

*(सिर्फ भारतीय लेखापरीक्षा तथा लेखा विभाग के कर्मचारी उपयोगार्थ)*  
*(For use by the Officials of the Indian Audit and Accounts Department only)*

कार्यालय महालेखाकार (लेखापरीक्षा II), गुजरात, अहमदाबाद

Office of the Accountant General (Audit II),

Gujarat, Ahmedabad



सत्यमेव जयते

लेखापरीक्षा प्रबंधन समूह १ की लेखापरीक्षा नियमावली

प्रथम संस्करण

**MANUAL OF AUDIT MANAGEMENT GROUP I**

**FIRST EDITION**

कार्यालय महालेखाकार (लेखापरीक्षा II), गुजरात, अहमदाबाद द्वारा जारी

Issued by

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## PREFACE

This Audit Manual has been compiled for the guidance of the audit staff of the Audit Management Group I (AMG I) of the office. This manual deals with the audit technique for the audit of the Industries & Mines Department, Public Works Department and Ports and Transport Department under the audit purview of AMG I Group. The relevant checks to be exercised during the audit of a particular law or record have been discussed in detail while dealing with the concerned department, law or record.

For the purpose of conducting effective audit, a good knowledge of the provisions relating to the relevant Acts and Rules made there under is essential. If in the course of audit any reference should be made to the relevant Act or Rule, the same should be made quoting the relevant Act or Rule and not the paragraph of this manual. The manual should be treated as a guide and the audit checks indicated therein should not be taken as exhaustive.

Any error or omission in the manual or suggestion to improve it may be brought to the notice of the Group Officer in Charge of AMG I Group.

I hope that this publication will be a useful guide to the staff and officers of the office of the Accountant General (Audit-II), Gujarat in the efficient functioning and discharge of their duties. Suggestions for its improvement are welcome.

Place: Ahmedabad

Date: 19 July 2023.

*V.N. Kothari*

(Vijay N Kothari)

Accountant General (Audit-II), Gujarat

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Place: Ahmedabad  
Date:

(Vijay N Kothari)  
Accountant General (Audit-II), Gujarat

# CHAPTER - 1

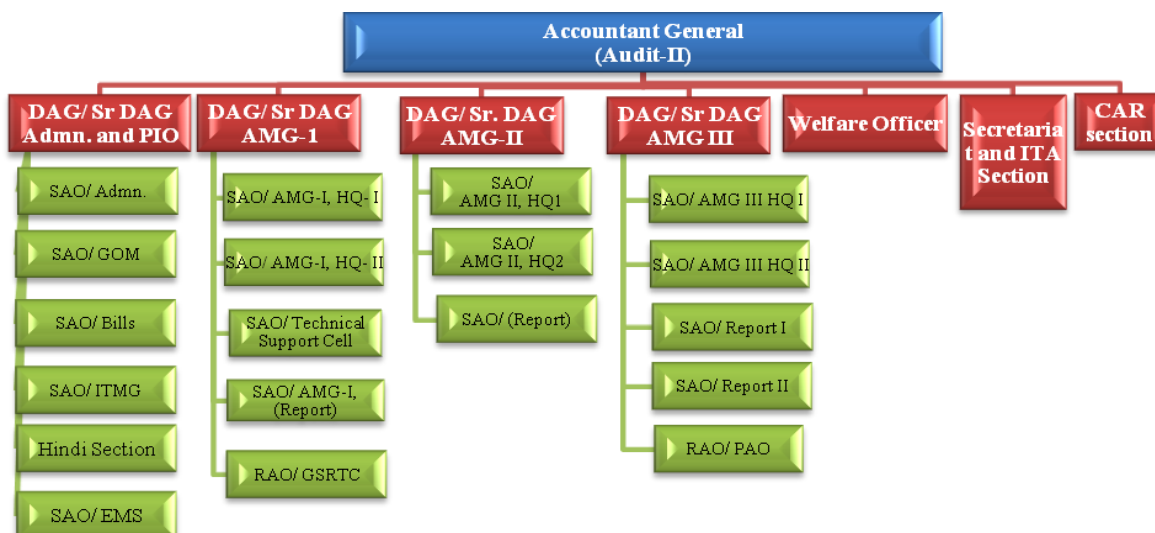
## ORGANISATION AND FUNCTIONS

### Introduction

**1.1** The Comptroller and Auditor General of India (CAG) is the sole authority prescribed in the Constitution entrusted with the responsibility of audit of accounts of the Union and of the States. It is the duty of the CAG to audit receipts and expenditure of the Union and each State and the Union Territory Governments. The audit reports of the CAG are placed before Parliament or the Legislature of the State or the Union Territory, as the case may be. The duties of the CAG extend to audit of Government Companies, Corporations and autonomous bodies and authorities in accordance with the laws made by the Legislature and rules made there under.

**1.2** Accountant General (Audit-II), Gujarat is CAG's principal officer in IA&AD for the State of Gujarat, with its head office (HO) at Ahmedabad. AG coordinates IA&AD's interface with the State Government of Gujarat (GoG) and the media. AG's core audit function areas are: audit of all the Departments/Agencies/Public Sector Undertakings (PSUs) /Autonomous Bodies (ABs)/Statutory Corporations of GoG falling under the clusters allotted to AG (Audit II).

**1.3** The Organizational Structure of Office of the AG (Audit-II), Ahmedabad is as follows:



The cadre control of Senior Audit Officers (Sr.AOs)/Assistant Audit Officers (AAOs) of civil cadres of AG(Audit-II) Gujarat, Ahmedabad, O/o AG(Audit-I),Gujarat, Rajkot and O/o the PDA/DGA, Ahmedabad are with the Accountant



General(Audit-II), Gujarat,Ahmedabad.Senior Audit Officers (SAOs)andAssistant Audit Officers (AAOs)of the Commercial Cadres are posted by the CAG Office. Cadre control below the level of AAOs viz.,Multi-Tasking Staff (MTS), Record Keeper/ Daftry, Data Entry Operators, Auditors, Sr. Auditors, Supervisors of the offices of AG Audit- II Ahmedabad and O/o PDA (C) Ahmedabad are with the O/o AG (Audit-II), Gujarat, Ahmedabad.

### **Audit Mandate**

**1.4** The CAG derives his authority and functions mainly from the provisions of Articles 149 to 151 of the Constitution of India. Article 149 of the Constitution provides that the CAG shall exercise such powers and perform such duties in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by the Parliament. Parliament passed the necessary legislation, namely CAG's (Duties, Powers and Conditions of Service) Act, 1971 ( DPC Act, 1971). The Audit Mandate for conducting audit of Government Companies, Statutory Corporation, Autonomous Bodies and Government Department is detailed below:

### **Audit of Government Companies**

**1.4.1** The duties and powers of the CAG in relation to the audit of accounts of Government Companies are indicated in Section 19 of DPC Act, 1971. These duties and powers are to be performed and exercised under sub-section (1) of Section 19:

(i) in case of Government Companies in accordance with the provisions of the Companies Act, 2013 (CA, 2013). Section 139 (5)oftheCA (2013)prescribes that auditor of Government Company or any other company owned or controlled directly or indirectly, by the Central Government or by any State Government or Governments, partly by the Central Government and partly by one or more State Governments shall be appointed or re-appointed by the CAG. Section 143 (5) directs the manner in which the accounts of Government Company or Company owned/ controlled by Governments are required to be audited and thereupon the auditor so appointed shall submit a copy of the audit report to the CAG which, among other things, include directions, if any issued by the CAG, the action taken thereon and its impact on the accounts and financial statements of the Company.

### **Audit of Statutory Corporations**

**1.4.2** According to Section 19 (2) of the DPC Act, 1971, the duties and powers of the CAG in relation of the accounts of the Corporations established by or under any law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective Legislations.

Section 19 (3) of the DPC Act, 1971, the Governor of State or the Administrator of a Union Territory, having a Legislative Assembly may, where he is of opinion that it is necessary in the public interest to do so, request the CAG to audit the accounts of a Corporation established by law made by the Legislature of the State or of the Union Territory as the case may be, and where such request has been made, the CAG shall audit the accounts of such Corporation and shall have, for the purposes of such audit, right of access to the books of accounts of such Corporation.

## **Audit of Autonomous Bodies**

**1.4.3** According to Section 14 (1) of the DPC Act, 1971, where anybody is substantially financed by grants and loans from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly, the CAG shall subject to the provision of any law for the time being in force applicable to the body or authority, as the case may be, audit all receipts and expenditure audited by him.

Section 14 (2) of the DPC Act, 1971 prescribes that notwithstanding anything contained in sub-section (1), the CAG may with the previous approval of the President or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, audit all receipts and expenditure of any Body of any State or of any Union Territory having Legislative Assembly, as the case may be, in a financial year is not less than one crore.

Section 14(3) of the DPC Act, 1971 prescribes that where the receipts and expenditure of any Body or authority are, by virtue of the fulfillment of the conditions specified in sub-section (1) or sub-section (2), audited by the CAG in a financial year, he shall continue to audit the receipts and expenditure of that body or authority for further period of two years that notwithstanding anything contained in sub-section (1) or sub-section (2) are not fulfilled during any of the two subsequent years.

## **Audit of Government Departments**

**1.4.4** Section 13 of the DPC Act, 1971 prescribes 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 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 and loss accounts and balance sheets and other subsidiary accounts kept in any department of the Union or of a State.

Section 16 of the DPC Act, 1971 prescribes the duty of the CAG to audit all receipts which are payable into the Consolidated Fund of India and of each State and of each Union Territory a Legislative Assembly and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon.

## **Regulations**

**1.5** In pursuance of Section 23 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Comptroller and Auditor General of India hereby made the Regulations, *viz.* Regulations on Audit and Accounts (amendment) 2020.

These Regulations apply to the staff of the Indian Audit and Accounts Department (IA&AD) and all ministries and departments of the Union Government, State Governments and Union Territory Governments as well as Autonomous Bodies, Authorities and Enterprises, to which the audit or accounts jurisdictions of the CAG extend. Further, standing orders, guidelines and practice notes issued by CAG also guide the conduct of audits.

The CAG is not obliged to carry out, modify or refrain from carrying out an audit or suppress or modify audit findings, conclusions and recommendations in the light of any directions by the executive. This, however, does not preclude requests to the CAG by the executive proposing matters for audit.

### **Authority with regard to audit**

**1.6** Under Section 18 read with Section 2(e) of the CAG's (DPC) Act, the CAG has the authority:

- (a) to inspect any office of accounts under the control of the Union Government or of a State Government or of a Union Territory having a legislative assembly;
- (b) to require that any accounts, books, papers and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection; and
- (c) to put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which it is his duty to prepare.

The person in charge of any office or department, the accounts of which are audited by the CAG, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

### **Request for special audit**

**1.7** The CAG or any officer so authorised shall give due consideration to a request for special audit of a programme, project or organisation within the audit jurisdiction provided that every such request:

- (a) This is made with the approval of the Secretary to Government of the concerned department;
- (b) shall state the justification and reasons that necessitate a special audit, including the results of any preliminary inquiry, investigation or study that may have already been conducted; and

- (c) specify the period to be covered in the special audit.

All requests received for Special Audit shall be examined at field office and along with views shall be forwarded to CAG who shall take a final decision under intimation to PPG cell. The decision of the CAG or any officer so authorised in regard to the special audit shall be final.

**(Authority: CAG's letter no. 198-PPG/49-2012 dated 01 October 2019)**

### **Broad objectives of audit**

**1.8** The broad objectives of audit are to ensure legality, regularity, economy, efficiency and effectiveness of financial management and public administration mainly through assessment as to whether:

- (1) the financial statements are properly prepared, are complete in all respects and are presented with adequate disclosures (financial audit);
- (2) the provisions of the Constitution, the applicable laws, rules and regulations made there under and various orders and instructions issued by competent authority are being complied with (compliance audit); and
- (3) the extent to which an activity, programme or organisation operates economically, efficiently and effectively (performance audit).

### **Auditing Standards**

**1.9** Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in the audit and constitute the criteria or yardstick against which the quality of audit results is evaluated.

**1.9.1** The auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI) have been suitably adapted 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 were first issued by the Indian Audit and Accounts Department in 1994 and subsequently revised in March 2002 and March 2017.

The auditing standards shall *inter alia* include the following:

- (a) Basic postulates
- (b) General standards
- (c) Specific standards

### **Relevance and application of Auditing Standards**

**1.9.2** Auditing standards provide the framework for performing high quality audit. Compliance with these standards is expected to ensure that a high quality of audit is performed for achieving the audit objectives.

- Auditing standards shall apply both to the individual auditor and the audit department.

- All audits on behalf of the Comptroller and Auditor General are required to be conducted as per the auditing standards. In other words, auditing standards shall apply to all types of audit including supplementary audit, compliance audit and performance audit.
- Auditing standards shall be consistent with the guiding principles of auditing standards as contained in Regulations on Audit and Accounts 2007.

### **1.10 Pre-restructuring**

Prior to restructuring for an integrated perspective for audits, audit of government offices, local bodies, special purpose agencies, autonomous bodies, PSUs etc., were integrated into suitable sectoral audits, such as “Social”, “Economic”, “General” and “Revenue”.

### **1.11 Restructuring of Indian Audit & Accounts Department**

As a part of Restructuring of Indian Audit & Accounts Department, Head Quarters Office intimated (March 2020) implementing restructuring of all Audit Offices in all the States and Union Territories with effect from 1 April 2020.

The restructuring was intended to achieve the integrated view as a combination of both, enabling structure and process by requiring vertical alignment and horizontal coherence in audit jurisdictions and distribution of audit entities. Across all state, the departments were grouped into clusters and the clusters were distributed amongst the audit offices. The group officers’ charge is called Audit Management Group (AMG) (*i.e.* AMG-I, AMG-II & AMG-III).

**1.11.1** Post restructuring in May/ June 2020, AMG-I wing is responsible for conducting audit of Roads and Building Department and Industries & Mines Department, their offices, Autonomous Bodies and Public Sector Undertakings. Also, this wing is responsible for conducting audit of Ports and Transport Department, their offices, Autonomous Bodies and Public Sector Undertakings vide PAG’s order *w.e.f.* 1 April 2022.

The Industries and Mines Department is engaged in activities related to economic and industrial development of State through growth of small, medium and large scale industries. There are 7 Major Heads of the Department, 25 District Industrial Commissionerates (DIC) and various Boards/ Corporations and other institutions under Industries and Mines Department.

The Roads & Buildings Department is in charge of all activities pertaining to planning, construction and maintenance of all categories of roads and all Government owned buildings in the State of Gujarat. National Highways are owned and funded by the Ministry of Surface Transport, Government of India and R&B Department looks after the National Highways works on an Agency basis. There is 1 Major Head of Department and 84 sub offices including divisions and circle offices. Also there are two PSUs under the Department.

The Ports & Transport Department is in charge of all activities pertaining to development of maritime infrastructure, facilities and services and also responsible for providing efficient transportation system, control of vehicular pollution,

registration of vehicles, issuance of driving licence and various permits, collection of road taxes etc. There are 2 Major Head of Department, 36 Road Transport Division offices, 1 Autonomous Bodies (comprising of various port offices) and 1 Statutory Corporation (Comprising of various divisions and offices) and 1 PSU under the Department.

The AMG-1 wing is responsible for conducting audit of 12 Autonomous Bodies, 33 PSUs (29 PSUs under Industries and Mines department and two PSUs under Road and Building department, two PSU under Ports and Transport Department) expenditure units of I&M and R&B Department and revenue units of Geology & Mining Department.

**1.11.2** The following table shows the Department wise number of units under the AMG-I wing:

Sl. No.	Name of Department	Total Number of Units	Details of units		
			Apex Unit	Auditable Unit	Implementing Unit
1	Roads & Buildings Department	90	01	89	195
2	Industries & Mines Department	142	07	135	00
3	Ports and Transport Department	75	02	73	125
<b>Total</b>		<b>307</b>	<b>10</b>	<b>297</b>	<b>320</b>

**1.11.3** The sanctioned strength of Sr AO, AAO and Auditor for AMG I wing of O/o AG (Audit II) as on 24.11.2022 is as follows:

AMG-I	SAO(Civil+ Commercial)	AAO(Civil+ Commercial)/ Supervisor	Asst. Sup./Sr. Auditor/Auditor	DEO/CT
Headquarters I	1	2	6	3
Headquarters II	1	2	5	3
Report	1	2	2	3
Technical Support Cell	1	1	2	0
Financial Attest Audit Party	0	1	3	2
RAO/ GSRTC	1	2	4	1
Field	12	28	13	0
<b>TOTAL</b>	<b>17</b> (8 Civil+ 9 Commercial)	<b>38</b> (20 Civil+ 18 Commercial)	<b>35</b>	<b>12</b>

### Code of Ethics

**1.12** The organisation of the Comptroller and Auditor General of India has decided to adopt a Code of Ethics keeping in view of the international best practices to provide a clear guidance on the standards of behaviour expected from

the members of the Indian Audit and Accounts Department. The code incorporates values and principles contained in the Central Civil Services Conduct Rules for Government Servants in India (CCS Conduct Rules) and suitably adapted broad principles contained in ISSAI 30 (INTOSAI Standards for Supreme Audit Institutions). This Code is applicable to all the individuals working in the auditing and accounting wings of the IA&AD and all the individuals working for or on behalf of this Department i.e. consultant, expert, statutory auditors etc.

In order to comply with the Code, the action to be taken is as follows:

- (a) As referred in Para 3.24 of the Code, a declaration in the format prescribed in Annexure I of the Code is required to be signed separately by each member of the audit team, including the supervisory Officer prior to the commencement of the audit. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Inspection Report having acknowledgement from the Management.
- (b) Similarly, a declaration as prescribed in the Annexure-II is to be obtained from outside auditors engaged on contract with the SAI like expert, consultant, statutory auditors, etc. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Report to be submitted to SAI India.

**(Authority: CAG's Letter No. I/ B/ 5/ 954-PPG/ 41-2012 dated 25 September 2012)**

**1.13** The AMG-I Group comprises of five sections. Functioning of all five sections (in brief) is given as under:-

**1.13.1 AMG-I/Headquarters-I:** This section identifies the units under the jurisdiction of the Group and maintains the database of Audit Universe. It deals with the preparation of Annual and Rolling Audit Plan considering the availability of manpower and quarterly tour programmes for the local audits. The section has also been allotted the work of vetting/issuance of the inspection reports of Industries & Mines Department received from the Local Audit Parties. The Certification/Supplementary Audit of 33 State Public Sector Undertakings (including three SARs) and 1 Autonomous Bodies under the administrative jurisdiction of all three Departments are also being carried out.

The section co-ordinates with other three sections and the field parties under the jurisdiction of AMG-I Group for submission of periodical returns/information. Certification of external aided projects, audit fees, audit of DRF Accounts etc. is also carried out by this section.

**1.13.2 AMG-I/Headquarters-II:** There are two sub-sections under the section:

**1.13.2.1 IR (R & B and P & T)** section is responsible for vetting/issuance of the inspection reports of Roads and Building Department and Ports and Transport

Department (except Gujarat State Road Transport Corporation (GSRTC)) received from the LAPs as a result of Compliance/ Propriety Audit conducted and also with the work of Certification of External Aided Projects.

**1.13.2.2 FAW (R & B) section** deals with the voucher audit of monthly accounts of divisions under R&B Department and detailed audit of the sampled vouchers from Part-II of the monthly accounts, issue of audit completion Certificate, issuance and pursuance of Audit Notes/Special letters to the divisions.

**1.13.3 AMG-I/Report Section:** The Section is responsible for identification of topics for undertaking Performance Audit (PA), Subject Specific Compliance Audit (SSCA). The Section also monitors the implementation of the Audit plan for PAs/SSCAs and decides the scope of Audit, Audit methodology, criteria and sampling techniques. The significant audit observations reported in the Inspection Reports during Compliance Audit of various units selected in Audit Plan for the year are pursued with the Department for reporting in the Audit Report of C&AG. The Audit Reports of PAs, SSCAs and significant audit observations approved by the C&AG are submitted to Governor and Finance Department for placement before the State Legislature and are thereafter discussed by the Committee on Public Undertakings (COPU)/Public Account Committee (PAC).

The recommendations of the COPU/PAC pursuant to the discussion are pursued for verifying the Action Taken on recommendations.

**1.13.4 AMG-I/Technical Support Cell:** This section is entrusted with the work of receiving the Annual Accounts from State PSUs and providing Tour Programmes to Local Audit Parties for Supplementary Audit. The section also submits non review on the basis of selection criteria of PSUs as per CAG Hqrs. instructions. Further, SAO technical cell gives additional remarks on draft provisional comments and aide memoire stage on the accounts of State PSUs to ensure the uniformity in processing of comments. The Section is also responsible for apprising AG regarding status of Annual Accounts of State PSUs.

Detailed functioning of the Headquarters section will be given in succeeding chapters.

**1.13.5 Resident Audit Office (RAO), Gujarat State Road Transport Corporation (GSRTC):** RAO, GSRTC conducts on annual basis audit of the tentative accounts compiled and submitted by the corporation. Besides, RAO, GSRTC performs propriety audit of the various operating activities, functions, works, purchases of store including audit scrutiny of the resolutions of the Board and various committees such as purchase committee, tender committee, rate contracts finalized by the All India Association of Road Transport Undertakings (ASRTU) Delhi and expenditure of the Central Office, etc.

The RAO also does the work of issue and pursuance of inspection reports of field units of GSRTC and prepares Separate Audit Report (SAR) for submission to the State Legislature. The SAR of GSRTC contains comments on annual financial statements as well as review of accounts which indicates operational performance as well as the working results of the GSRTC. The SAR is issued to the State Government after approval from the CAG office.



## CHAPTER-2

### FUNCTIONING OF AUDIT MANAGEMENT GROUP-I

**2** For ease of functioning, Audit Management Group I has been divided into Audit Management Group I (Headquarters I & II), FAW Section, Audit Management Group I (Report Section) and Technical Support Section. The functions of these Sections are under the supervisory charge of (Sr.) Deputy Accountant General (Audit Management Group I). Each Section is under the direct charge of a Senior Audit Officer. This chapter deals with duties and responsibilities of Audit Management Group I.

The allocation of duties and responsibilities to AAOs, Sr. Auditors, Auditors, Clerk- cum- Typist and Data Entry Operators would be entrusted by the Sr Audit Officer of respective sections.

#### **2.1 Audit Management Group (Headquarters I) Section**

The Sr. Audit Officer in charge of Audit Management Group I (Headquarter I) has been allocated with the audit of units of Public Sector Undertakings under Industries and Mines Department, audit of Autonomous Bodies and departments under Industries and Mines Department including Geology & Mining. Also preparation of Annual and Rolling Audit Plan, Framing of Quarterly Tour Programmes, Certification of external aided projects, Separate Audit Reports, audit fees has been assigned to AMG I (Headquarter I). The section also consolidates all the information/returns in respect of AMG-I Wing for onward transmission to C&AG's office/within office.

#### **2.2 Audit Plan**

The Audit Plan for the year is to be prepared based on the units allocated to AMG I (Headquarter I and II) on the basis of available man power and risk analysis conducted by the Headquarters-I Section.

While preparing Audit plan, the man days available for the field audit is worked out by multiplying the Men-in-position as on 01 July with the yard stick of 230 working days in a year (after considering leave, transit, training at RTI). The resultant man days are then allocated between Supplementary Audit, Sole audit, Performance Audit, Thematic Audit and balance for conducting the Compliance Audit.

The man days available are first allocated to the Supplementary Audit/ Financial Audit since this a statutory requirement which needs to be completed within the time schedule. After allocating the man-days for Sole audit, Performance Audit and Thematic Audit, the balance is allocated for Compliance Audit.

The categorisation has been made based on the prescribed criteria for units for Expenditure, Public Sector Undertakings, Revenue Department Units,

Autonomous Bodies indicating “A” as High Risk, “B” for Medium Risk and “C” for Low Risk which are as follows:

### 2.2.1 Risk analysis

#### 2.2.1.1 For Transaction Audit of PSUs

(As per CAG’s letter no 501/ CA II/ co-ord./ Audit Plan/ 2010-11/ 166-2009/ dated 11 September 2009)

#### A. PSUs are categorised into category A, B and C based on the risk analysis, as per formula as follows:

Sl. No.	Criteria	Risk Points	
a	Positive capital employed	1	
b	Increase in capital employed (compare to 5 year ago)	2	>100%=2 <100%=1
c	Increase in turnover (compare to 5 year ago)	2	>100%=2 <100%=1
d	Profit making PSU	1	
e	Activity of the PSU contributed major part of the revenue	2	<50%=0 50-80%=1 >80%=2
f	Total income and expenditure	3	
	(i) is over ₹ 1000 crore	2	
	(ii) is between ₹ 500 and ₹ 1000 crore	1	
	(iii) is less than ₹ 500 crore		
g	Adequacy of internal control	1 to 2	
h	Areas of audit scrutiny	1 to 4	
i	Past audit concern	1 to 3	

Total Risk Points (RP) in all PSUs are worked out based on financial figures for the prior year (latest available). Thereafter, individual PSUs are categorised as per criteria given below:

- If RP equal to or greater than 12 of total 20 RP; the PSU is Category ‘A’
- If RP equal to or greater than 1 but less than 11; the PSU is Category ‘B’
- If RP is equal to 0; the PSU is Category ‘C’

After categorisation of PSUs, further categorisation of PSU units is carried out. Accordingly, for Gujarat Industrial Development Corporation

- RM offices having revenue of ₹ 100 crore & above, are in category ‘A’
- RM offices having revenue of ₹ 20 crore to ₹ 100 crore are in category ‘B’
- Rest of the RM offices, are in category ‘C’

#### 2.2.1.2 For Transaction Audit of Departments and their units

Based on ratio of expenditure and potentiality of draft paragraphs, Road and Building Department is classified as High Risk department and accordingly days are provided for their units in High (A), Medium (B) and Low Risks (C).

### Road and Building Department

Category of Unit	Annual Expenditure
A	More than ₹ 250 crore
B	₹ 50 crore to ₹ 250 crore
C	Less than ₹ 50 crore

### I&M Department:

Category of Unit	Annual Expenditure
A	More than ₹10 Crore
B	₹10 Crore to ₹2 Crore
C	Less than ₹2 Crore

### Ports and Transport Department:

Department Name	Audit Classification		
	AAEs	AUs	IUs
Ports and Transport Department	2	52	19

### A. Criteria for categorization of units under Section 13:

Category	Criteria
A	Units having more than ₹ 5.00 crore expenditure excluding establishment expenditure and audited annually
B	Units having expenditure between ₹ 1.00 crore and ₹ 5.00crore and audited bi-annually
C	Units having expenditure less than ₹ 1.00 crore and audited once in 3 years depending on the availabilities of field staff

### B. Criteria for categorization of units under Section 16:

#### I. Percentage of Revenue

Units with more than 4 per cent of total revenue of state	3
Units with 1 per cent or more but less than 4Percent	2
Units less than 1 per cent	1

#### II. Complaints / Media Reports

Complaints and Media Reports during last 1 year	3
Either Complaints or Media Reports during last1 Year	2
No Either Complaints or Media Reports during last 1 year	1

#### III. Budget Proposal

Budget proposal applicable to unit	3
Budget proposal if partially applicable to unit	2
Budget proposal if not applicable to unit	1

**IV. Number of Documents: Different parameters have been adopted for different taxes keeping in the view the nature of tax and available data.**

No. of vehicle registered more than 100000	3
No. of vehicle registered less than 100000 but more than 50000	2
No. of vehicle registered less than 50000	1

**V. Unit Audited in last three years**

Unit not audited during last three years	3
Unit audited once in three years	2
Unit audited more than once in three years	1

**VI. Reply of IRs during last three years**

If first reply not received for all IRs	3
If first reply received one out of three IRs	2
If first reply received for three all IRs	1

**VIII. Part IIA Paras/ FNs issued during last three years**

If no. of Part IIA Paras / FNs are more than 5	3
If no. of Part IIA Paras / FNs are less than 5 but more than 2	2
If no. of Part IIA Paras / FNs are less than 2	1

Weightage for categorization of Units in A, B and C category are given as mentioned below:

1. Revenue: 20 points
2. Complaints / Media Reports: 10 points
3. Budget Proposal: 10 points
4. Number of Documents/vehicles/leases: 20 points
5. Units audited in last three years: 10 points
6. Reply of IRs during last three years: 20 points
7. Part IIA Paras / FNs issued during last three years: 10 points

Department	Category	Criteria
MVT (Ports and Transport Department)	A	190 points and more
	B	150 points and more but less than 190
	C	Less than 150

**2.2.1.3 For Transaction Audit of Autonomous Bodies**

Autonomous Bodies (under section 14 and 20 of CAG's Act) under Industries and Mines Department have been classified as low risk and provided 5 days each.

**2.2.1.4 For Transaction Audit of Revenue Receipts**

Category of Unit	Revenue
A	More than ₹80 Crore
B	₹ 20 Crore to ₹ 80 Crore
C	Less than ₹ 20 Crore

### **2.2.1.5 Supplementary Audit/ Financial Audit**

The criteria for selection of State PSUs for supplementary Audit is as per CAG's letter no 500/ WR/ KC/ Selection Criteria/ 341-2013 dated 09 July 2014.

### **2.2.2 Common Parameters for evaluation of risk**

Common parameters for evaluation of risk in respect of Compliance audit, Supplementary audit and Performance audit have been developed at Headquarters and the same has been decided to be implemented in relation to audit of State PSUs/ Commercial activities. In order to ensure effective implementation of above mentioned instructions, following steps may be taken which will also help in mitigation of the risk involved in the process: -

- (1) Information flow should be in place to assure timely accurate data to support risk identification.
- (2) The significance of various risks should be estimated as to the likelihood of its occurrence.
- (3) Actions should be planned to address the identified risks.

The period for audit of units should be revised based on assessment of total risks of unit and formula/ criteria for determining periodicity should be clearly defined.

**(Authority: CAG's letter No: 605/ CA-II/ Co-ord./ Inst/ 2005-06/ 82-2005 dated 03 September 2007)**

### **2.2.3 Integration of risk analysis with annual plan**

In respect of corporate offices of PSUs selection is made based on marks allotted based on risk analysis and past experience in respect of divisions of PSUs the selection is based on the following criteria:

- Manpower available after covering PSUs.
- Inter se expenditure and revenue of the divisions
- When the unit was previously audited.

The Audit Plan after consolidation by Central Audit Report Section is submitted to CAG's Office during August/ September of each year for the subsequent financial year for approval.

### **2.3 Preparing the database:**

Database of Apex Units i.e. Department/sector and the auditable units and the implementing units shall be updated from time to time. Risk assessments should be analysed keeping in view the profile of the department, schemes or projects implemented, budget estimates, expenditure incurred on new developments or new services, press clippings, complaints, policies introduced etc.

## 2.4 Framing of Audit Programmes

The monthly/ quarterly audit programme is prepared for each local audit party based on the receipt of approval of the Audit Plan for its implementation from Headquarters. In case of audit of supplementary audit, on receipt of the certified accounts from the companies/ corporations, audit programmes are finalised by Technical Cell in consultation with AMG I(Headquarter I). After approval of programme by the Accountant General, the same is issued to Local Audit parties. The Audit Programme (Monthly/ Quarterly) is uploaded on the official website of office of the AG (Audit II) Ahmedabad, Gujarat.

The composition of local audit party generally consists of two AAOs and one Auditor keeping in view the nature, and complexity of the work of auditee organisation which is supervised by the Local Audit Officer. In respect of Low-Risk Auditee units, the audit may be done by the AAOs. The audit party may, before proceeding for audit, study the working of the organisation and details from data bank if any, created. Besides, the supervision at Sr.DAG/ DAG level is done for audits as per the programme approved by the AG (Audit II).

2.5 C&AG office has called for significant changes in audit methodology. In this regard following changes in audit has been made:

### 1. Compliance Audit

➤ Before commencement of audit, desk review is being conducted by LAPs in pursuance of Guidance Note on improving the quality of Inspection Reports issued by CAG office. This gives the LAP an understanding and insight about the audit entity and the focus areas before visiting their office. The same is explained in detail later.

➤ Draft POMs/HMs with money value more than ₹ 1 crore should be sent by LAP to Group Officer immediately after the issue of POM. POMs above ₹ 5 crore should be sent by LAP to AG (Audit II). If POMs having money value above ₹ 1 crore but below ₹ 5 crore pertain to cases of serious irregularities and lapses, which the Group Officer feels should be brought to the attention of AG, the same can be sent to AG for comment. In case of non receipt of remarks of GO/ AG till finalization of IR, decision of inclusion of POM in IR may be taken on merit without waiting for comment from GO/AG. (Circular No 1/2022-23 dated 13-10-2022)

### 2. Financial Audit

During the course of processing of the draft comments after completion of Accounts audit, the comments which are to be dropped or are to be pursued through Management Letter are being discussed with Field Audit Parties so as to take their view/ consent before finalization of comments to be sent to C&AG Headquarters. The view of the LAP along with the remarks of Headquarters is sent to Technical Cell for their view/ consent.

**(Authority: C&AG's letter no. 01-WR/Coord/AAB/184-2017 dated 01-01-2019)**

## 2.6 Duration of audit

There are no well-laid down norms for fixing the duration of audit. The time allocation is closely reviewed to decide the duration of audit keeping in view the availability of audit resources and increase in the volume of activities of the auditee units.

The Inspecting Officers may indicate their suggestions for increase in the duration of audit for future audits in the Title sheet while forwarding the draft inspection reports. In consideration of these aspects duration of audit is decided by AMG I (Headquarters 1) Section.

## 2.7 Communication of Audit Programme

An intimation of audit should be sent to the management of the concerned auditee unit at least two weeks in advance detailing the names of the audit party personnel and the duration and type of audit. Monthly/ Quarterly tour programmes as approved by the DAG/ Sr DAG (AMG I, II & III) should be intimated to the Inspecting Officers and local audit parties well in advance. A programme register shall be maintained by AMGI (Headquarter 1) Section. The extension of audit programme if any, along with detailed justification has to be submitted by the LAP for prior approval of DAG/ Sr.DAG.

## 2.8 Audit of Statutory Corporation

The Statutory Corporations within the Audit Jurisdiction of Sr DAG (AMG-I) which are governed by the Separate Act of Parliament/ Legislature are as follows:

Sl. No.	Name of the Statutory Corporation	Governed by provisions of	CAG's Mandate
1.	Gujarat State Financial Corporation (GSFC)	State Financial Corporation Act, 1951	Section 19(2) of CAG (DPC) Act
2.	Gujarat Industrial Development Corporation (GIDC)	Gujarat Industrial Development Act, 1962	Section 19(3) of CAG (DPC) Act
3	Gujarat State Road Transport Corporation	Road Transport Corporation 1951	Section 19(2) of CAG (DPC) Act

The annual accounts of the Corporations are to be prepared in such form as may be prescribed by the State Government in consultation with the Comptroller and Auditor General of India under various Acts since CAG is the Sole Auditor.

The SARs on the accounts of Statutory Corporations should contain comments on account. Points of purely propriety nature should not be included in the SARs and should be taken up as draft paras. The quantum of checks for bodies for which C&AG is the sole auditor will depend on (a) soundness of the internal control, (b) our past experience and familiarity with strong and weak points of the organisations, and (c) the relative importance of an area of operation to the organisation. The quantum of checks to be exercised during the audit of accounts of Statutory Corporations under their audit control should be determined by the AG in light of the above factors. A copy of formats of certificate for issue of comments is kept as (Annexure-12 A, B and C).

In case where the CAG is the sole auditor it will be our primary responsibility to express an opinion about the truth and fairness of the financial statements being certified. If irregularities of a serious nature persist year after year, these should be brought to the notice of the highest authority of the organisation as well as of the Government for rectification. If such irregularities persist, adverse opinion or a disclaimer can be considered and the case should be brought to the notice of Headquarters for further directions. The SARs on the accounts of Statutory Corporation should be sent to the Headquarters office for approval before issuing to the State Government.

## **2.9 Audit Fees**

- (i) It has been decided by the Government of India, in consultation with the CAG, that audit charges will be adjusted as follows:
  - a) Where CAG is the sole auditor for local body/institution, under any law made by Parliament under Article 149 of the Constitution, charges will be payable in full, unless specifically waived by Government under section VIII of Appendix 3 of Account Code, Volume I.
  - b) Where the audit is super imposed with the local body/institution having its own auditors, i.e. with a view to ensure that the grants or loans by Government have been utilized for the purpose for which they are given, the CAG will be acting in the discharge of his statutory functions and the audit will be at Government cost.

**(Govt. of India, Ministry of Finance (Department of Expenditure) O.M. No. F.5(7)-E.II(A)56 dated 14/8/1957).**

### **NOTE:**

- a) Where audit is undertaken under Section 19 or Section 20 of CAG's (DPC) Act 1971 and CAG acts as the sole auditor in respect of smaller institutions which are not involved in manufacturing or trading activities, recovery of cost of audit need not be effected if the amount is less than ₹ 10,000/- p.a. in each case).

**(D.O. Letter No.649-Aud.II/143-85 dated 30/4/1985 from Shri. K. S. Sastry, Director of Audit, CAG's Office).**

- b) Where CAG acts as the sole auditor of autonomous bodies either under Section 19 or under section 20 of the CAG's (DPC) Act, 1971, cost of audit in respect of ECPA Reviews of these bodies need not be recovered even where cost of audit of accounts of the bodies is recovered. **(C&AG's Letter No. 1741-Audit.II/147-TA-I/75 (Cir. No. 38 Audit. II/1985 dated 7-11-1983).**

- (ii) In cases where audit fee is recoverable it shall be calculated on the basis of daily rates prescribed from time to time (except in cases where the rates of fees recoverable are prescribed by law or by rules having the force of law) and according to the method prescribed by the CAG of India.



(iii) Heads of Departments of Indian Audit & Accounts Department have been delegated the power to sanction daily rates of non-government funds due from 1-9-1968, subject to the following conditions:

- a) The direct charges should be calculated on the basis of average cost of posts involved, and
- b) The indirect charges should be computed at 125% of the direct charges.

**(CAG's Letter No.65-Tech. Admn. I (A)/33-65 Vol. II dated 6-1-1969).**

(iv) The cost of supervision by Audit Officer is included in 125 per cent "indirect charges" calculated on "direct charges" and no separate audit fee in respect of supervision of Audit Officer of the audit party is to be recovered.

The daily rates of audit fee should be worked out and approved by the Head of the Department concerned within two months of the revision of the rates of pay and allowances necessitating the revision of the rates. Immediately after the rates are revised and approved, a copy of the orders should be sent to the CAG's Office to see that there are no wide disparities in the rates approved in different offices.

The accuracy of the daily rates of audit fee so calculated should be checked independently by the Internal Test Audit Section of the concerned office before the rates are approved by the Head of the Department. An indication to this effect should be given in the letter communicating the rates to the CAG's Office. The accuracy of the daily rates of audit fee approved in each office should also be got checked by the Director of Inspection at the time of inspection of that office and a report to that effect sent to the CAG's Office after the inspection is over. **(CAG's letter No. 64-TA/33-65 Vol. II dated 6-1-1969).**

(v) Average cost should be calculated in accordance with the instructions contained in Government of India order No.2 below FR 9(31) (Muthuswamy's Compilation of FR and SR Part I, Xth Edition).

