

# **CHAPTER-IV**

## **RULES AND PROCEDURE TO BE FOLLOWED BY INSPECTING STAFF**

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**CHAPTER-IV****RULES AND PROCEDURE TO BE FOLLOWED BY LOCAL INSPECTING STAFF****4.1 GENERAL DUTIES OF INSPECTING STAFF:**

Generally the inspecting staff led by AAO/Supervisor is responsible for carrying out the actual audits/inspections within the time allotted for the purpose, drafting of the audit/Inspection Reports (IRs) including Separate Audit Reports (SARs) where required and also draft paragraphs for inclusion in the report of the C&AG and dispatch of such report along with all necessary documents to the headquarters immediately on completion of the audits/inspections. All the remaining work is carried out by the headquarters. The inspecting staff should also draw the attention of the headquarters through separate notes to the defects in this manual and should scrutinize at each inspection the relevant portion of the Manual to see whether it requires amendments in any respect and suggest amendments where necessary.

**4.2 ATTENDANCE :**

All officers and members of the inspecting staff while on inspection should attend the office which they inspect during its regular office hours. The AAO/Supervisor of each inspection party is supplied with an attendance register wherein he/she, the Sr. Auditor/Auditors should mark their daily attendance. The register should be submitted to the supervising officer when the work of the party is supervised by him.

**4.3 HOLIDAYS :**

The inspecting staff shall observe the State Government holidays and/or holidays as per auditee unit to which the audit was being conducted except otherwise instructed by HQ's.

**4.4 PLACE OF HALT AND LEAVE :**

- a. All officers and members of the inspecting staff must halt at their place of duty outside the agglomerated area of Kolkata and on no account perform daily journeys to the place of duty. The reason that no accommodation was available at their places of duty, even though supported by certificates from the local officers concerned, would not be admitted unless specific permission of the Group Officer to perform daily journeys was obtained beforehand.
- b. Within the agglomerated area of Kolkata they may visit the place of duty daily from their residences and claim travelling allowances on the basis of the daily journeys performed by them.
- c. No member of the inspecting staff whether a Sr. AO, AO, AAO, Supervisor, Sr. Auditor or Auditor should leave the place of halt/inspection without prior permission of the Group Officer except for unavoidable and unforeseen reasons. Otherwise they will be treated as absent from duty without leave. Even when a member of the inspecting staff is forced to leave his place of halt for unavoidable and unforeseen circumstances, he would report the fact immediately to the Group Officer over phone explaining the circumstances which necessitated the absence from the place of his duty, in anticipation of formal orders. In the event of the AAO/Supervisor of the party leaving the station for any unforeseen reason, the auditors of the party shall continue the inspection work till such time the AAO/ Supervisor returns to duty or any alternative arrangement

is made by the headquarters. In case the AAO/Supervisor leaves the station when the Supervising Officer is present at the Station, the Supervising Officer shall with the help of the Sr. Auditors/Auditors continue and close the audit on adjustment of his approved programme and if necessary, intimate the fact to headquarters.

**d.** If any member of the inspecting party applies for leave of any kind including casual leave during the course of inspection for sudden and unforeseen reasons, the matter should immediately be intimated to the Headquarters over phone/by email/fax followed by written application and prior permission for availing of the leave should be obtained from the headquarters over phone/by email/fax on the date the leave is applied for.

*(HQs. letter No. 766-TAI/137-80 dated 10-8-1980)*

**e.** The AAO/Supervisor should intimate the headquarters the names of those auditors who remain absent without intimation for more than two days.

#### **4.5 CONDUCT OF FIELD STAFF**

All officers and members of the field staff, while on inspection duty, should under no circumstances put themselves under obligation to any members of the office, the accounts of which they inspect and should not ask or obtain any supply or service, including transport services free of cost and should strictly adhere to the values and principles contained in the conduct rules for Government servants and act accordingly, to avoid conflicts of interest with audit entity on matters that may impair their independence materially and should maintain absolute integrity and devotion to duty. A request for arranging accommodation will not, however, be considered as an obligation.

*(HQs. Office Circular No. 3562 GE.I/Misc.I/2004 dated 13.7.2004)*

#### **4.6 ATTITUDE OF FIELD STAFF**

**a.** The inspecting staff should be very careful to avoid any misunderstanding or controversy with the local officials with whom they come in contact. Their attitude should be as of one who has come to assist the local office in carrying out the work and not merely to criticize. If they avoid frivolous objections and convince the officers indicating clearly the manner in which they should go about their work and create the impression that they are not there to complicate the procedure but to simplify it, they are likely to receive co-operation. They should bear in mind that unnecessary, meticulous and badly-expressed objections, not only bring discredit to Audit and cause annoyance to the local officials but also complicate the work at both the ends. The inspecting staff should, therefore, maintain a strictly detached, dispassionate and technical attitude in day-to-day conduct of their work. Nothing should be done to hamper the evolution of the complementary roles of Audit and Administration, either by the use of extravagant language or by the attitude that Audit alone is the keeper of Nation's financial conscience.

*(HQs. D.O. Letter No. PS 588/56 dated 23<sup>rd</sup> October, 1956)*

The field staff should always be ready to take up the question of simplification of initial accounts and point out to Government the scope for simplification in particular cases. They should assist the local officers with advice in matters affecting accounts, budget etc., or the financial regularity of

transactions. They may even offer suggestions bearing on the economy of public money and are expected to do so in all cases of superfluous clerical work in connection with accounts and audit. They may show by means of practical examples, if necessary, how account registers should be posted and how a proper check is exercised in order that there may be no possibility of mistake or omission due to ignorance on part of the local officials. Such proposals, if recorded in writing, should not ordinarily be embodied in IRs but submitted to the PAG through the Group Officer. If, however, in any case the head of an office desires special help from the inspecting staff for elucidation and explanation of audit and accounts rules and procedure and if it is anticipated that the rendering of such help on the scale demanded by the local officers is likely to dislocate the programme, the matter should be referred to the Group Officer for orders.

#### **4.7 INTERVIEW WITH THE HEAD OF THE OFFICE INSPECTED**

a. The inspecting AAO/Supervisor, if the Supervising Officer is not present on the opening day of local inspection, should first request for an interview with the head of the office, the account of which he is about to inspect. Advantage should be taken at this interview to refer to any special points requiring attention as well as to invite any suggestion which the head of the office may like to offer on the general conditions of the accounts of his office or regarding any part of it which required close inspection.

