspecting Assistant Audit officer

1. Complete analysis of selective works with reference to sanctioned estimates and agreement etc. along with the concerned measurement books.
2. Material at site account for selected works.
3. Examination of the register of major and minor work_
4. Disposal of special points referred by Central Audit/Headquarter section.
5. Stock accounts including general review of stores ledger, bin cards etc
6. Complete checking of contractors ledger for selected month (with reference to vouchers U.S.R.R.s, Transfer entries and stock etc account)
7. Examination of abnormal rates quoted by contractor
8. Examination of arbitration cases.
9. Checking of extra or substitute items, deviation of rates
10. Scrutinizing special required estimates (including its necessities, scope and actual execution)
11. Survey reports along with registers of survey reports
12. Disposal of previous Inspection Report paragraphs
 - (i) Besides the above items of works, the following checks are to be carried out
 - a) Examination of the transactions recorded in Divisional Office. The cash and stock accounts should be scrutinised to see that they are properly checked before they are included in the Divisional Accounts.
 - b) General examination of the Contractor's ledger
 - c) To see whether the Sub-Divisional Accounts and returns are received in time and complete in all respect.
 - d) It should be seen that without the orders of competent authorities expenditure on a Government works is not exceeded.
 - e) It should be verified whether the payments made have been recorded as to avoid the possibility of a second payment.

- f) To verify whether part – rate payments are made in cases where the contractor should have been granted only secured advance or in case for want of test results of material from laboratory.
- g) General examination of the divisional register of fixed charge and register of miscellaneous actions and complete check with reference sanctions and vouchers for the month selected for audit.
- h)
 - a) Examination of Measurement books and standard Measurement books.
 - b) Arithmetical check of few pages of Measurement Books selected by the Inspecting Officer
 - i) To verify that the contractors are paid by cheque drawn only on treasuries and within the powers of the Executive Engineer as stipulated in their contracts.
 - j) Securities of the outstanding differences between the accounts of treasuries and that of the Executive Engineer office under head P.W. Cheques and remittances into treasuries as appearing in Part –I and II of the form 88. It should be seen that complete analysis of these differences are works over in the divisions offices and steps have been taken for the reconciliation with treasury office duly performed by them

Work to be done by the Inspecting Assistant Audit officer

General review of cash book with reference to counter foils of Cheques/ receipts of books

Tracing of receipts in Cash Book Remittance book

Checking of transaction in the selected months with cash book and other allied records

Material at site accounts and Road metal returns (RMRs) in respect of works effected during selected month

Transfer Entry Book since last inspection.

Checking of contractor's ledger for the attended works in the selected month including complete checking of the ledgers.

Examination of tools and plants Register forms 33, 34 and 38 Register of leases/lease files

Register of Muster Rolls/Muster Rolls selected by the Inspecting Officer with connected records and scrutinize vouchers which were not submitted with the monthly accounts.

Register of license fee of Building and lands Register of Agreement and works orders.

Besides the above items of works, the following checks are to be carried out Besides the general examination of the Register of Lands and Buildings and Printed return of buildings a test check of one selected month's transaction (inter alia complete check of assessment and realisation for the month), in respect of divisions inspected very half year and two month transactions in respect of divisions inspected annually should be conducted. In addition to this, all cases of new assessment of rents in the previous Inspection should also be checked.

Correctness of Divisional Officer certificates of comparison of Form 40 received in Central Audit should also be test checked with reference to the entries in the Register of Rents of Buildings and lands for these selected months. The action taken by the Divisional Officer in reassessing the rent recovery or arrears if any pointed out by Audit should also be investigated.

Scrutiny of items outstanding in the Register of Stock for 1 ½ years (mainly unused).

To verify whether the materials kept in stock for emergency repairs, have been unused on works without proper adjustment and authority?

Stock ledgers of important items of stock should be checked with the statement or stock receipt form 22 and with the indent in Form 24 to see that receipts and issues are correctly accounted for. It should also be seen that there is no unnecessary accumulation of stock materials.