(vi) The instructions in sub-para (v) above apply to the calculation of daily rates of audit fees in respect of audit conducted by peripatetic audit parties of Non-Government funds only.

**(CAG's Lr. No. 206-Audit I/23-85/II dated 31-3-1986)**

(vii) The daily rates of audit fee for the period from 1-1-2007 approved by the Accountant General (GS&SA) are issued through periodical circulars stating the revision of the rates.

(viii) To ensure timely recoveries of audit fee a register for watching recovery of cost of audit in Form Sy-338 (Form-V) should be maintained. A demand note will simultaneously be issued to the Head of institution concerned requesting him to remit the amount by demand draft in favour of the Pay and Accounts Officer, Indian Audit and Accounts Department C/o, Principal Accountant General Gujarat, Ahmedabad. When intimation regarding credit is received from the P.A.O. the remaining columns of the register should be filled in. This register should be put up to the Branch Officer every month and to the DAG/ Sr DAG quarterly.

**(CAG Letter. No. 510-TA.I(RGL)/7-81 Vol II).**

(ix) As authorized under respective Acts/ Orders audit fees are realisable from Gujarat Industrial Development Corporation (GIDC) for the party days utilised in connection with audit of these Statutory Corporations. The local audit in respect of Head Office and various field offices of these corporations is conducted by this office. The rate of audit fee is ascertained from the AG (Audit)-II, Rajkot office. By application of such rate audit fees are calculated by the AMG-I Headquarters and collected as receipts of Audit Department under the appropriate head of account. No audit fees is levied in respect of audit of Government Companies, conducted under the provisions of the Companies Act 2013 and in respect of those Statutory Corporations where the audit by CAG is supplementary (i.e, in addition to that of the Statutory Auditors).

(x) An officer other than the officer responsible for maintaining the register for watching recovery of cost of audit should review the register half yearly to ensure accuracy and speedy recoveries.

The half yearly reviews should be conducted by the 30th September and 31st March every year. The results of the reviews should be submitted to the Principal Accountant General. Further action based on the reviews, to be taken by the sections maintaining the registers that should be watched by sections. **(CAG letter No. 720/ INSP/ 148/ 83/ 39/ INSP1.84 dated 26.11.84).**

The audit fees recoverable are intimated to the respective Corporation by 15<sup>th</sup> March every year and recovery of audit fees is effected by 31<sup>st</sup> March every year.

**2.10 Supplementary Audit:**

(i) To convene a meeting with the Management and the Statutory Auditors of all the Companies with the DAG/ AG to discuss about the schedule dates of finalisation of accounts.

(ii) To resolve/ take up the matter with the Chief Executive Officer of the Company in advance before commencement of supplementary audit in respect of Accounting Policies adopted by the Companies which are not in compliance with the Accounting Standards.

(iii) To provide local audit parties the details of important areas/ points to be specifically examined in the field after scrutinising the Board and Agenda Minutes received at Headquarter from the respective Companies.

(iv) To arrange for training of Officers/ Staff with regard to the introduction/ revision of Companies Act, IFRS and Accounting Standards so as to enable them to audit in changed circumstances.

(v) To arrange for training of Officers/ Staff in ERP/ SAP to enable them to conduct the Audit in Computerised Environment.

(vi) To collect the details of the Audit Fees and other fees for the services rendered by the Statutory Auditor for onward transmission to the CAG's Office.

(vii) *Prima-facie* verification of the certified accounts received and submission of the review remarks to the DAG/ AG along with the proposal for selection of PSUs as per the criteria prescribed. The specific key areas to be verified on comparison with the audited accounts of previous years be prepared and communicated to the Field Parties before commencement of the Supplementary Audit after obtaining the approval of the DAG/ AG.

(viii) To monitor the receipt of certified accounts from the Companies vis-à-vis schedule dates of finalisation of accounts.

(ix) Vetting and issuing of draft comments on the annual accounts of Government Companies received from the local audit parties (LAP), within the reasonable time keeping in view of the relevant instructions of the CAG in this regard.

(x) To scrutinise the replies to the draft comments as furnished by the Statutory Auditors and the Management of the Government Companies and to finalise the comments on the annual accounts and to forward the same to the CAG for its approval along with the Annotated statement containing suitable rebuttal and Audit evidences.

(xi) To verify and issue the comments on the annual accounts of Government Companies, as approved by the CAG, to the Managing Director of the Company. To furnish a copy of the issued comments to CAG's Office along with Proforma on performance of Auditors.(Annexure 11)

(xii) To issue Management Letters about minor deficiencies/ observations made in audit and the assurances to the Chief Executives of the Companies to rectifying the same during finalisation of accounts for the next financial year.

(xiii) To watch the receipts of printed annual accounts of Government Companies after adoption of the accounts and the comments of the CAG in the Annual General Meeting for forwarding required copies of the annual accounts to CAG's Office.

(xiv) Companies (Auditor's Report) Order 2016 In exercise of the powers conferred by sub-section (11) of Section 143 of the Companies Act, 2013 (18 of 2013) and in supersession of the Companies (Auditor's Report) Order, 2015 after consultation with the Institute of Chartered Accountants of India, the Ministry of Corporate Affairs. Government of India made an Order viz., Companies (Auditor's Report) Order 2016 which was published in the Gazette dated 29 March 2016. The extract of the CARO, 2016 is enclosed (Annexure 7).

### **2.10.1 Audit of Consolidated Financial Statements**

According to provisions of the Companies Act, 2013 including those relating to appointment of Statutory Auditors, CAG conducts supplementary audit of financial statements of the Government Companies and also other companies which are owned or controlled directly or indirectly, by the Central Government or by any State Government or Governments, partly by the Central Government and partly by one or more State Governments w.e.f. 1 April 2014. Combined reading of Section 129(1 to 4), 143(5) and 143(6) of the Companies Act, 2013 lead to a

conclusion that for the holding companies which are either Government companies or Government companies which fall in the category of companies owned or controlled directly or indirectly, by the Central Government or by any State Government or Governments, partly by the Central Government and partly by one or more State Governments, auditors for audit of Consolidated Financial Statements (CFS) prepared and adopted by such holding companies would be appointed by CAG and supplementary audit of such CFS would also be conducted by CAG. Further as per the explanation given under Section 129(3) of Companies Act, 2013, subsidiary includes associate company and joint venture. The guidance note on audit of consolidated financial statements is kept at (**Annexure 8**).

### **2.10.2 Formats of certificates for issue of comments**

Consequent upon notification of the provisions of the Companies Act, 2013 and Rules made there under the existing formats of certificate for issue of comments under Section 143 (6) (b) of the Companies Act, 2013 have been modified which are applicable in respect of financial statements of accounting periods commencing on or after 1 April 2018. A copy of each of the five new formats of certificate for issue of comments (for Standalone Accounts and Consolidated Accounts) is kept as (**Annexure-9 (A) to 9 (E) and 10 (A) to 10 (I)**).

**(Authority: CAG's letter no. 563/WR/C&AB/Comp Amend Bill/16-2013/Vol-I dated 27 August 2018)**

### **2.11 Procedures and Checks undertaken prior to and during Propriety audit**

(i) To issue advance intimation to the Companies regarding the commencement of Propriety Audit indicating the names of the Party Personnel and the duration of audit along with the details of records and high value contracts to be kept ready for verification.

(ii) To provide to local audit parties the details of important areas/ points to be specifically examined in the field after scrutinising the Board and Agenda Minutes received at Headquarter from the respective Companies. Register for noting points to be examined during local inspection which should be examined during the course of local inspection.

(iii) Whenever sections come across points which merit examination in local audit, information thereof is entered in the register after approval by the DAG/ Sr DAG. Extracts from this register are sent to the Inspecting Officer, along with the connected files or inspection reports for his examination and report. On receipt of his report the points are dealt with in the usual manner and the final disposal recorded against each point in the register under the dated initials of AAO/SAO giving reference to the orders on the connected file.

(iv) To review the media reports if any published and to collect all the information on the issue to enable local audit parties for further examination.

(v) To provide reasonable manpower to the local audit parties so that the quality of audit is not compromised.

(vi) Vetting and issuance of the inspection reports received from the Field Parties as a result of Compliance/ Propriety Audit conducted and to pursue the same with the Management till the Inspection reports are finally settled/ closed.

(vii) To select the major irregularities included in Part II A of the Inspection Reports issued to the Management and process the same into Potential Draft Paragraphs (PDP) and to furnish copies of "PDP" along with the Audit evidences relating thereto, to AMG I Headquarter DP Section for further processing, and inclusion in the Audit Report of the CAG.

(viii) To get the issues locally verified within the reasonable time on receipt of complaints received from CAG office,/ directly from the complainant / under Right to Information Act.

#### **2.12 General matters overseen by HQ I for coordination with other sections.**

i) To furnish the required material in respect of Government Companies and for inclusion in Audit Report (PSUs) to AMG I Report Section.

ii) To scrutinise the Memorandum and Articles of Association of newly formed Government Company and the accounting and other manuals of Government Companies on its receipt.

iii) To scrutinise agenda and minutes of the meetings of the Board of Directors, Audit Committee and other sub-committees formed by the Board.

iv) To deal with all general matters relating to Government companies and Statutory Corporations of Government of Gujarat.

v) Prepare Annual Audit Plan as per CAG Office instructions for submission to the Central Audit Report (CAR) Section which will compile the data for the entire office for submission to CAG Office after getting the approval of AG.

vi) To attend to the observations made by the Director of Inspection and furnish suitable remarks to the CAG's Office.

vii) To furnish the required material to SFR section for inclusion in Chapter-I, II and III of State Finance Report and AMG I Draft Para Section.

#### **Guidance Note regarding direct access to Private Sector records for audit by CAG**

A Guidance note regarding direct access to Private Sector records for audit by CAG is enclosed for compliance (**Annexure4**).

#### **2.13 Issues pertaining to Staff Matters:**

a) To finalise the staff proposals and submit the same to Administration section for onward submission to the CAG.

b) To check the T.A. bills of the AMG I audit parties with their approved tour programme and weekly diaries of work done and other records maintained at

AMG I Headquarter Section and to forward the same to the Bills Section of the office for re-imbusement.

c) To arrange for the maintenance of Guard files of the circulars received from the CAG of India and arrange for their circulation to the audit parties and also to Audit Officers/ Inspection Officers to serve as their guide for the audit work.

d) To act as a Liaison Section with AMG I Report Section, local/ resident audit parties, Management and Statutory Auditors.

e) To maintain an institution-wise register to indicate details of yearly grants/loans sanctioned by the Central/State Governments to authorities/bodies, including details of unspent grants/loans of the previous years and expenditure incurred by such authorities/bodies for determining whether they fall under Section 14 of the DPC Act. At the close of the financial year, the departments should be asked to send a list of grants/loans sanctioned by them, including those sanctioned by subordinate authorities. When the grant/loan sanctioned, including closing balance of previous years, is not less than ₹ 25 lakh, the accounts of the authority or body should be called for from Government and scrutinised to determine whether audit under Section 14 is required to be undertaken. The State Government should be asked to notify the authority/body that their accounts will be audited by the Principal Accountant General under Section 14 and that they should make available their books of accounts and afford necessary facilities;

f) to process requests for audit under Section 19 and 20 of the DPC Act, keeping in view the following factors:

a) whether the Government have satisfied themselves that it will be necessary for the Comptroller and Auditor General of India to take up the audit in public interest;

b) whether the office is adequately equipped to take up the work with due regard to the staff position, availability of trained personnel etc.;

c) whether the duties cast on the auditor according to acts, rules regulations, etc., are capable of being adequately discharged and they do not contain any item of work which is not normally undertaken by Audit, such as verification of stores, etc;

d) whether audit will be conducted by the CAG's organisation alone or whether there will be primary auditor and in the latter case what are the relative duties of the two auditors and whether such a situation is acceptable;

e) whether the results of audit are to be separately reported to the Parliament/Legislature or whether they can be reported as part of CAG's Report under Article 151 of the Constitution.

**Note:** The standard terms and conditions, and the form of request for audit are given in the **Annexure 1**. The form of request should be suitably modified when the Governor of a State is involved. A time schedule for the annual audit should also be chalked out and also for audit in arrears, if any. Practical difficulties in adhering to the schedule should be reported to Government for remedial action.

**(Hqrs Office letter No. 1076/TA-I(RGL)/26.78 dated: 7.11.1978 and No. 2092/TA-I(RGL)/76-78 dated: 30.11.1979).**

#### **2.14 Directions for Quality Assurance in reporting**

In order to have the uniformity and proper documentation in submitting the Draft Inspection Report and Supplementary/ Certification Audit files including the working papers, a Title Sheet for the Propriety Audit and Supplementary/ Certification Audit has been prescribed detailing that the audit is conducted as per the prescribed procedure, allocation of duties, contribution by the individual party members etc., to be complied by the Local Audit Parties. Compliance Auditing Guidelines by the Comptroller and Auditor General of India (February 2016) has prescribed the form of Inspection Report. The formats of Title Sheets as indicated are enclosed **Annexure 2** and **Annexure 6**.

**(Authority: CAG Letter No. 226-09-PPG/2017 Dated 23 August 2017)**

Title sheet of the Inspection Report includes fraud noticed, complaint verification, reconciliation of treasury transactions, internal audit conducted by the department etc to ensure the effectiveness of internal control. A certificate that only important observations are included in IR is recorded by the audit party countersigned by those responsible for vetting of IR.

**(CAG's observation on performance assessment conveyed by QA Section on 15 Oct 2015)**

#### **2.15 Processing and issue of Inspection Report**

The draft IR should be vetted carefully to ensure that all the working paper requirements as explained above have been complied with and the audit evidence available in the file are sufficient and appropriate.

The draft Inspection Report duly vetted is to be submitted to the DAG/ Sr. DAG(AMG-I) for approval and to be issued within four weeks from the date of completion of audit or such other period as prescribed in this regard to the Management as per the Regulation of Audit and Accounts, 2007. The potential Draft Paragraphs cases if any are required to be sent to the Report Section along with a copy of the para of the Inspection report along with relevant Audit evidences for its further processing for inclusion in the Audit Report Government of Gujarat.

#### **2.16 Pursuance of Inspection Report**

The officer in charge of the audited entity has to send the reply to an audit note or inspection report within four weeks of its receipt. In case of non-receipt of replies, the periodical reminders may be issued at appropriate level by Headquarter Sections till it is settled.

##### **2.16.1 Watching of replies to Inspection Reports:**

i. The first replies to the Inspection Report should be sent within four weeks from the date of receipt of the Inspection Report through Head of Office.

ii. All cases where first reply to the Inspection Report has not been received within one month from the date of issue should be pursued with the departmental officers through demi-official letters for a further period of two months. If audited entity fails to furnish the reply within the period of three months, the matter should be reported to the Government in the Administrative department for taking action. The Officers/Divisions who repeatedly delay the first reply should also be reported separately to Government in the Administrative Department concerned for taking suitable action.

iii. On receipt of the replies of the head of the office to the Inspection Report and the comments of the Controlling Officer/Head of the Department thereon the headquarters section will dispose of the points not requiring the attention of the Government and return one copy to the Head of the Department with further remarks. The subsequent procedure for the final disposal of the Inspection Report with regard to the outstanding paragraphs which could not be settled from the replies to the Inspection Report is to settle them through correspondence.

#### **2.16.2 Verification of outstanding paras of old IRs by LAP**

The local audit parties shall strive to obtain replies of all the outstanding paras of previous inspection reports and verification of their compliance by the auditee units. If necessary, the paras may be proposed to be settled after discussion with the head of the office audited. The results of verification may be recorded in the verification sheet of Inspection Reports which may be submitted to the DAG/ Sr DAG (AMG I) for final orders of settlement of the paras. The settlement of paras is to be decided by the DAG/ Sr DAG and hence the local audit party must not state to the Auditee that the paras have been settled.

**(Authority:CAG's Letter No: 722/ Inspection/ 307/ 2-13-14 dated 29 September 2014)**

#### **2.16.3 Watching of objections arising out of Local Inspection:**

Pendency of old IRs/ Paras was being noticed during inspections of various Audit Offices across India. Headquarters vide letter no 137/ RSCS/ Coordn./AudPln/ 2008/ 279 dated 04 February 2009 issued instructions to review all outstanding para pertaining to the period more than five years to forward to the respective departmental Secretaries/ Chief Secretary with a request for necessary follow up action in each case. In compliance to the same, Headquarter sections need to take necessary and continuous action in this regard and progress may be furnished along with Quarterly Compliance Reports being rendered by the Audit Officers to the Inspection Wing.

#### **2.16.4 Review of objection outstanding for more than three years**

All inspection reports and audit objections outstanding for more than three years should be analysed and reviewed by AAO/AMG IHq-I and II sections.

(i) Objections in respect of which the departmental views have not been accepted by Audit may be discussed by the DAG/ Sr DAG with the Secretary to Government concerned and pursued further if these are of such importance as to find mention in the Audit Report. Otherwise, attention of Government specifically



having been drawn to these objections, they could be treated as having been not pursued further.

(ii) Those objections that have clearly ceased to be of any significance with the passage of time may not be pursued further.

(iii) Audit observations or objections relating to initial and subsidiary accounts included in earlier inspection reports and still outstanding may be clubbed with or merged with similar objections included in the latest reports. Objections that deal with the issues involved only vaguely or in respect of which specific action or measures for rectification or improvements have been specifically suggested may not be pursued further.

(iv) Audit observations relating to non-receipt of sanctions to works estimates or sanctions regularizing excesses over estimates can be treated as having been settled depending on the outcome of the discussions with the Heads of Departments and on the basis of a written assurance from them that the necessary sanctions would be accorded, and after making a mention thereof in the Audit Report.

(v) Objections dealing with non-receipt of formal sanctions to contingent and miscellaneous expenditure need not be pursued further if there is clear evidence in the departmental records of such expenditure having been sanctioned by the competent authority. Cases of unauthorized expenditure still to be regularized can be reported to Government for investigation and appropriate action.

(vi) Audit observations relating to petty items and other items for which details are not available can be treated as having been settled. As regards audit observations not accepted by the Government, the Accountant General can either mention these in the Audit Report or not pursue them further depending upon their content and magnitude. In so far as cases relating to overpayments or amounts disallowed in audit that have been accepted by the departments concerned, they could be pressed to expedite recoveries. On the other hand, items that have clearly become irrecoverable could be reported to Government for regularization after necessary investigation. If the Government or the Chief Engineer (in the case of the Public Works Departments) gives an assurance that this would be done, the observations can be treated as having been settled subject to verification at the time of the next audit.

(vii) Significant observations in the outstanding inspection reports relating to the Civil and Public Works Departments involving substantial amounts or gross lapses or failure of systems can be commented upon in the Audit Report individually or collectively.

## **2.17 Audit Committees**

Every year AG assigns targets to the respective Wings to hold Audit Committee Meetings for settlement of old IR paras. The details of ACMs conducted by the Wings have to be submitted to the Quality Assurance Section quarterly and half yearly to Commissioner and Secretary, Bureau of Public Enterprises and CAG Headquarters.

With a view to ensuring quick settlement of audit objections and inspection reports, audit committees have to be constituted under the chairmanship of the Secretary of the concerned department. Principal Accountant General has nominated respective DAG/ Sr DAG as observers of the audit office in the committee. Headquarter sections will assist DAG/ Sr DAG in conducting the Audit Committee Meetings. Inspection Reports and objections which could not be settled through discussions at lower levels should, also, be referred to Audit Committees. When it is not possible to treat an objection raised in the course of audit as having been settled by the Principal Accountant General/ Sr. Dy Accountant General in consultation with the Head of Office, executive authorities and the administrative departments concerned or based on the recommendations of Audit Committees, where constituted, details thereof should be reported to the Managing Director of PSUs, Finance Ministry or concerned Department for a final decision. If there is a difference of opinion between that PSU/Ministry/Department and the office, the latter may take further action in terms of the instructions for preparation of the Audit Report contained in Chapter 3 under Section-VII of MSO (Audit) and/or, if deemed necessary, seek the advice of the CAG.

## **2.18 Miscellaneous Duties (Headquarters)**

### **(i) Register of local audit**

For the purpose of drawing up the audit programme, district-wise registers are maintained at headquarters showing the units/PSUs/Autonomous Bodies under local audit, their periodicity, time allowed for audit, dates of last audit, etc. The details in this register are regularly updated as and when the audit is conducted

The register thus contains an up-to-date list of units/PSUs/Autonomous Bodies under local audit for guidance of the section in the preparation of the programme.

### **(ii) Staff proposals**

Every year during the month of June, the proposals for continuance and/ or changes of staff at AMG I (Headquarter 1 and 2) and Draft Para Section, will be prepared by the AMG I Headquarters section for submission to the Administration Section.

### **(iii) Dealing with General Matters**

AMG I Headquarter 1 and 2 Section shall deal with all general matters and necessary instructions in the form of circulars etc., are issued after getting approval of DAG/ Sr DAG. The calendar of returns shall be maintained by the AMG I Headquarter 1 and 2 and the various returns should be submitted on due date to the DAG/ Sr DAG, AG and o/o CAG, etc.

### **(iv) Register of misappropriation, fraud, embezzlement, loss, etc.**

A register is maintained in the co-ordination section which includes cases of misappropriation, fraud, embezzlement, loss, etc noticed during inspection or brought to the notice of this office through correspondence. The information is furnished by the Inspection Report Sections and the list of such cases is recorded

in a register. Details of such cases are furnished annually to State Finance Report Section for inclusion in the report.

**(v) Register of complaints**

Complaints on various types of irregularities in the State Government Departments, autonomous bodies, Government companies and corporations received from the individuals, NGOs etc are being forwarded to field offices by the office of the CAG They are included in the register of complaints and verified by local inspection party for further examination and comments. The fact of the complaint is verified and if necessary, included in the inspection report or a suitable note submitted that the case be closed on grounds recorded Based on the report, Headquarters section may submit a brief report of the complaint with the approval of the Principal Accountant General and intimate the status of the case to the CAG office. A quarterly return is also submitted to CAG's office through Administration Section intimating the status of the complaint.

(CAG's letter no. 614/Report (WR)/42-2012 dated 16 August 2013 read with Admn's letter No. Admn(Au)/Genl/Misc/General Circulars/Tr 3046 dated 9.10.2013)

**Guidelines regarding handling of complaints in Ministries/ Departments**

Following procedure is laid down for handling anonymous and pseudonymous complaints:

- (i) No action is required to be taken on anonymous complaints, irrespective of the nature of allegations and such complaints need to be simply filed.
- (ii) Complaints containing vague allegations could also be filed without verification of identity of the complainant.
- (iii) If a complaint contains verifiable allegations, the administrative Ministry/ Department may take cognizance of such complaint with the approval of the competent authority. In such cases, the complaint will be first sent to the complainant for owning/disowning, as the case may be. If no response is received within 15 days of sending the complaint, a reminder will be sent. After waiting for 15 days after sending the reminder, if still nothing is heard, the said complaint may be filed as pseudonymous by the Department.

**(vi) Objection Book and Adjustment Register**

An Objection Book is intended to register all Inspection Reports received in respect of units planned and programmed. This register includes Inspection Reports , paras and money value of objections included in the paras added in a month of a particular year. At the end of a month, the closing schedule contains the total addition of Inspection Reports , paras and money value of objections which is submitted to the Branch Officer and DAG/ Sr DAG . Adjustment Register is intended to record all paras cleared as a result of compliance or dropped with the approval of competent authority.

### **(vii) Half Yearly Reports of Objections**

The results of review of objections (including outstanding Audit Notes, Inspection Reports and Paras etc.) are required to be reported to Government once in every six months. The above information will be supplied to Government in form of statements which are based on instructions issued from time to time. Following are some guiding principles to be borne in mind while preparing six monthly statements. 1. Statements should be prepared separately for each Secretariat Department e.g. Road and Buildings Department, Irrigation Department etc. 2. Statement should be segregated into two parts (Parts I & II) Part II of the statements should contain objections which were not reported in the previous half yearly statement of objections. Brief particulars of the objection should be indicated in part I in respect of outstanding paragraphs of Inspection Reports. It is not sufficient to indicate only paragraph number of the Inspection Report. 3. For determining whether an objection is six months old, in respect of Inspection Reports the period is to be reckoned from the date of issue of the Inspection Reports.

### **(viii) Materials relating to outstanding Objections to be furnished to Audit Report Section:**

In addition to the six monthly statements of objections it is also necessary to furnish material relating to outstanding objections etc. to DP Section for inclusion in Audit Report. For this purpose the instructions issued by the Report Section every year for such material should be carefully followed.

### **(ix) Maintenance of Data Bank for Audit**

- a) A register of important points and an Audit Note Book in respect of each auditee organization should be maintained for handing over to the field party.
- b) A data bank of each auditee organization containing *inter alia* annual accounts for the last three years, Memorandum and Articles of Association of the audited company, audit report (including supplementary reports from statutory auditors) relating to the audited entity and weak areas of accounting as assessed from past experience should be maintained.
- c) A compendium of all orders applicable to an auditee organization i.e. instruction issued by the Administrative Ministry and the department of Public Enterprises should be kept in the data bank.
- d) Latest copies of the ICAI's compendium of statements and standards of Auditing and Accounting should be available with the Headquarters
- e) Other relevant guidance notes and opinions and some standard text books relating to ratios and financial statements analysis should be maintained.

This data bank will form a prime document based on which the audit plan for the year can be drawn up by the Headquarter Section.

### **(x) Advice sought by Statutory Auditors**

Under Section 143 (5) of the Companies Act 2013, C&AG has the power to direct the manner in which the accounts shall be audited and to give instructions in

regard to any matter relating to the performance of the Auditor's functions. If AG is approached by any any of the Statutory Auditors for advice on any problem area during the course of audit, AG should seek the query in writing and furnish the reply also in writing.

**(xi) Arrears in Accounts of State Government Companies**

The AG should brief the Chairman of the Committee on Public Undertakings about arrears in finalization of the accounts of the Companies so that COPU could call the Chief Secretary to explain the action taken by the Government in tackling and overcoming the arrears.

**(xii) Audit Planning and Execution through OIOS**

After the implementation of "One IAAD One System" in the department, the audit process is to be executed through the system. The information related to audit execution and problems faced while working on the system are to be sent to Headquarters every month,

**(xiii) Co-ordination with Technical Support Cell**

AMG I section is required to coordinate with Technical Support Cell for completion of audit of annual accounts received by Technical Cell, issue of Provisional comments and issue of Comment Certificate/ SAR. The section also needs to coordinate with Technical Cell for providing information pertaining to arrears of accounts, weekly status of accounts etc as and when required.

**Preservation of Old records**

**2.19** The AMG I Headquarter Sections may preserve the following records as per CAG Headquarters letter 443/Tech.Admin/1/770-68 dated 16 December 1968.

Sl. No.	Particulars of the Records	Period for preservation
1	Local Audit Reports finally closed as no audit objection is outstanding	5 years for annual and 6 years for biennial audits from the date of issue of report or till the settlement of all paras whichever is later
2	Files related to the instructions and directions issued by the C & AG from time to time regarding scope of audit.	Permanent
3	Digest of important cases	Permanent
4	Digest of Supreme Court Decisions	One year from the end of the year in which all the cases included in the Digest have appeared in the Sales Tax Cases.
5	Files dealing with audit of Annual Accounts	5 years
6	Files dealing with Supplementary Reports of Statutory branch auditors	5 years
7	Files dealing with Quarterly Financial	2 years

	Reports	
8	Printed Annual Reports of PSUs	8 years
9	Files dealing with receipts and disposal of audit of annual accounts of PSUs	8 years
10	Files dealing with Comments under the Companies Act.	5 years
11	Detailed Schedules of Annual Accounts and working sheets thereof different PSUs	3 years
12	Audit Programme files	Three years from the end of the year to which it relates
13	Clarifications issued by the Government	Till they are included in the bulletins
14	Bulletin referred to in 13	Permanent
15	Policy files containing instructions of the C & AG issued from time to time regarding preparation of Audit Reports.	Permanent
16	Files containing material to be collected by the audit parties for Audit Reports.	Three years from the end of the year in which PAC/COPU has issued their report on the concerned Audit Report.
17	File dealing with the material for Audit Report already sent to the C & AG for approval for inclusion in the State Audit Report.	(i) Statistical particulars as per item 15 above (ii) Draft paragraphs and statements etc., as per item 16 above.

Further as per Para 12.2 of MSO Admin Vol I – Third Edition, the Accountant General are competent to prescribe the period of preservation of other records of local nature, the life of which has not been fixed by C&AG. Further Annexure referred in Paragraph 12.2 of Manual of Standing Orders (MSO) Admin Vol I – Third Edition issued by authority of C&AG of India may be referred for other records not covered under above list.

## **2.20 Audit Management Group (Headquarters II) Section**

The Sr. Audit Officer in charge of Audit Management Group I (Headquarter II) has been allocated with the compliance audit of departments under Roads and Buildings and Gujarat State Road Development Corporation, certification audit of Gujarat State Highway Project-II, audit of departments under Ports and Transport, audit of PSUs and Autonomous Bodies under Ports and Transport which will be undertaken by IR Section and the supervision of audit of monthly accounts which will be undertaken by Financial Attest Audit Party (R&B). The audit observations noticed will be brought to the notice of the divisions through Audit Notes/Special Letters and pursuance thereof till finalization. Further the selection of records for Audit Party as per tour programme relating to R&B department will also be checked by Headquarters II.

## **R & B and P & T (IR Section)**

### **2.20.1 Procedures and Checks undertaken prior to and during Propriety audit**

(i) To provide to local audit parties the details of important areas/ points to be specifically examined in the field after scrutinising the Board and Agenda Minutes received at Headquarter from the respective Companies or entered in Special Point Register as per approval by DAG/ Sr DAG .

(ii) Register for noting points to be examined during local inspection which should be examined during the course of local inspection.

Whenever sections come across points which merit examination in local audit, information thereof is entered in the register after approval by the DAG/ Sr DAG . Extracts from this register are sent to the Inspecting Officer, along with the connected files or inspection reports for his examination and report. On receipt of his report the points are dealt with in the usual manner and the final disposal recorded against each point in the register under the dated initials of AAO/SAO giving reference to the orders on the connected file.

(iii) To review the media reports if any published and to collect all the information on the issue to enable local audit parties for further examination.

(iv) Vetting and issuance of the inspection reports received from the Field Parties as a result of Compliance/ Propriety Audit conducted and to pursue the same with the Management till the Inspection reports are finally settled/ closed.

(v) To select the major irregularities included in Part II A of the Inspection Reports issued to the Management and process the same into Potential Draft Paragraphs (PDP) and to furnish copies of "PDP" along with the Audit evidences relating thereto, to Report Section for further processing, and inclusion in the Audit Report of the CAG.

(vi) To get the issues locally verified within the reasonable time on receipt of complaints received from CAG office/ directly from the complainant / under Right to Information Act.

### **2.20.2 High Value Contracts:**

High Value Contracts was fixed for various departments and PSU by the AG. The contract agreements classified as High Value Contracts would be auditable from 2015-16 (effective from June 2015) and the extent of scrutiny in audit would be hundred per cent.

For Roads and Building Department, the threshold limit of High Value Contracts is ₹ 10 crore.

The revised threshold monetary limit of HVC for Gujarat Industrial Development Corporation is ₹ 10 crore and for all PSUs except GIDC the monetary limit of HVC is ₹ 10 crore for (Circular No 2/2015-16/dated 15.5.2015)

All contracts classified as HVC should be mandatorily entered in HVC register and should be mandatorily reviewed during Audit. (Circular No 2/2015-16/dated 15.5.2015)

Further sections are required to maintain an HVC register or database wherein details of HVC are mentioned and the same is required to be given to Local Audit Party for verification during audit. Further HVC register is required to be submitted to DAG/ Sr DAG at the end of every quarter. (Letter No ITA/Misc/HVC/2022-23/ 221 dated 13.9.2022)

**2.20.3** The Issues relating to Quality Assurance, Processing and issue of Inspection Report, Pursuance of Inspection Report, Watching of replies to Inspection Reports, Verification of outstanding paras of old IRs by LAP, Watching of objections arising out of Local Inspection, Review of objection outstanding for more than three years and Audit Committees have already been discussed above.

For detailed duties of Audit Management Group (Headquarters II) Section refer Para 2.14 to 2.19.

## **2.21 AUDIT MANAGMENT GROUP I (REPORT) SECTION**

### **2.21.1 General**

The duties and responsibilities of the Section are as follows:

### **2.21.2 Preparation of Audit Report**

CAG has issued directions/instructions vide No. Rep (WR)/Coord/AAP-2020-21/156-2019 ag Dated May 2020 on the Audits that need to be included in Annual Audit Plan 2020-21 by States and in terms of Audit Reports to be prepared.

All States will need to prepare the following reports:

**(a) State Finance Audit Report (SFAR)**- This SFARs for the year 2019-20 and 2020-21 will include analytical information on State Revenues (contained presently in chapter 1 of the Revenue Report) and a summary analysis of financial performance of State PSUs with a bearing on the fiscal situation of the State to present a qualitatively superior picture of State Finances. This report will be prepared by the office to which the Finance Cluster is allocated. The other office will contribute resources/analysis as required.

**(b) PSU report**- A report on the financial working of PSUs and significant observations arising out of supplementary audit of PSUs may be prepared as per the General Purpose Financial Report (GPFR) prepared at the Union Level. This report will be made by the AG (Audit-II) office.



**(c) Revenue report-** As a sectoral report, this report will contain an analysis of tax and non-tax revenue in detail, as at present in chapter I and results of substantive checks in audit of tax revenue. PAs or CAs on non-tax revenue can be included as part of sectoral reports of the specific sectors they belong to. This report will be prepared by the office to which the Finance Cluster is allocated. However, AG (Audit-II) office has decided to include the relevant information in the SFAR.

ADAI's may take a call on this as part of their assessment of number of sectoral reports for their offices and propose accordingly.

**(d) Topic based stand-alone reports,** say 'Waste Management in Urban Areas' or as Cluster/Department based reports such as 'Urban Development', 'Transport', 'Mining' etc.

**(Authority: No. Rep (WR)/ Coord/AAP-2020-21/156-2019 ag Dated May 2020)**

The format is proposed by SMU/PPG wing at Headquarters Office for the PSU report in the States relating to financial working of PSU and significant observations arising out of supplementary audit of PSUs on line of GPFR. The format for GPFR as approved by Hqrs. Office for other States until 31 March 2022 and preface to the Audit Report is given in **Annexure 3** and **Annexure 5** respectively.

The State PSUs report is envisaged as a report akin to the GPFR prepared at the centre. Compliance and Performance Audits are envisaged as separate cluster/standalone reports. However, in smaller states or states where PSUs do not form a substantial part of economic activity and it is accordingly judged by ADAI's that a separate report is not feasible, functional wings/ field offices may propose reporting related compliance audits or performance audits as part of this report.

Additional chapters in PSU report will include such topics as approved by Hqrs. Office in Audit Plan.

**(Authority: No. 245/ WR/C&ABs/Comp Amend/16-2013/ KW Dated 07 September 2020)**

**Delinking/ Abridged Chapter on PSUs in SFAR:** A chapter may be included in abridged form in SFAR bringing out the issues in State PSUs which have a bearing on State Government Accounts. The accounting, financing and auditing issues pertaining to PSUs should find place in relevant sectors compliance audit reports.

**(Authority: Hqrs. e-mail dated 01 November 2022 for inclusion of chapter in SFAR)**

### **2.21.3 Preparation of Introductory Chapter**

Report section will prepare C&AG's Report (Public Sector Undertakings (PSU) and C&AG's Report (Cluster based) for Industries and Commerce Cluster, Public Works Cluster and Transport Cluster.

The first chapter in C&AG's Report (Cluster based) for Industries and Commerce Cluster, Public Works Cluster, Transport Cluster includes Audited Entity Profile, authority for audit, planning and conduct of audit, significant audit observations responsiveness of the department to the Inspection Reports and Draft paragraphs as well as highlights of audit observation.

#### **2.21.4 Structure of Audit Reports- presentation of Executive Summary, Audit conclusions and Audit recommendations**

Executive summary should be drafted independent of the writing of the audit report to bring to attention the primary and significant message that we intend to convey to the reader. It should be free flowing narrative that tells the reader the story, keeping the principle message at its core and not in the sequence of Audit Objectives. Recommendations should be cogent, woven into the narrative of finding and conclusion without para reference. Draft Executive Summary should be shared with the executive in the first Draft Report. Executive summary should feature not only in the Standalone Performance Audit reports but also in Omnibus Performance Audit Reports and Standalone Subject Specific Compliance Audit Reports.

A brief snapshot that foregrounds the main issue and conclusion dealt with in a chapter may be placed at the beginning of each chapter. Further, all recommendations should be numbered and placed proximate to finding in a chapter to strengthen the link between finding-conclusion-recommendation.

**(Authority: C&AG's Letter No.: 408/22-PPG/2022 dated 03.08.2022)**

#### **2.21.5 Draft Paragraphs**

Audit Management Group I (Headquarters 1&2) section identifies and prepares Factual Note (FN) and forwards the same to the Report section after obtaining the approval of DAG/ Sr DAG for further processing. The DAG/ Sr DAG approved FN received from Headquarters section are entered into FN register maintained in AMG I Report Section and are scrutinised with relevant audit evidence submitted for further processing.

The FNs are processed after scrutinising with relevant audit evidence by Report section. Subsequently, PDP is prepared for issue to the Principal Secretary of Finance Department, Secretary of concerned department and Managing Director/ head of the concerned audited entity with the approval of Accountant General. In PDP cases which are deficient in audit evidence or want some additional information, AMG I/Report Section calls for records/ information from the audited entity. If the case is not found appropriate for inclusion in the Audit Report, a note is put up for its closure for approval of the Accountant General.

The cases wherein PDP have been issued is processed as Draft Paragraph further in the AMG-I (Report) Section and submitted for the approval of AG for issue to the Management and Government. After approval, the case is entered into the DP Register after removing from the PDP Register. The DPs are sent to C&AG's Office in batches which are sometimes returned with their observations. The AMG-I (Report) section prepares compliance to these observations in annotated form and incorporates the reply of the Management/ Government in the DP. The

DP is revised or modified if required based on the observations of C&AG's Office or the reply of the Company/ Department.

The targets, if any, fixed by the AG at the beginning of each financial year in sending the material to C&AG's Office may be strictly adhered to. While sending the batch material to the C&AG's Office, the AMG-I(Report) Section has to ensure that the audit evidence of DPs are marked, duly referenced and the calculation sheet are attached.

**(Authority:C&AG Letter No: 481/ WR/ Coord/36-2017 dated 18 July 2018)**

### **2.21.6 Monetary Value**

The minimum monetary value limit for the DPs for inclusion in the State Reports for Revenue and Commercial Sectors were reviewed by ADAIs of State Report Wings and approved (March 2015) the monetary value for DPs of ₹ 10 lakh for Revenue Receipts and the monetary value for DPs of ₹ 25 lakhs for other reports for larger states like Gujarat. As an exception, if AG feels a para of smaller value should be included in the Report, based on detailed justification submitted, respective ADAIs could take view on its inclusion in the Reports. In case of DPs involving fraud and embezzlement money value would not be a criterion. Further, the Committee of ADAIs decided (May 2019) that the considerations for DPs may also be based upon systematic deficiencies, materiality and nature of the observation.