**(Ref: 183 of General Standard of Chapter 4 General Principle of Auditing Standard, Regulation on Audit Accounts, C&AG 2007)**

b. He will also discuss the important points and endeavour to settle on the spot as many outstanding objections as possible, raised during the previous inspections.

c. At the end of the inspection, if unsupervised or the Supervising officer was not present at the station, the AAO/Supervisor should arrange for another interview with the head of the office to discuss the draft IR and settle on the spot as many objections, raised during audit as possible. Supervising officer, if present on the opening and closing days of the audit will meet the head of the office for either or both the purposes mentioned above, as his programme will permit. Minutes of discussion with the head of the office will also be prepared and submitted along with the IR.

d. **Draft IRs in respect of High Court establishments are to be discussed by the Group Officer** with the Registrar of the High Court and a certificate to that effect should be endorsed while forwarding the IR to headquarter for approval, indicating as to who discussed the draft IR with whom and on what date.

***(HQs. Confidential D.O. No. 276-Rep(S)/98-97 dated 18.3.2002)***

#### **4.8 POWER TO MAKE INDEPENDENT QUERIES**

While auditing the accounts of Government institutions and offices, the inspecting staff should not make any enquiry from the tax-payers or the general public because such action amounts to an encroachment on the function of the administration. Audit should confine itself to calling upon the Executive to furnish necessary information and in case of difficulty; it should confer with the Head of the office as to the best means of obtaining the evidence which it requires under **Paragraph 2.1.10** of C&AG's M.S.O. (Audit). The inspecting staff should not while auditing the accounts of a public or quasi-public body make independent enquiries of tax-payers or of the public at large, unless such a procedure is expressed by authorised statutory regulations or Executive

orders. If there are suspicious circumstances in the accounts, the inspecting AAO/Supervisor should report the fact to the Group Officer.

#### **4.9 CONDUCT OF AUDIT**

a. Keeping in view of the sensitive nature of the **audit of High Court**, it should be ensured that the audit is conducted as per guidelines detailed in Vol-II of this Manual and properly planned and supervised by the Group Officer. Whenever, interpretation of Rules and Regulations are involved, these must be done with utmost care. The IR, duly checked and approved by the PAG personally, is to be sent to HQ (C&AG's office) for vetting and clearance for issue of the IR.

*(HQs. Confidential D.O. No. 276-Rep(S)/98-97 dated 18.8.2002)*

b. As the object of accounts is to present a true financial picture, intelligent and proper audit requires visualising 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 inspecting staff before taking up the audit of any particular institution should make themselves conversant with account books prescribed, the budget, the relevant codes and manuals, departmental or otherwise and the administration report or any other publication, in order to make their audit both intelligent and useful, instead of allowing it to become merely a routine process of checking registers in a disconnected or mechanical way.

*(Auditor General's Letter No. 57-Admn.I/145-34 dated the 28<sup>th</sup> January 1935)*

c. The Inspecting Officer in charge of inspections should acquaint himself with the system of finances of any institution, the accounts of which he is inspecting - what makes up its receipts and how its money is expended. He must then make up his mind roughly what system of accounts is necessary for those receipts and expenditure, what registers are necessary for internal check purposes and how far the existing system conforms to this standard. This is the elementary and primary responsibility of the inspecting officer. An Inspecting Officer at the time of carrying out audit of receipts, should correlate all the accounts documents and check that all moneys due are received and all moneys received are brought to account. An Inspecting Officer who does not follow these principles fails to appreciate the first responsibility of audit.

*(HQs. letter No. T 962-Admn/74-40 dated the 25<sup>th</sup> September, 1940)*

d. In conducting the audit, the inspecting staff should examine all matters on accounts, books, papers and other documents, which deal with or form the basis of or are otherwise relevant to the transactions to which duties of audit extend. Points which come under principles of audit but which cannot be provided for in advance by formal audit rules, as also cases of infringement of the standards of financial propriety, should be investigated. Apart from above, the inspecting staff should attempt review on the selected developmental and social security schemes showing how far and to what extent the declared objectives and programme have actually been executed by the office under local audit, for which it was responsible. But the inspecting staff must be careful not to interfere in executive matters or to take up questions of administration, which have nothing to do with audit and accounts, or which are otherwise outside the province of legitimate enquiry of audit.

e. When the inspection party proposes to raise a higher audit question on a subject which is predominantly administrative or technical in character they should make sure that they have been able to ascertain and properly grasp the facts and the principle or principles behind them and that

the raising of the question or its pursuit is a legitimate duty of audit and likely also to serve some practical purpose. It is desirable to consult the Supervising Officer on the spot or the Group Officer as the case may be, before taking up or pursuing questions which are likely to take an awkward turn.

**f.** The value of an audit depends largely on the intelligence and thoroughness which is brought to bear on it. Sometimes routine and formal objections, if pursued properly, lead to the detection of serious irregularities or of a defect of system liable to lead to fraud. The inspecting staff should always be alive to this and never exercise the prescribed routine checks perfunctorily. When a member of an inspection party feels that he has touched on a matter which may repay on investigation, he should go into it with an exhaustiveness which will leave no details undiscovered, and he must take nothing for granted during such an investigation.

**g.** It is most undesirable that in local inspections the check of the important initial records should be neglected in favour of material which may provide cases for 'higher audit'. In a case of embezzlement of money by a clerk of an office, it was found on investigation that a comparison of the entries in the cash book with the counterfoils of receipts granted and the treasury remittances book would have enabled the audit inspection to detect the fraud. The C&AG has emphasized on the fact that the primary duty of the Indian Audit Department is to secure the correctness of accounts and not criticism of the executive work of a department.

**h.** In auditing payment vouchers, the members of the inspection parties should not apply merely mechanical checks e.g. seeing that there is proper acquittance in support of payments, that amounts charged are arithmetically correct and that the rates are in accordance with the schedule of rates. In the interest of thorough audit, it is necessary to see that the charges in the bills are not extravagant, and if a doubt arises, the prevailing market rates may be scrutinized through the district officer. Cases of different rates paid for the same articles observed in auditing the accounts of two or more offices should be investigated and the inspection party should find out carefully the causes of such differences.