The closing of stock ledger and the annual adjustment of profit and loss on stock should be checked to see that it is correctly done.

Registers of measurement books and standard measurement books. Checking of account maintained, if any, of the materials purchased for minor and repair works

Check of leave account of Government, servants beyond the age of 53 and scrutiny of leave accounts with the Service Books. Examination of accounts of undisbursed Pay, T.A. Etc

A separate para indicating the amount (and the number of works involved) outstanding under various categories of objection like want of estimate etc should be drafted with specific attention to important cases.

Review of Acquaintance Rolls

Works charged establishment provident fund accounts. Vouchers of works charges

establishment corresponding to Class IV staff or regular establishment.
(Applicable in case of Central Divisions)

Checking of 10 percent of final bills (to be selected by the Inspecting Officer) paid under regular contracts (B-1 and B-2) during the period commencing from the date of last inspection to date with reference to all relevant records. Check nominal audit, Audit of increment certificates and check of pay fixation of promotion/reversion of person born on regular and work charged establishment.

(a) (i) Form 33 and 34 (Accounts of T&P) should be checked during local audit for months selected along with Form 35 register of T&P. The opening balance and closing balances of Form 35 should be completely checked.

(ii) A test check of the entries of Tools and Plants ledgers maintained in the Divisional Officer should be conducted to ensure their correctness.

(iii) The annual closing of T&P Registers, Physical verification and action taken to investigate the shortages should receive special attention. Preparation of list of T & P articles transferred to other divisions during the month which has been selected for test audit of accounts.

Work to be done by Auditor

1. 25% check of Service Books
2. Complete checking of pay & TA Bills
3. Checking of leave account of Government Servants, including leave salary and checking of increment.
4. Provident fund accounts of work charged establishments and Group 'D' servants
5. Log Books of motor vehicles/construction machinery
6. Suspense and Deposit Registers
7. Treasury Bill Book
8. Register of fixed charges
9. Contingent Register
10. Register of service book/service books
11. Register of interest bearing security.

Besides the above items of works, the following checks are to be carried out

- a) Examine the purchase accounts intelligently to see that all transactions to be entered in the Register have been so entered and suitable action has been taken for clearing the old items.
- b) To report on the irregularities noticed in the maintenance of purchase accounts

and also to verify whether the rules and order in force are observed in respect of transactions relating to cash stock stores etc.

- c) In addition to the general scrutiny of the register of Miscellaneous P.W. Advances, the completeness of the list of the items outstanding under miscellaneous P.W. advances sent to audit with the monthly accounts of September and March should be checked with reference to the entries in the register of Miscellaneous P.W. Advances, For this purpose the schedule received with the monthly account of September and March should be sent to the Inspection party Checking of rates paid on the vouchers with those sanctioned in rate list
- d) Comparison of schedule of rate with the sanctioned rate list.
- e) Checking of un-vouched outlay shown in the schedule dockets for the selected months.
- f) Checking of unpaid wages from the register of unpaid wages with the Muster Rolls and register of works.
- g) Check of the cash book of sub-division for the selected months
- a) Receipt side:
 - i) Receipt books counter foils should be verified
 - ii) Entries from the payment side in respect of deductions for bills
 - iii) Corresponding entries for cash drawn from the treasury in the cash book and remittances book with the challan etc.
- b) Payment Side
 - i) Counterfoils of checks
 - ii) Paid check received from audit office
 - iii) Paid bills received from the Audit office.

1. Examination of interest bearing securities

- (a) to verify all the interest bearing securities in division and also the acknowledgement for those return after the last annual account/last inspection and
- (b) to see that all the securities first entered in the Register of Deposit or the Register of Miscellaneous Recoveries find place in the Register of Interest bearing securities in duecourse.