**(Authority:C&AG Letter No: 251/ WR/ Coord/ DPs/ 74-2014 dated 20 April 2015 and Letter No: 204-WR/ Coord/ 224/ 2016/ Vol-I dated 15 May 2019)**

Performance Audit and Thematic Audit/ Subject Specific Compliance Audit will be dealt with in succeeding chapter separately.

## **2.22 TECHNICAL SUPPORT CELL**

### **2.22.1 Duties and Responsibilities**

The cell has been created as per direction of AG vide office order no.2/2020-21 dated 29.06.2020 in line with CAG Hqrs. letter dated 09.03.2020 for advising supplementary audit of State Public Sector Undertakings and certification audit of Autonomous Bodies(ABs) . The mandate of this cell is to ensure consistency in application of accounting standards and principles of financial audit across all PSUs and ABs and to ensure uniformity in the drafting of comments of similar nature across all the Audit Groups.

The cell is entrusted with the work of receiving the Annual Accounts from State. The cell also submits non review on the basis of selection criteria of PSUs as per CAG Hqrs instructions. The Cell is also responsible for apprising AG regarding status of Annual Accounts of State PSUs, sending quarterly, half yearly and annual return to CAG Hqrs relating to supplementary/certification audit of annual accounts of State PSUs/ABs after consolidating the information from all AMGs. Information/data in respect of supplementary audit/certification audit of State

PSUs/ABs as called from CAG Hqrs. time to time is sent by the Technical cell after consolidating the same from all AMGs.

The Revised Work Flow of Technical Cell of this office has been approved by Accountant General/Audit-II on 20.01.2023. The revised Work Flow Chart of Technical Cell for supplementary audit of PSUs and Certification audit of Statutory Corporations and Autonomous Bodies is as under:

### 2.22.2 Work Flow

#### Structure of Technical cell

SAO Technical cell



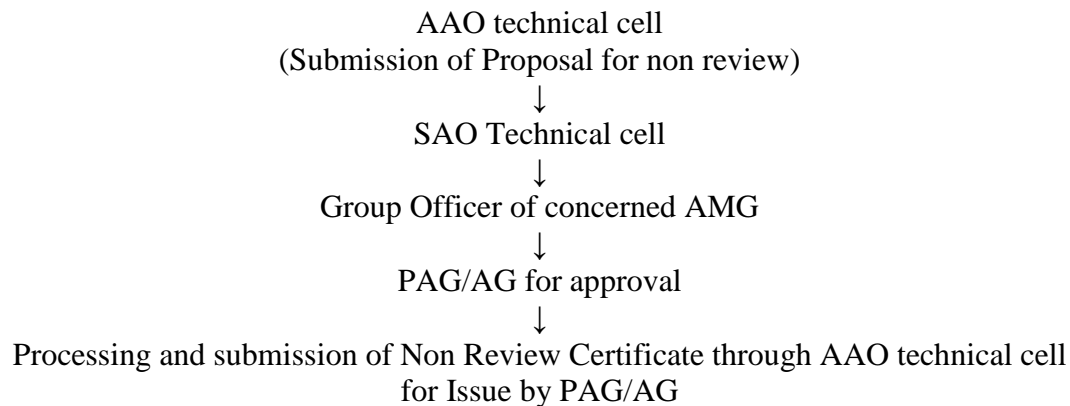
AAO (Commercial) Technical cell  
assigned Accounts

AAOs of concerned AMGs

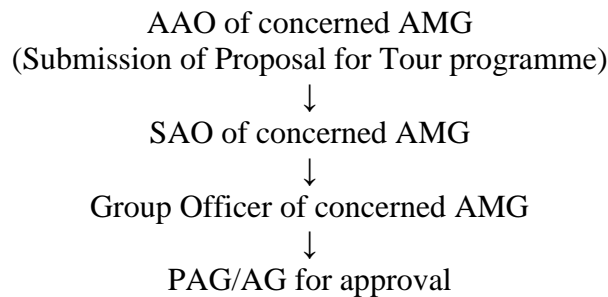
#### Work Flow for Technical Cell

**Receipt of accounts** → AAO technical cell → Auditor of concerned AMGs

#### Decision to take up Audit/Non-Review

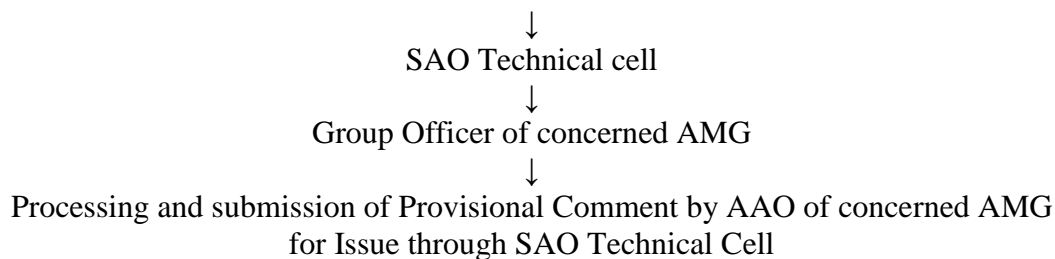


#### Assignment of Audit

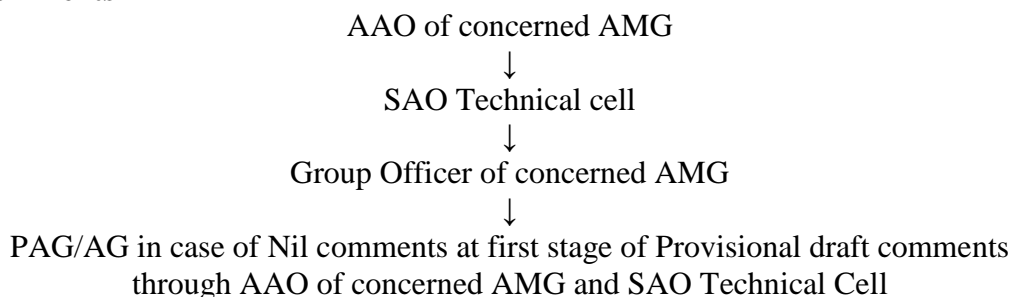


#### Provisional Draft Comment processing and its issue

AAO of concerned AMG

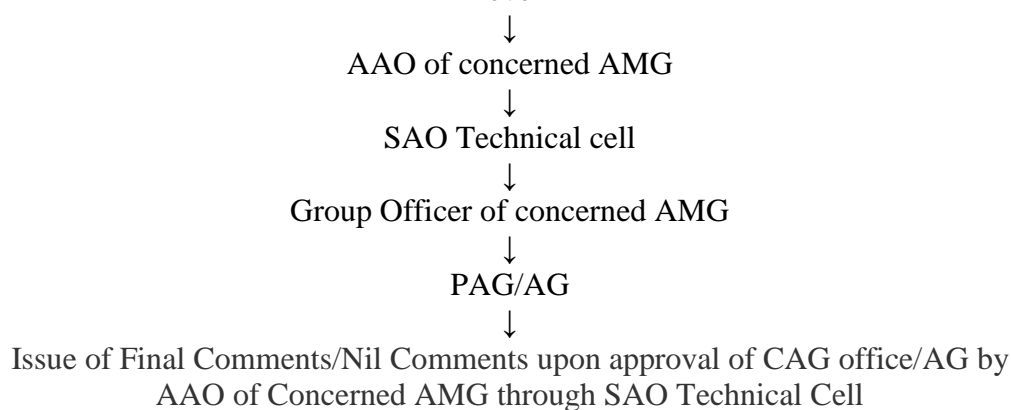


**In case of SARs and Nil comments at first stage of Provisional Draft comments**



**Aide Memoir/ Second Stage of Draft comments**

Receipt of reply to Provisional Comments and preparation of Aide memoire for forwarding Draft comments to Hqrs. for approval/Nil comments at Aide-memoire level



**Note: The duties of AAO Technical cell will include the following**

1. Receipt of Accounts with respect to all checks as per check list, processing of NRC.
2. Maintenance of Inward, Outward and other routine works relating to technical cell.
3. Submission of Consolidated monthly account status to AG/PAG, quarterly accounts arrear to Chief Secretary/ RoC, quarterly SAR progress report of ABs to CAG, half yearly status of arrear of accounts to CAG, half yearly return for uploading of accounts status on CAG website, annual return of audit fee (information required for the returns may be called for from the respective wings AAOs/Auditors by AAO Technical).

4. AAO Technical cell will consolidate (remarks submitted by AAO of concerned AMG) and submit any information/ opinion /remarks required by CAG with approval of AG.
5. Compilation of data of Chapter 5 of SFR including data collection from PAG (Audit I) Rajkot with the help of concerned auditors of report cell. Quarterly return regarding data compilation to be submitted to Group Officer through SAO Technical. After compilation, the record (copy of annual accounts) along with the return will be handed over to report cell for the preparation of chapter.
6. Any other work assigned by SAO Technical.

**The duties of AAO of concerned AMGs will include the following**

1. Further, Directions –sub directions to SA will be submitted by AAO/auditor of concerned AMG directly to technical cell.
2. Submission of weekly status to Group officer through SAO Technical cell.
3. Tour programme, Processing and issue of Provisional draft comments, draft comments and final comments will be done through AAO of concerned AMGs.
4. Custodian of files would be AAO/ auditor of Concerned AMG.
5. Leaves and APAR of AAO would be approved/ authorized by SAO of concerned AMGs.

**2.23** Other data/ information are submitted to Sr Audit Officer, DAG/ Sr DAG and other sections/ CAG/ GoG etc as mentioned in Calendar of Returns.

## CHAPTER - 3

### COMPLIANCE AUDIT

#### Auditing Standards

As per the Regulation on Audit and Accounts issued (2007) by IA&AD, the field standards provide an overall framework for conducting and managing an audit which *inter alia* include the following:

- **Planning:** The auditor should plan audit in a manner which ensures that audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.
- **Supervision and review:** The work of audit staff at each level and audit phase should be properly supervised during audit and a senior member of the audit staff should review documented work.
- **Examination and evaluation of internal control:** The auditor, in determining the extent and scope of audit, should examine and evaluate the reliability of internal control. Auditors should obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing and extent of checks to be performed.
- **Compliance with applicable laws, rules and regulations:** The auditor shall verify compliance with applicable laws, rules and regulations and highlight deviations, if any.
- **Audit evidence:** Competent, relevant and reasonable evidence should be obtained to support the auditor's judgement as well as conclusions regarding the organisation, programme, activity or function under audit.

#### Conduct of Audit by Local Audit Parties

The Local Audit Parties (LAPs), on receipt of the monthly/ quarterly audit programme from the AMG I (Headquarter 1) duly approved by the DAG or AG has to either conduct (i) Supplementary Audit; (ii) Compliance Audit; (iii) Thematic Audit (TA)/ Subject Specific Compliance Audit (SSCA); and (iv) Performance Audit.

The detailed guidelines in conducting the Performance Audit are discussed separately in Chapter-III. TA/ SSCA is the terminology which is being used for audits which focus on a particular audit objective/ theme across sectors or audited entities. A brief of TA/ SSCA, Supplementary Audit and Compliance Audit is given below:

#### Subject Specific Compliance Audit

TA/ SSCA is prepared on a specific topic identified by the AG that can be reviewed in isolation for reporting. The TA/ SSCA is conducted as per the Compliance Auditing Guidelines 2016 issued by CAG of India.

## Supplementary Audit

The Audit of financial statements has to be conducted by the CAG of India under Section 143(6)(a) read with the Section 129(4) of the Companies Act, 2013 on the financial statements of the Company for the year ended 31 March. While conducting the Supplementary Audit, the LAPs should ensure the following:

- To ascertain the authorities competent to sanction expenditure to receive or pay money or to incur liabilities on behalf of the institution.
- To understand the system of accounts followed by the institution.
- To check as far as possible, the accuracy of original records viz., Cash Book, Cash Vouchers, Receipt and Issue Vouchers of Stores, Bin Cards, Store Ledger posting in financial ledgers etc.
- To see that all transactions are in accordance with the decisions contained in the minutes of the meetings of Board of Directors.
- To examine whether the Significant Accounting Policies have been followed consistently and are in compliance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India;
- To examine whether the Statement of Profit and Loss, Balance Sheet, Cash flow statement and Statement of Changes in Equity has been drawn as per the Companies Act, 2013 and latest Rules effective under the Companies Act.
- To examine whether the Financial Statements are drawn so as to exhibit “True and Fair View” of the State of Affairs of the Company and to ensure there is no material misstatement.
- To examine whether the Statutory Auditor has complied with all the requirements of Companies Act 2013 and Rules. Further, whether Statutory Auditor has reported on all the matters as required by the guidelines issued by Institute of Chartered Accountants of India.

Local Audit of financial statements is arranged by AMG-I Headquarters Section.

- Audit of annual accounts of Government companies and Statutory Corporations viz. Gujarat State Financial Corporation, Gujarat Industrial Development Corporation and Autonomous Body i.e. Gujarat Maritime Board is conducted by deputing audit parties by AMG-I Headquarters section.
- Audit of Gujarat State Financial Corporation is conducted on supplementary basis. The Statutory Auditor in this Corporation is appointed in accordance with the provisions of the Statutes governing them. The audit party conducts the audit in the head office of Corporation and also audits certain units selected by local audit party and approved by AMG-I Headquarters section. The SAR is issued by AG after obtaining the approval from the C&AG.
- Audit of Gujarat Industrial Development Corporation (GIDC) is entrusted to the Accountant General (PAG) by the Government of Gujarat under the



provisions of Gujarat Industrial Development Act 1962. Presently this audit is entrusted upto 2021-22. The audit party conducts the audit in the head office of Corporation and may also select certain divisions/ sub divisions with the approval of Sr DAG (AMG I) with adequate justification. The SAR is issued by the PAG after it is approved by the CAG.

- Audit of Gujarat State Road Transport Corporation (GSRTC) is conducted under the provisions of Road Transport Corporation Act 1951. The Resident Audit Office conducts the audit in the head office of Corporation and may also select certain divisions/ sub divisions with the approval of Sr DAG (AMG I) with adequate justification. The SAR is issued by the PAG after it is approved by the CAG.
- Audit of Gujarat Maritime Board (GMB) is entrusted to the Accountant General (AG) by the Government of Gujarat under the provisions of Gujarat Maritime Board Act 1981. Presently this audit is entrusted upto 2026-27. The audit party conducts the audit in the head office of Corporation and may also select certain port offices with the approval of Sr DAG (AMG I) with adequate justification. The SAR is issued by the PAG after it is approved by the CAG.

#### **Attendance of Audit Party**

The AAO of each local audit party is provided with an attendance register which should be signed by each member of the party and submitted to the Inspecting Officer when he visits the party.

The Casual Leave (CL) may normally be availed by members of the audit party after its prior sanction by the sanctioning authority. The AMG-1 Headquarters section should maintain the CL account of LAP members

Indian Audit & Accounts Department has been traditionally conducting transaction based audits, regularity audits, propriety audits, theme based and Chief Controlling Officer based audits which are essentially in the nature of assessing compliance. These constitute the bulk of the audit activity of the Department and it is imperative that they are planned and conducted in a structured manner.

Compliance audit is an assessment as to whether the provisions of the applicable laws, rules and regulations made there under and various orders and instructions issued by the competent authority are being complied with. This audit was recognized as a distinct stream of audit through CAG's Regulations on Audit and Accounts, 2007. Compliance Audit promotes accountability, good governance and transparency as it is concerned with reporting deviations, identifying weaknesses and assessing propriety.

With a view to provide a holistic view of the compliance by entities under audit, improve quality of audits and optimize use of available resources, Compliance Audit Guidelines, 2016 were issued by the CAG. These guidelines lay down the principles, approach and processes for regulating compliance audits within the Department and reorient the planning process by instituting a top down, risk based and department centric approach. These guidelines also provide clarity on reporting and follow up processes.

**General principles for Compliance Audits:** The General principles that apply during the conduct of compliance auditing and are relevant throughout the audit process are as under:

**Auditors should plan and conduct the audit with ‘professional scepticism’ and exercise ‘professional judgement’ throughout the audit process.**

**Professional scepticism** refers to the attitude of the auditor, which must include a questioning mind. An attitude of professional scepticism means that the auditor makes a critical assessment, with a questioning mind, of the sufficiency and appropriateness of evidence obtained throughout the audit. The concept of professional scepticism is fundamental to all audits.

**Professional judgement** refers to application of relevant training, knowledge, skills and experience, within the context provided by auditing standards, so that informed decisions can be taken about the courses of action that are appropriate given the circumstances of audit. The auditor must apply professional judgement at all stages of the audit process to assess the subject matter, suitable criteria, audit scope, risk, materiality, audit procedures to be used in response to the defined risks, in reporting and in determining the form, content and frequency of communication throughout the audit.

The audit team should collectively possess the knowledge, skills and expertise necessary to successfully complete the audit. This includes an understanding and practical experience of the type of audit being undertaken, familiarity with the applicable standards and authorities, an understanding of the auditable entity’s operations and the ability and experience to exercise professional judgement. Auditors should be able to maintain their professional competence through ongoing professional development.

Auditors should observe the code of ethics IA&AD has adopted a code of ethics which should be observed by auditors at all times.

Auditors should take responsibility for the overall quality of audit. The auditor is responsible for the conduct of audit and should implement quality control procedures throughout the audit process. Such procedures should be aimed at ensuring that the audit complies with the applicable standards and providing assurance that the audit report, conclusion or opinion is appropriate under the given circumstances.

Auditors should consider audit risk throughout the audit process. Audits should be conducted in such a way as to manage, or reduce the audit risk to an acceptable level. Audit risk is the risk that the audit report – or more specifically the auditor's conclusion - will be inappropriate in the circumstances of the audit. The auditor should consider three different dimensions of audit risk – inherent risk, control risk and detection risk – in relation to the subject matter and the reporting format, i.e. whether the subject matter is quantitative or qualitative.

Auditors should consider materiality throughout the audit process. Determining materiality is a matter of professional judgement and depends on the auditor’s interpretation of the users’ needs. A matter can be judged material if knowledge of it would be likely to influence the decisions of the intended users. Materiality is often considered in terms of monetary value, but it also has other quantitative as

well as qualitative aspects. A matter may also be material because of the context in which it occurs. Materiality should be considered for the purposes of planning, evaluating the evidence obtained and reporting, though the materiality levels would differ for each of the processes. An essential part of determining materiality is to consider whether reported cases of compliance or non-compliance (potential or confirmed) could reasonably be expected to influence decisions by the intended users.

Auditors should prepare sufficient audit documentation. Documentation should be sufficiently detailed to enable an experienced auditor, with no prior knowledge of the audit, to understand the following: the relationship between the subject matter, the criteria, the audit scope, the risk assessment, the audit strategy and audit plan and the nature, timing, extent and results of the Compliance Auditing Guidelines procedures performed; the evidence obtained in support of the auditor's conclusion or opinion; the reasoning behind all significant matters that required the exercise of professional judgement; and the related conclusions.

Documentation should be prepared within a reasonable period before the issue of audit report and as far as possible audit processes may be documented simultaneously. The documentation should be retained for an appropriate period of time.

Auditors should maintain effective communication throughout the audit process. Communication takes place at all audit stages - before the audit starts, during initial planning, during the audit process, and at the reporting phase.

Auditors should determine the audit scope. The audit scope is a clear statement of the focus, extent and limits of the audit in terms of the subject matter's compliance with the criteria. The scoping of an audit is influenced by materiality, risk and legal requirements, and it determines which authorities and parts thereof will be covered.

Auditors should identify the subject matter, authorities and suitable criteria. Determination of the subject matter, authorities and criteria are one of the first steps in a compliance audit.

Auditors should understand the auditable entity. Compliance auditing may cover all levels of the executive and can include various administrative levels, types of entities and combinations of entities. The auditor should therefore be familiar with the structure and operations of the auditable entity and its procedures for achieving compliance. The auditor will use this knowledge to determine materiality and assess the risk of non-compliance.

Auditors should understand the control environment. An understanding of the auditable entity and/or the subject matter relevant to the audit scope depends on the auditor's knowledge of the control environment and the system of internal controls.

Auditors should perform a risk assessment in the light of the audit criteria, audit scope and characteristics of the auditable entity to determine the nature, timing and extent of the audit procedures to be performed.

Auditors should consider the risk of fraud which relates mainly to the abuse of public authority and to fraudulent reporting on compliance issues. While detecting fraud is not the main objective of compliance audit, auditors should include fraud risk factors in their risk assessments and remain alert to indications of fraud when carrying out their work.

The auditor should gather sufficient and appropriate audit evidence to provide the basis for the conclusion or opinion. Sufficiency is a measure of the quantity of evidence, while appropriateness relates to the quality of evidence – its relevance, validity and reliability. The quantity of evidence required depends on the audit risk (the greater the risk, more the evidence that may be required) and on the quality of such evidence (the higher the quality, lesser the evidence that may be required).

After completing the audit, the auditor will review the audit evidence which includes consideration of the responses provided by the auditable entities, in order to reach a conclusion. The auditor should evaluate whether the evidence obtained is sufficient and appropriate so as to reduce the audit risk to an acceptably low level. It also includes considerations of materiality. After evaluating the evidence, the auditor should consider how best to conclude in the light of the evidence.

Auditors should prepare a report based on the principles of completeness, objectivity, timeliness and a contradictory process. The principle of completeness requires the auditor to consider all relevant audit evidence before issuing a report. The principle of objectivity requires the auditor to apply professional judgement and scepticism in order to ensure that all reports are factually correct and that findings or conclusions are presented in a relevant and balanced manner. The principle of timeliness implies preparing the report in due time. The principle of a contradictory process implies checking the accuracy of facts with the auditable entity and incorporating responses from responsible officials as appropriate.

### **Compliance Audit Plan**

It is imperative that compliance audits are planned to achieve adequate coverage at an acceptably low level of audit risk, audit processes are carried out in an economic, efficient and effective manner and result in a high quality audit report. However, given the size of Government and its implementing arms and the limited audit resources it is impracticable to plan for audit coverage of all audit units in the audit universe-as defined at present. Proper planning and prioritisation of compliance audits based on an appropriate risk assessment, is therefore, paramount.

For Compliance Audit Planning, understanding the Audit Universe and prioritisation of compliance audits to be taken up is essential, which is in itself a complex task, given the various layers of Government and the Government implementing a significant number of programs /schemes with various implementing agencies, some of which could even be private sector entities.

To implement the mandate entrusted to CAG by the Constitution of India, it is expected to cover, over a reasonable period of time, all the sectors/departments of the concerned State Governments/Central Government wherever public funds are spent or revenues are generated or nation's wealth or resources are utilised. While the various departments/sectors are accountable for policy formulation and implementation, the organisational hierarchies within each Department /sector are

typically organised as Directorates/Commissionerates, zones, divisions, circles, ranges etc., and further down to the last mile implementing agencies. All these units together implement the Government policy and expend public money or collect public revenues and can be called as the audit universe. This Audit universe is required to be broken down into audit units for the purpose of planning and scheduling audits.

This requires top down, risk based, Department centric mechanism for macro level planning and conducting compliance audits and preparation of annual compliance audit plans by (a) defining the apex auditable entities and audit units and (b) risk profiling.

### **Defining the Apex Auditable Entities and Audit Units**

A top down and risk based approach to identification of audit units intends to place the Department/Sector as the centre piece of the audit focus and provide a scientific mechanism of defining audit units. The Department / Sector in the State Government or the Central Government being the top layer would be defined as the Apex Auditable Entity.

Since policy formulation and oversight flow from the Departments/Sectors (Apex Auditable Entities) and responsibility for implementation of schemes/programs vests with the lower formations of the Government (Directorates /Commissionerates/zones, divisions, circles, ranges etc.) a significant portion of the risk is embedded in these layers, while the lowest layer is typically the implementing arm and accountability for its performance invariably rests with the higher organisational hierarchies.

An Audit Unit is defined as a unit, which has one or more of the following attributes:

- Substantial devolution of administrative and financial powers;
- Functional autonomy; and
- Operational significance with reference to achievement of objectives of the apex auditable entity.

After determination of Audit Units based on the aforesaid parameters, the organisational hierarchies and implementing agencies below the Audit Units are to be categorised as Implementing Units. The Implementing Units are typically the last mile service providers and implementation arms of Government, with very limited delegation of financial and administrative powers - of contingent nature and for managing establishment. These Implementing Units would be audited, based on a sample selection, as a part of audit of their respective Audit Units.

Preparation of audit universe by defining Apex Auditable Entity and Audit Units in terms of these guidelines would be carried out by the respective Accountants General in field offices. Each field office would be required to prepare an organisation chart of the Departments to identify the audit units based on the above parameters. The list of Audit Units and the Implementing Units would have to be maintained in the field offices, which would henceforth form the basis of planning compliance audits.

With the evolving governance structure, the nation's wealth/natural resources are being dealt with not only by the Union, State or its instrumentalities but also by the private parties, for delivery of public goods and services, it has become important that these implementing agencies or service providers are made accountable to the people and to the Parliament. These implementing agencies would also, therefore, be included in the aforementioned category of implementing units. Records of these implementing agencies are required be accessed through the respective audit units. Detailed instructions of the procedure to be adopted for access and audit of records of such agencies are contained in the Guidance Note issued by Headquarters in this regard.

## **Risk Assessment**

The risk based approach to planning compliance audits is about focusing audit efforts on the perceived high risk areas/activities. Risk profiling of the Apex Auditable Entities and their Audit Units has to be done considering their structures, roles they are expected to perform and compliance requirements. Apex Auditable Entities while being responsible for delivery of public goods and services and expending public funds or collecting revenues may also be responsible for administering and / or enforcing various laws, rules or regulations. At the same time, these are also governed by various rules, laws and regulations. Similarly, officials entrusted with management or stewardship of public funds and public entities are expected to act with propriety in all matters concerning the discharge of their responsibilities. Keeping all the above factors in mind, the field audit offices are encouraged to apply the risk assessment methodology by evaluating high risk areas/activities of these entities relating to:

- Administration and/ or enforcement of laws, rules and regulations etc,
- Compliance with applicable laws, rules and other authorities;
- Responsibility for government receipts and expenditure;
- Safeguarding of assets and liabilities;
- Prevention of losses and wastage, frauds, leakage of revenue;
- Promoting transparency, prudence and probity; and
- Internal control environment

The risk assessment methodology should include a review of the following:

- Latest socio-economic survey of the Centre/ State;
- Current Budget& Demands for Grant Outcome budgets
- Five year plans and Working Group reports/ Annual plans
- Finance Commission Report
- Annual/ Performance/ Activity Reports of Ministries / Departments
- Companies and other information on Government websites Major policy announcements/initiatives of Government
- VLC data& Report on State Finances Finance& Appropriation Accounts Geographical location
- Past audit coverage
- PAC/COPU suggestions
- Court orders
- Audit Advisory Board suggestions

- Reports of Legislative Committees
- Changes in legislation
- Replies to questions given to the Legislature
- Past Audit findings/ Inspection Reports
- Media reports and visibility of topics
- Trend of expenditure and /or receipts

The exercise, as described above, would help in creating risk profile of the apex auditable entities as well as audit units under these entities. Based on their risk profile, the audit units should be prioritised for planning and conduct of compliance audits. The risk profile of the audit units should be considered vis-à-vis the audit capacity of the field office- in terms of availability of resources, and an annual Audit plan of compliance audits to be taken up and completed during the year should be prepared by each field office.

The field offices under the IA&AD conduct financial audits, performance audits and compliance audits each year and the Annual Audit Plan of each office shall therefore be prepared by adopting a holistic approach of covering Apex Auditable Entities/Audit Units for each type of audit and leveraging common processes. The Annual Audit Plan of each office would therefore indicate the Apex Auditable entities/Audit Units for which compliance audits would be conducted.

It must be the endeavour of the field offices to ensure coverage of all Apex Auditable Entities in a reasonable period of time, between three to five years. The risk profile of the audit units would have to be reviewed and updated periodically.

The formulation of annual Compliance Audit Plan would therefore require:

- a. updating the Audit Universe such that it comprises all units that qualify as audit units. A separate inventory of implementing units under their respective Audit units may be maintained.
- b. Applying risk assessment methodology to the Apex Auditable Entities for arriving at risk profile of the Apex Auditable Entities and Audit Units under these entities.
- c. Preparing the annual Compliance Audit Plan by selecting audit units after considering available audit resources.

This would include a risk based selection of Apex Auditable Entities and an appropriate sample of audit units at various hierarchies and implementing units within each Apex Auditable Entity.

### **Planning Compliance Audits**

A compliance audit has to be planned in a manner which ensures that a high quality audit is carried out in an economic, efficient and effective way and in a timely manner. Adequate planning will ensure that appropriate attention is accorded to crucial areas of audit and that potential problems are identified in a timely manner. After the preparation of the annual Compliance Audit Plan, the process of planning for individual compliance audits commences. Planning for individual compliance audits includes preparing the audit strategy and an audit plan. Preparation of audit strategy for the identified audit entity would include:

- An understanding of the auditable entity and its internal control environment including the statutory, regulatory and legal framework applicable to the auditable entity and the applicable rules, regulations, policies, codes, significant contracts or agreements etc;
- An understanding of relevant principles of sound public sector financial management and expectations regarding the conduct of public sector officials for propriety related issues;
- Identification of the intended users, including responsible party and those charged with governance;
- Consideration of materiality and risk assessment including suspected unlawful acts or fraud;
- Determining the scope of audit with reference to the selected specific subject matter, if selected, as well as proprietary concerns;
- Development of audit objectives for the specific subject matter, if selected;
- Identification of audit criteria for specific subject matter;
- Sampling considerations, specifically for implementing units below the selected audit units; and
- Considerations related to direction, supervision and review of the audit team(s).

Once the audit strategy is in place, the audit plan could be prepared. The plan for the identified apex auditable entity would include:

- Description of selected audit units;
- Sample selection of implementing units under the selected audit units;
- Extent of audit in each selected unit;
- Timing of audit;
- Formation of audit team/s (in case more than one audit team is needed for the auditable entity);
- Assignment plan detailing the duties of the audit team members;
- Planned audit procedures; and
- Potential audit evidence to be collected during the audit.

**Both the overall audit strategy and the audit plan should be documented in the audit file.** Planning for individual compliance audits is a continual and iterative process. The overall audit strategy and plan are therefore required to be updated as necessary throughout the audit.

### **Scope of Audit**

The scope is the boundary of audit. It defines “what to audit”, “who to audit”, “where to audit” and “which period to audit”.

**What to Audit** - The propriety issues are to be seen in all units selected to be audited. However, the selected specific subject matter for regularity audit would define the scope for “what to audit” and would also determine the criteria.



**Who to Audit** - The issue of “who to audit” is decided by the predetermined annual compliance audit plan that specifies the auditable entity and selected audit units below the auditable entity.

**Where to audit** - brings us to selection of units for audit within the auditable entity, and also to the selection of transactions, areas etc. Sampling decisions would be crucial for this stage.

**Which period to Audit** - the period of audit to be covered would have to be determined as per the risk assessment.

In case of audit units, the period of audit should ordinarily cover period from the previous audit to the current period. However, specific circumstances may exist where current risk assessment reveal areas of concern that warrant coverage of period included in previous audit(s).

In case of implementing units, the period of audit to be covered would correspond with the audit period of audit units.

**Compliance Audit Objectives** The overall Compliance Audit Objectives are: to assess whether the subject matter adheres to the formal criteria arising out of the laws, regulations and agreements applicable to the auditable entity; to assess whether the general principles of sound public sector financial management and ethical conduct have been adhered to; and report the findings and conclusions to the responsible party, those charged with governance, legislature and/or other parties as appropriate.

**Criteria** are the benchmarks used to evaluate or measure the subject matter consistently and reasonably. The criteria provide the basis for evaluating audit evidence, developing audit findings and conclusions. Criteria may be formal, such as a law or regulation, terms of a contract or agreement or less formal such as a code of conduct, principle of propriety or they may relate to expectations regarding behavior. The criteria should have the following characteristics:

- a) Relevant
- b) Reliable
- c) Complete
- d) Objective
- e) Understandable
- f) Comparable
- g) Acceptable
- h) Available

After determination of the scope of audit, development of audit objectives, identification of relevant criteria for measuring the selected subject matters, when specifically selected for an apex auditable entity or across auditable entities, both for regularity and propriety issues, auditors should prepare a Compliance Audit Design Matrix for the identified apex Auditable entity in the following format.

Compliance Audit Design Matrix	Audit objective/Sub objective	Audit questions on selected subject matters	Audit criteria	Data collection and analysis method	Audit evidence
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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 transactions from the selected Audit Units falling directly under the chain of command of the selected Apex Auditable Entity (either in whole or in part depending upon the selected specific subject matter) 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.** Accountants General may exercise 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, as per extant instructions.

### **Compliance auditing in digital environment**

In case of departments/ sectors where e-governance has taken roots and transactions are being conducted in virtualised environments, digital auditing can also be adopted by the audit teams. Digital auditing facilitates looking at whole of the population for outliers or unexpected variations. Such outliers can be taken up for detailed scrutiny. Data analytical tools can be of immense help here.

### **Team composition**

Audit team(s) with an appropriate team composition should be constituted for each audit. Audit team should collectively possess the knowledge, skills and expertise necessary to successfully complete the audit. This includes an understanding and practical experience of the type of audit being undertaken, familiarity with the applicable standards and authorities, an understanding of the auditable entity's operations and the ability and experience to exercise professional judgement. **The work allocation for each member of the audit team should be clearly delineated and it must be ensured that each member understands his/her role in the audit team.** Appropriate arrangements should be ensured for providing direction, supervision and review of audit teams. In some cases, it may be possible to conduct the audit of the apex auditable entity and its selected audit units by one dedicated team.

However, in case of large entities, it may become necessary to constitute multiple teams for audit of the apex auditable entity and its selected audit units. In such a scenario, a lead team may be constituted from amongst the audit teams, which should be entrusted with the responsibility of providing a cohesive and synergised approach to compliance audit. The lead team in such cases may also be required to provide guidance, liaison support to other teams throughout the audit process and also consolidate audit findings of all other audit teams to enable achieving a holistic analysis and a reasoned conclusion. Intimation to the auditable entity

**After the overall strategy and audit plan as discussed above have been drawn up, intimation should be provided to the identified auditable entity (executive)**

**and all other audit units down the line regarding the audit being taken up. The intimation to the executive should include the scope of audit, audit objectives being pursued, subject matters that have been selected, criteria that would be used to evaluate the subject matters, designed sampling of audit units /implementing units. The intimation should indicate the composition of audit team(s), duration and schedule of audit and should solicit the requirements from and co-operation of the executive for the smooth conduct of audit.**

### **Conducting compliance audits**

Conduct of audits start after the finalization of audit strategy and audit plan. Conduct of audits is about gathering evidence, evaluating evidence, forming conclusions, documenting the audit process and communicating with the auditable entities.

**Audit evidence** is the information used by the auditor for arriving at the audit conclusions. Auditors design and apply appropriate audit procedures to obtain sufficient and appropriate audit evidence in order to form a conclusion or opinion as to whether a subject matter complies, in all material respects, with established criteria.

**Gathering and Evaluating Evidence** is a simultaneous, systematic and an iterative process and involves: a) Gathering evidence by performing appropriate audit procedures b) Evaluating the evidence obtained as to its sufficiency (quantity) and appropriateness (quality) c) Re-assessing risk and gathering further evidence as necessary

Audit evidence is gathered using a variety of techniques such as the following:

- Document scrutiny
- Physical inspection/site visits
- Observation
- Questionnaires
- Surveys
- Confirmation
- Re-performance
- Analytical procedures–

### **Evaluation of Evidence**

Audit evidence, collected through above mentioned audit procedures, is to be evaluated against the relevant, already identified criteria. This involves consideration of evidence collected vis-à-vis the subject matter information as well as the written responses obtained from responsible officers of the auditable entity against the applicable criteria. The evaluation process enables auditors to assess whether the subject matter information is, in all material aspects, compliant with the identified criteria.

After evaluating the evidence and considering its materiality, the auditor should decide how best to conclude in the light of the evidence collected, which would be the supporting key documents and arrive at audit conclusions.

Audit conclusion should clearly bring out the nature and extent of non-compliance, cause of such non-compliance, its materiality and also the effect of non-compliance, if possible. The audit conclusions in case of regularity issues should also indicate whether non-compliance is a solitary one-off case, or wide spread systemic issue in the auditable entity.

Auditors are encouraged to prepare an **Audit Findings matrix** in the following format. The Audit Findings matrix is an extension of audit design matrix. The Audit Findings matrix is intended to provide a link between the audit objectives, criteria, evidence gathered and evaluated and the audit findings that emerged on evaluation of the selected subject matters, if specifically selected, both for regularity and propriety issues.

**Documentation** of audit evidence supports audit conclusions and confirms that the audit was carried out in accordance with relevant standards.

**Documentation should take place throughout the entire audit process.** The confidentiality of documentation should be maintained and they should be retained for a period sufficient to meet the professional, legislative and legal requirements. Documentation in compliance audits should comprise (a) Audit file and (b) Working papers. The Audit file for each compliance audit may include documentation relating to the audit strategy, scope and methodology, sample selection, nature and timing of planned audit procedures, audit design matrix, supervision and monitoring the progress and quality of audit, audit findings matrix, conclusions reached and the significant professional judgments made in reaching those conclusions.

Working papers serve as a link between the field work and the audit report and should therefore be complete and appropriately detailed to provide a clear trail of audit and should be properly indexed and referenced. The working papers should have the following characteristics:

- Completeness and accuracy:
- Clarity and conciseness
- Legibility and neatness
- Relevance
- Ease of reference
- Ease of review
- Complete audit trail of analysis

**Audit teams should also hold entry meeting(s) with the heads of audit units before the commencement of audit.** During these meetings, the audit team should explain the purpose, objectives of audit, timelines and cooperation expected from the head of the audit unit. **Similarly at the close of audit, the audit team leader or the DAG/ Sr DAG in charge should also hold an exit meeting with the officer in charge of the audit unit to discuss the audit findings and request responses.** The minutes of the exit meeting should be prepared and shared with the audit unit and acknowledgement requested.

If auditors come across instances of non-compliance, which may be indicative of unlawful acts or fraud, due professional care and caution needs to be exercised so as not to interfere with the potential future legal proceedings or investigations and

respond appropriately. Auditors may communicate their findings to the appropriate level of Management or to those charged with governance and then follow up to ascertain whether appropriate action has been taken.

### **Reporting compliance audits**

Reporting is an essential part of any audit as through this process the results of audit are presented to the intended users on the responsible party's compliance with the stated criteria. Compliance audits involve reporting the deviations from the applicable criteria and violations of the applicable rules, regulations etc., so that corrective actions may be taken, and those responsible for such deviations or violations could be held accountable for their actions.