**i.** In auditing accounts, all entries checked should be ticked or cross-ticked by the members of Inspection parties and all vouchers or challans examined should be initialled by them. For this purpose special brown pencils called audit pencils are used. Audit pencils must be carefully kept in the personal custody of the Auditors. The tick marks indicate that the particular entries so marked have been checked by the members of the inspection parties. While comparing an entry in an original account or voucher with an account register, if a member of the inspection staff finds that the latter does not agree he should mark it with a cross or encircle with his audit pencil. When the objection is removed, the entry should be ticked off.

**j.** No member of inspecting staff should make notes, corrections or remarks in the registers or any document of the office which they are auditing.

**k.** In course of conducting audit in the auditee units, existence of internal control system to safeguard the resources against loss due to waste, abuse, mismanagement, errors, fraud and corruptions etc. through various internal control measures, should also be taken into consideration as per guidelines mentioned in the **paragraph 7.38 and 7.41** of this manual and proper audit plan/strategy should be chalked out for conducting audit effectively. Deficiencies noticed in existence of internal control system of the auditee unit to arrest the fraud and corruption should be incorporated in the IR.

#### **4.10 MATTERS DEALT WITH BY INSPECTION PARTIES TO BE KEPT CONFIDENTIAL**

All members of audit parties should keep the matters which they have to deal with during the course of their professional duty confidential. The audit is intended for the assistance of local offices and Government and their shortcomings should not be permitted to become public.

#### **4.11 DISTRIBUTION OF WORK ON INSPECTION:**

- a. Before the commencement of audit, a complete list of accounts and records related to cash and other transactions and statement showing the details of movable and immovable properties including stores etc. in respect of all the units under its control, held by the office, which is going to be inspected should be obtained from the head of the office.
- b. The Sr. Auditors/Auditors should work under the supervision of the AAOs/Supervisors and carry out the duties allotted to them meticulously and intelligently. They should never think that they are meant for doing mechanical checks only. The AAOs/Supervisors will, however, be responsible to see that the working day of the Auditors is utilized fully and satisfactorily.
- c. The Supervising Officer if he is present on the opening day should distribute the work between AAO/Supervisor, Sr. Auditors and Auditors and also indicate the items of works that would be done by him personally. If he is not present on that day, the AAO/Supervisor, if the party comprises one AAO/Supervisor or by the senior one, if the party consist of two AAOs/Supervisors should distribute the work amongst themselves and the Sr. Auditors/Auditors. In the latter case, the distribution of work should be got approved by the Supervising Officer immediately on his arrival. The Sr. Auditor/Auditor and AAO/Supervisor should record a certificate to the effect that they have completed the work assigned to them individually. The inspecting AAO/Supervisor should ensure that all items of work have been duly checked. Full particulars regarding the nature of work allocated to each member of party should be included in the IR file so that the responsibility for failure of audit can be fixed at a subsequent date, if necessary.

*(HQs. letter No. 3010/Admn I/436-60 dated 2<sup>nd</sup> November, 1962)*

#### **4.12 DEMARCATION OF DUTIES**

There should be clear demarcation of duties of the personnel in the audit parties. A broad outline of responsibilities and duties of various categories of personnel in the inspection parties conducting audit of the auditee units are as follows. The inspection personnel should be involved in clearly defined areas of work so that their contribution in terms of quality and quantum of audit results can be identified and their accountability ensured. Normally, auditors should issue inspection memos (Audit Queries) and put up notes. Separate notes/Audit queries, in the form of material for inclusion in the IR should be submitted by them to the AAO/Supervisor of the party and by the AAO/Supervisor to the Supervising Officer, if attached to the inspecting party. The Supervising Officer will remain responsible for the efficiency of the inspection as a whole, though some items of work may, in accordance with the local instructions or local usage, be entrusted to the subordinate staff. He must guide the members of the party in their work and determine the extent of independent action to be allowed to each of its members

with reference to their experience, qualities and capacity to act independently. Based on such judgment, the Inspecting Officer may permit individual members of the party to issue audit memos themselves and see them in due course after issue. In cases where it is considered appropriate, he should stipulate that the memos be issued only with his approval. The Supervising Officer should always keep himself aware of the progress of audit and the observations that have been communicated to the office inspected.

***[Paragraph 6.17 & 6.18 of MSO (Audit)]***

### **Checks to be exercised by Inspection Party:**

The purpose of checks to be exercised by Inspection Party where applicable may be summarized as under: -

- i. To ascertain the authorities competent to sanction expenditure, to receive or pay money or incur liabilities on behalf of the institution.
- ii. To understand the system of accounts followed.
- iii. To check, as far as possible, the accuracy of original records viz. cash book.
- iv. To see that all transactions are in accordance with the minutes of the meetings of the Board of Directors or order of competent authorities.
- v. To investigate unusual items.
- vi. To check compilation of the accounts from the original records and to suggest corrections in the classification of transactions.
- vii. To review the procedure of stock taking and of the pricing of goods in hand.
- viii. To check the financial results, i.e., the Manufacturing, Trading and Profit and Loss Account and Balance Sheet, which indicate accurately the progressive position of affairs. Abrupt increase of expenditure over the previous years requires detail analysis. This necessitates investigation of procurement of assets (building, machinery, furniture etc.), the soundness of investments, debts due to the firm, and the correct allocation of expenditure to capital accounts.

### ***(Paragraph 21 of “An Introduction to Indian Government Accounts and Audit”)***

- ix. The objection noticed as a result of audit should be recorded in the form of an audit query and the same is issued to the Management for obtaining their remarks.
- x. The audit query should be prepared in duplicate and one copy be given to the Management even while the audit is in progress. The audit query should be in serial numbers and proper acknowledgement be obtained from the officer receiving the query.
- xi. Every effort should be made to get replies to the audit queries. The drafting of Inspection Report should in no case be delayed due to non-receipt of replies to the audit queries issued to the Departmental officers at the time of local audit. There is no justification for the audit party waiting indefinitely for a reply from the Management before drafting the Inspection Report, as it is the primary responsibility of Management to satisfy audit by furnishing replies to audit observations.
- xii. The audit party shall not wait for figures to be compiled by the Management to enrich the comments included in the paragraph, but shall take all possible care to compile the figures



and collect the information from files, records and reports produced before them during local inspection and intimate the figures/information to the management for confirmation within the specified time limit and shall also state in the reminder (if no confirmation is received within a reasonable time) that “since the management has not contested the position as stated in the query, audit shall presume that the facts and figures stated in the query as correct”.