Note: *Those checks when completed should be brought to the notice of the Inspecting Officer for checking them.*

Examination of

- (1) Treasury Passbook
 - (2) Register of Duplicate Keys
 - (3) Register of appropriation
 - (4) Register of contingent charges
- i. Verification of credits in the Register of Revenue.
 - ii. Verification of stamp account
 - iii. Review of register of petty amounts waved by the Executive Engineer
 - iv. Review of register of books and periodicals Review of register of Establishment works
 - v. Check cent percent minimum wages statements of daily rates establishments.
 - vi. Check of(1) Cash balance report (2) Register of Liabilities(3) Wroks order books (4) Register of transfer awaited.
 - vii. Check of correctness of monthly account(selection to be made by Inspecting Party).
 - viii. The entries of stock receipts of all sub-divisions should be check with the entries in stock ledger for the month which has been selected for Test Audit of Accounts.

APPENDIX-III

List of registers and forms used in the Vetting (HQ)

A-Registers

01. Calendar of Returns;
02. Register for watching the Receipts and Issue of IRs;
03. Register showing offices on the local Audit Programme;
04. Casual Leave Register;
05. Attendance register of OAD sections as well as field staff;
06. Transit Registers for letters transferred to other Sections;
07. Register of books in Head Office;
08. Monthly Arrears Report;
09. Objection book;
10. Adjustment Register;
11. DO letter diary;
12. Govt. letter diary;
13. Hindi letter Diary;
14. Confidential letter diary;
15. Ordinary letter diary;
16. TA Bill Diary;
17. Telegram/FAX Diary;
18. AG/ DAG Diary;
19. CAG Diary;
20. SM Diary;
21. IR Diary;
22. Dak Monitoring Diary;
23. Paper clipping Diary;
24. Duty list Register;
25. Consolidation Register;
26. Tour Diary Register;
27. Tour Advance Register;
28. Issue Diary;
29. Register of duties;
30. Objection book;
31. Data bank Register;

32. Register of settlement of paras.

B-FORMS

1. Intimation to auditee units regarding audit of an institution;
2. Forwarding Memorandum of Draft IR to headquarters office;
3. Abstract of weekly tour diary;
4. Title Sheet;
5. Questionnaires;
6. Annexure of ethics;
7. AM & IR of PLA/CDS;
8. Ranking of IR paras;
9. Tour Advance;
10. TA Bill;
11. Earned Leave Application;
12. Payment Authority;
13. IT information from auditee units;

APPENDIX-IV

Destruction of records

The records of the OAD Wing are prescribed for the period shown below:-

1. Spare copies of Government orders- Permanently.
2. Un-official reference- Permanently.
3. Correspondence with the offices inspected on IR- Five years
4. Weekly diary of auditors- Three years
5. File of miscellaneous papers-Three years.

Note:- A clerk is specially deputed every year for weeding out the old records. The list of all such records as are weeded out is approved by the Group Officer before these are destroyed.

APPENDIX-V
Calendar of Returns

MONTHLY

Sr. No.	Name of the return	To whom due	When due	Authority
DAILY				
01.	Attendance Register	Sr. A.O.	Daily	MOP 2.04
WEEKLY				
02.	Calendar of returns	Sr. A.O.	Every Monday	MOP 6.01 to 6.07
03.	Govt. letter diary	Sr. A.O.	Every Monday	MOP 5.01
04.	Ordinary letter diary	Sr. A.O.	Every Monday	MOP 5.01
05.	TA Bill Diary	Sr. A.O.	Every Monday	
06.	SM Diary	Sr. A.O.	Every Monday	MOP 5.16
07.	Telegram/ FAX Diary	Sr. A.O.	Every Monday	MOP 5.13
08.	AG/CAG Diary	Sr. A.O.	Every Monday	MOP 5.27
09.	DO Diary	Sr. A.O.	Every Monday	
10.	Paper clipping Diary	Sr. A.O.	Every Monday	
11.	Hindi letter Diary	Sr. A.O.	Every Monday	
12.	Confidential Diary	Sr. A.O.	Every Monday	MOP 5.17
13.	IR Diary	Sr. A.O.	Every Monday	
14.	Monthly Arrears Report	Dy. AG	Every Monday	MOP 6.10
MONTHLY				
15.	Register of duties	Sr. A.O.	5 th of every month	TM/2014 dtd.20.03.1964
16.	Objection book	Dy. AG	1 st Monday	DAG order dated 21.01.2011
17.	Data bank Register	Dy. AG	10 th of every month	
18.	Event report	Admin section	5 th of every month	
19.	Calendar of returns	Dy. AG	1 st Monday	TM OO 08 dtd.15.06.1992
20.	Register of settlement of paras	Dy. AG	10 th of every month	AG Secretaries circular 73 dated 23.07.2011
21.	Register of monthly performance of field officers	Dy. AG	10 th of every month	