Auditors should consider materiality for reporting purposes and adhere to the principles of completeness, objectivity, timeliness and contradictory process while reporting.

**Forms and Content of Reports** The top down, risk based approach is envisaged to provide a department centric view of the extent of compliance. As the compliance audit involves evaluation of both regularity and propriety aspects, Auditors are required to report results of audit on both these aspects. The audit findings on the selected specific subject matter are to be relied upon for providing the audit conclusion on the extent of compliance. Other audit findings noticed during the conduct of audit are to be reported separately. As the compliance audit is conducted at various levels of the organisational hierarchy and needs to be reported to the responsible party, those charged with governance, and the legislature, the form of reports to present compliance audit findings and conclusion would have to address these perspectives. Therefore, Auditors shall present the results of compliance audit in the following reports:

**Inspection Report**  
**Departmental Appreciation Note**  
**Compliance Audit Report**

**Inspection Reports:** On completion of audit, an Inspection Report presenting all the findings – both positive and negative – shall be issued within 30 days of completion of audit to each of the selected Audit Units with a copy to the corresponding next higher level in the organizational hierarchy and to the lead team if constituted. The findings pertaining to implementing units shall be included in the Inspection Report of the respective Audit Units. A period of four weeks may be allowed to the Audit Units to provide responses to the audit findings contained in the Inspection Report.

The Inspection Report of an audit unit may comprise the following parts:

**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 implementing units, the

subject matter(s) selected and the sources of criteria that have been adopted to evaluate the selected subject matter(s). 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 findings – both positive and negative findings that pertain to the audit unit and may be arranged in two distinct parts - Part IIA and IIB - the first part comprising significant audit findings relating to evaluation of the regularity related subject matter(s)/ specific subject matter(s) and propriety related subject matters and the second part – IIB comprising other incidental findings relating to both regularity and propriety aspects. The audit findings should be organised in decreasing order of materiality and significance, if possible.

**Part III – Follow up on findings outstanding from previous reports**—This part may indicate the progress of settlement of audit findings outstanding from previous Inspection Reports 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 persons holding the leadership positions in the audit units.

The responsibility of drafting the Inspection Reports shall vest with the respective audit team and that of review and approval with the respective DAG/ Sr DAG in field offices.

**Departmental Appreciation Note** 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.

The Departmental Appreciation Note shall be issued to the Head of the Department typically the Principal Secretary, for initiating remedial measures with a copy provided for information to the Secretary Finance, Chief Secretary - the next higher level charged with governance and to Headquarters Office.

The Departmental Appreciation Note may comprise the following features:

**Title:** Departmental Appreciation Note on compliance audit of (name of the Apex Auditable entity)

**Introduction:** This part may commence with a broad overview of the Department, the organisational goals, governance structure, jurisdiction, and challenges of the Department, financial and operational performance, which may be followed by a broad description of the high risk areas and the related internal controls to enable the responsible party/intended users to appreciate the factors that were considered by auditors while selecting the area for compliance audit during the year.

**Objectives and scope:** A brief explanation of the objectives and scope of audit should be provided.

**Audit findings:** This part shall contain all significant audit findings – both positive and negative findings aggregated from all audit units and may be arranged in two distinct sections – the first section comprising audit findings relating to evaluation of the selected subject matter(s), and the second section comprising audit findings on other subject matters and other incidental findings. These findings may be organised in decreasing order of materiality and significance. The audit findings included in the Departmental Appreciation Note, which could potentially feature in the next level of reporting through the Compliance Audit Report should be clearly indicated to the responsible party. Conclusion:

**Acknowledgement:** This part may contain acknowledgement of the extent of Department's cooperation in all matters including production of records. The responsibility of drafting the Departmental Appreciation Note may vest with the Audit team and that of approval with the Accountant General in field offices. In cases where multiple teams were deployed for audit of an Apex Auditable Entity and a lead team has been identified for conduct of compliance audit, lead team may draft and finalise the Departmental Appreciation Note, for approval by the respective Accountant General.

### **Compliance Audit Report**

The Compliance Audit Report represents the last phase of reporting the results of compliance audits and shall feature significant audit findings which require the attention of the legislature and other intended users including the public at large. The responsibility of preparing and ensuring the quality of the Compliance Audit Report before it is submitted to CAG for approval would be with the head of the field audit office.

The Compliance Audit Report could be brought out as a separate Audit Report or alternatively could be included as distinct Chapter(s) in a consolidated Report with findings of other types of audit. The decision with regard to the manner of featuring the compliance audit report shall vest with the respective DAI/ADAI.

### **Follow up:**

This 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. The following process shall be adopted by field offices for follow up of audit findings and conclusions included in the Inspection Report and the Compliance Audit Report:

**Inspection Report:** The outstanding paragraphs of previous Inspection Reports shall be reviewed during the conduct of audit and their status included in the current Inspection Report. The responses to paragraphs included in the Inspection Report shall be pursued by regular reminders to the respective audit units. There shall be a regular interaction with the Departmental Audit Committees to review and settle old paragraphs as per extant orders.

**Compliance Audit Report:** The receipt of explanatory notes/ Action Taken Notes (ATNs) to the paragraphs that have appeared in the Compliance Audit Reports shall be monitored in all field offices and Heads of Department shall be impressed upon to send explanatory notes/ATNs within the prescribed time frame as per extant orders. Accountants General may encourage the Heads of Department to send suo moto replies to all observations which have appeared in the Compliance Audit Reports but have not been discussed by the Public Accounts Committee/Committee on Public Undertakings.

The CAG further issued Guidance Notes for improving the quality of Inspection Reports which is intended towards establishing specific procedures that should be followed while planning, conducting and reporting the results of Compliance Auditing through Inspection Reports.

The guidance notes emphasizes the need for effective planning, including use of data analytics, prior to commencement of audit. This also prescribes a process based Title Sheet to accompany all Draft Inspection Reports at the time of submission to Headquarters, which includes certification of audit process. It also envisages benchmarking and grading the Inspection Reports to evaluate their quality

#### **Essential Procedures:**

The specific procedures that determine the efficiency and effectiveness of the compliance audits are described in following four sections:

- (i) **Planning Compliance Audits:** The procedures that should be followed while planning compliance audits are:
  - a) **Data analytics:** Data Analytics should be carried out by Data Analytics Group or Reports Section which involves the following steps:
    - Map the relevant audited entity databases and third party databases
    - Collect the databases
    - Analyze it as per data analytic guidelines
    - The analytic results will be used as input for Audit Plan
  - b) **Maintenance of Guard file:** A guard file should be maintained for each auditable entity containing legislations/rules/policies/orders that apply to the entity, Financial and outcome Budgets, important contracts/MoUs and internal control processes/procedures instituted by the entity. It should also contain relevant sections of external documents such as Economic Survey, Finance Commission Reports, Indian Public Finance Statistics. The file should be updated in every audit.
  - c) **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 which should comprise a study of the guard file, data analysis to determine the direction/focus of audit and to identify records/transactions that are potentially error prone for verification in field. Use of Data Analytics at this stage is recommended. Ordinarily desk review needs to be carried out for gaining an understanding of the entity to be audited and its focus areas.



- d) **Planning audit procedures:** Based on the understanding of the entity, the audit party should prepare a plan of audit procedures for the specific entity specifying the audit objectives, scope of audit, main focus areas and assignment plan for team members which should be approved by the DAG/Sr DAG before undertaking the audit. Recommended format for planning audit procedures is annexed herewith. Where a specific matter has been selected, an audit design matrix as envisaged in Compliance Audit Guidelines, should also be prepared.

Mandays required for carrying out desk review planning audit procedures may be appropriately factored into annual audit plan to the extent required.

ii) **Conducting audits:** To achieve better outcomes in respect of monitoring the field audit parties and supervising the quality of audit and documentation of field audit work, following audit procedures may be followed:

a) **Interface with Headquarters:** A two-way communication should be established whereby Headquarters can effectively monitor the field audit process and the audit parties can report on audit challenges being encountered and also follow up on headquarters directions.

b) **Certification of field audit process:** The SAO/AO of the audit party should certify that the audit process was conducted as planned in accordance with the Auditing Standards and Code of Ethics and that the documentation requirements have been adhered to. The certificate must be a part of the Title Sheet and should invariably be submitted along with the Draft Inspection Report.

iii) **Reporting Results:** The findings should be presented in two parts-Part IIA comprising significant audit findings and Part II B comprising other incidental findings with best practices being separately highlighted. Following procedures should be adopted in this regard:

a) **Presentation of Draft Inspection Report:**

- Each para should bring out whether the deficiency/best practice is an isolated case or it has a systemic connotation.
- Paras should be drafted in an orderly manner by identifying the criteria against which the subject matter is being evaluated, describing the condition (deviation from criteria as observed in audit), correlating the cause of deviation and determines the effect of deviation.
- While reviewing paras from outstanding reports, in case of a continuing deficiency or persistent irregularity, the audit team should identify systemic issues/control deficiency rather than routinely updating the para with latest information/revised monetary value.

b) **Vetting of Inspection Reports:**

- It should be ensured that the finding is supported by sufficient and appropriate evidence and conclusions reached should be appropriate in the circumstances.

- It has to be ensured if the IR Paras have been categorized appropriately as Part IIA and Part IIB paras respectively.
- While seeking approval of the DAG/ Sr DAG for issuing the IR, judgement of the persistent irregularities that need to be brought to the notice of the Executive through a ‘Departmental Appreciation Note’ needs to be taken.
- **Nil IRs:** In order to maintain the deterrent value of audit, some low risk units may have to be audited and in such cases ‘nil’ reports may have to be issued. All such cases should be well documented, logically borne out and should be issued only after prior approval of the HoD.

**iv) Grading of Inspection Reports:** Inspection Reports should be graded so that their quality can be benchmarked. A scoring methodology has been defined to measure the efficiency and effectiveness of critical audit processes against a maximum score of 100 which would consequently be translated into a grade to evaluate the quality of Inspection Report on a scale of 10.

The Headquarters section should be vested with the responsibility of scoring and grading each Inspection Report, which should be approved by the DAG/ Sr DAG after the dispatch of the Inspection Report. Extant instructions require that Inspection Reports should be issued with the approval of the DAG/ Sr DAG , which has to be diligently observed in all cases.

As a control measure, the procedure of scoring and grading Inspection Reports should be periodically reviewed by the HoD by a random selection of Inspection Reports, which should include Inspection Reports of Audited Entities which were considered high risk.

## CHAPTER - 4

### Performance Audit

#### Introduction

The Performance Auditing Guidelines (Guidelines) *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 and International Standards of Supreme Audit Institutions- (ISSAI) 100, 300 and 3000 and Asian Organization of Supreme Audit Institutions (ASOSAI) Performance Auditing Guidelines.

The AG is expected to make situational or subject specific adjustments to the provisions set out in these guidelines.

Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement.

Performance Audits are required to address the issues of economy, efficiency and effectiveness.

Performance auditors may find answers to the following two basic questions:

- Are things being done in the right way?
- Are the right things being done?

The main objective of performance auditing is to constructively promote economical, effective and efficient governance. It also contributes to accountability and transparency.

Public Sector audits have certain basic elements (i) Three parties in the audit i.e. the auditor, the responsible party, the intended user, (ii) the subject matter information and (iii) criteria to assess the subject matter.

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.

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.

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.

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.

### **Definition**

Performance audit is an independent, objective and reliable examination of systems, operations, programmes, activities of the Department in accordance with the principles of economy, efficiency, effectiveness and ethics. The main objective of performance audit is to constructively promote economical, effective, efficient and ethical governance which includes accountability and transparency. It aims to evaluate the subject matter against criteria. Performance audits are designed to provide a reasonable assurance with a set of conclusions and to present a balanced report by taking into account all relevant viewpoints.

### **Mandate and General Principles of Performance Audit**

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.

The General Principles to be followed in Performance Audits 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.
- f. Auditors should maintain effective and proper communication with the audited entities and other parties sharing the responsibility of the subject matter throughout the audit process and define the content, process and recipients of communication for each audit.

- g. Collectively, the audit team should have the necessary professional competence to perform the audit. This would include in addition to the knowledge of the domain of the audited entity, sound knowledge of auditing, research design, social science methods and investigation or evaluation techniques, as well as personal strengths such as analytical, writing and communication skills.
- h. Auditors should exercise professional scepticism, but also be receptive and willing to innovate.
- i. Auditors should apply procedures to safeguard quality, ensuring that the applicable requirements are met and placing emphasis on appropriate, balanced and fair reports that add value and answer the audit questions.
- j. Auditors should consider materiality at all stages of the audit process. Thought should be given not only to financial but also to social and political aspects of the subject matter, with the aim of delivering as much added value as possible.
- k. Auditors should document the audit in accordance with the particular circumstances thereof. Information should be sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations.

### **Selection of Subjects**

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.

- f. Coverage refers not only to previous audit coverage by the Department but also to other independent reviews of the activity
- g. The stage of the programme development should also be kept in mind when assessing management performance.
- h. The PAG/AG may elicit suggestions from the Executive or those charged with governance of the audited entities for the subjects or areas which could be selected for audits maybe through holding of seminars etc.

The data and information gathered for strategic planning for performance audits and risk profile of the entity or programme should be updated periodically

### **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;
  - f. Assess audit team skills and whether outside expertise required;
  - g. Preparation of Audit Design Matrix;
  - h. Establishing time table and resources; and
  - i. Intimation of Audit programme to audit entities.

### **Various Elements of Implementing the Performance Audit**

1. This chapter in Performance Auditing Guidelines, 2014 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 PAG/AG. 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. PAG/AG 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 is to collect, interpret and analyse the data in relation to the stated audit objectives are as under:-

- a. Entry Meeting besides Entry Conference should be conducted by Audit Parties with the heads of the Units 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 matrix and the audit findings matrix assume importance.
- d. Developing Recommendations.
- e. Exit Meeting.
- f. Supervision.
- g. Exit Conference.

### **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).

· Evidence can be categorised with reference to their type as physical observation (photographs, charts, maps, graphs or other pictorial representations, etc.) oral (audit interviews and inquiries), documentary (physical or electronic form) or analytical (analysis and verification of data).

· The sources of evidence may vary from case to case. The following are however some illustrative sources of evidence:

6. Policy Statements and Legislations.
7. Published Programme Performance Data.
8. Management Reports a Reviews.
9. Files of the entity on the subject-

· Meticulous documentation of the evidence supports the audit conclusions and confirms that the audit was carried out in accordance with relevant standards.

- All relevant documents and information collected and generated during a performance audit constitute the working papers. Ideally the working papers should consist of three sections – each linked to the other: planning; execution and reporting.
- Documentation in a performance audit requires maintenance of audit file along with set of working papers.

### **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 issues 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 in chief (Secretary of the Department) 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 consistent throughout.

### **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.

## CHAPTER 5

### Roads and Buildings Department

#### 5.1. Introduction

Roads and Buildings (R&B) Department is responsible for planning, construction and maintenance of all categories of roads, bridges, Government owned residential and non-residential building in the State of Gujarat. It also executes works on behalf of Local and Autonomous Bodies of State and Central Government as deposit works and looks after the National Highway works on agency basis.

The department is headed by the Secretary and assisted by Additional Secretary and Chief Engineers (CEs) in charge of various functions.

The field units of Roads and Buildings are geographically distributed as Circles, Divisions and Sub-Divisions headed by Superintending Engineer (SE), Executive Engineer (EE) and Deputy Executive Engineer respectively. The technical support to the Department is extended by the Gujarat Engineering Research Institute (GERI), Vadodara.

#### 5.1.2 Activities of the Roads & Buildings Department can be broadly classified into two types viz

1. Basic Activities
2. Other Activities

##### 1. Basic Activities

The main work of the department includes construction and maintenance of SH, Major District Roads, (MDR) Other District Roads (ODR) funded through the State budget.

##### A. State Highways

The State Highways (SH) are the roads which link important cities, towns, district headquarters within the state and connecting them with national highways or highways of the neighbouring states. These highways provide connections to industries/places from key areas in the state making them more accessible. The SH are maintained by the State Government.

##### B. National Highway (NH)

The National Highways Network of India is a network of highways that is owned and funded by Government of India. The National Highways Authority of India (NHAI) is the nodal agency responsible for building, upgrading and maintaining most of the national highways network.

The R&BD executes the capital works of National Highways on Direct Payment Procedure basis through Regional Pay & Accounts Office, Mumbai and maintenance and repairing works of NH by way of reimbursement on Agency basis.

### **C. Panchayat Roads**

Village roads are roads connecting villages or cluster of villages with each other to the nearest road of a higher category. These roads are under the control of Rural Development and Panchayat Raj Department.

Pradhan Mantri Gram SadakYojana is a scheme fully sponsored by Government of India. This scheme falls under the Ministry of Rural Development (MoRD), Government of India (National Rural Road Development Agency) & is implemented by respective state. This scheme envisages imparting all weather road connectivity to unconnected habitations of 500 & above population in normal area & 250 & above population in tribal/ hilly area.

The execution of work under Pradhan Mantri Gram SadakYojana is being done by the Panchayat Raj Institution of the State Government.

The Audit of the Panchayat Raj Institutions is conducted by the Principal Accountant General (Audit I), Rajkot.

### **D. Designs**

Designs (R&B) Circle is a premier Design Organisation of R&BD. It acts as nodal center for providing Designs & Technical Solution for Bridges & Buildings projects for Government of Gujarat. Designs (R&B) Circle is providing benchmarking services for last 46 years in the area of Bridge & Building Design, over the years it has successfully completed approximately 1700 Nos. major bridges projects and 3000 Nos. buildings projects with latest state of the art technology in the structural design.

Designs (R&B) Circle is headed by the Superintending Engineer. There are six Divisions headed by Executive Engineer under of Designs (R&B) Circle, Gandhinagar.

### **E. Quality Control**

Quality control units, headed by Executive Engineers, working under Chief Engineer (Quality Control) and Additional Secretary and look after the quality aspects of the works under progress in the department i.e. State Divisions, Panchayat Divisions and National Highway Divisions etc. Units carry out frequent checking of on-going works, materials stacked/ used in the works and the aspects related to the quality of the works where complaints are received from the Vigilance Commission, Anti Corruption Bureau, Government Officers, members of Legislative Assembly and General public etc. and report to the Government about the irregularities observed in the work. It also helps in carrying out departmental inquiries and preparing charge sheets for the Government Servants involved in the irregularities.

Some projects of R&BD are also funded from External Agency like World Bank (as per illustration given below)

### **Gujarat State Highway Project – I**

The First Gujarat State Highway Project (GSHP-I) was implemented by R&B Department, Government of Gujarat (GoG) through 2001 to 2007 with the World Bank assistance

GSHP-I project umbrella before its closure itself, rooted efforts towards second highway project for the state. The Updated Strategic Options Study (USOS) for the Core Road Network of the Gujarat State was carried out in 2005-06 to this respect and the same was revalidated in 2010. This study has prioritized road sections on strategic parameters to arrive at about 1,600 km road length for project considerations. The state has also carried out Financing Options Study to examine cost-effective ways of implementation to the benefit of GoG and road user too.

### **Gujarat State Highway Project – II**

In 2010, the Government of Gujarat (GoG), through the R&B Department, has taken up the second Gujarat State Highway Project (GSHP-II), covering up-gradation, maintenance and improvement of identified core road network in the state. The GoG has proposed to take up this project with financial assistance from the World Bank. The improvements of 630km in the project includes: (i) up-gradation of corridors for a length of 350 km, involving the strengthening and upgrading of single/intermediate lane roads to standard 2- lane/ 2-lane-with-pavedshoulders / 4-lanes, and (ii) major maintenance, of the remaining 280 km. In line with the prioritization exercise, R&BD selected seventeen sections / corridors, aggregating to about 630 km in length. There are two other components included in the project namely (a) Sector Policy & Institutional Development and (b) Road Safety. About, 12 million US\$ and 22 million US\$ are allocated for these two components respectively.

For utilization of savings, the World bank and GoG agreed to extend the project period upto December 2020. Therefore, the total Project Size is now 387 million US\$ and total project length is 775 km.

The Project Implementation Unit (PIU), established in GSHP-I is continuing and equipped with necessary support. This PIU is headed by the Project Director, who is the Chief Engineer (World Bank Projects) of R&BD.

## **2. Other Activities**

### **A. Parks & Gardens**

The main activities of Parks & Gardens office is to maintain and develop new Parks & Gardens in Gandhinagar, Ahmedabad, Vadodara, Surat, Ahwa, Saputara and Dharampur, besides raising of different varieties of Flower Beds and Pots for decorations on different occasions, to fill up flower vases in the Secretary Chamber and Ministers' Chambers, etc.

### **B. Electrical and Mechanical Circle/ Wing**

### **(i) Activities of Electrical Circle/Wing**

The main activity of this wing is to plan, execute and maintain all the electrical installations in State owned buildings. The activity starts right from planning, estimation, tendering, execution of works relating to maintenance and repair of internal and external electrical installations including road and compound lights, water supply pumps, H.T. Substations with internal distribution system lifts, air conditioning and sound systems in state owned residential as well as non-residential building viz. Secretarial Building, Assembly Building, Gujarat High Court Building, Various Circuit Houses, Annexe Houses, Various Office Building, Govt. Hospital, Medical and Engineering Colleges with Hostel Building, Auditoriums and Gujarat Bhavan at New Delhi, through eight Electrical Divisions and Twenty Three Sub-Divisions.

### **Activities of Mechanical Circle/ Wing**

#### **1. Establishment of Repair Workshops in the state.**

Following two workshops have been established to carry out the repairs departmentally to the Government Machineries and vehicles of Road & Building Department (State and Panchayat) and all other Government Department.

#### **(i) Central workshop at Odhav.**

#### **(ii) Regional workshops at Rajkot and Vadodara.**

- 1 Drilling Works by diamond core Drilling machines for exploration works for foundation base of buildings and bridges, are being done by Drilling Division, Ahmedabad and its two Sub-Divisions located at Ahmedabad and Vadodara.
- 2 Inspection of Unserviceable Machinery/ Vehicles of Road & Building Department, Panchayat & other Government Department to fix upset value and to issue Right-off-Certificates.
- 3 To look after the maintenance, repairs and operation of Hot Mix plants/ Drum Mix plants and its allied Machineries of R&B Department for producing Hot Mix for road Constructions.  
  
Maintenance, Operation and repairs of inspection vehicles at 4  
  
Ahmedabad pool and Gandhinagar pool.
- 5 Maintenance & repairs of Heavy Earth Moving Machines of R&B Department.
- 6 Monitoring and Inventory control of all Machineries/ Vehicles Road Rollers, Trucks, Tippers, Water Tankers, Jeeps, Cars, Heavy Machineries etc.
- 7 Servicing, maintenance and repairs to Machineries at site by Mobile Service Units.

- 8 Fabrication of Water Tanker at Vadodara/ Ahmedabad.
- 9 Purchase of Machineries and Vehicles of R&B Department.
- 10 Inspection of hot mix plants/ drum mix plants & pavers owned by the private contractors working under R&B Department for quality control of hot mix.
- 11 Maintenance & operation of Mobile Bridge Inspection Unit.
- 12 Annual physical verification of machineries & vehicles of the State Government as well as Central Government.
- 13 Inspection of mechanical rides of various Lokmelas, private agencies/contractors during Festivals.
- 14 Inspection of Crushing plants owned by the private contractors by checking of VSI/HIS installation in crushing plant.
- 15 Procurement of specialized equipment i.e. GERI equipment, Gym equipment, Sports equipment, Physio therapy equipment

### **C. Town Planning**

The office of the Chief Architect and Town Planner was formed in 1995 after amalgamation of the two offices with similar functions functioning under direct control of Roads and Building Department of the Government of Gujarat. The two offices were office of the Chief Architect and office of the Chief Town planner and Architectural Advisor, Capital Project.

### **D. Staff Training College**

The Government of Gujarat created the Staff Training College with a nucleus staff at Gandhinagar under G.R. P.W.D. No. TRT/ 1568/ 98688(E)/ G, dated 9 September 1971, and imparting of training to the first batch of Deputy Executive Engineers commenced on 15 December 1971.

The Staff Training College is housed in its own campus with hostel building in Sector No. 17 in Gandhinagar. It started functioning in its own campus from 1 September 1983.

The College serves the training needs of the Assistant Engineers/ Additional Assistant Engineers, Deputy Executive Engineers and Executive Engineers of the Roads & Buildings Department, the Narmada, Water Resources & Water Supply & Kalpsar Department of Government including Mechanical Wings of these Departments and autonomous boards of the Government of Gujarat.

## **5.2 Company/ Corporation**

### **5.2.1 Gujarat State Road Development Corporation Limited (GSRDC):**

The Government of Gujarat set up Gujarat State Road Development Corporation Limited in May 1999 as wholly Government undertaking with object to develop

the road infrastructure projects in the state under Public Private Partnership (PPP), besides other objectives.

Projects under PPP are based on a contract or a Concession Agreement (CA) between a Government or a statutory entity and a private sector entity for delivering an infrastructure service. The Government of Gujarat formulated a “Road Policy” in December 1996. The policy enables private participation in the development, construction, repair, up gradation, management, operation and maintenance of road within the State. The company is headed by Managing Director and assisted by Board members.

### **5.2.2 Gujarat Engineering Research Institute (GERI)**

GERI is one of the leading state research institutes in the country. The institute is headed by Chief Engineer & Director and officer of the rank of State Chief Engineer. Two Joint Directors of the rank of SE & one SE assist the Chief Engineer & Director. The research work in various units/divisions is organized by the Research Officer of the rank of Executive Engineer with supporting engineering & scientific staff. The institute aims at providing research and development inputs to the activities of Gujarat State in the fields of Water Resources and Roads and Buildings. The activities of the institute are centered on investigation and testing of Construction Materials, Research and Development, consultancy and training in various areas of Material Testing, Soil Mechanics, Geomechanics, Engineering Geology, Hydraulic Model Study, Sedimentation Survey, Road Research Study. The institute extends its activities to both Government and Public/ Private sector bodies.

### **5.3 Instructions for the guidance of Audit Management Group (I) Inspection Parties and Inspecting Officers:**

These instructions are intended purely to assist the Inspecting Officers and the Audit Management Group (I) (AMG I) parties to ensure that various duties entrusted to the Inspecting staff under the provisions of various Codes and Manuals are carried out satisfactorily. The instructions are not exhaustive and the inspecting staff has got full discretion to look into any other point which in their opinion merits inclusion in the Inspection Report. In case of doubt the original manual and orders should be referred to.

#### **5.3.1 Issue of Inspection Memos:**

Where the supervision of Inspecting Officer is available the inspection memos should be prepared by the Auditor/ Sr. Auditor/ Assistant Audit Officer (AAO) and approved by the Sr. Audit Officer before issue in all cases except those of routine nature which may be issued over the signature of the AAO of the party. In case where there is no supervision of Inspecting Officer, the memo may be issued on approval by AAO concerned. Even in cases where memos are issued by AAO Sr. Audit Officer (Sr. AO) may call for the office copies of the memos, already issued and make further remarks where he considers necessary to modify the audit enquiry already issued or to obtain supplementary or other information, clarification etc.

#### **5.3.2 Test audit of the Accounts of the selected month(s):**

**The test audit involves the following:-**

(i) Audit in detail of all vouchers not submitted to Audit in support of unvouched cash and transfer entry charges shown in the schedule dockets received from the Audit Office. It should be seen that:

- (a) There is on record a voucher correct in all respects in support of each item of expenditure for which a voucher is not required to be submitted to Audit Office (vide Article 232 of Account Code Vol.III) and which appears correctly in the Cash Book or Transfer Entry Book.
- (b) The change is in order.
- (c) It is traceable in schedule docket concerned and in the schedule dockets there are no items treated as unvouched charges which should not have been so classed.
- (d) It should be seen in particular that all the vouchers were checked by the Divisional Accountant at the proper time and duly cancelled as required vide para 4.1.4 and 4.1.5 of the MSO (Audit) and the Financial Rules of Government.

(ii) Examination of the audited vouchers of the selected month with the original record in the Divisional Office should be done. It should be seen that (1) the quantities for which payments have been made are traceable with the supporting details in the records of measurement quoted in the vouchers (2) in each case the record of measurement itself is in order (3) the rates at which payments were made for the several items of works or supply as shown in a voucher are in accordance with the terms and conditions of the relevant agreement indent or order etc. and (4) those terms and conditions had been duly sanctioned by competent authority before the liability was incurred and are not open to any objection from audit point of view.

Besides the checks mentioned above the accounts of selected month subjected to Central Audit in the Central Office should be examined at the time of local inspection in respect of the points which are not checked in the course of Central Audit.

(iii) verification of the counter foils of paid cheques brought from audit office with counterfoils, cash book and vouchers to see that payments have actually been made to persons entitled to receive them, that the cheques have been drawn in favour of actual payees and that the endorsement and acknowledgements of the payees on cheques do not give rise to any suspicion of fraudulent payment.

(iv) examination whether the charges against or credits to stock account or works accounts are shown correctly under the appropriate subhead or suspense account and in the contractor's ledger or the materials account if the vouchers and TEs affect the accounts of stock and work.

(v) all transfer entries involving the rectification of error should be examined with reference to the records leading to the original wrong adjustments and it should be seen (1) that the rectification was necessary and are in order (2) that the



original error does not disclose a defect in the system of accounting or indicate any financial irregularities.

(vi) examination of stock accounts of the selected month(s) to see that (1) they are maintained in accordance with rules and kept up to date (2) the quantities of both receipts and issues are correctly taken into account (3) both receipts and issues have been valued correctly (4) issues to works have been classified under appropriate Sub-heads or suspense accounts and carried to the budget or materials account concerned.

(vii) Check of works abstracts of the month(s) selected and agreeing the total charges on each work with total of the relevant schedule docket and examination of register of works to see that the works abstracts have been correctly posted in it and all entries in the register of works were reviewed by the Divisional Officer.

**Note:** Thrust area of audit scrutiny as narrated in MSO (Audit) 2002 para no 6.2.5 may be referred to. Detailed instructions laid down in connection with general examination of accounts should also be borne in mind in conducting the test audit of the accounts of the selected month(s).

The entries of one selected month in respect of the following registers should be checked, besides their general review:

- (i) Register of tools and plants
- (ii) Register of fixed charges
- (iii) Register of misc. sanctions
- (iv) Register of land and buildings
- (v) Register of stock
- (vi) Register of deposits
- (vii) Register of contractors' ledger (This register is not maintained by Irrigation and R&B Division, presently as secured advance, machinery advance etc. are not been sanctioned to the Agency/Contractor.) (viii) Cash book.

A list of the T&P articles transferred by the division during the selected month to other divisions should also be prepared in the form given below and sent to the Headquarters along with the draft IR. These lists are kept in the Index Sheet file of the divisions which received the T&P articles for verification during their next inspection.

Sl. No.	Name of the articles	Month of account	Name of the division to which sent	Cost

The Comptroller and Auditor General of India has also issued instructions vide his letter No.764-TA-II/178-82 dated 5 July 1982 for preparation of check lists of stock material issued for verification in the receiving divisions.

### 5.3.3 Complete examination of the selected Major or Minor Works:

The accounts of the selected major works or two minor works should be examined in detail with reference to orders contained in MSO (Audit)2002. All transactions recorded in the works abstract should be analysed and compared with the details of sanctioned estimates and with contract agreements measurement books stock account and other relevant documents. In particular the following points may be verified.

- (i) the account exhibit accurately the actual cost of work done relating to the particular object for which particular estimate was sanctioned. The information gathered during survey/investigation has been properly applied in the preparation of the estimate; the estimate has been prepared to satisfy the requirements of the work. The estimate of the work concerned should be studied together with the relevant correspondence to see that the estimate has been sanctioned by the Competent Authority;
- (ii) tenders have been invited; work allotted and agreement executed before commencement of work. All charges should carefully be examined to see whether any of these do not fall beyond the scope of sanction. Quantities should be compared with the quantities of work actually done with a view to verifying that savings due to abandonment or otherwise have not been utilized for additional work or that there have been no material alterations or modification in the sanctioned design without the sanction of the competent authority;
- (iii) all recoverable charges have been made good to the government by an equivalent cash recovery of short payment of dues;
- (iv) all payments supplies of materials, etc. have been made strictly in accordance with the contract agreement indicating no laxity in any of the terms. The rates provided in these contracts should be especially scrutinized with reference to the sanctioned estimate and Schedule of Rates to see that they do not allow any concessions detrimental to the financial interest of Government;
- (v) the contractors and others on whose behalf the recoverable charges are incurred do not get the benefit of any concessions to which they would not have been entitled if they had themselves incurred the charges;
- (vi) the quantities of the materials required for the work actually done should be worked out on the basis of the analysis given in the estimate or other established formulas and compared with actual issues both in the case of direct issue to works or to contractors to investigate the difference if substantial and
- (vii) Generally there has been no irregularity in the upkeep of the accounts including initial records relating to them.

**Note:** An in depth investigation of the specific points included in the profile on the works selected for detailed analysis should be conducted by the audit party.

As per order of PAG (Audit-II) dated 09-06-2015 the limit of high value contract amounting to ₹ 10 Crore for R & B Department and NWR&KD and ₹ 50 Crore for SSNNL are fixed. Cent present high value contract to be audited and in respect of other contract, a percentage of total agreements are to be audited since last inspection based on the availability of man power and days.

#### **5.3.4 Cash Accounts:**

The arrangements for obtaining cash from treasuries, its custody, payment and accounting should be examined to see that they are in conformity with the various rules and instructions on the subject.

Cash book should be carefully scrutinized to see that it is properly written up and maintained according to the financial rules and instructions in this regard. The selected month's transactions should be checked in full and arithmetical accuracy checked in respect of another month. In addition to the check prescribed in para 40 of Memorandum of instructions, it should be specially seen that:-

- (i) the cash book is posted in accordance with the instructions of Public Works Accounts Form 1 (Cash Book);
- (ii) private cash or accounts of members of department or undisbursed balance of cash obtained from treasuries or banks on cheques for pay and allowances of establishment are not accounted for through the cash book or mixed up with the regular cash balance;
- (iii) in respect of selected month(s) all receipts of cash as shown in the counterfoils of receipt books are traceable under proper dates and with correct particulars in the cash book;
- (iv) cash received is promptly paid into the treasury through Treasury Remittance Book and is duly acknowledged therein. Any delay in remittance should be pointed out;
- (v) the Cash Book is closed and balance struck on the prescribed dates;
- (vi) there is no erasure or interpolation and that errors are rectified promptly;
- (vii) there is no habitual or undue delay in submission of sub divisional imprest account along with all vouchers to the Divisional Office;
- (viii) there is evidence in the cash book of verification of all entries of receipts and payments and of the actual balance of cash in chest and that any deficit or surplus in the actual cash balance as compared with book balance is accounted for;
- (ix) entries in the vouchers/paid cheque/bills taken from the Audit Office agree with those in the Divisional and sub Divisional cash books and imprest accounts;
- (x) there is no tendency to keep an unduly large cash balance in hand;

- (xi) in the case of time barred lost, cancelled cheques etc. the correct procedure is followed;
- (xii) copies of remittance slips are received in the divisional office from the Section Officers whenever revenue collected by a Section Officer is remitted by him to the Sub-Divisional Officer or other near Superior Officer having a cash book and they are checked with receipt entries appearing in the copy of the sub Divisional Cash Book;
- (xiii) monthly statements containing full particulars of amounts collected and remitted by Section Officers during a month are received in the Sub Divisional Office and that these statements are verified with reference to the entries in the cash book and prompt efficient action is taken in regard to discrepancies, if any;
- (xiv) cheques are not drawn and deposited in the cash chest at close of the year for the purpose of showing the full amount of grant as utilized;
- (xv) cash balances with the subordinates are checked occasionally by the sub divisional officer.

### **5.3.5 Cheques and Receipt Books :-**

The cheques and receipt books should be examined to see that:-

- (i) all the receipt books are entered in the Register of cheque and Receipt books and the register is maintained and reviewed properly;
- (ii) the corrections if any on the counterfoils or the memoranda of balances or their back do not disclose any financial irregularity or overdrawal;
- (iii) the counterfoils of used cheque books are returned promptly to the Divisional office for check and record and bear the check certificate of the Divisional Account;
- (iv) the certificate of count of number of forms is duly recorded on the fly leaf of each book;
- (v) the counterfoils of used receipt books are forwarded promptly to the Divisional office for verification and return and the returned books bear the check certificate of the Divisional Accountant;
- (vi) no cheque is drawn unless the amount is to be paid at once;
- (vii) the procedure prescribed for time expired, cancelled or lost cheque is followed and
- (viii) the cheques paid are liable in the Treasury Pass Book.

### **5.3.6 Vouchers not submitted for Audit:**

The vouchers not submitted to audit should be scrutinized to see that:-

- (i) every voucher bears a pay order properly signed or initiated and dated by the responsible disbursing officer and payee's acknowledgement;
- (ii) a proper form of voucher applicable to each case is used;
- (iii) generally, it is complete in every respect in accordance with the general instructions contained on the subject.

### **5.3.7 Imprest and Temporary Advance Accounts :**

The Imprest and Temporary advance accounts should be examined to see that :-

- (i) they are regularly closed and recouped punctually before the cash book for the account month concerned is closed and the amounts of imposts are not unduly excessive;
- (ii) They are properly examined by the recouping officer before recouping;
- (iii) there is no avoidable delay in the adjustment of long standing temporary advances;
- (iv) special sanction of Government exists for permanent imposts in excess of the limit fixed;
- (v) Certificates of count of cash balances in the impost accounts are given after actual count;
- (vi) receipt from the impost holders have been obtained and filled for imposts outstanding on 31<sup>st</sup> March of each year have been obtained and filed;
- (vii) payments from impost holders' private cash is not made for Government liabilities or charges made before the impost cheque is cash;
- (viii) no impost beyond the monetary limit and competency, has been sanctioned;
- (ix) the Assistant Engineers do not enhance or permanently reduce or close imposts without the orders of the Divisional Officer;

### **5.3.8 Stock Account**

The initial account records relating to stock for the months selected for test audit should be checked with the schedule dockets and vouchers of the month(s) received from the Headquarters office and the records for the period of Inspection should be scrutinized generally to see that:-

- (i) initial accounts are in proper order and the receipts and issue are recorded therein in order of concurrence;
- (ii) there are no fictitious adjustments in the accounts;

- (iii) authority exists for the receipt or issue of materials and there is proper acknowledgement for every issue accounted for;
- (iv) materials received are examined and measured at the time of actual receipt by an authorized person.

**Note:** The method of verifying the quality and quantity of stores whether collected for work or stock should be examined to see that the verification is complete and reliable in accordance with the rules.