- xiii.** No objection should be dropped without the specific approval of the Audit Officer-in-charge of the party or the Headquarter Audit Officer (if no officer is allotted for supervision of the Local Audit). The Officer-in-charge of the party should not accept vague replies but insist on the Management giving suitable explanation for omission and errors so that they are rectified as far as possible, even during the course of inspection. If the replies to the audit queries are incomplete or inadequate, points on which clarifications are required should be brought to the notice of the appropriate higher authorities in the Management. If any objection has been dropped from the Inspection Report during discussion, the minutes of such discussion should be kept to enable Headquarters to understand the circumstances under which objection has been dropped.

**xiv. INCEPTION, CLOSING & MERGING of Auditee Unit**

Consequent upon Inception, Closing and Merging of audit entity, following compliances are to be kept in awareness at the time of conducting local audit as well as submission of Inspection Report there against.

- I. Attested copy of the Government Orders under which the establishment was set up/ closed/ merged.
- II. Date from which the establishment started functioning/ closed/ merged.
- III. The closing audit of the closed/ merged unit may be conducted alongwith the inception audit.
- IV. Organisational set up of the office/s.
- V. Activities of the establishment/s.
- VI. Verification of records relating to the budgetary outlay of the department.
- VII. Year-wise allotment and expenditure of the establishment since inception and source of fund.
- VIII. Whether separate cash book is maintained or not.
- IX. Date of opening of PL/ Bank account, if any, and balance as on date.
- X. Whether any bank account is maintained? If so, the balance as on date.

- XI. The details of outstanding paragraphs which have featured in the outstanding IR/s in respect of the units where new DDO code has been introduced or previous DDO code abolished should be collected from GSS-I/IR section for review of the same during present audit (inception to date).
- XII. Staff pattern and sanctioned strength of the establishment along with men-in-position.

**I. G&SS Audit Party consisting of one Sr. Audit Officer/ Audit Officer, an Assistant Audit Officer / Supervisor and two Senior Auditors / Auditors**

**A. Sr. Audit Officer/Audit Officer**

Besides performing the coordinating functions to achieve overall efficiency in performance and seeing that necessary processes of audit of the various documents have been carried out by the staff under his supervision, the Audit officer will also do a certain amount of original work and examine personally with reference to original documents all important points raised by the staff. He should personally review all tenders and agreements, particularly those of high value and also see whether the state of accounts in the office inspected is satisfactory or not. He should himself draft the Inspection Report and discuss it with the head of the office inspected, whenever he is present at the close of the inspection.

The Audit Officer should ensure that physical verification of cash as per the records is done by the Drawing and Disbursing Officer in his presence and include comments, if any, arising from such verification in the Inspection Report apart from conducting audit of final accounts where applicable.

All heads of the Audit Parties to submit the soft copy of IR/SAR/any other report due for vetting within three (03) days of the completion of audit by E-mail. In case of delay or failure to furnish IR in digital format, reasons for the same may be placed on record.

*(B.O No. OA/IC-I/BO/2012-13/02 dated 18.09.2012)*

The Supervising Officer should ensure that each of the Party Members are entrusted with all types of works on rotational basis during the entire period of programme.

*(Refer: - B.O No. OA/IC-I/2009-10/08 dated: 05 February 2010)*

**B. Assistant Audit Officer/Supervisor**

- i. Audit of the accounts of receipts.
- ii. Audit of the accounts of stores.
- iii. Examination of the Cash Book.

**Notes:**

a. When the party is unsupervised, the Assistant Audit Officer should ensure that physical verification of cash as per the records is verified by the Drawing and Disbursing officer in his presence and include comments, if any, arising from such verification in the Inspection Report.

b. In cases where close supervision of the Senior Auditor's work in regard to issue of audit memos and check of disposal of previous Inspection Reports are required, the assistance of the Senior Auditors may be availed of for the routine checking of receipts and payments under this item of work,

subject to the overall responsibility and supervision resting with the Assistant Audit Officer/Section Officer.

- iv. Examination of the vouchers for the months selected for test check which were submitted to Financial Audit.
- v. Audit of all vouchers not submitted to Central Audit.
- vi. Verification of drawals from and deposits into treasury with reference to treasury records.  
**Note:** The instructions in Note (b) below item (iii) are applicable to this item of work also.
- vii. Examination of the points marked by Financial Audit for special investigation.
- viii. Audit of works expenditure.
- ix. Scrutiny of accounts of stores, equipment, etc. received under various foreign aid programme.
- x. Examination of Departmental Inspection Reports.
- xi. Audit of final accounts (where applicable).

#### **C. Senior of the two Senior Auditors/Auditors**

(i) Examination of service books, service rolls, broadsheets and ledgers in respect of Provident Fund accounts of Group D staff. (ii) Study of files containing important rules / orders issued by Government in respect of the institution under local audit and matters dealt with by it and of the Dictionary of References. (iii) Check of disposal of previous Inspection Reports. (iv) Triennial audit of takavi accounts. (v) Audit of expenditure incurred by State Government in connection with large gatherings of political organizations. (vi) Scrutiny of establishment pay bills. (vii) Audit of travelling allowance bills. (viii) Examination of register of undisbursed pay and allowances. (ix) Scrutiny of register of advances. (x) Examination of accounts of immovable properties like land, buildings and other assets.

#### **D. Junior of the two Senior Auditors/Auditors**

(i) Scrutiny of Dead Stock Register. (ii) Examination of Register of Empties. (iii) Examination of Stamp Accounts. (iv) Scrutiny of Register of Deposits. (v) Examination of Log books and diaries of Government vehicles. (vi) Scrutiny of Register of Stationery. (vii) Examination of Register of Uniforms. (viii) Scrutiny of Register of Books and Periodicals. (ix) Scrutiny of Provident Fund accounts of Group 'D' employees.

### **II. G&SS Audit Parties consisting of one Sr. Audit Officer/Audit Officer, two Assistant Audit Officer/ Supervisor and one Senior Auditor/Auditor.**

- A. **Sr. Audit Officer/Audit Officer** Same as those detailed in SI. No. I.A. above.
- B. **Assistant Audit Officer** Same as those detailed in SI. Nos. (ii), (iii), (iv), (vi) (ix) and (xi) in (I)(B) and SI. Nos. (i), (iii), (iv), (v), (ix) and (x) in (I)(C) above.