22.	Register of tour diaries	D AG/ES	10 th of every month	
23.	IR Watching register	Dy. AG	1 st Monday	
24.	Register showing units selected	AG	First week	Minutes of meeting dated 30.06.2014
25.	Monthly performance report	ITAW	10 th of every month	ITAW circular dated 11.03.2016
QUARTERLY				
26.	Register of settlement of paras	AG		AG Secretaries circular 73 dated 23.07.2011
27.	Pending IR Paras	Coordination section	10 th of April, July, October, January	Coordination section letter dated 29.02.2014
28.	Quarterly progress report	Coordination section	15 th of April, July, October, January	Coordination section letter dated 13.07.2012
29.	Units voucher audited	Coordination section	15 th of April, July, October, January	
30.	Audit bulletin	Coordination section	5 th of April, July, October, January	
31.	Pending of IR/ Paras	Coordination section	10 th of April, July, October, January	Coordination section letter dated 29.02.2014
32.	In-house training	Coordination section	5 th of April, July, October, January	
33.	Director of Inspection	Sr. AO/ ITAW	8 th of April, July, October, January	
HALF YEARLY				
34.	Fraud & Corruption	Sr. AO/ Coordination	10 th of April, October	Coordination section circular dated 23.07.2000
35.	Statistical sampling	Sr. AO/ Coordination	5 th of April, October	Coordination section circular dated 23.07.2010
36.	Digest of important and interesting cases noticed in audit	Sr. AO/ Coordination	5 th of April, October	
37.	Progress report of IAP	Sr. AO/ Coordination	5 th of April, October	

YEARLY				
38.	Performance report of Audit Officer	Sr. AO/ Coordination	10 th July	Coordination 07/2003
39.	Propriety Audit to CAG Act Cell	Sr. AO/ CAG Act Cell	10 th April	Para 2(ii) of HQrs letter 369 dated 17.03.1992
40.	Outstanding IR/Paras. Department and category wise information.	Report Section	3 rd July	Circular No.NGP/ REP/AR 08-09
41.	Position of IR/ Paras issued up to December and outstanding as on 30 th June	Report Section	30 th June	Circular No.NGP/ REP/AR 08-09
42.	Audit Plan	Sr. AO/ Coordination	10 th January	

Appendix-VI

Proforma of Annual Accounts

Balance Sheet as on 31 st March							
Balance as on previous year	Liabilities	Schedule No	Amount	Balance as on previous year	Assets	Schedule No	Amount
	Capital contribution by GOM	I			Fixed assets	III	
	Current liabilities & Provisions	II			Current assets, Loans & advances	IV	
					Miscellaneous Expenditure (to the extent not written off)	V	
	Total				Total		

Income and Expenditure Account

Income and Expenditure Account for the year ended 31 st March							
Balance as on previous year	Liabilities	Schedule No	Amount	Balance as on previous year	Assets	Schedule No	Amount
	Direction & administration Expenses	VI			SDR Interest & Grants received for interest payment	VIII	
	Interest paid	VII			Net deficit (Loss) for the year transferred to Project Works	III	
	Bond Servicing expenses written off	V					
	Total				Total		

Schedule I: Capital contribution from GoM

Schedule II: Current liabilities and provisions

Schedule III: Fixed Assets

Schedule IV: Current assets, loans and advances

Schedule V: Miscellaneous expenditure

Schedule VI: Direction and administration expenses

Schedule VII: Interest paid

Schedule VIII: Interest received from

Schedule IX: Summary of significant accounting policies