- (v) the value accounts are maintained and issue rates fixed in accordance with instructions contained in paras 429-433 of G.P.W. Manual;
- (vi) the head 'stock' is charged only with expenditure connected with the acquisition of stock materials and with manufacture operations and is duly credited with value of materials issued to works or sold, transferred or otherwise disposed off (Materials purchased specifically for a work should be charged to that work.);
- (vii) Issues to works are correctly classified as 'Issues to contractors' or 'issues direct to work' and correctly charged for if necessary at higher rates vide para 433 *ibid*;
- (viii) In respect of issues to work, the conditions laid down below are fulfilled.
  - (a) The issues are ordinarily confined to materials which have to be supplied under the conditions specified in the contracts;
  - (b) The issues are charged for at the rates shown therein the difference between the stock issue rates and those chargeable under the contracts being treated as additional final outlay on the work concerned;
  - (c) No carriage or incidental charges are debited against stock for moving the materials from or to a work;
  - (d) Surplus materials are not taken over or taken back to stock;
- (ix) In the case of materials collected for work or for stock the collection is not made far in advance or much in excess of the actual requirement;
- (x) In the case of materials or stock surplus to requirements or obsolete, proper steps are taken to circulate lists of such materials to other offices or departments in the locality and that suitable arrangements are made to dispose of all such materials without loss to Government and
- (xi) adequate action has been taken to secure the adjustment of profits and losses due to revaluation stock taking or other causes and for disposal of unserviceable or surplus material;
- (xii) Verification of Reserve limit of stock.

The reserve limit of stock should be examined with reference to the balance of stock at any particular period to see that the limit has not been exceeded without

the approval of the competent authority. It should also be seen that the limit fixed is reasonable based on actual requirements.

### **5.3.9 Physical verification of Stock materials:**

It should be seen whether the annual stock taking has been done as per para 440 of G.P.W. Manual Vol.I and the physical balances and book balances have been agreed and in case of discrepancies action has been taken as required in para 442.1 *ibid*, losses of stock which are due to negligence of departmental officers should be brought to the notice of Government for necessary action.

A few selected items of stock which were certified by the Divisional Officer as having been verified should be examined in detail to see that both the quantity and value thereof were duly corrected in accordance with the recorded results of the verification.

#### **5.3.9.1 Scrutiny of stock Accounts:**

Inspecting Officers should scrutinise the accounts of stores as carefully as other accounts and bring to notice cases of irregularities connected with the purchase and disposal of stores, proper store keeping and maintenance of initial records of stores by the departmental officers (e.g.)

- (i) Non verification of stores.
- (ii) Purchase of stores in anticipation of orders or in advance of or in excess of requirements. (Purchase of stores in excess of requirements involves unnecessary locking up of capital and possible loss by deterioration).
- (iii) Purchase of stores at excessive rates compared with the rates in similarly situated areas or rates published in catalogues of Engineering firms, if available.
- (iv) Whenever shortage of stores is noticed, the following points should be examined:
  - (a) When the shortages were noticed;
  - (b) Whether there has been any failure to conduct an annual stock-taking regularly;
  - (c) Whether there has been any negligence on the part of any of the officials or lacunae in the procedure that led to the shortage;
  - (d) Whether the shortages were reported to the specified higher authority as required in the financial and other files;
  - (e) What action has been taken by that authority on the above report;
  - (f) Whether a report of the shortage noticed was sent to the Accountant General as required under rules;

- (g) Was there any delay in fixing responsibility or initiating disciplinary proceedings; and
- (h) Was the shortage due to any fraud perpetuated by false entries or preparing any wrong documents of issue of articles.
- (v) The disposal of materials at the issue rates for which are known to be appreciably below the market rates should be specially scrutinized to see that there was no irregularity or loss.
- (vi) Irregularities in the purchase of stores by not inviting tenders or not accepting lowest tender. Liquidated damages recovered as per rules for delayed supplies.

#### **5.3.9.2 Stock receipt: Monthly abstracts**

It should be seen that the quantities of receipt of stock for the test audit months are traceable into the stores ledger.

#### **5.3.9.3 Check list in respect of issue of Stock Materials :**

The Public Works Inspection parties conducting local audit of stores division should prepare a check list, division wise, in respect of issue of stock materials during the selected month(s) indicating particulars of division receiving the stores, indent number, total value of indents and brief description of the major items of stores issued. This check list should be sent along with the draft Inspection Reports to AMG-I (Hq-II) will furnish an extract of the relevant entries in the check list (noted in the Register of points for Local Inspection) to the Inspecting Officers/Parties for detailed verification during the course of Local Audit of the Public Works Division concerned. It should specifically be verified by the Inspecting Officers/Parties that the stores stated to have been issued by the stores division as per indent from the receiving division have actually been accounted for by the recipient divisions in accounts of stock or work. The irregularities / discrepancies, if any, noticed on this account should be mentioned in the Inspection Reports.

**(CAG's office letter No.764-TA.II/178-82 dated 5.7.1982)**

#### **5.3.9.4 Surplus and Un-serviceable Stores:**

- (a) It should be seen that:-
  - (i) issues from surplus stores lists are checked with reference to the transfer entry orders;
  - (ii) the list do not include any articles which are likely to deteriorate;
  - (iii) the articles in the lists were verified during the year and that all deficits and surplus found are duly accounted for;
  - (iv) action has been taken for transfer of surplus stores to other divisions in need of them and for disposal of unserviceable stores under the orders of competent authority to the best advantage of Government. Auction records



may also be scrutinized and credit for sale proceeds, if any, verified. In the case of surplus stores, the full circumstances under which they could not be made use of, extra expenditure necessitated by transfer of surplus stores to other divisions, hiring of godowns owing to piling up of materials, losses due to deterioration in quality etc. should be probed into and comments included in the Inspection Report.

#### **5.4 Road Metal Returns**

The Road Metal Returns should be examined to see that:-

- (i) Accounts showing proper quantity of receipts, issues and balances, kilometer by kilometer of road metal of each kind are maintained.
- (ii) Write-off of metal is sanctioned by Competent Authority.
- (iii) Unused balances are verified at least once a year and when officer responsible for road metal is transferred surplus and deficit are properly accounted for.
- (iv) The receipts and issues of road metal, gravel etc. for test audit months are checked with reference to the vouchers and
- (v) Non submission of road metal statements or long delays in their submission to the Division office are specially noted.

#### **5.5 Accounts of Tools and Plants:**

- (a) The tools and plant ledger should be checked in Local Audit. It should be seen that:-
  - (i) there is no undue delay in the submission of Tools and Plant ledger (Form 15) to the Divisional offices,
  - (ii) the accounts of receipts and issues of Tools & Plant in the division and in the subdivision to be test audited are posted up to date and the entries in the ledger for the selected month(s) are traced from the respective Tools and Plant received sheets and indents. Part III of the ledger should be seen to ensure that there is no delay in losing the ledgers and action taken for adjustment of shortages is adequate,
  - (iii) all work abstracts for new supplies of tools and plant for the period of Inspection and the relative vouchers not submitted to audit are scrutinized to see that all item of receipts are traceable in Tools and Plant register,
  - (iv) it should be seen that "Register of Plant and Machinery" is properly maintained with full particulars of cost, make, life and rate per hour etc. and depreciation charges, if any, worked out correctly.

#### **5.6 Measurement Books:**

1. It should be seen that:

- (i) Measurement books outstanding for two years from the date of issue are duly called for record in Divisional Office,
- (ii) sanction of the CE is forthcoming for missing Measurement Books,
- (iii) the stock of unused Measurement Books agrees with the book balance,
- (iv) all measurement books are properly accounted for in the register of Measurement Books,

2. Payments to all works done otherwise than by daily labour and for supplies required for specific works are made on the basis of measurements recorded in measurement books. The measurement books should be numbered serially and entered in the Register of Measurement Books. This Register should be examined to see whether it is maintained properly and entries are correctly noted and generally there is no delay in recording of completed Measurement Books.

3. During local Inspection, special attention should be paid to check the recorded measurement on the payments for work done are mainly based on the measurement and any errors in recording of measurements may lead to faulty or double payments. For this purpose, a test audit of selected Measurement Books should be conducted to see that:-

- (i) the arrangements in force for taking measurements and for checking measurements and result of the check measurements do not indicate any laxity of control,
- (ii) the rates in the abstracts of measurements are entered only by authorized persons,
- (iii) the arithmetical check of calculations of “contents or area” is certified by the person carrying out the check,
- (iv) the details containing detailed measurement are scored out by a diagonal line in red ink and the abstract bears a reference to the number and date of the vouchers of payment,
- (v) the dates of measurements of outstation works are correctly traceable in the Travelling Allowance Journals of the officials concerned,
- (vi) acknowledgements are taken from responsible person whenever Measurement Books change hand,
- (vii) the remarks made by the sub-divisional officer or the Executive Engineer in the Measurement Book and corrections in rates made after check measurements do not indicate that irregular and incorrect measurements have been made,
- (viii) works which will not be susceptible to check of measurements after a certain stage, for example works in channel, river tank, beds foundations, etc. which will be covered up are check measured in time by sub-divisional offices,

- (ix) the date of measurement should be compared with the date of payment to see that payments are not intentionally postponed to the following year with a view to avoid excess over appropriation,
- (x) in case of cancelled measurements, the cancellation is supported by the dated initials of the officer ordering the cancellation and also full reasons for the same are given,
- (xi) check of measurement is conducted with discretion and the items of work easily susceptible of fraud or which would most materially affect the total amount of the bill are selected for check.

4. The Register of 'Measurement Books' should be examined to see that it is properly maintained and is complete record of all Measurement Books held in a division. The prompt return of completed Measurement Books to the divisional office and their retention for the prescribed period should be checked through this Register.

#### **5.6.1 Loss of Measurement Books**

- (I) The Inspecting Officer should investigate cases of Measurement Books lost since last inspection and report the result of his investigation to the Central Office with comments as regards adequacy of the action taken against the person responsible for the loss in case it was not merely accidental.
- (II) In case of lost Measurement Books, it should be seen that:
  - (i) the Assistant Engineer has prepared a list of all claims for works or supplies in the locality concerned which are then outstanding;
  - (ii) the list is verified by him by reference to bill book or bills and office copies of bills, works abstracts, petty vouchers, muster rolls or cash book to ascertain that none of the claims entered therein have already been paid for;
  - (iii) a certificate to this effect has been recorded by the Assistant Engineer on the list; and
  - (iv) after the above verification, the works not paid for, have been remeasured and entered in the fresh Measurement Book for payment as usual.

#### **5.6.2 Deduction for shrinkage on account of settlement of certain materials**

It should be verified that deduction for shrinkage on account of settlement and voids is made at the rates specified in the detailed specifications of the department.

#### **5.6.3 Standard Measurement Books:**

With reference to Standard Measurement Books it should be seen that:-

- (i) the standard measurement books written in ink are numbered alphabetically and are traceable in the Register of Standard Measurement Books.

- (ii) measurements are duly certified as fully checked by the sub divisional officer and as finally approved by the Divisional Officer.
  - (iii) the books are brought up to date from time to time. Under the supervision of the sub-divisional officer are scrutinized by the Divisional Office and are personally examined by the Divisional Officer at least once a year.
  - (iv) the annual reports prescribed under the rules to be submitted to the Superintending Engineer are regularly and punctually submitted.
2. It should be seen that the register of Standard Measurement Books are kept under lock and key in the personal custody of sub-divisional Officer concerned.

### **5.7 Accounts of Works (General):**

**1.** The points requiring special attention in connection with the test audit of accounts of works are detailed in para 44 of Secret Memorandum.

The following points which are subsidiary to or in amplification of them should also be borne in mind.

- (i) the materials to be supplied by Government for use or the work as specified in the contract are paid for by the contractor to the Government at the specified rates even if market rates or divisional issue rates are less.
- (ii) no carriage charges or incidental charges are borne by Government for moving the materials beyond the place or places of delivery specified in the contract.
- (iii) materials not specified in a contract supplied to the contractor but which are required for use on the work and which are available in Government stocks are used only with the authority of the Divisional Officer and at the rates specified by him.
- (iv) suitable arrangements exist for limiting the total issue of materials to a contractor in connection with a particular work to the reasonable needs of the work. This precaution is especially necessary when the agreed rates are lower than the market rates or when materials are scarce in open market.
- (v) the cost of materials issued to the contractor is recovered promptly in accordance with instructions contained in G.P.W. Manual.
- (vi) no advance of recoverable payment is made to or on behalf of a contractor and no financial aid is given to him except in accordance with terms of his contract and the relevant rules.
- (vii) in cases where cost of material is adjusted at once as a final charge, arrangement exist for exercising detailed control over the transactions relating to materials and for verifying the unused material.

**Note-1:** In regard to the issue of stores in respect of work done by departmental agency scrutiny should be made of the quantity actually issued and charged to the

work as against the quantity usually based on estimate or on the basis of actual work done.

**Note-2:** A statement of theoretical calculation and consumption of departmental materials should be enclosed with all final bills. The theoretical consumption statements for materials and the recovery statements should be subjected to detailed check with supporting documents like measurement books, MAS account estimates etc. in respect of all final bills paid during the period covered by the Inspection including the work(s) selected for the detailed audit to see whether the recoveries effected compare favourably with the theoretical consumption and whether large scale variations are dealt with as per rules. The reasons for variations between theoretical consumption and actual consumption as recorded in each case should be examined with a view to find out whether it is indicative of sub-standard work justifying payment at a lower rate than that agreed to. If consumptions are in excess of that which is permissible then recovery for the excess quantity should be effected at penal rates etc. as per provisions of the contract.

**(CAG's Letters No.1555-TA.II/475-70 dated 15.7.1992)**

(viii) in cases of rates paid for work done and supplies made abnormalities in rates are to be carefully examined. A comparative examination of rates paid by various offices in the same or neighbouring localities may be made as this point.

2. All cases of expenditure on demolition, restoration or rebuilding works in connection with buildings or structures irrespective of the amount involved or of the date of the original construction, should be investigated with reference to the reports on estimates etc. in order to see that :-

- (i) the original expenditure has not proved unnecessary or infructuous.
- (ii) the new expenditure is not due to lack of foresight or neglect in the arrangements for original construction : and
- (iii) there was reasonable justification for the original and for the new expenditure.

**Note:** Where an existing work is replaced by a new work it should be seen that the rates on the subject of accounting for the materials received from dismantled work are observed and that all such materials are properly disposed of.

3. In respect of any works or portions of work abandoned the accounts and correspondence in connection with such works should be examined to see whether there has been any avoidable loss to Government and whether such loss has been due to negligence.

4. As regards the expenditure on buildings rates and taxes and cost of electric energy and water the following points should receive special attention.

- (i) expenditure on new buildings or an additions to existing buildings of a commercial department is charged against that department.

- (ii) the cost of buildings constructed or acquired by charge to the grant of the Public Works Department and subsequently transferred to a commercial department is recovered from that department.
- (iii) buildings occupied by a commercial department whether borne on the books of Public Works Department or not are either maintained from the grant of the commercial department concerned or rent is recovered thereof and
- (iv) all municipal rates and taxes, cost of electric energy or water in respect of any buildings occupied by a commercial department but  

paid for by the Public Works Department are charged to the grant of the commercial department concerned.

### **5.8 Works Abstracts:**

When examining the accounts of works, the work abstracts should be scrutinized with a view to seeing that:

- (i) work abstracts are kept in prescribed forms for major and minor works.
- (ii) accounts of major works are maintained by sub-heads.
- (iii) the charges are correctly allocated to the sub-head concerned and transfers from one sub-head to another are supported by a formal transfer entry order approved by the Divisional Officer.
- (iv) there is evidence that all marked deviations from the provision for receipts and recoveries of expenditure in an estimate are investigated.
- (v) the balances under the suspense head 'Labourers' have been verified by the Divisional Accountant and Sub Divisional Officer respectively and in the cases test checked, they agree with the balances shown in the Contractors Ledger and in the record of unpaid wages.
- (vi) progress is recorded from the details furnished by authorized executive officials in charge of the work and not compiled from measurement books or vouchers etc. by members of the office establishment.

### **5.9 Register of Works:**

1. The following checks should be exercised during the local audit in respect of Register of Works.

- (a) The checking of entries of estimates etc. in the Register of Works (excluding works posted in Part-I of the Works Register)
  - (i) in case of all works, on which expenditure has been incurred without or in excess of the sanctioned estimates/allotments etc. and
  - (ii) In case of all other works, 25% check is to be done.

(b) Checking of progressive expenditure on individual works (excluding works posted in Part-I of the Works Audit Register)

2. The progressive expenditure and figures of sanctioned estimates allotments etc. in respect of individual works given in the half yearly comprehensive schedules of works expenditure excluding those posted in the Works Register should be checked with the Register of Works.

3. In addition to the checks prescribed in para 44 of the Secret memorandum it should be seen that:-

- (i) in the case of major works, the rates of cost are struck monthly under each sub-head whose accounts are kept separately.
- (ii) the monthly postings are examined and attested under the dated initials of the Divisional Officer.
- (iii) there is evidence to show that delays in closing accounts in measuring work done in settling bills etc. are enquired into.
- (iv) all liabilities and assets are settled and suspense accounts cleared before the accounts of work are closed.
- (v) the note of completion of work is recorded in the registers under the signature of the Divisional Officers.
- (vi) completion reports are submitted in all cases where required.
- (vii) separate columns have been opened for 'materials-at-site'. Advance payments to contractors 'unpaid wages or labourers' and other suspense accounts.
- (viii) a special sub head is opened for the recording of any receipts or recoveries creditable to the account of a Major Work.
- (ix) items of deviation from the Sanctioned Estimate are entered as separate sub-heads.
- (x) material modifications of, or deviations from the Sanctioned Estimates of large works of projects have received the sanction of the competent authority.

#### **5.10 Contractor's Ledger:**

During the local audit the contractor's ledger should be subjected to cent percent check in respect of the selected month with reference to vouchers, Transfer Entries and stock accounts.

**It should be seen that:-**

- (i) it is properly maintained and kept up to date, the entries relating to running bills in column 9. "Total value of works or supplies" bear the initials of the

Divisional Accountant and action is taken in the case of old outstanding accounts for the submission of a subsequent running bill or the final bill.

- (ii) adequate reasons exist for delay in adjusting secured advances outstanding for over 6 months.
- (iii) the divisional accountant has effected agreement month by month between the balances detailed in the works abstracts and the corresponding balances of the accounts in the Ledger, and
- (iv) debits for the value of stock supplied are made from the original receipts given by the contractors which should agree with the entries in the monthly abstract of stock issues.

**Office Note:** Now a days, contractor's ledger is not being maintained by the Public works Department as Secured Advances, Store and Stock are not given to Contractor/Agency.

### **5.11 Materials-at-site Accounts:**

It should be seen that:-

- (i) the account of materials at site of each major work is maintained and that the value of materials at site of each major work as shown in the Register of Works agrees with the balances shown in MAS Accounts.
- (ii) the materials-at-site accounts of completed works including those transferred to surplus lists from completed works are scrutinized on the circumstances under which they were obtained in excess of requirements or in advance of requirements and became surplus such as changes of design etc. bringing to notice instances indicating lack of proper planning etc.
- (iii) issues of materials to works are correctly classified under "issues to contractors" and "issues direct to works" and issues to contractors are promptly debited to their ledger accounts and value recovered and unusual delays in obtaining unstamped receipts from the contractors in debiting the values to the ledger or in effecting recoveries from the next running account bills are brought to notice.
- (iv) proper numerical accounts of the receipts issues and balances of surplus materials-at-site of completed works or of dismantled materials (not immediately transferred to stock or to work in progress) are maintained in the sub divisional and Divisional Offices pending their eventual disposal by sale or otherwise.
- (v) there are no undue delays in the submission by sub divisional officers of materials-at-site accounts of Major and Minor works and annual reports of materials-at-site of works.
- (vi) materials-at-site accounts are submitted to the Divisional office along with the Works Abstracts.



- (vii) the materials are not issued in excess of requirements as per data.
- (viii) the unused balances of materials-at-site of works are verified(a) at least once in a year (b) on the completion of a work and(c) when a Gazetted Officer or Subordinate in direct charge of a Work is transferred before closure of the accounts.
- (ix) the materials account of any of the Major Works is not utilized as a temporary stock account for materials for other works in the division.

#### **5.12 Tenders and Contract Agreements:**

The tender documents, contract agreements, register of tenders etc. should be scrutinized to see the following:-

- (i) Tenders are invited giving wide publicity as prescribed and allowing due notice period consistent with the magnitude of the contract. Government of Gujarat in their Industries and Mines Department Resolution No. SPO 102005-1407-21 dated 22 November 2006, (Transaction value further revised on 8 July 2011),introduced e-Procurement. E-Procurement is the process wherein the physical tendering activity is carried out online using the Internet and associated technologies e-Procurement enables the user to introduce ease and efficiency of operations without compromising on the required procurement policies and procedures of the organization. From 8 July 2011 any transaction amounting to ₹ 5 lakh or above is done through e-Procurement system.

It is to be seen that tenders received are in prescribed form as per the approved notice inviting tenders and there no deviations, comparative statement have been got correctly prepared, checked and certified by the Divisional Accountant as per provisions of para 201-E-42 of G.P.W. Manual Vol.II case of contracts accepted after negotiations, the negotiations have been conducted by the authority competent to do so and have been done in accordance with the procedure laid down and all formalities to be observed as envisaged in para 204 of G.P.W. Manual Vol. I. In cases where tenders are backed out, it may be seen whether the resulting loss has been assessed and prompt action taken for its recovery.In cases where the department failed to accept the lowest tender within its validity period, the departmental lapses may be investigated and resulting loss commented upon.

- (i) Security for due fulfillment of the contract is taken unless specially ordered otherwise by the Competent Authority.
- (ii) Satisfactory record for accepting a tender other than the lowest rate is ensured which is prima facie in the tax payer's interest.Audit should only challenge cases in which it has definite reason to believe that this discretion has not been properly exercised.The audit when bringing such cases to the notice may inter-alia indicate whether ratio to the total number of cases examined, points to the conclusion that they are merely individual lapses or are indicative of a widespread general tendency.

- (iii) Contracts are executed on standard forms applicable or on special forms prepared in consultation with law officers of Government and are sanctioned by competent authority.
- (iv) Contracts containing unusual conditions are not entered into without previous consultation with Law Officers of Government and material variations in contracts once entered into are not made without the consent of the Government.
- (v) If materials are to be supplied by Government, the materials which are to be supplied, the place or places of delivery and the rates to be charged to contractors are specified in the contracts and such rates do not differ from those notified in the notice calling for tender.
- (vi) Contracts are free from ambiguities, that rates to be allowed are definitely stated and that if contracts provide for the payment for work done at a specified percentage below or above the estimated or other rates, it is stated in clear terms in the contracts that such percentages will be calculated on the net and not on the gross amounts of the bills for the work done.
- (vii) Transactions relating to two or more separate working estimates are not covered by a single contract.
- (viii) The terms of contracts and the penalties for non-fulfillment of any of the terms are duly endorsed in practice.
- (ix) In the case of revised agreements or supplementary agreements providing higher rates, the sanction of the competent departmental authority exists.
- (x) Agreements have been accepted by Competent Authority before the liability is incurred.
- (xi) In cases where tenders are received substantially lower amount than the estimated cost of work the estimates are as a rule revised by the Divisional Officer.
- (xii) When estimates provide for using old and new materials in a certain proportion the agreement should show different rates for work with new and that with old materials.
- (xiii) Corrections in agreement are attested by both the parties.
- (xiv) The rates entered in the original agreements are the same as the tendered rates in the case of works for which tenders are called for.
- (xv) Agreements are not revised on the plea that market rates have risen after the agreements are accepted.
- (xvi) In the case of supplementary agreements the items for which extra rates have been allowed are not those covered by or incidental to items in the main agreement; the rates have been compared correctly based on reliable and authentic data and in accordance with conditions in the main agreement and

orders of Government on the subject. The circumstances necessitating the execution of such extra items not contemplated in the tender and contract should also be gone into detail and cases of defective investigation, estimation, designing etc. brought out clearly along with financial consequences thereof; and

(xvii) Cases of the types mentioned below should be scrutinized with special care.

- (a) Inclusion of new items of expenditure not contemplated.
- (b) Extension of time involving extra expenditure to Government.
- (c) Compensation payments/ex-gratia payments.
- (d) Extra ordinary stipulation in contract.
- (e) Contract on cost plus profit basis.

### **5.13 Schedule of Rates:**

1. A schedule of rates of each kind of work commonly executed is required to be kept in each divisional office prepared on the basis of rates prevailing in each locality. It should be intelligently scrutinized to see that it is correctly maintained. The rates entered in the estimates should generally agree with schedule of rates but if any departure from their rates is made or authorized in any of the estimates the report of the estimates should indicate in detail the manner in which the rate used in the estimate has been arrived at.
2. It should be seen that:-
  - (i) the schedule of rates is upto date and sanctioned by competent authority.
  - (ii) it is supported by detailed data and the rates paid in the month of test audit in respect of bills not covered by agreements and muster rolls do not exceed the schedule of Rates.

### **5.14 Accounts of Interest bearing Securities:**

1. In addition to the checks prescribed in paragraph 46 of the Secret Memorandum the accounts of interest bearing securities should be examined to see that the security deposits are covered by a proper bond or agreement setting forth the conditions under which the security is held.
2. In the case of Government securities deposited with the divisional offices against contracts it should be seen that the securities stand in the name of the depositor and that the contract or other documents executed by the depositor conveys authority to Government to appropriate or cancel the securities if the contract is not fulfilled. Care should be taken to see that the particulars of the Government securities such as number, loan and amount which are deposited against due performance of a contract are mentioned in the contract or other document executed by the depositor.

3. When securities are deposited on behalf of a firm or incorporated company, it should be seen that:-

- (i) securities stand in the name of the firm or company as the case may be.
- (ii) the person who has signed the contract had the requisite authority to bind the firm or company.
- (iii) the necessary documents authorizing the person who has signed the contract to bind the firm or company has been filed or registered with the Public Debt Office.

4. The endorsement in the Government securities should also be examined in the light of instructions contained in Chapter-V of the Government Securities Manual and it should be seen that all the endorsements and not merely last endorsement are regular that the title of the depositor or other person from whom the security was received is absolutely clear.

5. The Treasury Saving Bank Pass Books should be examined to see that –

- (i) they are hypothecated to the Divisional Office;
- (ii) they are sent to the Treasury at the close of every Financial Year for interest being added to the account;
- (iii) they are kept in the custody of the officer to whom the deposits are pledged and Government paper tendered as a security should be taken at its market value at the time of deposit and in the event of the subsequent appreciation on depreciation in value, a readjustment should be made if necessary.

#### **5.15 Deposit Register:**

During local audit, the Register of Deposits maintained by the division should be checked in respect of the selected month.

It should be seen that:-

- (i) reference to agreements of security deposits is quoted in the Deposit Register.
- (ii) there is no avoidable delay in the adjustment of long standing items.
- (iii) the Deposit Registers are properly maintained and correctly posted and reviewed monthly.
- (iv) notes regarding refunds are duly made and attested and (v) balances tally with the schedule sent with monthly accounts.

#### **5.16 Workshop Accounts:**

1. If there is a workshop in any of the Public Works Divisions for the repairs to Tools and Plant or for small manufacture jobs, it should be seen that the accounts of the works executed are maintained in the form prescribed for repairs works or

for manufacture operations as the case may be. In the case of larger shops however the system of accounts followed should be carefully reviewed to see that:-

- (i) It is in accordance with the procedure prescribed by the Government in consultation with the Accountant General.
- (ii) It is suitable and
- (iii) The proforma accounts are maintained with reasonable accuracy.

2. In the case of workshops running mainly for departmental purposes it should be seen that the accounts are kept in accordance with the general rules and principles laid down in the CPWA Code. Whatever be the system of accounts or the procedure to be observed, the annual proforma accounts should be subjected to a close scrutiny to see that the capital account, the overrun account and the profit and loss account do not indicate any financial irregularity or laxity of control.

#### **5.17 Suspense Register (Miscellaneous Works Advance)**

The divisions are required to send a list of items outstanding for more than six months to Central Audit along with the monthly accounts for September and March. The completeness of the list should be test checked during the local audit by examining the suspense Register relating to "Miscellaneous Works Advances".

It should be seen that action to clear the un-settled items is adequate. Reasons for delay in clearance of old outstanding items should also be investigated and commented upon in the Inspection Report. In respect of balances under the head "Expenditure incurred on deposit works in excess of amounts deposited" it should be ascertained that the Divisional Officer has taken action to realize the amount from the respective authorities without undue delay. Items outstanding under "Losses, Retrenchment Errors etc." should be specially checked with relevant correspondence.

#### **5.18 Land Acquisition:**

Cost of land acquired for works as well as cost of special establishment employed for such land acquisition is debited to cost of works in the works account. The procedure relating to land acquisition is given in paras 221 to 227 of G.P.W. Manual Vol.-I. The following are some of the points to be seen during Inspection of P.W. Offices.

- (i) whether the Revenue Department have been moved sufficiently in advance of starting of a work so as to avoid suspension of the work in the middle, delays in execution, disputes with contractors, extra expenditure etc. at a later stage due to non-availability of land.
- (ii) whether valuation of buildings and other structures by PWD for fixing land compensation has been done without undue delay.
- (iii) whether delay in land acquisition has been due to defective preparation of plans by PWD and sending up of proposals piecemeal.

- (iv) whether changes in layout and plan during construction rendered the land already acquired superfluous/and how far expenditure or surplus land was avoidable.
- (v) whether there is sufficient justification for advance possession of land and consequent payment of interest.
- (vi) whether land has been acquired in excess of actual requirement or has been acquired permanently when temporary occupation was only sufficient for the purpose; also whether the land acquired remained unutilized for long periods.
- (vii) whether there was any wrong selection of site for acquisition either wholly or in part causing infructuous expenditure.
- (viii) how surplus or unutilized land has been disposed off.
- (ix) whether a copy of the award statement and other documents as indicated in para 226-A of the G.P.W. Manual has been maintained in regard to each acquisition case.
- (x) whether the land compensation payments advised by the Treasury by debit to remittance head "P.W. Remittance-III other Remittance Items adjustable by PWD" has been duly adjusted in the accounts of the work under the subhead of the sanctioned estimate and the remittance head has been relieved of the debit.
- (xi) that every payment adjusted in the works accounts can be linked with the award statement received from the Land Acquisition Officer and identified as pertaining to the land acquired for the work.
- (xii) whether the land acquired has been duly and promptly taken possession of by the PWD and particulars of land with date of taking possession reported at once to the Accountant General.
- (xiii) whether there is an account of improvements taken possession of from the Revenue Department and whether disposal of improvements and dismantled materials from buildings and structures, if any, has been effected following the prescribed procedure and to the best advantage of Government, the sale proceeds, if any, have been accounted for and credited to Government.
- (xiv) whether the revenue receipts, if any, such as sale of trees, licence fee for buildings etc. have been accounted for.
- (xv) as regards cost of special land acquisition staff, whether the expenditure is a legitimate charge on the work; that there is no diversion of staff for other purposes at the cost of the work for which the staff was sanctioned and that there is no unnecessary retention of the special staff.

### **5.19 Register of Executive Engineer's check Measurements:**

It should be seen that:

- (i) a register of check measurements by Executive Engineer is maintained in the division and that the number and manner of check measurements made are in accordance with instructions contained vide Appendix XIV of G.P.W. Manual Volume II.
- (ii) the check measurements are made as frequently as possible and that they are not confined to any particular season or months and are not rushed at the end of the year.

### **5.20 Register of Contractor's Bills:**

(a) It should be seen that:

- (i) it is reviewed regularly by the Divisional officer at frequent intervals.
- (ii) there are no undue delays in the disposal of bills over the period prescribed.
- (iii) payment of bills for work done is not delayed for want of sanction to revised estimate or work-slips or similar reasons.

(b) Scrutiny of Running and Final Bills

The points to be seen as detailed below:-

(1) **Running Bills:** The following points should, inter-alia, be seen while checking contractor's running bills:-

- (i) The work is covered by an estimate. Each item of the bill should be compared with the corresponding item in the estimates to see that the expenditure is not in excess of the provision.
- (ii) if there is no estimate, it should be seen that the sanction of the Competent Authority to incur expenditure without sanctioned estimate exists.
- (iii) the claim is covered by an agreement, each item of the bill should be checked with reference to the corresponding item in the agreement to see that the rates paid and quantities executed are correct.
- (iv) if there is any item not covered by the agreement, it should be seen that extra item slip has been sanctioned for it by the Competent Authority.
- (v) the classification recorded on the bill is correct.
- (vi) the bill should be checked arithmetically.
- (vii) the quantities billed should correspond to the measurements recorded in the measurement book.

- (viii) the recoveries are made in accordance with the agreement.
- (ix) the previous advances are adjusted.
- (x) the bill has been passed by the Competent Authority.
- (xi) the Asst. Engineer/Executive Engineer has recorded the required certificates on the bill.

**(2) Final Bills: In addition to above, the following points should be seen:-**

- (i) the Contractor has signed the bill and measurement book and the payment is in full and final settlement.
- (ii) the check measurement has been exercised to the required extent.
- (iii) the expenditure on the work does not exceed the amount of sanctioned estimate by an amount which would require sanction of a revised estimate.
- (iv) the work has been completed within the stipulated period or the sanction to extension in time limit has been accorded by the Competent Authority in case the same was not completed as scheduled.
- (v) the deviations in the quantities as proposed to be executed and as actually executed have been suitably explained.
- (vi) in case of work involving material, the bill should be checked with reference to the material-at-site account.
- (vii) the work has been executed according to the departmental design and specifications.

**5.21 Register of Manufacture:**

It should be seen that:

- (i) a separate detailed account is maintained for expenditure for each manufacture (either for stock or for specific work) and for the quantities and values of the products on 2 sections known as operation and outturn accounts.
- (ii) an out-turn account is attached monthly to the work abstract for the operation.
- (iii) the rates for valued manufactured articles are fixed to represent as accurately as possible the actual cost of manufacture per unit but not exceeding the market rates.
- (iv) the account are closed as soon as the operations are closed or at least once a year and that before doing so the difference between the operation and the out-turn is adjusted under the orders of the competent authority.



- (v) in case of loss, the causes are duly investigated and reported to the competent authority.
- (vi) the charges under 'Land and Kilns' etc. in connection with each manufacturing operations extending over more than one season are adjusted by debit to the manufacture account in suitable installments as fixed by the authority sanctioning the initial charges.
- (vii) the aggregate difference between outlay and out-turn on all manufacturing operations as per register of manufacture agrees with the net debit to manufacture in part-I of the stock account and
- (viii) the debits to 'Land and Kilns' on account of cost of acquiring and opening up a quarry are correct and that they are properly cleared.

#### **5.22 Register of Sanctions to fixed charges and miscellaneous Sanctions:**

Besides general scrutiny, the Registers of sanction to fixed charges and Miscellaneous sanctions should be checked with reference to sanctions and vouchers of one selected month to see that the sanctions to be entered are noted as and when they are accorded and that the expenditure incurred against sanctions is regularly posted and that there is no irregularity.

#### **5.23 Register of Special Recoveries :**

The register of recoveries should be examined to see that:-

- (i) the register is properly maintained and regularly reviewed.
- (ii) orders regarding recoveries to be made from contractors or other persons which cannot be watched through a suspense of other account are promptly entered in the register.
- (iii) in the case of works the accounts of which are not kept by subheads credits anticipated in the estimates for works for recoveries  
of expenditure etc. are posted in the register immediately on receipt of sanctions to estimates.
- (iv) timely realisation of each item is carefully watched and
- (v) there is evidence on record that all marked deviations from the provisions for credits in the estimates of works were fully investigated.

#### **5.24 Register of Buildings and Lands**

It should be seen that:

- (i) the register is kept in proper form and corrected up-to-date;
- (ii) the value of the land is shown separately from that of the building or buildings thereon and that the value of each separate structure is also shown separately.

- (iii) the cost of residential buildings in the register agrees with that shown in the last Capital and Revenue Account except in the case of incomplete works; and
- (iv) the additions and alterations to each buildings are duly noted in the Register.

## **5.25 Special checks to be exercised:**

### **1. Unreal payments:**

- (a) This irregularity can be easily detected in the audit office by noting instance in which acquaintances are not received with the accounts and ascertaining the cases which lead to the delay in their submission. The facts ascertained should as far as possible be verified at the time of Local Inspection. In some cases stamped receipts are sent by firms in advance of the dispatch of stores. An Inspection of the local records connected with the procuring of bank drafts which reveal irregularities if any, in this regard.
- (b) Check against double payment, see that:
  - (i) the rates in bills are duly checked in Divisional office with work orders and agreements under the supervision of the Divisional Accountant;
  - (ii) a note of all payments whether running or final is recorded on the copy of the work order or agreement in the Divisional Office;
  - (iii) it should invariably be checked whether amount payable since previous bill column tallies also with amount derived to be paid in column of progressive/up-to-date total amount less amount paid upto previous bill.

### **2. Payment for work not done:**

The schedule of works expenditure for the month shows the expenditure in March and for the whole year. From this a list should be made of all items in which the proportionate expenditure in March has been unduly high. The high expenditure may be either cash payments or stock expenditure.

#### **(a) Stock:**

The original records of stock transactions should be consulted to see how far the stock transactions in the accounts are bonafide. The indents for the stores issued should be inspected so as to ascertain the dates of issue of the indents. The actual date of receipt of stores at site can be ascertained from the entry in the appropriate column in the receipts for stores sent and can be checked with the dates on which payments are recorded for the incidental charges if any such as cartage and freight charges. Such a check should bring to light all cases in which stock is shown as issued for the purpose of working upto grants.

#### **(b) Cash:**

The cash vouchers should be examined with reference to the recorded measurements to see whether the date of recording of measurements is correctly shown. Sometimes it will be found that unduly large number of measurements

could have been recorded by the same officer in a given time. In such cases, it should be verified from the T.A.Bills and other records whether the officer recording the measurements was actually present at the place of work.

The work shown as measured should also be verified as far as possible with the progress reports locally.

### **3. Payments for materials:**

- (a) In case, the cash payments made for 'materials' supplied in which case the following additional checks may be applied. The materials may be kept "at site" and a regular account may be maintained. In such cases the successive 'site' accounts should be scrutinized to see when the materials were actually used. In some cases actual loss (especially for perishable stores) may be noted in these accounts. Such instances should be pointed out.
- (b) If the articles are not kept 'at site' and payment forms an advance to contractors for supply of materials, subsequent measurement books should be looked into to see when the materials were actually used.
- (c) In the case of materials purchased it should also be seen if they were provided for in the estimates. Instances are not uncommon in which stores are charged off to some estimate in which there is a saving. This debit being received as the stores are being used up in other works.
- (d) The rates at which these heavy payments are made should also be scrutinised locally to see that rate higher than what are justified are not passed.
- (e) The transfer entry orders should be scrutinized and all facts clearly ascertained. If any transfer of materials is involved the same check should be applied locally in verifying the transactions as in the case of stores supplied.
- (f) In case of large workshop debits the facts concerning the dates on which the orders were placed with the shops. Whether the articles were actually manufactured and dispatched should be verified from local records. This would bring to light adjustments made in anticipation of supply with a view to avoiding lapse of grants.

### **5.26 Systems Audit:**

In order to improve the quality of Local Audit it is felt the sufficient emphasis should be laid in a system approach. At present the conduct of Government business and financial administrative procedures are governed by various rules and regulations as well as procedural instructions issued by the Government and the Head of Department. These regulations also prescribe certain control mechanisms through periodical returns and reports to be submitted to departmental supervising officers at higher levels to monitor the observance of rules and regulations.