- C. **Supervisor** Same as those detailed in SI. Nos. (i), (v), (vii), (viii) (x) and (xi) in (I)(B) and SI. Nos. (ii), (vi), (vii), (viii), in (I)(C) above.
- D. **Senior Auditor/Auditor** Same as those detailed in (I)(D) above.

#### **4.13 CALLING OF FILES AND RECORDS FOR CHECKING AND PRODUCTION OF SUCH FILES AND RECORDS THEREOF**

a. The inspecting staff should call, in writing, for all registers and accounts of the offices inspected required for audit purposes. If any of the records cannot be produced, the reasons for non-production thereof should be ascertained in writing and such records should be insisted upon during the subsequent audit.

b. The Inspection parties, while calling for documents should bear in mind those instructions of the Government of India which, inter-alia envisaged that files required by Audit should be readily made available by the auditee unit without any apprehension that objections may be taken in audit. If the contents or the files or any part of it are 'secret' or 'top secret' the files may be sent to the Pr.AG or the head of the Audit Office, specifying this fact, who will then deal with it in accordance with the standing instructions for the 'handling and custody of such documents'.

*(Ministry of Finance, GOI (Department of Economic Affairs No. FI (43)-B/7 B dated 23-9-1978)*

c. At the start of local audit, the inspecting staff should collect a list of cases of fraud and presumptive fraud from the auditee unit by adequate persuasion and by repeated reminders to AQ issued earlier. Thereafter those cases should be examined in details. On examination of such cases, if it is noticed that system and procedures in vogue are not in conformity with the provisions or are lacking, audit should suggest streamlining thereof, after careful consideration. If there are certain areas where discretions are used, audit should insist on clear cut guidelines for exercise of power. In spite of repeated reminder, if no reply is received to the AQ for a list of cases of fraud and presumptive fraud, it should be adequately highlighted with the no. and date on which reminders were issued in the IR so that the same can be taken up at the Headquarters level during vetting of the IR.

*(HQ letter no. 433 Audit (MOM)/224-97 dated 1.3.97)*

#### **4.14 CONSULTING ACTS, CODES, MANUALS ETC. AND THE PROCESS OF AUDIT**

For intelligent and efficient local test audit it is necessary that the members of inspecting parties should have a thorough knowledge of the Acts, Codes, Manuals and administrative orders or rules relating to the department under audit. AAO/Supervisor should get the same from the office inspected.

#### **4.15 PROCESS OF AUDIT TO BE SUPPLEMENTED WITH REGARD TO OMISSIONS**

The outline of the general principles and process of audit given in this manual should be taken only as a guide to an intelligent audit. The process should not be followed mechanically and as a mere matter of routine work and should never be considered as limiting the inspecting staff's duties. It should, wherever necessary, be supplemented with regard to omissions in them. The inspecting staff should, therefore, see that all the checks as appear from the books of accounts to be necessary for an intelligent audit have been carried out and no checks, which on the face of the accounts require investigation, have been left out. Further, the fact that in test audit a scrutiny of the accounts of the whole period under audit is necessary should not be lost sight of. It should be borne in mind that the local audits and inspections should be complete and thorough in respect of the transactions covered by them. There have been cases in which local audit by our staff failed to bring to light serious irregularities and even defalcations, which were later discovered by other agencies. It is needless to point out that even a single instance of this kind brings the whole Audit Department into disrepute.

*(HQs. DO No. 1307/Admn I/388-55 dated 20<sup>th</sup> April, 1955)*

#### **4.16 PERIOD COVERED BY LOCAL AUDIT**

- 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 to see whether it is written up-to-date.
- b. In case of accounts in respect of which an Audit Certificate is required to be issued by this office and in case of audits under section 14, 19, 20, 21, 23 and 24 of the C&AG's (DPC) Act, 1971, period of audit would be up to the end of the financial year of the institution.

#### **4.17 REPORTS OF EMBEZZLEMENT OR FRAUD**

- a. All cases of defalcation or other types of serious financial irregularities, embezzlement or fraud noticed or suspected during local inspections should be promptly reported confidentially by the head of the inspection party to the Group Officer and also to the head of the office concerned or to his next higher authority, if it is suspected that the head of the office himself was a party to the irregularity. The report should also indicate whether any assistance e.g. the personal intervention of the Group Officer or additional hands and records necessary for full and complete investigation is required. The progress of investigation should be reported weekly through interim reports. When the fraud or embezzlement has been fully investigated by the Inspection Party, a complete report on the case should be submitted to the Group Officer explaining clearly how the fraud was committed and whether there is any reason to suspect that a detailed examination of the accounts would bring to light further cases of frauds by the same or other persons. It should be stated whether the fraud was discovered during or prior to the inspection. Local inspections in such cases must not be closed without specific approval of the Group Officer.
- b. The report should contain, inter-alia, information on the following points:
  - i. The dates or period of occurrence and the date of detection of the case by the Department/Local Authority/Audit.
  - ii. The circumstances which led to the defalcation/ misappropriation/loss.

- iii. The defects in the system or non-compliances with the rules which rendered the misappropriation/ defalcation/ loss possible.
- iv. Whether the case was referred to the Finance Department and to this office immediately on detection by the Department in accordance with Rule 39 (1) of W.B.F.R., Vol. I and Government of West Bengal, Department of Finance Order No. 2455 (62) F dated 08-5-1975, if not, reasons for the same.
- v. Whether recourse to judicial proceedings is considered necessary by the Department, and if so, action taken by the Department.
- vi. Action taken to recover or to obtain Government sanction for writing off the loss.
- vii. Steps taken to prevent recurrence of similar case.
- viii. Disciplinary action taken against the officials held responsible.
- ix. Whether the findings of the party during the course of local inspection in respect of the amounts misappropriated/defalcated/lost have been verified with reference to the facts reported to the audit office and found correct. If not, a comparative statement should be furnished with reasons for the differences.