During Local Audit, the parties may review whether the rules and regulations require any change with reference to existing situation and to make concrete suggestions therefore. In regard to rules and regulations which are in vogue and are current, the Local Audit Parties may examine whether these rules and regulations

are actually being followed. Whether any large scale default in observance of the rules are noticed or in case where the parties come across cases of obsolescence on any of the rules and regulations, the parties may report on such cases in adequate detail.

When new schemes are operated or new organizations are set up, it will be particularly necessary for audit to enquire the question of prescribing proper rules and regulations in financial and procedural matters, elicit information regarding control mechanism built in these rules and check through Local Audit Parties the actual observance of the prescribed rules and regulations by subordinate formation of the department. Where fresh rules or regulations have been prescribed by Government for any new schemes it should be seen whether these covered all the areas which will not get covered by the existing rules/regulations.

The working of the system and procedure in the Public Works Department will afford sufficient material for a meaningful system review. The existence or otherwise of a self checking control mechanism to monitor the observance of procedures and the time factor in the different processes may have to be specially studied during the review of the system. Any important and interesting points which come to notice as a result of the review may be included in a special report and sent along with the Inspection Report.

## **Local Inspection of Public Works Divisions/Offices**

### **5.27 Audit of Non Tax Revenue Receipts**

#### **5.27.1 General checks:**

(1) Departmental receipts of Central and State Governments are generally in the nature of receipts for services rendered or supplies made and receipts of miscellaneous nature like sale proceeds of condemned articles dead stock fee for licenses issues *etc.* These receipts are checked by audit while conducting the audit of the expenditure of the department concerned. Audit checks are to verify

- (a) sums due are regularly recovered and checked against demands and
- (b) sums received are duly brought to credit in the accounts.

(2) Instructions relating to revenue receipts, their check and Refunds and remissions are contained in Chapter VIII of G.P.W. Manual Volume I. The following are the more important items of non-tax receipts coming under Public Works.

- (i) License fee of buildings and land.
- (ii) Rent of Rest Houses.
- (iii) Sale of right for collection from trees in Government land.
- (iv) Sale of unserviceable/surplus stock,
- (v) Sale of tender forms.

- (vi) Auctioning of trees, tolls etc.
- (vii) Navigation Receipts.
- (viii) Hiring of Tools and Plants.
- (ix) Receipts from Workshops.

The records maintained in respect of the above showing the assessments made in respect of all items of revenue, the progress of recovery and the outstanding debits due to Government should be examined to see that proper action is taken in each case and that no debts due to Government are written off without orders of the competent authority.

It should be seen that the agreements and instruments which are liable to stamp duty are duly stamped in accordance with the provisions of stamp Act.

In conducting audit of non-tax receipts the general principles of receipt audit will apply and audit will be guided by relevant rules governing the assessment and collection of receipts. The emphasis in the conduct of Receipt Audit should not only be on the accounting of receipts but also on proper assessment of the amount due, realisation thereof and scrutiny of unauthorized or irregular refunds and remissions. It should be the endeavour of Audit to ensure that all demands due are properly and promptly raised in accordance with law, rules and regulations governing the same to trace all receipts, right from the source of their final accounting.

#### **5.28 Receipts on account of License fee on Buildings and Lands:**

Rules relating to recoveries of Rent on buildings and lands are contained in Para 479 to 486 of G.P.W. Manual Volume I and the license fee payable by occupants are regulated as per Government orders issued from time to time. While auditing the receipts the following points should receive special attention.

- (i) the calculation of capital cost and assessment of standard license fee in respect of buildings should be checked.
- (ii) all cases of new assessment of license fee payable by individual allottees since previous Inspection should be checked.
- (iii) where even rules prescribe that allottees should execute lease agreements in prescribed form and pay one month's standard license fee of buildings as advance before occupation of the house it should be seen whether these provisions are enforced.
- (iv) the Divisional Officers are required to take action to reassess the demands for license fee with reference to variations pointed out by disbursing officers and recover the arrears of license fee, if any due, compliance in this regard may be watched.
- (v) a complete and thorough check of the assessment of license fee the demand statements issued and realisation of license fee for the selected month(s) in

respect of each inspection should be done besides the general check of register of Lands and Buildings.

- (vi) 'Register of Rents of buildings and lands' maintained in the divisional office should show the monthly assessment, realization and balance of license fee of all residential buildings including office buildings used as residences and of such other buildings lands etc. as may be available or being let. No building or site should be excluded from this register on the plea that it is intended to be occupied rent free or not likely to be routed out but all such buildings should be grouped separately. The register may be subjected to detailed audit to see that:-
- (a) it is kept in the prescribed form.
  - (b) the cost of land is shown therein separately from that of building or buildings thereon.
  - (c) the register is maintained upto date.
  - (d) the cost of the residential buildings in the register agrees with that shown in the last capital and revenue accounts except in the case of incomplete works.
  - (e) in the case of buildings let out to private persons it should be seen that the revenue assessed is not less than the license fee.

### **5.29 Rent of Rest Houses etc.:**

Register of rent of Rest Houses (AthithiGruh / VishramGruh etc.) under the control of the Division should be called for and checked. It should be seen that rent for the various categories of officials/rooms are collected at the current rates as prescribed by Government and the collected amounts are periodically credited in Government Accounts.

Generally Inspection Bungalows/ Rest Houses are intended for occupation of Government Servants on official duty. The room in these bungalows and rest houses may be let out to others also when available at the rate of rents as specially prescribed in such cases.

### **5.30 Sale of right in respect of collections from trees and other miscellaneous property register:**

The audit checks to be exercised are to see that;-

- (i) all properties included in the register are duly leased under the rules prescribed.
- (ii) lease agreements where required exist in all cases.
- (iii) the amounts due are collected on the due dates and that there are no long lasting dues.
- (iv) adequate reasons are on record for short realizations or fall in revenue as compared with previous years.

- (v) the items of revenue due to Government are written off or remitted with the orders of competent authority.
- (vi) in the case of the sub division selected for test audit recoveries as noted in the register are traceable in the cash book.
- (vii) in the case of water taken for industrial purposes the scale of rates and recoveries made are in order.
- (viii) the amount in column “Amount realizable” has been correctly filled as per sale list and as per approved lease agreements.
- (ix) that right to collect tolls on bridges, if any, is leased out by public auction or by inviting sealed tenders.
- (x) that the registers are submitted to Divisional Officer periodically for review.

### **5.31 Sale of un-serviceable stock/surplus stock:**

- (i) It may be seen in audit that in disposal of surplus/unserviceable stores, stock that no disposal is made without sanction of the competent authority.
- (ii) When stock materials are sold to the public, an addition of prescribed percentage should be made to cover the charges on account of supervision *etc.* If un-serviceable stores are sold in public auction, it should be ensured that proper publicity has been given and that value fetched is not too low compared to the book value or assessed value.
- (iii) Losses, if any, arising from irregular procedure adopted in disposal of un-serviceable and surplus stores, should, always, be looked into.

### **5.32 Registration of Contractors:**

Rules relating to registration of contractors are contained in Para 198 to 199 of G.P.W. Manual Volume I and Appendix-XXX of the Manual Volume II. The contractors are classified according to their financial status and technical capabilities and the classification, registration fees etc. are contained in Tables I and II incorporated in Appendix referred to above.

Apart from the audit checks it should be seen during the inspection of sub-divisions, Divisions and Circles (the registering offices) that register of contractors is maintained properly and a list of applications for registration and renewal maintained by each registering authority in a register. In case the department declines to grant registration to any contractors it should be seen whether reasons for refusal has been clearly recorded in the register.

### **5.33 Sale of Tender Forms:**

The scale of fees for sale of tender forms prescribed for various Government works for which tenders are publicly invited by departmental offices are given in Para 196-B of the G.P.W. Manual.

The following is the procedure laid down for accounting of tender forms.

- (1) All tender forms should be priced and the price printed or hand written on the form.
- (2) All the forms received in the divisional and sub divisional office should be entered in the register of valuable together with the number and date of the advising dispatch or invoice with which they are received.
- (3) The receipt and issue of the forms for specific tenders should be recorded in 'the register of sale of tender forms' as a subsidiary register to the 'Register of Valuables'.
- (4) The register of sale of tender forms should contain a chronological record of the issue of tender forms showing the nature of the person to whom issued, the number of forms issued and the amount received.
- (5) All the tender forms should be kept in charge of the Superintendent/Head Clerk of the Divisional/Sub-Divisional office.

Apart from the general audit checks it should be seen during inspection that above procedure has been followed by authorities concerned.

### **5.34 During the audit of PPP based contract agreements following special points as detailed in check list to be seen by the local audit parties-**

#### **CHECK LIST**

##### **A: Road Projects**

Bidding process of the road/Rail Over Bridge (ROB) projects are initiated and finalised by concerned Executive Authority which is duly approved by the concerned Competent Authority of R&B Department on open competition basis.

##### **B: ROB Annuity Project**

1. Visit the project Highways / RoBs / sites
2. Examine the records relating to project appraisal, approval, bidding and post bidding in the Concerned Executive Divisions/Offices of the R&BD.
3. Review the role of the Independent Engineer (IE) if any, appointed in the project.
4. Other issues:
  - a. The Annuity Projects are based on long term agreement. It is to be seen whether any robust mechanism has been developed in the Department to monitor that the Concessionaires are observing the provisions of the Concession Agreement (CA) and to ensure that services are delivered to the project users during commercial operation as envisaged.



- b. Does the strategic plan identify the need and justification of the project and prioritize the projects in accordance with a long term plan?
- c. Is the project justified on the basis of the demand projection? Did the feasibility study consider alternatives and was the choice of Annuity base project was decided after due diligence?
- d. Has the feasibility study estimated the demand projections realistically and based on sample surveys/ statistical analysis?
- e. Are output specifications clearly and unambiguously spelt out? Alternatively, is there scope for doubts and misinterpretations regarding them?
- f. Do the cost projections include all aspects of construction such as service roads, toll plazas, bus stand, Truck by lays and project facilities?
- g. Do the specifications in the feasibility/ project reports conform to approved specifications (such as MoRTH and IRC)?
- h. Are the cost estimates transparent?
- i. Were the established procedures for project approval correctly followed?

## **1. Audit of procedure for selection of Concessionaire**

At this stage, following aspects are to be covered:

- i. Whether the Draft CA is based on Modal Concession Agreement (MCA)? Variations, if any, have been justified?
- ii. Whether approval of draft CA was followed with due procedure?
- iii. Request for Qualification, pre bidding queries, their compliances and scrutiny of responses of the Department.
- iv. Request for proposal issued and bidding process.
- v. Financing pattern and total project cost estimation, if different from the Detailed Project Report (DPR).
- vi. Evaluation and analysis of the bids.
- vii. Any deviation from the approved CA, and evaluation of financial implication, if any.
- viii. Signing of the CA and formation of the Special Purpose Vehicle.

## **2. Audit of risk allocation**

- i. Whether the risk of project development has been fairly allocated between Concessionaire and R&B department?

- ii. Whether financial implications of non-observance of “Conditions Precedent” to Appointed Date have been fairly worked out (such as clearance from the various authorities, providing Right of way, Utility shifting etc.)?

### **3. Audit of financing risks**

- i. Whether delay in utility shifting and providing Right of Way caused payment of damages to the Concessionaire? Was such delay avoidable?
- ii. In CA, provisions of bonus for early completion of the project (with reference to scheduled completion date) have been made. It is to be seen whether certificate of early completion of the project issued by the IE had not jeopardized rights and privileges of the project users viz. certain items of work which could have been completed but included in punch list?
- iii. Analysis of expenditure incurred by the Division to maintain project highway during the project development period and to see whether the treatment given at the cost of the department was necessary?
- iv. Whether time period allowed for completing the project was based on some scientific method?

### **4. Audit of concession agreement**

- i. Whether all the terms and conditions of the CA have been followed?
- ii. Where the project was developed as per the terms and conditions provided in the CA?
- iii. Whether the Project facilities have been provided as per the CA.

### **5. Audit of construction of the project**

- i. Whether the technical specifications provided in the CA were followed during project construction and project development period?
- ii. The Role of the Independent Engineers during project development period.
- iii. Monitoring of the project construction activities

### **6. Audit of annuity payment**

- i. Whether the Concessionaire has claimed the annuity in time and all the adjustments (recovery/ addition) have been correctly worked out by the IE?
- ii. In case of negative scope of work, whether the annuity amount has been correctly adjusted and re calculated?
- iii. Whether all the statutory deductions have been effected and TDS certificates were issued correctly?

### **7. Audit of toll collection including fixation of tariff**

In the case of road project, the justification of tariff fixed, collection method and other issues relevant to toll tariff to be checked.

### **8. Audit of O&M after completion of the project highway**

- i. Whether the Concessionaire has submitted O&M manual?
- ii. Whether the project highway is being maintained as per the provisions of the CA? In case of non-maintenance of the project highway, what action IE has recommended? Whether any financial penalty was imposed and followed while making annuity payment?
- iii. Whether the IE is submitting O&M reports in time and in the prescribed format and meaningful purpose or only a routine report?

## CHAPTER 6

### Financial Audit Attest Party (FAAP) (R&B) section

**6.1** The Financial Audit Attest Party (R&B) is responsible for the audit of those transactions of the Public Works Department which are brought to account by Divisional Officers of the Department in accordance with the directions contained in the Account Code Volume-III and the Financial Rules of the Government concerned. These instructions are supplementary to the general directions contained in Chapter-I of Section-III and Chapter I, II, III & IV of Section IV of M.S.O. (Audit), Manual of instructions for Central Audit and Financial Attest Auditing Guidelines for audit of State Government Accounts which are applicable to Works Audit unless there be something repugnant in the subject or context and except to the extent that they are modified by the instructions hereinafter prescribed.

The **R & B Department** is in charge of all activities pertaining to planning, construction and maintenance of all categories of roads and all Government owned buildings in the State of Gujarat. These activities constitute a vital component of the developmental work in the State. At present, the R& B Department has 16 Circle Offices and 70 divisions.

### **6.2 Role of Divisional Accountant in the State Government**

Divisional Accountants are posted by the office of the AG (A&E) in the divisions to assist the Divisional Officers (Executive Engineers) in the discharge of their responsibilities. Their cadre is maintained, operated and controlled by the office of the AG (A&E) to ensure the independence of the Divisional Accountants/Divisional Accounts Officers as far as their functions are concerned.

The monthly account of the receipts and disbursements of the division is compiled by the Divisional Accountant under the supervision of the Divisional Officer (Executive Engineer) and submitted to the office of the AG (A&E), which incorporates the account after certain preliminary checks in the general accounts of the State.

A Divisional Accountant working under the Divisional Officer performs three-fold functions of an Accountant, an internal checker and a financial assistant and is responsible for the correct compilation of the accounts of the Division.

As a primary auditor, he is responsible for applying certain preliminary checks to the initial accounts, vouchers, etc. He should inspect at least once a year, the accounts and records of Sub-Divisional Officers and check a percentage of the initial accounts.

### **6.3 An Overview of Works Accounts**

The Divisional Officer i.e., the Executive Engineer of a Division is the primary disbursing officer who obtains funds required for all disbursements connected with the execution of works by cheques drawn directly on Civil Treasury or Banking Treasuries. All departmental receipts collected by him or his subordinate officers are remitted in lump sum into Government Accounts directly.

The Divisional Officer maintains the initial accounts of all transactions, the detailed accounts of works, cash and stores and the accounts of works executed by him.

Public works transactions may be grouped under the following heads:-

- i. Expenditure heads - for charges adjustable finally in Divisional accounts
- ii. Revenue Heads for revenue receipts adjusted in Divisional accounts.
- iii. Remittance Heads –PW-I Remittance, PW-II Cheques, PW-III Other Remittances
- iv. Suspense Heads-Purchase Suspense, Stores & Stock Suspense, Workshop Suspense, Miscellaneous Public Works Suspense
- v. Deposit heads – 8443 PW Deposits (Class I to V)

Initial records upon which the accounts of the division are based are muster rolls measurement books and work charged establishment bills.

### **6.4 Functions of Financial Audit Attest Party under AMG-I**

FAW section is responsible for the financial audit of the transactions of the monthly accounts of the R & B Department which are brought to account by the respective Divisional Officers. Financial audit is supplemented by local audit of the accounts of the R & B Department which is carried out by AMG I.

At present, there are 70 divisions under R & B Department.

(i) The primary function of FAW is the audit of Part-I monthly accounts of the R & B Department, the detailed audit of the sampled vouchers from Part-II of the monthly accounts, furnishing the audit completion Certificate, issuance and pursuance of Audit Notes/Special letters of important points to the divisions with a copy to the PWA section, Branch O/o the Accountant General (A & E), Ahmedabad. The FAW is also responsible for audit of sanction orders and contract agreements received from the departments.

(ii) FAW is also responsible for selection of months and transmission of original vouchers of selected months to field parties of AMG I Wing. FAW should ensure that the original paid vouchers for the selected months are made available to the local audit parties of AMG I Wing for detailed on-the-spot check. As soon as

the programme of local audit divisions for a particular period is finalized by AMG I and a copy of the approved Tour Programme is received in FAW, the Sectional Officer should make advance selection of the month for detailed check in respect of each division and should note the month(s) selected for detailed check in the Selection Register and obtain the approval of the DAG/ Sr DAG .

One or two Sub Divisions should be selected for test audit. For this, the names of all the Sub Divisions in the Division and the Sub Divisions test audited during the last three years should be indicated in the Selection Register. Selection of Sub Division(s) should be so made as to complete test audit of all the Sub Divisions in a cycle of four years. The selection file would also include details of one or two Major Works executed by the division on the selected months, outstanding Factual Notes/Inspection Report paras along with the details of outstanding Audit Notes and Special letters of the particular division.

After approval of the DAG/ Sr DAG on the Selection file, FAW should collect the monthly accounts (Vouchers) from PWA Sections and forward to IR (HQrs-2) Section for onward transmission to local audit parties of AMG I for detailed analysis.

The local audit parties should after completion of audit, return the monthly accounts (Vouchers) to the Assistant Audit Officer of FAW Section who in turn will return the same to PWA Sections.

**(iii)** FAW is also responsible for the maintenance of data base of all the divisions and details of High Value Contracts executed by divisions to be forwarded to the local audit parties of AMG I at the time of commencement of local audit.

**(iv)** FAW is also responsible for maintaining press clippings from 2 leading English newspapers and 2 local newspapers related to all sectors/departments under the audit jurisdiction of O/o the AG (Audit II) Ahmedabad.

#### **6.4.1 Additional Functions Of FAW**

- i. Disposal of all correspondence pertaining to FAW.
- ii. Maintaining, circulating and distributing general orders, circulars, and corrections to Codes etc.
- iii. Scrutinizing corrections to CPWA code and G.P.W. Manuals.
- iv. Dealing with matters affecting audit procedure and issue of circulars wherever necessary.
- v. Dealing with orders or cases of a general nature or involving interpretations of rules and cases referred
- vi. Preparing consolidated monthly/quarterly arrear reports and other returns relating to FAW for submission to DAG/ Sr DAG / AG

- vii. Maintenance of Calendar of Returns
- viii. Consolidation and maintenance of Progress Report of Audit Notes/Special letters

### **6.5 Duties and Responsibilities of members ff FAW**

The duties and responsibilities of members of the FAW are broadly indicated below. The Accountant General (Audit II) may, however, entrust any other item of work to any member of the section or party or authorize the DAG/ Sr DAG , the Sr. Audit Officer, in charge of the FAW or the Assistant Audit Officer in charge of the FAW to make such changes as may be necessary from time to time in the distribution of work having regard to the availability of personnel and their expertise and suitability. Such changes should be ordered in writing so as to ensure the clear demarcation of duties and responsibilities of different personnel and their accountability as well as to facilitate evaluation of their performance and personal contribution. Each member of the FAW, including the Assistant Audit Officer, will be individually responsible for the duties entrusted to him. Normally, Sr. Auditors/Asstt Supervisors should be able to finalize audit memos on their own; however, they may seek the guidance of the Assistant Audit Officer on important or doubtful questions.

**Note:** The Assistant Audit Officer should determine the extent of independence to be allowed to each member of the section with reference to his experience, qualities and capacity to act independently. Final audit memos will be sent to the Branch Officer for approval only after the Assistant Audit Officer has vetted them.

#### **(a) Sr. Audit Officers/Audit Officers**

- i. Co-ordination and general supervision.
- ii. Scrutiny of material processed by the Assistant Audit Officer for issue of Audit Notes

#### **(b) Assistant Audit Officers/ Section Officers/ Supervisors**

- i. Audit of all sanctions and Contracts.
- ii. Disposal of references seeking clarifications and allied correspondence.
- iii. Review of files and issue of reminders containing Audit Notes/Special letters issued to divisions
- iv. General check of Objection Book and closing thereof.
- v. Audit of sampled vouchers & also review of vouchers audited by Sr. Auditor/ Auditor/Asstt Supervisor.
- vi. Submission of all registers and returns.
- vii. Review of press clippings

#### **(c) Senior Auditors/Auditors**

- i. Data entry of the vouchers received in the monthly accounts.
- ii. Audit of schedule of revenue realized/refunds of revenue.
- iii. Audit of schedule of works expenditure.
- iv. Audit of schedule of purchases.
- v. Audit of stock account and reserve limit of stock.
- vi. Audit of schedule of deposits.
- vii. Audit of schedule of deposit works.
- viii. Audit of the account of receipt/issue of tools and plant.
- ix. Audit of schedule of cash settlement suspense.
- x. Audit of schedule of remittances.
- xi. Audit of contractor's ledger.
- xii. Audit of schedule dockets including those for percentage recoveries.
- xiii. Audit of vouchers as per the sampling received.
- xiv. Audit of bills of suppliers, bills in respect through DGS&D and railway credit Notes. of purchases
- xv. Audit of hand receipts.
- xvi. Audit of completion reports
- xvii. Audit of land acquisition vouchers.
- xviii. Audit of transfer entries.
- xix. Recording of pass order on Monthly Account
- xx. Audit of other miscellaneous vouchers not specifically listed.
- xxi. Any other routine work or other work entrusted by Assistant Audit Officer.

## **6.6 Audit Procedure**

The financial audit of the monthly accounts should be taken up immediately on completion of each month's accounting work by the Works Accounts Compilation Sections in the Office of the Accountant General (A&E). The programme of audit and deployment of personnel for the purpose will be determined by the Senior Audit Officer/Audit Officer in charge of the FAW, in consultation with the Office of the Accountant General (A&E) Ahmadabad. The Senior Auditor/Auditors/Asstt Supervisors of the FAW should examine the several schedules, schedule dockets, vouchers, etc., received in support of the monthly accounts and audit them in detail in accordance with the general, as well as special instructions, prescribed in this chapter & as per the provisions of MSO (Audit), Manual of Instructions for Central Audit and Guidelines for Financial Attest Audit for State Government Accounts. The Assistant Audit Officer will similarly undertake the audit of the schedules and vouchers assigned to him.



Instances of slippages in completion of postings should, however, be brought to the notice of the office of the Accountant General (A&E) Ahmedabad.

As far as possible, supplementary accounts of the year should be dealt with in audit in the same manner as the monthly account. It should, however, be borne in mind that there can be no cash transactions in these accounts nor any actual transactions relating to stock and that transfer transactions are permissible only to the extent indicated in Articles 199 and 236 of the Account Code, Volume-III.

**(Source Para 4.2.7 & Para 4.2.8 of MSO (Audit))**

### **6.7 Time Schedule for Audit**

As a general rule, audit of vouchers pertaining to a month should be conducted as soon as the monthly accounts are closed and the posting of the vouchers in the registers prescribed is completed by the office of the Accountant General (Accounts & Entitlement). Any departure from this general instruction is permissible only in special circumstances and with the express sanction of the Principal Accountant General (Audit II).

Audit of monthly accounts of R & B divisions should normally be completed by 10<sup>th</sup> of the third month to which the Divisional Accounts relate. As far as possible this schedule should be scrupulously adhered to. Any arrears in completion of audit should not only be reflected in the monthly arrear report, but also that expeditious action should be initiated for completion of audits and clearance of arrears under the orders of the DAG/ Sr DAG .

### **6.8 Audit of March Accounts**

Central Audit of vouchers for the month of March requires special attention.

Expenditure during this month is found to be generally heavy in relation to other months because of the tendency to incur substantial expenditure towards the close of the financial year to avoid lapse of budget grants. As a result internal controls in the departments may be slack giving rise to irregularities and deviations from prescribed procedures.

### **6.9 Completion of Audit**

On completion of the audit and review, FAW will forward the audit completion certificate to SFR Section.

The audit notes/memos and all subsequent correspondence will be dealt by FAW in respect of the divisions under their audit after scrutiny and editing, where necessary, by the branch officer with The section will maintain Progress Report of Audit Notes/ Special letters and closing and maintenance of objection Book and Adjustment Register

## **6.10 Certificate regarding completion of Audit**

In order to enable the DAG/ Sr DAG to keep himself posted with the facts of completion of audit and review, a report should be submitted to the DAG/ Sr DAG every month on 15<sup>th</sup> of second succeeding month to which the accounts relate, in a separate register, wherein the Sr.Ars/ Ars./ AAO/ SO of FAW should provide details regarding number of accounts and vouchers received and audited along with the audit completion certificate (**Annexure 14**)

## **6.11 Sampling Methodology**

As per the Guidelines or Financial Audit of Accounts of the State Government, the selection of samples for substantive testing of accounting inputs like vouchers, challans, classified abstracts, transfer entries, settlement accounts, clearance memorandum and different transactions forming part of the accounts will be done by the Principal Auditor adopting any statistical sampling methods.

In pursuance of this, random sampling technique for audit of vouchers received with the monthly accounts of divisions is adopted in FAW with effect from the audit of monthly accounts of July 2018. Data entry of the vouchers received in the monthly accounts is done by FAW Section.

Vouchers are selected as per the following criteria:

- Vouchers below ₹50 lakhs 10%
- Vouchers above ₹50 lakhs 100%

The above would also be subject to the condition that the total of percentage selection is equal to 10-15% of the total vouchers. In case of a situation where the total vouchers selected under different categories falls short or exceeds the total required sample as a percentage to total number of vouchers for that month, the selection of vouchers may be enhanced or reduced in order to maintain selection of 10-15% of the sample size.

In respect of Transfer entries the checking is to be done 100%.

**(Source: Principal Accountant General's order dtd. 06.07.2018)**

## **Audit Checks**

**6.12** General principles and rules of audit to be observed in regard to Audit of Expenditure are given in Chapter 2 of Section II of MSO (Audit).

The check of works transactions (i.e. audit of monthly accounts) is conducted in four stages:

1. Preliminary internal checks by the Divisional Accountant in the Divisional Office

2. Checks in the office of the Accountant General (A & E)
3. Central Audit in the office of the Accountant General (Audit) and
4. Test Audit at the periodical inspection of the Divisional Office.

#### **6.12.1 Source Documents**

Some important source documents to be checked in Central Audit are the following:

- Accounts with schedules and dockets
- Vouchers
- Works Register
- Sanctions to Contracts (Para 4.2.15 of M.S.O.(Audit))
- Sanctions to fixed charges and miscellaneous sanctions and orders. (Para 4.2.16 of M.S.O)

The audit of the schedules relating to several suspense and other balanced heads of accounts consists not only in applying the ordinary procedure of audit of expenditure and receipts to the month's debit and credit transactions under these heads but also in seeing (i) that the unadjusted balances under these heads are correctly carried forward separately from month to month (ii) that these balances continue to represent bonafide assets or liabilities of Government capable of being realized or settled, as the case may be (iii) that satisfactory action towards such realization or settlement is being taken by the Divisional Officers. In this audit, rules of the Account Code Volume-III and the Financial Rules of the Government relating specially to these transactions should be borne in mind.

#### **(Para 4.3.1 of M.S.O (Audit))**

It is an important function of audit to see during Central Audit as far as possible and during local audit that the balance relating to each individual item, work, or job is kept distinct and correct and that the balances of several items relating to each head of account make up the aggregate balance recorded under that head.

#### **(Para 4.3.2 of MSO (Audit))**

During the audit of monthly accounts and supporting documents, the FAW need not again conduct the checks exercised on those documents by the Accounts & Entitlement Office. The important checks to be exercised by the FAW on the monthly accounts and the various documents accompanying them are indicated in Para 4.3.4 to Para 4.3.32 of the MSO (Audit).

An illustrative checklist for the Part-I of the monthly accounts and Part-II of the monthly accounts received for audit in FAW is placed at **Annexure 15** and **Annexure 16** respectively. Also guidance on audit of vouchers is at **Annexure 17**.

### **6.13 Objections on Public Works Transactions**

The general instruction related to raising and communication, pursuance and clearance of objections and records to be maintained in Audit Offices relating to objections on Public Works transactions are prescribed in Chapter 4 of Section IV of MSO (Audit). The following subsidiary instructions should also be carefully observed.

The objectives to be achieved by communicating the objections to the departmental officers are:

- (i) To register, where necessary and in one shape or another, all irregularities in transactions as well as other points arising out of the examination of accounts and vouchers, unless these are trivial or the objection has been waived by the competent authority.
- (ii) To convey the objections at once to the Divisional Officers and thereafter to pursue them till they are regularized or explained satisfactorily; and
- (iii) To provide an opportunity to the Superintending Engineer to review, every month, objections relating to non-availability of or excess over financial sanctions as well as objections that highlights (a) serious delays in the regularization of excesses over sanctioned estimates/allotments; and (b) absence of or excesses over administrative approval in respect of large projects or works.

**(Para 4.4.1 of M.S.O (Audit))**

### **6.14 Preparation of Audit Notes**

Audit Notes on the monthly accounts of a division should be prepared by FAW in two parts in Form M.S.O. (Audit)-3 given in **Annexure 18** of this Section. Part-I thereof should include:

- i.** All objections relating to non-availability of financial sanctions in cases where these are necessary in addition to the technical sanctions and to excesses over such sanctions; and
- ii.** In respect of works included in Part-I of the Works Register maintained by the Accountant General (A&E), objections relating to non-availability of sanctioned estimates/allotments; excesses over sanctioned estimates/ allotments regularization of which has been delayed for over six months; and absence of or excesses over administrative approval.

The last three columns of Part-I of the Audit Notes should be left blank, the first two of these for the Divisional Officer and Superintending Engineer respectively to record their explanation/remarks and the last column for the record, on its return, of the action taken by the Audit Office on reviewing the replies.

**(Para 4.4.3 of MSO(Audit))**

Part-II of the Audit Notes should include all other objections whether relating to the substance of the accounts on the score of deviations from financial rules or of standards of financial propriety; miscellaneous remarks, observations and enquiries on minor matters; or to the form of the accounts and vouchers. In the preparation of this part of the Audit Note, a distinction should be made between

- i. Remarks and observations relating to errors of omission or commission in the compilation or preliminary examination of the accounts on the part of the Divisional Accountant; and
- ii. Points relating to the substance of the transactions brought to account.

Certain standard objections that usually highlight instances of non-availability of sanctions to special charges, overpayments and short recoveries, delays in the adjustment of debts due to Government, etc. should be included at the end of this part of the Audit Note under appropriate headings. The first entry to be made in red ink under each of these headings should indicate the total amount involved in the objections awaiting adjustment including those relating to the accounts of the month to which the Audit Note pertains, details in regard to the latter being incorporated concisely but clearly in the column provided for the purpose.

*Note: Amounts involved in objections, when entered in the money columns, may be expressed to the nearest Rupee.*

**(Para 4.4.5 of MSO(Audit))**

**6.14.1 Issue of Audit Notes**

Audit notes would be issued and pursued by FAW. For this purpose FAW will prepare Audit Notes Part-I and II separately in duplicate and after the accounts are passed and signed by the Asstt. Audit Officer/Section Officer of the FAW, the same would be issued after scrutiny and editing, where necessary, by the Branch Officer to the Divisional Officer for his reply and explanation with remarks that Part- II should be returned direct and Part-I through Superintending Engineer for his comments with the copies thereof also being sent to the Accountant General (A&E). The audit notes/memos and all subsequent correspondence will be dealt by individual sections of FAW in respect of the divisions under their audit. The consolidated Progress Report of Audit Notes/Special letters and closing and maintenance of Objection Book and Adjustment Register will be maintained by FAW.

Objections of serious nature should be taken up by special letters and for this purpose self-contained drafts should be sent to the concerned divisions after scrutiny by the Branch Officer.

Note: Since the accounts and vouchers will be in the custody of P.W. Accounting Section, Office of the Accountant General (A&E)) after audit, a second reference to these documents will cause inconvenience at the time of editing the Audit Notes as well as while checking the reference given by the division. Hence points raised should be self-contained and with such full details as may be necessary.

#### **6.14.2 Disposal of Audit Notes**

The audit note must be disposed of by FAW without unnecessary delay.

Verification of replies where necessary may also be got done during the course of next audit. Any items needing action during Local Inspection of the division should be entered in the Register of points for next inspection (Special Point Register) maintained in the Section after obtaining Dy. Accountant General's approval.

The disposals against other items will usually be:-

- i. Explanation accepted
- ii. Position correct
- iii. Received, checked and filed
- iv. Note put up for orders
- v. Rejoinder
- vi. Taken up in credit note for \_\_\_\_\_ *etc.* according to nature of item.

All undisposed items will be taken up by means of rejoinders. After issue of two rejoinders the outstanding items shall be taken up by means of Special Letter till finally disposed off; and if there should be any avoidable or unnecessary delay in replying such references the matter should be reported to the Superintending Engineer concerned with a view to the early clearance of objection.

**Note 1:** Once the objections raised in Audit Notes or rejoinders are pursued through special letter the original audit note or rejoinder may be shown as closed in the progress register of Audit Note.

**Note 2:** When an Executive Engineer or Superintending Engineer disagrees with remarks made by this office in an audit note the matter should be dealt with promptly and by means of a special letter (a separate case file being opened for the purpose).

**Note 3:** No charge is to be brought or conclusion arrived before a Divisional Office has been given an opportunity to explain its point of view. No appearance of dictation to an Executive Engineer in regard to expedition of works should on

any account find a place in an audit note or any other document issuing from this office. Should any action in this direction at any time appear necessary, the position should be set out to the Superintending Engineer under the orders of the Dy. Accountant General.

### **6.14.3 Register of Audit Notes**

To watch the progress in the dispatch, return and disposal of the audit notes a register in Form No. S.Y.205 (amended without the portion relating to receipt of monthly accounts) shall be maintained by FAW. The AAO of the section should review the Register once a month and submit the Register to the Branch Officer. Reminders should be issued in time and at regular intervals in case of replies overdue.

### **6.15 Objection Book**

An objection book is to be maintained by FAW given in Form M.S.O.(Audit)-4 **Annexure 19** to record objections raised through Part-II of the Audit Notes. They are to be entered separately Division wise and Major Head wise for distinct class of objections such as 'want of sanction to special charges' overpayments and short recoveries, 'delays in adjustment of debts due to Government'.

Instructions regarding maintenance of Objection Books, watch over objections, Registration and pursuance of objections are given in paras 4.4.7 to 4.4.14 of MSO (Audit).

#### **6.15.1 Monthly And Annual Closing Of Objection Book**

Instructions relating to monthly closing and annual closing of the Objection Book including review of the outstanding objections and opening of new objection book each year are given in para 4.4.20 to 4.4.22 of Manual Standing Orders (Audit) which should followed carefully.

#### **6.15.2 Clearance of Objections**

On their being returned, the Audit Notes should be reviewed by the Senior Audit Officer/Audit Officer who, if necessary, will make a further reference in writing to the Superintending Engineer or the appropriate higher authority before filing them. Any sanctions or orders recorded by the Superintending Engineer or the Divisional Officer on an Audit Note should be scrutinized and any objection removed thereby should, at the same time, be adjusted, vide paragraph 4.4.19 of MSO (Audit).

### **6.16 Materials relating to Outstanding Objections to be furnished to SFR Section**

The details of outstanding objections (Audit Notes/Special letters) may be furnished to SFR Section for inclusion in Audit Report on State Finance

Government of Gujarat. For this purpose the instructions issued by the Report Section every year for such material should be carefully followed.

### **6.17 Register of Irregularities:**

To facilitate the collection of material regarding common type of for Audit Report following procedure may be followed by FAW section.

Loose leaves may be opened for each category of objection indicated below.

Wherever such irregularities are noticed in Central Audit or are commented in

Inspection Reports, concerned auditor should note down in the relevant loose leaves the particulars of the irregularities. These loose leaves should be filed in a guard file which will form a register. Separators may be placed in the file between the loose leaves pertaining to each category of irregularity. A separate register in this manner may be opened for each year. This register should be submitted to Branch Officer on 10th of every month and to the Dy. Accountant General/Admn on 11th of March, June, September and December every year.

Categories of objections that should be included in the Register of Irregularities:

1. Embezzlement and Frauds
2. Liberal extension to contractors
3. Commencement and continuation of work without detailed plans and estimates.
4. Rush of expenditure
5. Delay in preparing final bills
6. Excess payments due to arithmetical calculations.
7. Acceptance of tenders without public invitations
8. Wasteful/infructuous expenditure due to defective plans and designs and abandonment of works.
9. Excess payments due to non-observance of conditions of contracts, or non provision of the requisite conditions in the contracts.
10. Excess cost to Government due to rejection of lowest tender/delay in accepting tender.
11. Cash recoveries of materials issued to piece workers not effected.
12. Unauthorized aid to contractors and postponement of recovery of materials issued to contractors (para 358 of GPW Manual Vol. I).
13. Extra items – Irregularities like non-observance of rules in sanctioning extra items etc.

#### **RESERVE**

14. Delay in recoveries of rent of residential buildings.



15. Arrears in recovery of hire charges of Tools and Plant.
16. Non recovery of lease amounts in respect of miscellaneous properties.
17. Arrears in recovery of Revenue.

**MISCELLANEOUS:**

18. Measurement books, non review by the Divisional Accountants.
19. Non observance of rules regarding recording measurements like payment of bills without test check of measurements to the prescribed extent (nature of irregularity and rule concerned should be indicated).
20. Irregularities like test check not conducted by the Dy. Engineers.
21. Fictitious adjustments to avoid lapse of grant and also those referred to in para 437 of G.P.W. Manual Vol.I.
22. Accounts of empty cement bags not maintained.
23. Non-verification of materials and book balances not supported by physical balances and materials.
24. Inspection of Divisional and sub Divisional office not carried out by the Superintending Engineer, Executive Engineer and Divisional Accountants (It should be specified by whom it is not conducted).
25. Delay on the part of sub divisional officers in disposal of Inspection notes.
26. Improper maintenance of material at site accounts.
27. Non-maintenance of material-at-site account.
28. Delay in preparation of Schedule of Rates.
29. Proforma accounts on the working of Motor carrier not maintained/not maintained correctly.
30. Non-maintenance/imperfect maintenance of accounts and registers – like contractors ledger tools and plant register, sanction to fixed charges, list of approved contractors, standard measurement books etc
31. Cash book and Imprest Accounts: Over writings and non-attestation of corrections, delay or omission to conduct physical verification of balances and non-issue of receipts for cash collected omission to close temporary advances accounts etc.
32. Infuctuous expenditure on idle staff and machinery.
33. Non-receipt of contract documents.

## CHAPTER 7

### Industries and Mines Department

#### 7.1 Introduction

Industries & Mines Department (I&MD) plays an important role in industrial development and focuses on the possibilities to develop fast growth in Small Medium and Large-scale industries. The main aim of I&MD is to promote entrepreneurs in the industrial sector in the state. For this I&MD frames the policies for the industrial sector to achieve the desired goals.

#### 7.2 Objectives of the I&MD

The I&MD has a network of institutions to assist entrepreneurs in achieving the desired goals/results and to help the entrepreneurs in their requirement of Land, Raw Material, Market Development etc

There are seven Major Heads of the Department and 25 District Industries Centers (DIC) and various Boards, Corporations and Institutions to help in achieving the desired results and goals of the I&MD.

DIC in each district works as a common point for developing the industries and in implementing various policies and schemes in their respective district.

#### 7.3 Activities of the I&MD

The main activities of the I&MD with the help of various Boards, Corporations, Head of the Departments *etc.* are:

- (i) To Develop Industrial Cooperative and Cottage Industries
- (ii) To Procure and Distribute indigenous and imported scarce Raw Materials for Industrial Purpose
- (iii) To Develop Trade, Commerce, Production and Distribution of Products of Industries other than Rural Industries
- (iv) To Promote Trade, Publicity and Research related with Industries and Mines.
- (v) To implement various Schemes in cases of Natural Disasters
- (vi) To Publicize Industrial Activities
- (vii) To Promote Products through Industrial Fairs, Exhibitions and Show Rooms
- (viii) To Maintain Statistical Records of the State related with industries.
- (ix) To Protect interest of Traders
- (x) To Promote Industrial Goods
- (xi) To Regulate Mines and Mineral Developmental activities.

- (xii) Administration of Gujarat Minor Mineral rules.
- (xiii) Regulates Taxes of Mineral Rights related with Mineral Development.
- (xiv) To implement works related with Various Industrial Schemes
- (xv) To Manufacture and Use Power Alcohol for Industrial Use
- (xvi) Distribution of Coal and Coke for Industrial/Manufacturing Purposes
- (xvii) Geological Surveys
- (xviii) To Help in various activities in the Establishment of Sugar Factories
- (xix) Activities related with Salt Production
- (xx) Activities related with Stores
- (xxi) To help in matters related with Inventions, Patents, Designs and Merchandise Marks
- (xxii) Activities Related with Government Printing, Stationery and Official - Publications
- (xxiii) To Take care of all the activities pertaining to Appointment, Postings, Transfers, Promotions etc. Of all the Officers and Non Government Servants under the administrative control of the Department.
- (xxiv) To maintain all the land and Buildings assigned to the department by the state Government
- (xxv) Civil Aviation Activities within the State
- (xxvi) To Promote Tourism in the State of Gujarat

The Industries & Mines Department is headed by the Additional Chief Secretary (Industries) and assisted by the Secretary (Tourism), Secretary (Cottage), Joint Secretaries, and Dy. Secretaries, under Secretaries Section officers etc.

#### **7.4 Head of Departments (HoDs)**

Seven HoDs are working under I&MD.

- (1) Industries Commissioner
- (2) Commissioner of Geology & Mining
- (3) Commissioner of Cottage & Rural Industries
- (4) Commissioner of Printing & Stationery
- (5) Commissioner of Tourism
- (6) Director of Civil Aviation
- (7) Commissioner of Payments. (Not in audit purview at present)

#### **7.5 Industries Commissionerate (IC)**

The IC functions under the I&MD of Government of Gujarat and implements industrial Policies of the State and Central Governments.

The prime responsibility of IC office is to act as a catalyst in industrial development and bring about industrial reforms. As a part of industrial promotion, the office offers various incentive schemes and subsidies to the entrepreneurs for development and up-gradation of manufacturing facilities. In case of natural calamities, the office offers various benefits and packages to the industries. Special focus is given for the development of Micro, Small and Medium Enterprises (MSME), Small Scale Industries (SSI) and employment generation by promoting sectors such as Gems & Jewelry, Textile & apparel and Salt.

The office has introduced system of single Window Clearance to simplify the administrative procedures for establishment of industries in Gujarat. Investment facilitation mechanism has been introduced with iNDEXTb as nodal agency.

Government of Gujarat has come out with a new Industrial Policy in September 2020, with a vision to make next generation sustainable manufacturing and service industry driven by state of art infrastructure, employment generation, inclusive and balanced regional development to contribute to ‘Aatmanirbhar Bharat’.

Objectives of Industrial Policy 2020 includes

- (i) Creation of single window system.
- (ii) Enable industries to set high quality standards and enhance exports.
- (iii) To have focused approach for industrially underdeveloped areas and facilitate inclusive and balance regional growth
- (iv) Promote industries focusing on sustainable, cleaner manufacturing and innovative Industry 4.0 practices
- (v) To strengthen MSMEs and facilitate cluster development.
- (vi) To strengthen complete value chain across product segment with focus on the objective of an ‘Atmanirbhar Bharat’.
- (vii) To encourage R&D, innovation and entrepreneurship
- (viii) To provide increased impetus to certain thrust sectors with significant potential for employment, exports, investments etc
- (ix) To facilitate growth of service sectors industries in the State
- (x) To facilitate state of the art, sustainable industrial infrastructure.
- (xi) To increase productive employment opportunities of the State.

## **7.6 Activities**

IC undertakes the following activities:

1. **Gujarat Micro, Small & Medium Enterprises Development (MSMED) (Facilitation of Establishment and Operation) Act 2019**– Implementation of MSMED Act, 2019. Monitoring of acknowledgement issued by District Industry Centers (DICs) against submission of Entrepreneurs Memorandum (EM) Part-I & EM Part-II

2. **Monitoring of Industrial Approvals** – Industrial Entrepreneur Memorandum (IEM), Letter of Intent (LOI), Export Oriented Unit (EOU), Foreign Direct Investment (FDI) approvals granted by Government of India (GoI) for projects in Gujarat
  - (i) Recommendation to GoI, whenever required
  - (ii) Follow-up for Implementation of Approval
  - (iii) Assistance to entrepreneurs for getting State Level Clearances.
  - (iv) Preparing status reports on approval and organizing review meetings
  - (v) Raw Materials Allocation and Approval of Production Programme (APP) for industrial units requiring
    - (a) Molasses
    - (b) Alcohol
  
3. **Infrastructure Assistance**– Recommendation for Land Requirement for industrial projects
  - (i) Reconnection for utilities like power, natural gas, water etc.
  - (ii) Providing assistance for setting up Industrial Park, Special Economic Zone (SEZ)
  - (iii) Providing assistance for infrastructure projects under Central and State Govt.
  - (iv) Infrastructure incentive schemes
  - (v) Providing assistance for setting up Common Effluent Treatment Plant (CETP)
  
4. **R & D Activities**– Assistance to R & D Institutions like Ahmedabad Textile Industry’s Research Association (ATIRA), Central Glass and Ceramic Research Institute (CGCRI), Electronic & Quality Development Centre (EQDC), National Institute of Fashion Technology (NIFT) etc.
  - (i) Assistance for Cluster Development Programme with the help of institutions Assistance for Patent Registration
  
5. **Marketing Assistance to Industrial Units for**– Export Promotion
  - (i) Buyer Seller Meets
  - (ii) Exhibitions by Industry Associations
  - (iii) Ancillary Development Programme
  - (iv) Providing Assistance to units under Market Promotion Scheme of the state.
  
6. **Incentive Schemes**
  - (i) Interest Subsidy
  - (ii) Venture Capital Assistance
  - (iii) Quality Certification Scheme

- (iv) Skill Enhancement
- (v) Technology Acquisition Fund
- (vi) Patent Assistance
- (vii) Energy and Water Conservation
- (viii) Assistance to Critical infrastructure Projects
- (ix) Assistance to Professional Agency
- (x) Assistance for Obtaining Carbon Credit and Reducing Carbon Footprints
- (xi) Strengthening the Regulation and Environmental Compliance
- (xii) Scheme of Assistance for Environment management to MSMEs
- (xiii) Scheme of Assistance for Encouraging Green Practices and
- (xiv) Environmental Audit to MSMEs

**7. Specific Industrial Development Activities for**

- (i) Salt Industry
- (ii) Textile Industry

**8. Central Store Purchase Organisation (CSPO)**

- (i) Government Purchase related activities.
- (ii) Nodal agency for implementation of e-procurement.
- (iii) To Facilitate the Purchase Committee activities, attending all the DPCs and organizing the SPC meeting.
- (iv) To execute Rate Contracts for stores required by various Governments Departments-offices.
- (v) To enlist vender as an approved Supplier for Government procurement.

**9. Statistics and EDP – Information collection from industrial units**

- (i) Report generation and dissemination of information
- (ii) Preparation of Annual Plan
- (iii) EDP and IT activities for IC and DICs

**10. Other Activities**

- (i) Rehabilitation of Sick Industrial Units
- (ii) Organizing meetings with Industry Associations for resolving issues/ difficulties
- (iii) Administration of DICs and IC

**7.7** The Industries Commissionerate is headed by Industries Commissioner and assisted by two Joint Commissioner, three Assistant Industry Commissioners and Dy. Commissioner.

## **7.8 District Industries Center (DIC)**

The District Industries Centre in each district deals with all requirements of small and village Industries. DICs undertake various programmes for investment promotion at the grass root level such as organizing seminars workshops, extending support for trade fairs and exhibitions organized by various Industries associations. All the services and support required by for Micro, Small and Medium Enterprises (MSME) units are provided by the DIC. The Centre has a separate wing to look-after the special needs of cottage and house-hold industries as district from small industries.

General Manager is the head of the DIC. The post of General Manager is of Joint/Deputy Commissioner level. The General Manager has senior officers to assist him, such as Manager (Raw Material), Manager (Credit), Manager (Economic Investigation), Manager (Marketing) Industrial Promotion Officer(IPO) and Technical Officer cum Project Manager (PM).

### **7.8.1 Monitoring of DICs**

The functioning of DICs and their achievement is monitored by Industries Commissioner, Meeting of General Managers are organized frequently to evaluate the performance and also help in resolving difficulties in implementation of different schemes. To resolve the problems of industries/industrialists, there are two types of committee at the district level *viz.*

#### **(i) District Industrial Executive Committee (DIEC)**

DIEC is constituted for solving industry related problems and promoting industrial growth. District Collector is the Chairman of this Committee and General Manager of DIC is the Member Secretary. The other members of the DIEC are President of District Panchayat, DDO, MP, MLAs, Prominent persons active in Industries in the district and members of all district level industries associations.

#### **(ii) Single Window Industrial Follow up Team (SWIFT)**

Entrepreneurs face many difficulties when they start new industries. They have to deal with many government agencies and get many clearances. SWIFT helps them in guiding solving their problems at a single spot. This committee is working under the District Collector, General Manager of DIC is the Member Secretary and District Development Officer is Vice President of SWIFT. All industries related officers in the district are members of this committee.

### **7.8.2 Functions of DICs**

#### **A. Registration**

(i) EM Part-I acknowledgement (ii)EMPart-II acknowledgement (iii) C.S.P.O.

(iv) Lubricating, Oil, Grease License

#### **B. Recommendation**

- (i) Land recommendation for Non Agriculture (NA).

**C. Incentive Scheme**

**D. Seminar**

- (i) District or Taluka Level
- (ii) Buyer-Seller & Exhibition

**E. Others Activities**

- (i) Recovery of Package Loan margin Money Loan & Subsidy
- (ii) Welfare of Salt Workers and Recovery of Royalty from Salt Workers.
- (iii) Follow up of Industrial Approvals.
- (iv) Follow up of units which have availed benefits under incentives schemes

**F. Self Employment Scheme**

- (i) Recommendation of loan applications under Vajpayee Bankable Scheme
- (ii) Recommendation of loan application under Prime Minister's Employment Generation Programme (PMEGP) 2008
- (iii) Manav Kalyan Yojana – Tool kits to artisans.

**G. Co-operative Package Scheme**

- (i) Package Scheme
- (ii) Handloom Development Scheme
- (iii) Training & Production centre
- (iv) Woolen Carpet Centre
- (v) Weaving Scheme
- (vi) Recovery of Loan & Share contribution of Co-operative Societies
- (vii) Liquidation of Industrial Society
- (viii) Preparation of Project Profiles
- (ix) Audit of Industrial Society
- (x) Gramodyog Vikas Kendra
- (xi) Hastakala Mela

**7.9 Commissioner of Geology & Mining**

The Commissioner of Geology & Mining is working under Industries & Mines Department, the mineral administration is entrusted to the Commissioner of Geology and Mining (CGM) who is assisted by three Additional Directors, one Deputy Director, two Assistant Directors, eight Geologists and eleven Assistant Geologists at District Offices.

**7.9.1 Functions and Objectives of CGM**

- (i) Search and Exploration of Mineral wealth of the State by adopting state-of-the-art exploration techniques



- (ii) Mineral Administration with conservation and preservation.
- (iii) Increase State's mineral revenue through higher production of minerals & their sustainable development framework
- (iv) Encourage value addition of minerals usage through promotion of mineral based industries in the State
- (v) Prevention of illegal mining

### **7.9.2 Records maintained by the Department**

The following records and registers are to be maintained by the Department at the district level offices.

1. Lease agreement duly executed and registered in respect of lease sanctioned for
  - a. Major minerals
  - b. Minor minerals
  - c. Oil and Natural Gas.
2. Prospecting license for respective minerals.
3. Register of Mining lease.
4. Register of Quarrying permits (Minor minerals)
5. Register of Quarrying *parvana* (Minor minerals)
6. Register of Analysis
7. Demand and Collection Register(DCR)
8. Register of Security deposits
9. Register of Refunds
10. Register of renewal of quarry lease/ permit/*parvana* (Minor minerals)
11. Monthly Returns (Major, Minor minerals and Oil & Natural Gas)
12. Annual Returns
13. Receipted challans from Treasury Accounts
14. Subsidiary cash book in respect of cash received by departmental officers and challans for the same credited in Government Accounts.
15. Register of issue of receipt books
16. Register of issue of triplicate pass book
17. Register of illegal excavation and transportation detected.
18. Any other records maintained by the department to regulate the Act/Rules.

### **7.10 Commissioner of Cottage & Rural Industries**

Cottage and Rural Industries department activities were initially functioning through Registrar of Cooperative Societies, Gujarat state, Gandhinagar. But due to extent of activities, separate setup was required for execution and hence Industries, Mines and Power Department (Government of Gujarat) has established new department at state level by issuing resolution of sanctioning the post of

“Directorate of Cottage and Industrial Cooperatives.” Afterwards the post head of the department was sanctioned as “Commissionerate of Cottage and Rural Industries” by issuing resolution from Industries and Mines Department.

Employment generation scheme for individuals and artisan clusters through Industrial Cooperative Societies is being implemented by Commissionerate of Cottage and Rural Industries. More over schemes are also running to give training in different trades through training centers and to improve the skill of artisans by adopting new updated technology.

#### **7.10.1 Objectives**

- (i) Skill Up-gradation
- (ii) Technology Up-gradation
- (iii) Credit Support
- (iv) Marketing Promotion
- (v) Infrastructure Development

#### **7.11 Director of Printing & Stationary**

At the time of formation of Gujarat State, in May 1960, there were only 3 Government Presses situated at Baroda, Rajkot and Bhavnagar. Two new presses, i.e. Government Central Press (Now at Gandhinagar) and Government Photolitho Press were started at Ahmedabad in June 1960 and 1963 respectively.

There are five government presses, four Book Depots and three stationery stores working under the Directorate of Printing and Stationery, Gandhinagar under the control of I&MD, Gandhinagar.

- (A) Government Central Press, Gandhinagar
- (B) Government Photo litho Press, Ahmedabad
- (C) Government Press and Stationery Depot, Vadodara
- (D) Government Printing Press and Stationery Depot, Rajkot
- (E) Government Press, Bhavnagar

This department is a service department and run on no profit no loss basis.

Some of jobs taken by five Government Presses are printing of Standard forms, Special forms, Gujarat Government Gazette, Annual administrative reports of various departments, Manual hand books, Financial publications, Printing of Budget publications, Election work, election forms, Ballot papers, Notifications, Circulars and Government Resolutions, etc.

#### **7.12 Commissioner of Tourism**

The Principal Secretary (Tourism) is the administrative head of the Department and is assisted by the Commissioner of Tourism (CoT) who heads the tourism branch of I&MD. The CoT also acts as the Managing Director of the TCGL (Tourism Corporation of Gujarat Ltd). The management of the TCGL is vested in the Board of Directors (BoD) consisting eight members and is headed by

full time Chairman. The Managing Director is assisted in day-to-day functioning by a General Manager and two financial managers for Marketing and Public Relations and two Executive Engineers.

Formed in 1978, the Tourism Corporation of Gujarat Ltd (TCGL) was entrusted with the responsibility of development of tourism industries in the State in line with the tourism policy. To develop and promote tourism as an engine of economic growth, IMD declared (24 September 2015) the Tourism Policy for the state of Gujarat for 2015-20 to position Gujarat as a vibrant tourist destination, with an emphasis on improving visitor experience, livelihood linkages, environmental concerns and enhancing investment opportunities.

TCGL provides comprehensive travel assistance and services to the tourists coming to visit Gujarat. Some of the services of TCGL include accommodation, conducted tours and ground transport with a wide range of choice to meet diverse needs. The Corporation has a network of 18 accommodation units and five Cafeterias under the brand name Toran and seven wayside amenities.

### **7.13 Director of Civil Aviation**

The aviation activity in the State was started in the year 1973 by a separate division in G.A.I.C. In the beginning, this division was started with a purpose to help the farmers by aerial spraying on various crops like; sugar cane, cotton, ground-nut, tuvar, etc. by helicopter and fixed wing Aircraft. The state has made G.A.I.C as its nodal agency to carry out activities of Civil Aviation Department. In order to further strengthen the aviation sector in Gujarat, the state Government created the Civil Aviation Department in 2002 and formed a Public Sector Company called Gujarat State Aviation Infrastructure Company (GUJSAIL) to facilitate investment into new facilities and services.

The Department of Civil Aviation, Government of Gujarat, identifies opportunities for Greenfield airports, general aviation services, air sports and recreational flying, training schools and facilities for the maintenance and overhaul of aircraft. The Department of Civil Aviation also formulates plans and policies to support investors and operators wishing to set up facilities in Gujarat on private or public-private partnership basis.

#### **Present Infrastructure**

- (i) The state of Gujarat has a total of 19 airports of which 09 are under operational jurisdiction of the Airports Authority of India (AAI), 3 with I.A.F. of which 3 under state government, 2 Airports are private and 2 Airport are at Union Territory.
- (ii) Out of the 09 AAI Airports Ahmedabad is an international airport. The other Airports are Vadodara, Surat, Rajkot, Bhavnagar, Porbandar, Keshod, Kandla and Deesa which are domestic airports.
- (iii) Civil aviation has three air strips under the State Government jurisdiction
  - a. Mehsana
  - b. Amreli
  - c. Mandvi

- (iv) There are 3 Indian Air Force units in Gujarat
  1. Nalia
  2. Bhuj
  3. Jamnagar
- (v) The state Govt. intends to encourage private sector participation for development of aviation Infrastructure at the existing state airport/ airstrips. It also plans for development of green field Airport for scheduled and non-scheduled aircraft operation.

#### **7.14 Commissioner of Payment (CoP)**

Commissioner of Payment appointed under Section 17 of the Textile Undertaking (Nationalization) Act, 1995 for the purpose of disbursing the amount payable to the owners of each textile undertaking. The Central Government shall, by notification in the official Gazette

- (a) Appoint such member of persons as it may think fit to be CoP and
- (b) define local limits within which the CoP shall exercise the powers conferred and perform the duties imposed, on them by or under this Act.

(Office of the Commissioner of Payments is not in Audit purview at present).

#### **7.15 Audit of Head of Departments**

Audit of the account of the expenditure of the HODs is conducted under Section 13 and audit of receipt of Commissioner of Geology and Mining Department under Section 16 by the Accountant General (Audit II), Ahmedabad under Comptroller & Auditor General's (DPC) Act, 1971.

#### **7.16 Boards/ Institutes/ Authorities/ Autonomous Bodies under I&MD**

There are various Boards/Institutes and Autonomous Bodies under the I&MD department as follows:

1. Gujarat Pavitra Yatratham Vikas Board (GPYVB)
2. Gujarat Rajya Khadi and Gramodyog Board (GRKGB)
3. Gujarat Infrastructure Development Board (GIDB)
4. Industrial Extension Bureau Indext-B
5. Industrial Extension Cottage Indext-C
6. Electronics & Quality Development center (EQDC)
7. Center for Entrepreneurship Development (CED)
8. Gujarat Industrial Research and Development Agency (GIRDA)
9. Gujarat Matikam Kalakari & Rural Technology Institute, Gandhinagar
10. Electrical Research & Development Association (ERDA) Vadodara
11. Gujarat Mineral Research Development Society (GMRDS), Gandhinagar
12. Dholera Special Investment Regional Development Authority

13. Mandal-Becharaji Special Investment Regional Development Authority

Serial No. 12 and 13 shown above are not in audit purview at present. Audit of remaining institute/ companies mentioned above are conducted under Section 14 of Comptroller and Auditor General's (DPC) Act, 1971 by AMG-I of office of the Accountant General (Audit II), Gujarat, Ahmedabad.

**7.17 Gujarat Pavitra Yatradham Vikas Board (GPYVB)**

There are many pilgrimage and holy places in Gujarat such as Ambaji, Somnath, Dwarka, Palitana, Girnar, and Dakor. The Gujarat Pavitra Yatradham Vikas Board was constituted first in the year 1995. This Board was associated with Gujarat Tourism Corporation Ltd. initially for four years and became independent from the year 1999. This Board is paid 100% maintenance expenditure in the form of grant under plan head of the budget by the Government.

The main functions of the Board are as follows:

- (i) Receives declared proposals on small and big developmental work from the relevant collector of six sacred religious places of Government namely Somnath, Ambaji, Girnar, Palitana, Dakor and Dwarka, approves them and undertakes them by sanctioning financial assistance.
- (ii) Finalization of development maps of these Yatradhams.
- (iii) Constitution of administrative committee related to the development of Yatradham by getting Government approval.
- (iv) Getting approval of Government for the day-today management and rules of administrative matters of Yatradhams and implementation of the same.
- (v) Any developmental work related to Yatradhams and religious places of state entrusted by the Government.
- (vi) Maintenance of holiness, cleanliness and beauty etc, at Yatradham.
- (vii) Planning for making available various facilities for the pilgrims at Yatradhams.
- (viii) Acceptance of gifts, fund, donation etc, and integrated planning to use it for the development of Yatradhams.
- (ix) Undertaking various basic developmental works like water, sewerage, parab, road and garden in a planned manner at Yatradham.
- (x) Providing food and other requirements (including cash) to the pilgrimagers at the time of natural calamity.
- (xi) Acquisition of immovable properties in relation to the overall development at Yatradhams and modifications in the same.
- (xii) Publication of public important literature related to Yatradhams and observation on the use of it for the public.
- (xiii) Consultation with the government, semi-government and voluntary organizations referring to the objectives of board in development of Yatradham and fulfillment of the same.

- (xiv) Undertaking project for research on these Yatradhams and constitution of a committee in this reference if required.
- (xv) Agreements with relevant authority, Municipal Corporation, local authority etc, in relation to the development of Yatradham.
- (xvi) Organization of conferences, meetings, functions etc., related to development of Yatradham.
- (xvii) Undertaking any development work for the aims of board and the agreement under the same.
- (xviii) Publishing sufficient information on various activities of board for the public through newspaper. Exhibition at various places and publication of such literature in the form of books.

### **7.18 Gujarat Rajya Khadi & Gramodyog Board**

Khadi Gramodhyog Board came in to existence with the foundation of Gujarat state. The Board's aim is to help rural people by providing employment and to publicize Khadi and its activities.

The board is headed by Executive officer and assisted by Development officer. Its main activities are as follows:

- (i) To implement the Schemes for the development of Khadi & Village Industries Activities.
- (ii) To impart training to rural artisans.
- (iii) To increase of sale of Khadi & V. I. Products.
- (iv) To undertake propaganda and Publicity of Khadi& V. I. Products
- (v) To coordinatebetween KVIC & State Government.

### **7.19 Gujarat Infrastructure Development Board (GIDB)**

Gujarat Infrastructure Development Board (GIDB) was set up under the Gujarat Infrastructure Development Act 1999 as a statutory organization for PPP projects. The GID Actgives legal framework and roadmap for PPP projects in Gujarat. The main functions of GIDB are as follows:

- (i) Monitor overall planning and implement framework studies.
- (ii) Conduct pre-feasibility and feasibility studies for various infrastructure projects. Selection of developer is done through a transparent bidding process.
- (iii) Framing, vetting, approval and monitoring of Concession Agreements.
- (iv) Advise the Government on policies on infrastructure.
- (vi) Capacity building amongst Government agencies and their staff for Public Private Participation.
- (vii) Nodal Agency for Viability Gap Funding for Central and State Government.

Further, under the Special Investment Regions Act, 2009, GIDB is designated as the Apex Authority. The Act provides for establishment, operation, regulation and management of large size Investment Regions and Industrial Areas in the State of Gujarat and to specially enable their development as global hubs of economic activity. In this capacity, powers and functions of GIDB are as follows:

- i To approve Land Use Plan, Town Planning Schemes and Development Plan of the SIR proposed by the Regional Development Authorities (RDAs).
- ii To make regulations for Development, Operation, Regulation and Management of SIRs within the State and development of infrastructure within the SIRs.
- iii To monitor the development of Special Investment Regions and issue necessary instructions to the Agencies involved.
- iv To ascertain and fix the rates and approve the user charges, proposed by Regional Development Authorities

#### **7.20 Indextb**

Industrial Extension Bureau, popularly known as iNDEXTb is a GoGorganisation established with the objective of accelerating the industrial development in the State. The Bureau acts as a single point contact for entrepreneurs for establishing industrial ventures. In order to cater varied needs of entrepreneurs, iNDEXTb has established separate cells like Investment Promotion Division, International Business Division, Project & Technology Division, IT Division etc. which are headed by senior officers. The Bureau acts as catalyst of Industries Department of the Government in propagating industrial promotional policies, attracting industrial investment, organising mega events, seminars, industrial fairs etc.

#### **7.21 IndextC**

GoGestablished the organization with the aim to handle the problem of unemployment in cottage and village industries. The organization focuses on employment oriented efforts to ensure more employment opportunities to rural youths with less capital in cottage and rural industries. INDEXT-C has been created to provide information and guidance and act as a catalyst for Cottage & Rural industries. The main objectives are:

- i. Co-ordination of activities carried out by various corporations/institutions engaged in promotion of cottage sector industries, such as Khadi and Village Industries Board, Gujarat State Handicrafts Development Corporation, Gujarat Matikaamkalakari and Rural Technology Industries Marketing Corporation, Commissioner of Cottage Industries.
- ii. Publication of literature on behalf of Commissioner, Cottage Cottage Industries and related corporations.
- iii. Carrying out promotional Campaign through advertisement, Websites etc.

- iv. Organizing/assisting in Organizing Seminars, Workshops, Exhibitions, Melas. at State and District Level for the development of Cottage Industries.
- v. Publication of information on village industries sector through Literature.
- vi. Any other activities with respect to promotion of village, cottage industries.
- vii. To initiate discussions with bankers and other financing agencies to sort out problems of finance of the cottage sector

### **7.22 Electronics & Quality Development center (EQDC)**

Electronics & Quality Development Centre (EQDC) was established, by Government of Gujarat and under STQC (Standardization Testing and Quality Certification) Programme, Department of Electronics and Information Technology, Ministry of Communication & Information Technology, Govt. of India working in the state of Gujarat.

The primary objective of EQDC is ‘To provide world class services in Calibration, Testing and Training in Quality awareness’ and ‘To be key facilitator in making industries / organizations and users, to achieve their quality products/processes by meeting compliance to National and International standards and compete globally, by providing calibration, Testing and Quality services’.

The firm is engaged in providing quality enhancement professional services like calibration of industrial / process instrumentation and control, on site testing calibration services, testing of machines, consultancy for quality system development e.g. ISO 9000/ 14001, NABH/ CE Marketing etc., Software testing, energy auditing, development assistance of product/ process etc.

The unit is currently providing services to more than 22 states of the country and to more than 5 countries. Major clients of the units include Government Bodies, Institutional organizations, semi government Bodies, public sector and Private Sectors.

### **7.23 Center for Entrepreneurship Development (CED)**

The Centre for Entrepreneurship Development (CED) was established in 1979 by Government of Gujarat to carry out Entrepreneurship Development Training and Skill Development. **Concept behind CED is to develop entrepreneurs in the urban as well as rural areas of the state, who can establish their own Enterprise (Trading/Service/Manufacturing) which in turn aids in economic growth of the state and also creates employment opportunities for others.**

Skill Development Policy, Government of Gujarat 2015 revised under Gujarat Industrial Policy 2020 has introduced "Scheme for Enhancement of Technical Competences and Manpower" vide resolution no: MIS-102020-328011-I. Following various Skill Development Schemes includes in this policy:

Scheme – 1: Financial Assistance for Setting up of Anchor Institute

Scheme – 2: Short-term Bridge Courses by Industries/Institute

Scheme – 3: Specialized Skill Development Centers



Scheme – 4: Skill Up-gradation Centers (SUCs)

Scheme – 5: Skill Development to MSME Sector

Scheme – 6: Assistance for Tuition fees for Enhancement of Skill

A CED campus has been set up as a national-level Entrepreneurship Development Institute in Ahmedabad for the development of micro and small enterprises (MSEs).

The organization is head by a Director with four departmental heads namely Head skill Manager, Head Training Manager, Head P &A Manager and Manager (Accounts). Four Senior Training Officers have been set up in Ahmedabad, Surat, Vadodara, Rajkot and Kutch.

#### **7.24 Gujarat Industrial Research and Development Agency (GIRDA)**

Industrial Research Laboratory was established in 1937 at Baroda, and was taken over by Government of Gujarat in 1960 and renamed as Gujarat Industrial Research & Development Agency (GIRDA).

The objective of GIRDA is to encourage small and medium scale industries in general and chemical and petrochemical industries in particular in Gujarat by providing services related to Research and Development, Extension, Training, Assistance and Guidance especially where Technology, Raw materials, Finished Products, Quality Control, Development of New Application Area of the Products are concerned.

GIRDA activities are managed by a Governing Body comprising of the members nominated by the Government of Gujarat from various disciplines like educational, research institutes, industries etc.

The Agency is an autonomous body functioning under the Office of the Industries Commissioner, Industries & Mines Dept., Govt. of Gujarat with 100% Grant-in-aid. GIRDA is registered Under Society Act 1860 and approved by Dept. of Science Technology (DST), New Delhi.

GIRDA provides services like “Testing & Evaluation”, “Inspection Services”, and “R&D and Expert Services” through its different state-of-the-art laboratories located at its head office in Vadodara in the premises of the M.S. University- Sayajigunj-Vadodara under 100% Grant in-aid of Government of Gujarat.

#### **7.25 Gujarat Matikam Kalakari & Rural Technology Institute (GMK&RTI)**

The RTIG was established in 1979 by the Gujarat State as Service Institute and is the first of its kind in country, registered under Society Registration Act, 1860 and Bombay Public Trust Act, 1950. Under the restructuring policy of Boards and Corporations, Gujarat Matikam Kalkari Board was merged in Rural Technology Institute vide Industries & Mines Department GR No. IAF1490-243-KH1 dt. 12-08-2008. After the merger of Gujarat Matikam Kalakari Board in Rural Technology Institute now the Institute is renamed as "Gujarat Matikam Kalakari & Rural Technology Sansthan". The endeavour of the Institute is to coordinate the

efforts to promote the concept of appropriate Technology for the Rural Development in general and for the benefit of rural artisans and cottage Industries in particular.

The main objective of the Institute is to examine the technology being used by the artisans engaged in Cottage and Rural Industries. It also aims to identify and develop Appropriate Technology and get it accepted and adopted by the rural artisans with the help of dissemination of information, propaganda and extension work through various mass media of communications.

### **7.26 Electrical Research and Development Association (ERDA), Vadodara**

ERDA is an Electrical & Power sector Research & Development Organisation providing services to the Power Sector in three technical areas of “Testing & Evaluation”, “Field Services”, and “R&D and Expert Services”. These services are provided through its 24 state-of-the-art centres located at its head office in Vadodara and three regional laboratories ERDA (West) – Navi Mumbai, ERDA (North) – Gurgaon and ERDA (South) – Rajahmundry. ERDA services more than 15,000 clients annually from India and abroad for nearly 150 electrical products under NABL, BIS & ASTA (USA) certification.

The Managing Committee is the Apex Policy Making Body of the organisation and is headed by an elected President and a Vice President. The technical & business operations of the organisation are headed by Director - ERDA who reports to the Managing Committee. At present constitution of the eighteen member Managing Committee of ERDA includes four members from Government Utilities (GETCO, PGVCL, DGVCL, & GIPCL), two members from Private Utilities, and twelve members from Industries. In addition to the eighteen elected members, there is provision of maximum three Government nominees in ERDA’s Managing Committee.

The Government of Gujarat regularly funds setting up of new facilities and laboratories at ERDA.

#### **7.26.1 Activities undertaken:**

- i. Testing & Evaluation (NABL Accredited & BIS Approved) of various components like Impulse Generators, High Voltage Transformers, Energy Meters including Smart Meters, Motors & Pump, Ceramic & Polymeric Insulators, LT/HT Capacitors etc
- ii. Calibration Services (NABL Accredited) for electro-technical, thermal, optical & mechanical disciplines
- iii. Onsite Testing of Transformers (100 MVA, 220kV Class) using ERDA’s Calibrated Instruments.
- iv. Third Party Inspection of all Types of Electrical Equipment including Power and Distribution Transformers, CTs, PTs, CVTs, Conductors, Bushings, Insulators, Cables, Circuit Breakers, Energy Meters, Relays, etc.
- v. Third Party Vendor Evaluation
- vi. **Consultancy for Electric Transmission and Distribution Sector Projects** which includes services of:

- a. Baseline AT & Class Verification under R-APDRP
  - b. Distribution System Analysis and Improvement
  - c. Reduction in Transmission Losses
  - d. Impact Assessment under R-APRDP
  - e. Project Management of T&D Projects
  - f. Assessment of Agricultural Consumption
  - g. Design of HVDS
  - h. DPR Preparation
  - i. Energy Audit Studies of Distribution Feeders
  - j. Third Party Inspection, Supervision, and Monitoring of Projects Funded under various Government Schemes - ADB, HVDS, IPDS, DDUGJY (erstwhile RGGVY), Feeder Separation, etc.
- vii. Research & Development focused on applied research for the benefit of power sector along with product/instrumentation development. R&D activities are carried out under the following technology missions:
- a. Advanced Materials
  - b. Renewable Energy
  - c. Diagnostics
  - d. Power Systems & Smart Grid
  - e. New Product Technologies
- viii. Expert Services including
- a. Power System Stability and Power System Dynamics
  - b. Power Quality Assessment & Mitigation Solutions
  - c. Electrical Diagnostics (Transformers, Cables, Switchyard Equipment, Lightning Arresters, etc.)
  - d. Energy Audits
  - e. NDT/RLA & Mechanical Diagnostics
  - f. Failure Analysis of Systems/Equipment/Components
  - g. Health Index for Power Transformers

## CHAPTER 8

### MINING RECEIPTS UNDER GEOLOGY & MINING DEPARTMENT

#### 8.1 Legislative Background

Under entry 54 of Union list in the seventh schedule to the Constitution of India, the mines and minerals are regulated; their regulation and development are under the control of the Union Legislature. For regulation of mines and development of minerals, the Mines and Minerals (Regulation and Development) Act, 1948 (53 of 1948) was introduced. The said Act was first amended *vide* Act 67 of 1957 and effective from 1<sup>st</sup> June 1957 and subsequent amendments have been made. Currently Mines and Minerals (Development and Regulation) Amendment Act 2021 is notified on 28 March 2021.

The differentiation made between petroleum and other minerals in item No.53 and 54 of the Union list has rendered separate enactments. At present, both are dealt with under the Act 53 of 1948.

Minerals are of two types, Major minerals and Minor minerals. As per Section 3(e) of the Mine and Minerals (Development and Regulation) Act (amended) 2021 minor minerals are *building stones gravel, ordinary sand other than sand for prescribed purposes and any other minerals* which the Central Government may, by a notification in the Official Gazette declared to be a minor minerals. The rest of the minerals are major minerals. The extraction of minerals except mineral oil and natural gas is governed by the “Mines and Minerals (Development and Regulation) Act, 1957”(Amended 2021) and the “Mineral concession Rules 1960”, the Mineral Conservation and Development Rules, 2017, Mineral (Auction) Rules 2015, the Granite Conservation and Development Rules, 1999, the Marble Development and Conservation Rules, 2002 and the Colliery Control Rules, 2004 issued there under. The quarry leases for minor minerals are governed by the “Gujarat Minor Mineral Rules, 1966” now the Gujarat Minor Mineral Concession Rules, 2010. Subsequently said rules were amended and called the Gujarat Minor Mineral Concession Rules, 2017. Mining of mineral oil and natural gas is regulated by the “Oil Field (Regulation and Development) Act, 1948” and the “Petroleum and Natural Gas Rules 1959”. Also Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules 2016 was notified on 4 March 2016.

#### 8.2 Organisational Set-up

The Commissioner of Geology and Mining (CGM) is working under the Industries and Mines Department (IMD), Government of Gujarat (GoG), is the Head of the Department. He is assisted by three Additional Directors (dealing with matters relating to Flying squad (FS)/Appeals, Technical assistance, and Development) and one (Deputy Director dealing with the administrative matters of the Departments). There are 33 mineral offices working at respective district in the State headed by Geologist/Asst. Geologist. They are responsible controlling the mining activities in the State.

**Commissioner of Geology and Mines**

ADDL. DIRECTOR (F.S)-1	ADDL. DIRECTOR (DEV)-1	ADDL. DIRECTOR (EXP)-1	OFFICE R of SPECIAL DUTY-1	DY. DIRECTOR (ADM)-1	ACCOUNT OFFICER	P.M.C LABORATORY	STATICAL OFFICER	STORE	PERS ONAL SECRETORY
G.U. STENO-1	SR. GEOLOGIST - LEASE-2	SR. GEOLOGIST -2		ADM OFFICER-2	ACCOUNTANT -2	CHEF CHEMIST-1	RES. ASSISTANT -2	SR. DRIVER	G.U. STENO-1
DY. DIRECTOR -1	GEOLOGIST -4	GEOLOGIST (TECH)-2		OS-1	SR. CLERK-2	GEOLOGIST (I/C)-1	SR. CLERK-3	STORE SUP-T-1	ENG. STENO-1
ASST. DIRECTOR-2	ASST. GEOLOGIST -7	ASST. GEOLOGIST -2		HEAD CLERK-1		SR. CHEMIST-1			
ASST. GEOLOGIST-2	ROYALTY INSPECTOR-6	ROYALTY INSPECTOR-4		SR. CLERK-4		CHEMIST-2			
ROYALTY INSPECTOR-5		LIBRARIAN-1				GEOLOGIST-1			
SURVEYOR-1		ENGLISH STENO-1				ASST. GEOLOGIST-1			
MINES SUPERVISOR-1									

### **8.3 Records maintained by the Department**

The following records and registers are to be maintained by the Department at the district level offices.