#### **4.18 ISSUE OF AUDIT QUERY STATEMENTS**

a. The Inspecting AAO/Supervisor will record all objections as disclosed by audit through an Audit Query (AQ) statement. The query statement should be prepared in duplicate. The original copy should be issued as and when the irregularities are detected and not in lump after several days or towards the close of the inspection. As each Page is completed, it should serially be numbered and made over to the head of the office or to the Drawing and Disbursing Officer or any other official authorized for this purpose and a receipt should be taken. Every effort should be made to get back promptly the AQ statements with the replies of the head of the office inspected. The Supervising Officers in course of their inspection should also impress upon the head of the office the necessity of returning the AQ statements on the same or next day as directed under Govt. of West Bengal, Finance Department order No. 1405-F dated 7.4.1930 read with 40-18 dated 25.7.1933 and No. 7101-F dated 22.12.1933. If the replies to the audit queries are incomplete or inadequate, matter should again be brought to the notice of the concerned official who furnished the reply with a request for immediate return with further information and or to clarify the points.

b. The supervising Sr. AO/AO or the AAO/Supervisor, in absence of the supervising officer is to edit all the objections incorporated in the Audit queries issued by the members of the field parties and if required, may suggest further improvement/examination before issue and should also ensure that copies of all relevant audit evidences (key documents) and records where necessary for substantiating the AQ, were collected for development into Draft Paragraphs.

*(B.O. OA/IC-1/2003-04/10 dated 7.11.2003)*

c. **Audit of the Governor's Secretariat:** Audit of the entertainment and other allowances of the Governor will be supervised by the Group Officer and all preliminary objection memos will also be issued over his signature to ensure that frivolous and petty objections are avoided. In this

connection, it would be appreciated that the transactions which pertain to the Head of the State can hardly be dealt with lightly and that in auditing the expenditure, the nature of the fund and the status of the dignitary for whose use it had been constituted, should be borne in mind.

**(Branch Order no. OA/IC/98-99/3 dated 29.6.1998)**

#### **4.19 EXTENSION IN THE ALLOTMENT OF TIME**

a. Man-days allowed for each audit have been carefully fixed taking into consideration the volume of work including additional work involved, if any, as well as past experience in conducting the local audit of the same. The number of working days allowed for audit of each unit should not, therefore, be exceeded except with the prior sanction of the Group Officer. Supervising Officers and the field parties are expected to adhere strictly to this aspect. However, in case of any unforeseen and unavoidable circumstances, a request for extension of time should be made to the headquarters duly recommended by the Supervising Officer if the inspection is a supervised one so that it reaches before half of the time allotted for inspection has run out. In no case the extension should be availed of before it is actually granted.

b. While submitting request for extension of time, full particulars of the additional work involved i.e. number of vouchers, amount of expenditure involved and other information concerning the accounts necessitating such extension should invariably be given to justify the request for extension of time allotted.

c. It should be borne in mind by the AAO/Supervisor that in case of items supervised by an officer, the prayer for extension of time will not be entertained unless it is recommended by the latter. No item of work should be left unchecked on the ground that extension of time prayed for was not granted.

#### **4.20 VARIATION/CHANGE OF APPROVED PROGRAMME**

a. In no case the field parties are permitted to re-arrange the approved programme or change the allotted working days (i.e. extension or reduction of working days) for audit and for transit without prior approval of the Group Officer.

b. In case when the field parties are required to visit different units/branches under the control of the concerned auditee unit, tour programme of such visit indicating the names and addresses of the units/branches, names of the official intended to visit, working days required, source/mode of conveyance and detail of the work to be done should be furnished by the AAO/Supervisor duly signed by the supervising Sr. AO/AO, if attached to the party, to the Headquarters well in advance for approval. In no case the field parties are allowed to take up visit of the unit offices without prior approval of the Group officer.

#### **4.21 SUBMISSION OF REPORT OF WORK**

Every inspecting AAO/Supervisor and each of the Sr. Auditors/ Auditors should submit through the Supervising Sr. AO/AO a weekly diary in the printed standard form S Y-324 during the period of tour - showing separately the details of each day's work done by them. Absence on casual leave as well as holidays is to be entered in these diaries. Weekly diaries of the Sr. Auditors/Auditors should be countersigned by the AAO/Supervisor attached to the party during the week. Weekly

diaries should be forwarded to the headquarters on the last working day of the week or on the morning of the next working day. Where duration of local audit exceeds seven working days weekly diary reports forwarded by the Inspecting Officer should be scrutinized by the Branch Officer (headquarters) and put up to the Group Officer. The other weekly diaries should be finalized by the Branch Officer (headquarters).

*(HQs. letter No. 1730 LM/12-75/1 dated the 24<sup>th</sup> September 1975)*

#### **4.22 REVIEW OF WORK DONE BY SR. AUDITORS/AUDITORS**

The AAO/Supervisor in charge of the party should conduct a test check of the work done by the Sr. Auditors/Auditors including the check of totals expected to be made by the latter. While recording a certificate of the general review he should also specify the items test-checked by him. The quantum of test check in this regard has been fixed to the extent of 25 *per cent* of the work done by the Sr. Auditors/Auditors.

*(HQs. letter No. 48-TA 1/2-79 dated the 17<sup>th</sup> January 1979)*

#### **4.23 CASES SENT FROM HEADQUARTERS**

Whenever any file/case or press report (paper clippings) is sent from headquarters to the inspecting party under the written orders of the Group Officer for investigation and collection of information, such files/cases, paper clippings should be returned to headquarters with observation of audit and comments, if any, at the earliest. Interesting points, if any, arising out of such observation should be incorporated in the IR.

#### **4.24 CONTINGENT CHARGES INCURRED BY THE FIELD PARTIES**

At the end of every month, the field parties should submit to headquarters bill for the actual contingent expenditure incurred by them during the previous month in connection with (i) cost of official cyber expenses (ii) transportation of Government records from one station to another during the course of the tour etc., of field staff. The payments, if found admissible, will be made to the AAO/Supervisor of the Inspection Party.

#### **4.25 DRAWAL OF PAY DURING TOUR**

Full scale e-payment in all PAOs has been implemented w.e.f 1<sup>st</sup> September 2014.

*(HQs. O.O. No. 1728-ISW/57-2011-vol-III dated 11.8.2014)*

#### **4.26 SELECTION OF MONTH(S) FOR DETAILED CHECKING**

Field parties are to conduct detailed checking of the transaction of the auditee unit for which month(s) for conducting detailed check will be selected by the Group Officer. In respect of the units in areas the selection of the month(s) would be in the following norms:



Period covered by Audit		Detailed check to be done
<b>i</b>	Upto 18 months	One (1) month & One (1) month random
<b>ii</b>	Exceeding 18 months but not exceeding 36 months	Additional one month i.e. two (2) months in all
<b>iii</b>	Exceeding 36 months	Additional one month for a block of 3 years or fraction thereof

In respect of (i) and (ii) above the selection will be made by GSS-I (Headquarters) and for (iii) selection may be made by the field party on the spot and to be intimated to the Headquarters for approval.

**Note:** As regards the big auditee unit involving substantial financial transaction detailed checking of one additional month is to be undertaken. For this purpose, the field parties may send the proposal for additional party days immediately after taking up the audit indicating, inter alia, the function of the auditee unit, transaction involved separately for pay and allowances, contingencies etc. In case any defalcation/fraud is reported by the local office or detected by the field parties in course of balancing of cash book and or review of records, etc. the matter may be reported to Headquarters seeking further instruction.

**(B.O. No. OA/IC-92-93/2 dated 15.6.92)**

#### **4.27 VERIFICATION OF DRAWALS AND REMITTANCES**

On selection of detailed month(s) by the GSS-I Headquarter, the copy of list of payments and schedule of drawals for the selected months, after being obtained from the office of the AG (A&E), WB will be transmitted to the field parties for verification during the course of local audit. The field party will verify the transaction recorded in the list of payments and schedule of drawals with the records (viz. Cash Book) of the DDO of the auditee unit. In case where list of payments in respect of all the heads of expenditure are not received by the field parties before commencement of audit and for the detailed month selected locally, the field party should prepare the list of drawals and remittance from the treasury records for verification of the transaction with the records of the auditee unit.

**(HQs. Circular No. Audit-11/92 under No. 642-Audit-11/87-7(11) dated 27.5.92) and B.O. No. OA/IC/92-93/3 dated 23.6.92)**

**Note:** Treasury verifications must be made in all cases irrespective of the distance of the treasuries from the office inspected. Treasury officer may be intimated well in advance by the field party regarding production of Treasury records. Verification should be first item of work on taking up inspection of an item. In case a party is conducting inspection of more than one item at the same place, they should complete the treasury verification work of all such offices at the same place at a time to avoid visiting treasury for more than one occasion. Usual certificate in INK on the list after verification and in the Auditors' Note book should be recorded.

**(B.O. No. OA/IC/90-91/2 dated 25.4.1990)**

**4.28 PAPERS TO BE TAKEN BY FIELD PARTIES**

- a.** The inspecting AAO/Supervisor should always take or ask for the following documents relating to the office which is going to be inspected by him:
  - i.** The previous IRs.
  - ii.** The statement of points furnished by the concerned Headquarters sections for local investigation.
  - iii.** The statement of outstanding objections raised in Financial Audit and furnished by the Headquarters sections for on the spot settlement.
  - iv.** The audited and passed vouchers, such as those relating to Establishment, T.A., Contingent charges, loans, Personal Deposit Accounts, General Provident Fund Payments, Pension and Gratuity payments together with schedule of payments in respect of the month (s) selected by the headquarter for detailed check and the list of conditional grants-in-aid relating to the office inspected furnished by the Departmental Audit Sections.
  - v.** The store accounts submitted for the Audit Report of the C&AG by the offices which were not inspected during the year to which the store accounts relate, and any comments made by the Public Accounts Committee on such store accounts.
  - vi.** The Proforma Accounts submitted for the Audit Report of the C&AG by the Offices which are required under orders of the Government to prepare the same.
  - vii.** Press report (paper clipping) on any auditee unit or scheme/ programme etc.
- b.** These documents should be dealt with in the following manner:
  - i.** Any point in the previous IRs which has been marked for the next audit should be investigated. If the point has been settled since the last inspection, this should be recorded by the Inspecting AAO/ Supervisor on the review note of the IR over his dated initials, otherwise, the irregularities incorporated in the current IR.
  - ii.** The Inspecting AAO/Supervisor will investigate each point noted in the statements mentioned at Sl. Nos. a (ii) and a (iii) above and submit his notes thereon to the Group Officer along with the IR. The Group Officer will in turn forward the notes with his comments, if any, to the Officer in charge of the Section concerned.
  - iii.** Vouchers, IRs Files, other documents, etc. shall not under any circumstances be kept in the custody of the local office during the period of inspection.

## **4.29 SETTLEMENT OF OUTSTANDING OBJECTIONS/ PARAS OF PREVIOUS IR DURING LOCAL INSPECTION.**

### **4.29.1 During Local Inspection:**

Settlement of outstanding paras of the previous IRs is one of the important duties of the Supervising officer or the AAO/ Supervisor of the party (when the audit was unsupervised) and as such endeavour should be taken to settle on the spot as many outstanding objection / paras as possible raised during the previous inspection. While preparing the current IR, it must be seen that the current IR should not contain objection of more than 3 to 5 years old and all efforts should be made by the inspecting parties either to settle the objection through discussion with the head of office or transfer the old objections/ paragraphs to the new IRs by updating them and dropping from the old IR. However, the following guidelines may be kept in view for settlement of the old paragraphs:

- a. Old paragraphs with low money values should be written off.
- b. Paragraphs which do not have relevance beyond the years in which they were proposed should be deleted.
- c. Paragraphs with similar nature should be consolidated especially when they belong to the same field formation.
- d. Paragraphs of which “Review” or “Draft Paragraphs” have been incorporated in the C&AG’s report should not be deleted from the IR. Instead, after processing the DP by Report Section, a mention to that effect to be made in the concerned IR file by the DP cell so as to enable the inspection party either to keep it in the IR as outstanding para or to update for compliance of subsequent Action Taken Note. Position of Outstanding Paras furnished by the GSS-I/IR or GSS-I/AB section should mark the para as DP where applicable.
- e. Recoveries of petty amounts falling within the powers of the waiver under **paragraph 2.4** of this manual may be waived by the inspecting officer or proposed for waiver by Group Officer / Pr.AG and may be dropped from the IR after issuing suitable instruction to the officers concerned.
- f. Audit objections pertaining to the category of excess/ overpayments which await settlement till the recovery is effected may be treated as settled once the Department has accepted excess/over payments and the recovery has actually commenced. In order to obviate the possibility of any lapse on the part of the Department, a report may simultaneously be made to the higher authority for keeping a watch over the recovery. In cases, wherever found justified, a draft paragraph on such recoveries should be processed and a note kept in the “Register of Special points to be looked into at the time of next local audit” to examine that the recoveries have been fully made or still to be made.
- g. Audit objections which are outstanding for want of decision of the Court should be removed from the register of outstanding IRs/Paragraphs. Whenever the offices of the Head of Department e.g., Director of Disaster Management, Director of School Education etc., are

audited, a list of cases settled by the court, from the date of previous audit to the date of present audit should be called for and a test check conducted to ensure that the court cases were pursued properly and no loss occurred to Government due to negligence etc. of the administrative authority.

*(HQs. General Circular No. 8-Audit II/90No. 800-Audit -/64-89 dated 25.7.90 & O.O. No. OA/IC-111/Review/29/3 dated 8.90)*

- h. Paragraphs on persisting irregularities on procedural matter may be dropped from the old IR and a paragraph to be included in the current report wherein it may be specifically mentioned that the irregularity was pointed out in earlier report.
- i. The Supervising Officer or the Inspecting AAO/Supervisors before treating the objection/ paragraphs of the previous IRs as settled/ dropped should ensure that the office concerned has furnished written reply/explanation for each objection/paragraphs so settled and their reply is placed on record. Inspecting parties should compulsorily hold discussion with the executive Head of the auditee unit on the outstanding paragraphs. Based on replies/discussion with the authorities he should also draw up a minutes of the discussion for settlement and the minutes should be placed in the file for subsequent approval of the Group Officer.
- j. The results of the review of IR should be incorporated in the current IR indicating the latest position and reasons for which these are outstanding and recommendations as a result of discussion with the concerned officers of the auditee unit.

*(HQs. Office D.O. No. 27-Audit (A P)/34-2001 dated 4.6.2002 and 68-Rep(S) /19- 2004 dated 22.1.2004)*

#### **4.29.2 By the Head Quarters Sections:**

Review of outstanding paragraphs of previous IRs should be conducted by GSS-I/IR & GSS-I/AB as a regular course for settlement. While conducting such review, broad sheet replies, money value, age of objection, its relevance to the present situation and possibility of its further development into Draft Paragraph should be taken into consideration and a proposal for such settlement of the outstanding paragraph submitted to Group Officer through concerned Branch Officer for approval.

**Note:** Issues which have been included in the Audit Report (Review/Paragraph) could be treated as settled as far as audit is concerned and removed from the list of Objection/Inspection Reports.

*(HQs. Circular No. Audit II/86 (D.O. No. 109-Audit-II/2dated 17.1.1986)*

#### **4.29.3 During Audit Committee Meeting:**

Outstanding paragraphs of the IRs may be settled through discussions in the meetings of the Audit Committees consisting of the Principal Secretary/Secretary of the concerned Administrative Department, a senior officer not below the rank of Joint Secretary of the concerned group of Finance Department and a representative of the office of the Pr.AG convened by the Administrative Department concerned. The list of items (more than three years old) to be discussed in a particular meeting should be sent to the office of the Pr.AG in advance by the Administrative Department for necessary scrutiny.

**(Government of West Bengal Fin. Dept., Memo No. 5703(72)FB dt. 29.6.82 & Chief Secretary, Govt. of West Bengal DO No. 3114(33) FB dt. 12.8.85)**

A minute should be drawn in the Audit Committee Meeting indicating the details of the paragraph settled in the meeting and accordingly the concern section should keep a note in the respective IR, Para settlement register.

#### **4.29.4 Preparation of Action Taken Note (ATN) for submission to COPU:**

The Secretary to Government of West Bengal of the concerned department shall cause preparation of self-explanatory Action Taken Notes (ATNs) on the audit paragraph(s) relating to his department, that are included in the Audit Report, for submission to the Committee on Public Undertakings (COPU). The Action Taken Note shall carry the approval of the Secretary and State in the following:

- i. Whether the facts and figures stated in the audit paragraph are acceptable and if not, the reasons for not pointing this out when the draft paragraph was received by the Secretary;
- ii. The circumstances in which the loss, failure, infructuous expenditure, etc. as pointed out in the audit paragraph occurred; whether due to (a) deficiency in the existing system including the system of internal control, (b) failure to follow the systems and procedures, or (c) failure of individuals including individuals at supervisory levels;
- iii. The action taken to fix responsibility on the individual(s) responsible for the loss, failure, infructuous expenditure, etc. and the likely time frame within which such action is expected to be completed;
- iv. The current status of recovery of any amount due to Government as pointed out in the audit paragraph and the action taken or proposed to be taken on the suggestions and recommendations made in the audit paragraph;
- v. The result of review of similar other cases, and the action taken;
- vi. The remedial action taken or proposed to be taken to avoid occurrence of similar cases in future, to streamline the systems and to remove system deficiencies, if any, and
- vii. Such other information as may have been prescribed by Committee on Public Undertakings.

#### **4.29.5 Settlement of objections based on Action Taken Reports**

At the instance of the Financial Committees of Parliament, a procedure has been evolved to ensure that Government takes suitable action on all observations included in Audit Reports even if the Committees do not discuss them. According to this procedure, Government is required to intimate to the Committees the follow-up action on the observations, their replies through Action Taken Note (ATN) being vetted by Audit. Adoption of a similar procedure could also be suggested to the Public Accounts Committees (PAC) and Committees on Public Undertakings (COPU) of the State Legislatures. Once this is done and based on the action taken, the related objections and audit paragraphs outstanding in the Inspection Reports could be treated as having been settled in so far as Audit is concerned and deleted from the objection books.

Individual money-value objections or paragraphs included in the Inspection Reports, such as those relating to recovery of overpayments, non-availability of financial sanction, etc., should be pursued to finality and should not be dropped from the objection books or Inspection Reports. However, objections raised on grounds of propriety and included in the Audit Report for discussion by the Public Accounts Committee may be dropped from the objection books or Inspection Reports and further action thereon watched through the Reports of the Committee and the Action Taken Notes furnished by the ministries and departments. These objections not to be included in the Audit Report either because the amount involved is not significant or the impropriety is not serious and those which have remained outstanding for more than two years may also be removed from the objection book or Inspection Report after bringing them to the notice of the Secretary of the concerned Department for further necessary action.

**[Paragraph 7.1.20 & 7.1.21 of MSO (Audit)]**