1. Lease agreements duly executed and registered in respect of lease sanctioned for  
Major minerals  
Minor minerals
2. Register of Prospecting license (Form H – Mineral Concession Rules 1960) and Reconnaissance permit (Form H1 – Mineral Concession Rules 1960) for respective minerals.
3. Register of Mining lease (Form M – Mineral Concession Rules 1960)/Quarry lease (Form N - GMMCR 2017).
4. Register of Quarrying permits (Minor minerals) (Form O - GMMCR 2017)
5. Register of Quarrying *parvana* (Minor minerals) (Form P - GMMCR 2017)
6. Register of Analysis
7. Demand and Collection Register (DCR)
8. Register of Security deposits
9. Register of Refunds, Register of renewal of quarry lease/ permit/*parvana* (Minor minerals)
10. Monthly Returns (Major and Minor minerals)
11. Annual Returns
12. Receipted challans from Treasury Accounts
14. Subsidiary cash book in respect of cash received by departmental officers and challans for the same credited in Government Accounts.
15. Register of issue of receipt books
16. Register of issue of triplicate pass book
17. Register of illegal excavation and transportation detected.
18. Any other records maintained by the department to regulate the Act/Rules.

### **8.4 Law relating to Licensing/Leasing of Mines**

#### **8.4.1 Licensing/Leasing of Area for Mining**

The prospecting or mining operations are to be under license or lease. No person shall undertake any reconnaissance, prospecting or mining operations in any area, except under and in accordance with the terms and conditions of a reconnaissance permit or of a prospecting license or as the case may be, of a mining lease granted under Act and Rules made there under

No person shall transport or store or cause to be transported or stored any mineral otherwise than in accordance with the provision of the Act and the Rules made there under.

State Government may after prior consultation the Central Government, and in accordance with the rules, undertake reconnaissance, prospecting or mining operations with respect to any mineral specified in the first schedule in any area within the State.

#### **8.4.2 The Mines and Minerals (Development and Regulation) Act, 1957**

The Mine and Minerals (Development and Regulation) Act, 1957 (Amended 2021) and the Mineral Concession Rules, 1960 framed there under constitute the basis for the levy and collection of royalty, dead rent & surface rent in the state of Gujarat.

Under the provisions of the Act, reconnaissance or prospecting or mining operations are defined and for such operation, the area is granted for mining to the applicant under license/permit/lease and he is known as the holder of mining lease and is liable to pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the rate as specified in second schedule. The holder of mining lease is liable to pay every year dead rent as specified in the third schedule for all the areas included in the instrument of lease.

Provided that the holder of such mining lease, (Section 9 & 9A of the Act) shall be liable to pay either such royalty or the dead rent in respect of that area whichever is greater.

The Government has decided to recover the royalty in advance from January 2001 as per circular instructions dated 22.12.2000.

##### **8.4.2.1 Levy of Surface Rent**

The lessee shall also pay, for the surface area used by him for the purposes of mining operations, surface rent and water rate at such rate, not exceeding the land revenue, water and cesses assessable on the land, as may be specified by the state Government in the lease; (Rule 27 (d) of MCR, 1960)

##### **8.4.2.2 Levy of Penalty**

- (1) After amendment *vide* Act no. 10 of 2015 dated 26.03.15 whoever contravenes the provisions of sub-section (1) or sub-section (1A) of section 4 of MMDCR Act shall be punishable with imprisonment for a term which may extend to five years and with fine which may extend to five lakh rupees per hectare of the area.
- (2) After amendment *vide* Act no. 10 of 2015 dated 26.03.15 , Contravention of the Rules made under any provision of the Act, shall be punishable with imprisonment for a term which may extend to two years or with fine which may extend to five lakh rupees, or with both, and in the case of a continuing contravention, with additional fine which may extend to fifty thousand rupees for every day during which such contravention continues after conviction for the first such contravention.”.

#### **8.4.2.3 Levy of Interest for belated payment**

The simple interest at the rate of twenty four per cent per annum is chargeable on any rent, royalty or fee (other than under sub-rule (1) of rule 54) or other sums due to the Government from the sixtieth day of the expiry of the date fixed by the Government for payment of such royalty, rent, fee or other sum and until payment of such royalty, rent, fee or other sum is made (Rule 64A).

Prior to 1st January 2001, the royalty was leviable at quarterly rates *i.e.* 1st January, 1st April, 1st July, 1st October and accordingly the dead rent was also leviable quarterly. (Industry & Mines Deptt. Resolution No.MMR-1097-2787-CHH dated 7th July 1999).

With effect from 1st January 2001 the royalty is leviable in advance and accordingly the dead rent is also leviable.

#### **8.4.2.4 Payment Made into Government Accounts**

Payment in respect of royalty, dead rent and surface rent and fees etc. is required to be remitted into Treasury/Sub-treasury office under the Head of Accounts “**0853-Non-ferrous Mining and Metallurgical Industries-102-Mineral Concession fees, Rents and Royalties**”

#### **8.4.2.5 Reconciliation with treasury Records**

It should be ensured that all the remittances made into Treasury/Sub-treasury accounts every month, all the amounts remitted into Treasury/Sub-treasury should be reconciled with their records to ensure that the amounts have actually been realized in Government Accounts. For the purpose, for one or two months' figures have to be verified personally by the Departmental Officer to ensure the same.

#### **8.4.2.6 Returns and assessments**

The holder of a prospecting license or a mining lease shall furnish to the State Government such returns and statement and within such period as may be specified by it. As the royalty is payable quarterly the returns also required to be submitted quarterly.

No provision is provided in the Act as regards the assessment of returns (Rule 51).

#### **8.4.2.7 Inspection of accounts and search of premises**

For the purpose of ascertaining the position of the working, actual or prospective, of any mine or abandoned mine or for any other purpose the person authorised by the Government in this behalf may enter and inspect any mine, examine records and documents, examine any persons having control or connected with any mine and examination as per Act and Rules.

Further, if the authorized officer in this behalf by general or special order has reasons to believe that any mineral has been raised in contravention of the Act/Rules or any document or things in relation to such mineral is secreted in any



place or vehicle, he may search for such mineral document or thing and the provision of Section 100 of the Code of criminal procedure 1973 (2 of 1974) shall apply to every such search. (Section 23(B) &24).

#### **8.4.2.8 Recovery of certain sums as arrears of land revenue**

The prescribed officer can issue a certificate of recovery of sums due to the Government as an arrears of land revenue along with the interest due thereon and issue of such certificate of recovery on the assets of the holder of the reconnaissance permit, prospecting license or mining lease, the first charge will be created of the Government on such assets (Section 25).

#### **Offences, penalties, fines and compounding of offences**

##### **8.4.2.9 Conviction for contravention**

When any holder of lease contravention of the provision of the Act, he, on conviction will be punished with imprisonment for a term which may extend to two years or with fine which may extend to twenty five thousand rupees or with the both. Whereas for contravention of the provision of the Rules, he on conviction will be punished with imprisonment for a term which may extend to one year or with fine which may extend to five thousand rupees or with both and in the case of continuing contravention with an additional fine which may extend to five hundred rupees for every day during which such contravention continues after conviction for the such contravention. It has been amended and updated in para 7.4.2 *ibid*.

(Section 21)

##### **8.4.2.10 Offence by company**

When an offence under this Act has been committed by a company every person who at the time the offence was committed was in the charge of and was responsible to the company for the conduct of the business of the company as well as the company shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

Where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of or is attributable to any neglect on the part of any director, manager, secretary or other officer of the company such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

**Explanation:** (a) “Company” means anybody corporate and includes a firm or other Association of individual.

(b) “Director” in relation of a firm means a person in the firm.

(Section 23)

### 8.4.2.11 Compounding of offence

The State Government can by a general or special order in writing authorise any officer to compound offences punishable under the Act or the Rules. Such officer may either before or after the institution or the prosecution, make a complaint to the court with respect to that offence on payment to that person, for credit to the Government of such sum as that person may specify.

Provided that in the case of an offence punishable with fine only, no such sum shall exceed the maximum amount of fine which may be imposed for that offence where an offence is compounded, no proceedings or further proceedings, as the case may be, taken against the offender in respect of the offence so compounded, and the offender, if in custody, shall be released forthwith. **(Section 23A)**

### Minor minerals

#### 8.4.3 Gujarat minor mineral concession rules 2017

Under the provisions of Section 15 of the Mines and Minerals (Development and Regulations) Act, 1957 (67 of 1977), the Government of Gujarat made the Rules and regulations for grant of the mining lease in respect of minor minerals under “The Gujarat Minor Mineral Rules 1966” effective from the 1<sup>st</sup> April 1966. Government of Gujarat vide Notification No. GU-2010-(37)-MCR-1097-MM-15-CHH dated 26 August 2010 repealed these rules and framed the Gujarat Minor Mineral Concession Rules 2010 effective from 27 August 2010. Subsequently, Govt of Gujarat vide notification No. GU-2017-(21)-MCR-102017-MM-524-CHH dated 24.05.2017 framed new rules which repealed rules made in 2010.

##### 8.4.3.1 Law relating to quarry permits/parwana/lease

Quarrying permits/*parwana*/lease is well defined in Rule VII, VIII, IX, Quarry lease means a kind of mining lease in respect of minor minerals, *parwana* means to extract and remove any minor mineral from notified area and Quarry permit means to extract and remove any specified quantity of minor mineral.

Grant of quarrying permit/*parwana*/lease shall be in accordance with the Act and Rules made there under.

##### 8.4.3.2 Grant of quarry lease

		FEES AND AREA
1	Application in Form-A	₹ 250 for area less than five hectares and ₹ 500/- for area more than five hectares.
The rates have been revised with effect from 27 August 2010 as under:		
(A)	For quarrying sand, <i>kankar</i> , gravel and ordinary clay	₹ 500 for area less than five hectares and ₹ 1000/- for area more than five hectares.
(B)	For quarrying minor minerals other than sand, <i>kankar</i> , gravel and ordinary clay	₹ 2,500 for area less than five hectares and ₹ 5000/- for area more than five hectares.
2.	Acknowledgement of application	in Form-B for grant of lease and

		priority
3	Register for application	to be maintain in Form-C
4	Lease deed in Form-D	to be executed within three months from the date of sanction order.
5	Register of quarry lease	to be maintained in Form-E
6.	Restriction of area of quarry lease (a) does not exceeds 10 hectares in the case of ordinary sand. (b) does not exceeds 10 hectares in the case of specified minerals. (c) does not exceeds 20 hectares in the case of other minerals. The area in excess of the above is to be granted under approval of the Government (Rule 7 to 15).	

### **After introduction of GMMCR 2017 w.e.f. 24.05.2017**

#### **8.4.3.3 Grant of quarry lease.-(Rule-4)**

(1) A quarry lease shall be granted by the Government through an electronic auction process as prescribed herein. Any person submitting a bid for grant of a quarry lease shall be required to fulfill the eligibility conditions prescribed in **Schedule II** of said Rules. The terms and conditions specified in Schedule II shall be used only for the purposes of determination of eligibility of a bidder and the successful bidder shall be decided solely on the basis of financial bids submitted by the eligible bidders.

#### **8.4.3.4 Bidding parameters: (Rule-5)**

(1) The Government shall specify in the tender document, the minimum percentage of the value of mineral despatched, which shall be known as the “base premium”.

(2) The value of mineral despatched shall be an amount equal to the product of- (a) mineral despatched in a month; and

(b) last available sale price of the mineral as published by the Government and as applicable at the time of dispatch:

Explanation: In case a grade-wise sale price of a mineral has been published by the Government, the price applicable for the relevant grade shall apply with respect to clause (b) above. The computation of value of mineral despatched shall be applicable to all minerals including overburden.

(3) The bidders shall quote, as the bidding parameter for the purpose of payment to the Government, premium offer(s) which shall be a percentage of value of mineral despatched equal to or above the base premium and the successful bidder shall pay to the Government, an amount known as the “auction premium” equal to the product of the- (i) percentage so quoted; and (ii) value of mineral despatched.

#### **8.4.3.5 Notice inviting tender and tender document. - (Rule-6)**

(1) The Government shall issue a notice inviting tender to commence the auction process and such notice shall contain the following, namely:- (a) brief particulars regarding the area under auction, identified and demarcated in

accordance with clauses (b) and (c) of sub-rule (2) of rule 4; (b) estimated mineral resources and brief particulars regarding evidence of mineral resources with respect to all minerals discovered in the area.

(2) The tender document issued by the Government shall contain:- (a) A geological report specifying particulars and estimated quantities of all minerals discovered in the area; (b) revenue survey details of the area identified and demarcated in accordance with clauses (b) and (c) of sub-rule (2) of rule 4; and (c) list of clearances and permissions already obtained with respect to such area.

#### **8.4.3.6 Auction process- (Rule-7)**

The auction shall be an ascending forward online electronic auction and shall comprise under sub-rules (1)- First Round of Auction and (2)-Second Round of Auction shall be conducted within the time period stipulated in the tender document

#### **8.4.3.7 Grant procedure. -(Rule-8)**

(1) The preferred bidder shall submit the first installment being twenty per cent of the upfront payment as per rule 9 read with rule 57, within such time frame as may be specified in the tender document.

(2) Upon receipt of the first installment of the upfront payment, the Government shall issue a “letter of intent” to the preferred bidder and the preferred bidder shall become the “successful bidder”.

(3) The successful bidder shall fulfill the following conditions within such period from the date of issuance of the letter of intent as may be specified in the tender document:

#### **8.4.3.8 Upfront payment for quarry lease.-**

(1) The following amounts shall be payable by the preferred bidder or successful bidder as upfront payments:

(a) in case of minerals specified in Part A-II or Part B of Schedule III, an amount equal to one per cent of the value of estimated resources; and

(b) in case of minerals specified in Part A-I of Schedule III, the amount specified in rule 57.

(2) The upfront payment shall be payable to the Government in two installments of twenty per cent and eighty per cent in respect of the minerals for which a quarry lease is granted. The upfront payment shall be adjusted in the following manner:

(a) in case of minerals specified in Part A-II or Part B of Schedule III, it shall be adjusted against the amount paid under sub-rule (3) of rule 5, in the manner specified by the Government in the tender document, within the first five years of commencement of production of the mineral; and

(b) in case of minerals specified in Part A-I of Schedule III, such adjustment shall be carried out in the last year of the quarry lease period.

#### **8.4.3.9 Payments under quarry lease. - (Rule-11)**

- (1) The lessee shall pay royalties or dead rent to the Government.
- (2) The lessee shall pay the auction premium to the Government.
- (3) The lessee shall contribute such amounts as may be required under section 15A to the designated account of the District Mineral Foundation.
- (4) The lessee shall also pay such other amounts as may be required under any law for the time being in force to the concerned authorities.
- (5) The payments shall be made in the manner specified by the Government.

#### **8.4.3.10 Restriction on area of quarry lease - Rule 14**(with effect from 24.05.2017)

- (1) The maximum area for one or more mining leases covering a total area of more than ten square kilometres;

Provided that if the Central Government is of opinion that in the interests of the development of any mineral, it is necessary so to do, it may, for reasons to be recorded by it, in writing, permit any person to acquire one or more prospecting licences or mining leases covering an area in excess of the aforesaid total area;

- (2) The minimum area for which a quarry lease may be granted shall be one hectare:

**Provided that the Government may, for reasons to be recorded in writing, grant a quarry lease for an area which is less than one hectare:**

**The maximum area in respect of a particular mineral, one or more quarry lease in the State covering a total area of more than:**

- (a) fifty hectares, in case minerals specified in Part A of **Schedule III**;and
- (b) five square kilometres, in case minerals specified in Part B of **Schedule III**:

**Provided that the Government may, in the interest of development of any mineral and for reasons to be recorded in writing, increase the maximum lease area for a particular mineral.**

- (3) The area under any quarry lease shall be in a **compact block** unless the competent authority specifically directs otherwise for special reasons to be recorded in writing.

#### **8.4.3.11 Period of the quarry lease**

All minor minerals specified in Part A-II or Part B of **Schedule III**, the period of quarry lease granted or renewed before the date of commencement of these rules, shall be extended and be deemed to have been extended up to a period ending on March 31, 2030, for land owned by the Government; up to a period ending on

March 31, 2035 for the land not owned by the Government, with effect from the date of expiry of the period of renewal last made or till the completion of period of quarry lease, if any, whichever is later, subject to the condition that all the terms and conditions of the lease have been complied with; and minor minerals specified in Part A-I of **Schedule III**, the period of the quarry leases granted or renewed before the date of commencement of these rules, shall be extended and be deemed to have been extended up to a period ending on March 31, 2022 with effect from the date of expiry of the period of renewal last made or till the completion of period of quarry lease, if any, whichever is later, subject to the condition that all the terms and conditions of the lease have been complied with.

On and from the date of commencement of these rules, all quarry leases shall be granted for a period of:

- (a) five years in case of minor minerals specified in Part A-I of **Schedule III**; and
- (b) thirty years in case of minor minerals specified in Part A-II or Part B of Schedule III.

#### **8.4.3.12 Security Deposits**

Before execution of lease deed, the holder of quarry lease deposit as security, for due observance of terms and conditions of the lease,

- (a) For quarrying sand, kankar, gravel and ordinary clay, a sum of ₹ 1000/- per hectare or part thereof subject to maximum of ₹ 10,000/- and;
- (b) For other minor minerals, a sum of rupees two thousand and five hundred per hectare or part thereof subject to maximum of ₹ 25,000

On expiry and non renewal of the lease deed, the security deposit is to be refunded and if not refunded in stipulated time, simple interest at the rate of nine *per cent* is payable by the Government (Rule 19).

After amendment to the GMMCR 2017, vide notification No.GJ/2018/12/MCR-102018-325-CHH, dated 09.03.2018 the successful bidder shall provide a performance security equivalent to an amount of 0.25 per cent of the value of estimated resources in case of minerals specified in Part A-II or Part B of **Schedule III** and the performance security shall be adjusted every five years so that it continues to correspond to one per cent of the reassessed value of estimated resources.

**(GMMCR 24.05.17 and amendment to these rules vide notification no. GJ/2018/12/MCR-102018-325-chh dated 09.03.2018)**

#### 8.4.3.13 Period of Lease Renewals

Minerals		Period of grant Renewal		Maximum Extension
1	Sand, Kankar, Murrum and Gravel	Not exceeds 10 years	One or more period but at one time not exceeds 10 years.	Total period should not exceed 20 yrs. in aggregate.
2	Mineral based industries	Not exceeds 20 years	Not exceeds 20 years	
3	Ordinary sand, Kankar, Murrum and Gravel	Not exceeds 3 years	One or more period but at one time not exceeds 3 years.	Total period should not exceed 12 yrs

The position for renewals of quarry lease after 26 August 2010 is as under:

Minerals		Period of grant Renewal	
1	Ordinary sand, Kankar, Gravel or ordinary clay or brick earth	Not exceeds 10 years	One or more period but at one time not exceeds 10 years.
2	All other minor minerals	Not exceeds 20 years	Not exceeds 20 years

From the date of the commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015, on the expiry of the lease period, the lease shall be put up for auction as per the procedure specified in this Act.

As per GMMCR 2017 upon expiry of the period of the lease specified, the lease shall be put up for auction as per the procedure specified in the rules.

#### 8.4.3.14 Rate of Royalty, Dead Rent and Surface Rent

The holder of a mineral concession granted under these rules shall pay royalty in respect of minor minerals, specified in Table A of the Schedule IV, removed or consumed by him or by his agent, manager or employee from the leased area at the rates respectively specified against them in Table A of the said Schedule.

The quarry lease holder granted under these rules shall pay yearly dead rent in respect of minor minerals specified in Table B of Schedule IV, at the rates respectively specified against each minor mineral.

In case the royalty paid during a year under sub-rule (1) in respect of a minor mineral is greater than the dead rent payable, no dead rent shall be payable under sub-rule (2).

Where the royalty paid during a year under sub-rule (1) in respect of a minor mineral is less than the dead rent payable under sub-rule (2), only the difference between the two amounts shall be payable as dead rent.

The holder of a mineral concession granted under these rules shall also pay a yearly surface rent to the Government for the surface area leased to him, at the rate of rupees one thousand per hectare or part thereof or at the non-agriculture assessment rate prescribed by the Revenue Department from time to time, whichever is higher.

The rates as revised with effect from 1.4.1992, 1.1.1999, 26.8.2010 and 18.06.2016 are given below:

#### **8.4.3.15 Surface Rent**

The lessee shall also pay the yearly surface rent to the Government for the surface area leased to him, at the rate of rupees one thousand per hectare or part thereof or at the non-agriculture rate prescribed by the Revenue Department, whichever is higher (*revised rate effective from 24.05.2017*).

#### **8.4.3.16 Lease liable to cancel if no quarry for one year**

A quarry lease shall lapse in accordance with the provisions of section 4A of the Act. Subject to the conditions of GMMCR 2017, where quarrying operations are not commenced within a period of two years from the date of execution of the quarry lease, or are discontinued for a continuous period of two years after commencement of such operations, the quarry lease shall lapse.

**Provided lease shall not be cancelled if the lessee is prevented from operating the quarry owing to some reasonable cause and if the lessee obtains the prior permission of the competent authority for not operating the quarry.**

#### **8.4.3.17 Condition for grant of Quarrying Permits**

1. Application in Form-L along with the non refundable application fees of ₹ 100/- for every 500 tonnes or part thereof.
2. Grant of permit in Form M for any minor mineral not exceeding 2000 tonne under any one permit for period not exceeding 90 days and also subject to payment of royalty at rate specified in schedule I.
3. In case of breach of conditions subject to which the permit is granted, the competent officer may cancel it and mineral so excavated become the property of the Government.
4. A Register of quarrying permit shall be maintained by the competent officer in Form-N.

**(Rule 61, 62 & 64)**

#### **8.4.3.18 After amendment with effect from 24.05.2017**

1. Application in Form-D along with the non refundable application fees of ₹ 1000/- for every 100 metric tonnes or part thereof
2. Grant of permit in Form E for any minor mineral not exceeding 4,000 tonnes under any one permit for period not exceeding 90 days and also subject to payment of-
  - a) payment of one hundred per cent of the royalty to the Government as specified in the rules;
  - b) payment of a permit premium equivalent to fifty per cent of the royalty to the Government as specified in the rules;
  - c) in addition to the payments made under clauses (a) and (b), payment of a sum equivalent to twenty per cent of the aggregate of royalty and permit premium



as a security deposit.

3. In case of breach of conditions subject to which the permit is granted, the competent officer may cancel it and mineral so excavated become the property of the Government.
4. A Register of quarrying permit shall be maintained by the competent officer in Form-O

(Rule 21 to 23)

#### 8.4.3.19 Condition for grant of quarrying parwanas

1	Grant in Form	Form –K
2	Period for grant	One year (ending 31 <sup>st</sup> March each year)
3	Payment of fees (non refundable fees)	
	(a) An area up to 1,000 Sq. mtrs.	₹ 100/-
	(b) Above 1,000 Sq. mtrs.	
4	Renewable not exceeding 3 years (non refundable fees)	
	(i) An area up to 1,000 Sq. mtrs.	₹ 100/- each year
	(ii) Above 1,000 Sq. mtrs	₹ 200/- each year
5	Security Deposit	As may be determined by the commissioner
6	Royalty	50 per cent of the rate of the mineral in advance
7	Dead rent	25 paise per sq.mtr. yearly in advance
8	Surface rent	50 paise per hundred sq.mtr. or part thereof annually (Rule 58)
<b>After amendment with effect from 24.05.2017</b>		
1	Grant in Form	Form – H
2	Period for grant	One year (ending 31 <sup>st</sup> March of subsequent year)
3	Payment of fees	
	(a) An area up to 1,000 Sq. mtrs	₹ 500/--
	(b) Above 1,000 Sq. mtrs.	₹ 1000/-
4	Renewable up to 1 year at a time	
	(i) An area up to 1,000 Sq. mtrs.	₹ 500/-
	(ii) Above 1,000 Sq. mtrs	₹ 1000/- each year
5	Security Deposit	A sum equivalent to ten per cent of the royalty as security deposit
6	Royalty	50 per cent of the rate of the mineral in advance
7	Dead rent	50 per cent of the dead rent
8	Surface rent	₹ 5 per hundred sq. mtr or part thereof in advance annually (Rule 58)

#### 8.4.3.20 Interest chargeable on belated payment

The Government shall, without prejudice to the provisions contained in these rules,

charge simple interest at the rate of eighteen per cent per annumon:

- (a) any payment due to Government under rule11;
- (b) any fee, cess or other sum due to the Government under these rules;

(c) any other payment under the terms and conditions of mineral concession, **the payment of which is delayed beyond thirty days from the due date thereof. Such interest shall be charged from the due date of payment and until payment of such amount.**

*(Rule 54)*

#### **8.4.3.21 Registers and returns (Rule-47 to 49)**

The Government shall maintain:

- (1) A register of quarry lease, in electronic and physical form, in Form N.
- (2) A register of quarry permit in Form O.
- (3) A register of quarry parwana in Form P.

The registers maintained by the Government under rule 477 shall be open to inspection by any person on payment of a fee of rupees one hundred.

(1) The quarry lease holder shall furnish to the Government: (a) every month, a monthly return in electronic form in Form Q before the tenth day of the succeeding month; (b) an annual return in electronic form in Form R for every financial year, before the 30th April of the succeeding year.

(2) The quarry permit holder shall submit online monthly e-return including details of mineral usage as per Form S before the tenth day of the succeeding month;

(3) The quarry parwana holder shall submit monthly return including details of mineral usage as per Form T before the tenth day of the succeeding month;

(4) The mineral concession holder shall furnish to the Government, other such returns and statements and within such period as may be specified as per the rules.

(5) If it is found that the mineral concession holder has submitted incomplete or wrong or false information in monthly or annual returns or fails to submit a return within the date specified, the Government may:

- (a) order suspension of all mining operations in the mine and may revoke the order of suspension only after ensuring proper compliance;
- (b) take action to initiate prosecution under these rules; and/ or
- c) recommend termination of the mineral concession, in case such suppression or misrepresentation of information indicates abetment or connivance of illegal mining.

#### **8.4.3.22 Appeal and Revision**

Under the provisions of the Act/Rules, the Additional Directors (Appeal and Flying Squad) are designated as appellate authorities for hearing appeals made by aggrieved persons against the orders passed by the competent officers. The State Government, in the Industries and Mines Department is the appellate authority for hearing appeals against the orders of the Additional Directors (Appeal & Flying Squad).

After giving an opportunity of stating his case, the State Government may pass such orders thereon as it may deem fit; it may issue a stay order (i) to stop working of excavation of minerals (ii) to hand over the possession of the area in dispute also.

1. Any person aggrieved by any order made by the competent authority may within two months of the date of communication of the order to him, apply to the Government in **Form U** for the revision of the order.
2. In every application against the order of competent authority refusing grant quarry lease/permit/parvana, any person to whom such a concession was granted in respect of the same area shall be impleaded as party.
3. After considering the revision application, the communication containing representation and counter representation, Government may confirm, modify or set aside the order after giving hearing to the aggrieved party.
4. Every revision application shall be accompanied by a non-refundable fee of ₹ 10,000/- by way of a treasury challan. **(Rule 50 and 51)**

#### **8.4.3.23 Prohibition to transport sand beyond border (Rule 83)**

- (1) No movement of ordinary sand shall be allowed beyond the border of the State except to the Union Territory, Diu.
- (2) The Government may, by notification, restrict the transport of any other mineral beyond the border of the State.
- (3) In case any vehicle is found transporting any mineral referred to in sub-rules (1) or (2), to the neighbouring State, it shall be treated as violation of Act and the rules made there under in this regard.

#### **8.4.3.24 OFFENCES AND PROSECUTION**

Any contravention of Rule 5 *i.e.* no person shall quarry; mine, remove or carry away any minor minerals, except as provided under this rule, shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to rupees one thousand or with both, and in case of a continuing contravention, with an additional fine which may extend to rupees one hundred for every day during which the contravention continues after conviction for the first such contravention. **(Rule 42)**

Similar provisions contained in Rule 68 of the Gujarat Minor Mineral Concession Rules 2010.

**(Rule 33)**

#### **Provisions for fine and penalties under the Gujarat Minor Mineral Concession Rules 2010**

Sr. No.	Under which rule	Cause for fine or penalty	Amount
1	Rule 25	Encroachment upon an area not included in the lease after issue of notice to vacate the area	Fine which may extend up to 100% of the royalty and amount equal to the mineral value for the mineral excavated
2	Rule 36	Failure to carry out the reasonable direction of the	Competent authority may cancel the lease or impose a penalty not

		Inspecting authority to prevent wasteful extraction or ensure safety and conservation of the minor minerals within the period specified	exceeding twice the amount of dead rent
3	Rule 47	Breach of any of the condition of the lease, by the lessee, his transferee or assignee other than those referred to in Rule 22	The competent authority may cancel the lease and take possession of the premises or impose fine not exceeding ₹5,000

Any contravention of any provision of these rules shall be punishable with imprisonment for a term which may extend to two years or with fine which may extend to rupees five lakhs, or with both, and in the case of a continuing contravention, with additional fine which may extend to rupees fifty thousand for every day during which such contravention continues after conviction for the first such contravention. **(Rules 91 of GMMCR 2017)**

#### **Other provisions of the GMMCR 2017**

##### **8.4.3.25 Evidence of mineral resources.-(Rule-3)**

The Government may grant a quarry lease through an electronic auction in the manner specified in the Chapter-II of GMMC Rules-2017 in areas where evidence of mineral resources has been established in accordance with the parameters prescribed in Schedule I of said Rules.

##### **8.4.3.26 Mining Plan.-(Rule-35 to 39)**

(1) No mining operations shall be undertaken except in accordance with the mining plan which has been approved by the Government in terms of rules 35, 35, 36 and 37:

The mining plan shall be made in accordance with a manual/guidelines, as may be specified by the Government, in that regard

Every mining plan shall be prepared by a qualified/ experienced person and also may carry out modifications to a mining plan.

The mining plan shall accompanied by a fee of rupees five thousand be submitted to the Government. The Government shall, by an order in writing, dispose of the application for approval of the mining plan within a period of ninety days from the date of receiving of such application.

The Government may, by an order in writing, at any time direct modification of the mining plan or impose such conditions in the mining plan as it may consider necessary.

Where mining operations for minor minerals have been undertaken before the commencement of these rules without an approved mining plan, the lease holder of such lease shall submit a mining plan within a period of six months from the date of commencement of the rules, to the Government for its approval.

The mining plan for minerals specified in Part A-II or Part B of Schedule III, once approved, shall be subject to review and updation at an interval of every five years starting from date of registration of the duly executed quarry lease deed.

In case of modifications to a mining plan, the provisions of rule 37 shall apply mutatis mutandis.

**8.4.3.27 Upfront payment and performance security for minerals specified in Part A-I of Schedule III:- (Rule-57)**

In case of minerals specified in Part A-I of Schedule III, the upfront payment to be made under rule 9 and the performance security to be furnished under rule 10 shall each be for an amount equal to the aggregate of:

(a) fifty per cent of the estimated annual royalty payable for the first year of the lease which shall be a product of the: (i) royalty for the mineral(s) per metric tonne; and (ii) estimated quantity of mineral resources being auctioned expressed in metric tonne divided by the tenure of the lease; and

(b) fifty per cent of the estimated annual auction premium payable for the first year of the lease which shall be a product of the: (i) highest final premium offer; and (ii) value of estimated resources divided by the tenure of the lease.

**8.4.3.28 Sum Due to Be Recovered as Arrears of Land Revenue. - (Rule-58)**

Any rent, royalty, tax, fee, penalty, auction premium or other sum due to the Government may be recovered as arrears of land revenue on the basis of a certificate issued by the Government.

**8.4.3.29 Environmental clearance.-**

Mining operations will be undertaken only pursuant to a valid environmental clearance in accordance with the provisions of the Environment (Protection) Act, 1986 and the rules and notifications issued thereunder, including the Environment Impact Assessment Notification, 2006 (Rule 59)

**8.4.3.30 Mine Closure plan.-**

Every mine shall have a mine closure plan which shall contain steps to be taken for reclamation, rehabilitation measures taken in respect of a mine or part thereof commencing from cessation of quarrying or processing operations in a mine / cluster or part thereof. The mine closure plan shall be of two types:

- (a) progressive mine closure plan;and
- (b) final mine closureplan.

**8.4.3.31 Financial Assurance.- (Rule 64)**

Financial assurance shall be furnished by every lease holder for due and proper implementation of the approved progressive and final mine closure plan. The amount of financial assurance shall be rupees one lakh per hectare or part thereof the quarry lease area put to use for mining and allied activities:

Provided that a quarry lease holder shall be required to enhance the amount of

financial assurance with the increase in the area of mining and allied activities:

Provided further that, where a quarry lease holder undertakes reclamation and rehabilitation measures as part of the progressive closure of mine, the amount so spent shall be reckoned as the sum of the financial assurance already spent by the lease holder and the total amount of financial assurance to be furnished by the lease shall be reduced to that extent.

#### **8.4.4 Gujarat Mineral (Prevention of Illegal Mining, Transportation and Storage) Rules**

In exercise of the powers conferred by section 23C of the Mines and Minerals (Development and Regulation) Act, 1957, the Government of Gujarat vide Notification No. GU/110/2006/(12)/MIS/112000/GOI-4/CHH dated 29.08.06 framed GUJARAT MINERAL (PREVENTION OF ILLEGAL MINING, TRANSPORTATION AND STORAGE) RULES (herein after, PIMTS Rules), 2005. The above mentioned rules were repealed after the Govt of Gujarat framed PIMTS Rules, 2017, vide notification No. GU-2017-(28)-MCR-102017-1369-CHH dated 26.09.2017. The PIMTS Rules, 2017 was followed by a major amendment notification dated 21.06.19.

**8.4.4.1** Illegal Mining is not defined in the Act, it has been defined under Mineral Concession Rules 1960 as any reconnaissance or prospecting or mining operation undertaken by any person or a company in any area without holding a reconnaissance permit or a prospecting licence or as the case may be, a mining lease as required under sub-section(1) of section 4 of the Act.

Explanation – For the purpose of this clause, -

(a) Violation of any rules, other than the rules made under section 23C of the Act, within the mining lease area by a holder of a mining lease shall not include illegal mining.

(b) Any area granted under a reconnaissance permit or a prospecting licence or a mining lease, as the case may be shall be considered as an area held with lawful authority by the holder of such permit of licence or a lease, while determining the extension of illegal mining.

‘Illegal Mining’ was not defined under Gujarat Mineral (Prevention of Illegal Mining, Transportation and Storage) Rules, 2005 while the definition of ‘Illegal Mining’ under PIMTS Rules 2017 is as under -

Illegal Mining means any reconnaissance or prospecting or mining **or quarrying** operation undertaken by any person or a company in any area (i) without holding a mineral concession as required under the Act or Rules made thereunder; **or (ii) in violation of these rules.**

**8.4.4.2** Rule 4 of PIMTS Rules 2017 provides for establishment of an electronic system which is mentioned hereunder.

(1) The Government may establish and maintain an electronic system capable of, amongst others, storing and retrieving biometric information of persons registered under such system, including under sub-rule(3) and sub-rule(4), to manage and regulate mining operations within the State, to check illegal mining, illegal transportation or illegal storage of minerals, to protect the revenue

recoverable from mining activity, to promote sustainable mining and to ensure compliance of various conditions imposed in the mineral concession and other consents and approvals.

(2) The Government may implement the electronic system referred in sub-rule(I) in a phased manner through a notification.

(3) Every person as listed below who is already engaged in any operations permitted under these rules, within such period as may be notified shall register by making an application in Form B with the Government in the manner specified in **Schedule II;**

- (a) a person who is an existing holder of any mineral concessions within the State;
- (b) an existing owner of a Carrier(s) (used for carrying minerals that are extracted or stored within the State);
- (c) every Carrier (other than a tractor and trolley) used for carrying minerals that are extracted or stored within the State;
- (d) an existing mine development operator, (by whatever name called), of a mine situated in the State
- (e) an existing owner of a Mechanized Machinery; and
- (f) a Trader within the State.

#### **8.4.4.3 Transit Permit/ Delivery Challan**

Upon due and proper entry of information under sub-rule (1), the holder of a mineral concession shall obtain a digitally signed permit for lawful transportation of minerals, hereinafter referred to as the “Transit Permit”, which shall be in the format specified in Form E and shall be printed by the holder of a mineral concession on a special security permit paper sheet.

Every trader shall, prior to dispatch of any mineral, upon due and proper entry of the information the trader shall obtain a digitally signed permit for lawful transportation of the mineral/ore, hereinafter referred to as the “Delivery Challan”. The Delivery Challan shall be in the format specified in Form F and shall be printed by the trader on a special security permit papersheet.

The Transit Permit or Delivery Challan, as the case may be, shall be specific to each Carrier carrying the minerals and at all times during transit, a physical copy of the Transit Permit or Delivery Challan shall be retained.

Minerals shall be dispatched outside the lease area only in a registered Carrier and pursuant to a duly issued Transit Permit, and minerals shall be dispatched outside a stockyard only in a registered Carrier and pursuant to a duly issued Delivery Challan.

#### **8.4.4.4 Surveillance System (under rule 25 of PIMTS Rules 2017).-**

- 1) Mineral bearing areas in the State including areas over which mineral concessions have been granted will be geo-fenced by the Government through geographic information system, based on satellite technologies and monitored through change detection techniques.
- 2) Every holder of a mineral concession shall conduct mining operations or exploration, as the case may be, within the area over which the mineral concession has been granted, as demarcated by physical and/ or geo—fenced boundaries.
- 3) The Government shall prepare a geo-referenced and geo-fenced identification database of the location of all stockyards in the State giving the exact latitude and longitude thereof.

#### **8.4.4.5 Check posts**

Each check post shall have CCTV cameras with night vision and IT enabled equipment for analyzing information on real time basis, including computerized weigh-bridge. Authorized officer may stop and check any carrier at any place within his respective jurisdiction.

Whenever any person raises, transports or stores any mineral or causes to be raised or transported without any lawful authority the govt in addition to above penalties recover from such person the mineral so raised/transported/stored and where such mineral has already been disposed of the price thereof. Rent, royalty, tax and other amount is also payable in addition..

#### **8.4.4.6 Penal Provision:-**

For contravention of section 4(1) or 4(1A) of the Act punishment decided u/s 21(1) is imprisonment which may extend up to 5 years & fine of ₹ 5 lakh per hectare.

If a contravention continues it is punishable with imprisonment up to 2 years or with fine up to 5 lakh, or with both and in case of a continuing contravention with additional fine which may extend to ₹ 50,000/- for every day.

#### **8.4.4.7 Compounding of offences**

Any offence punishable under these rules may, either before or after the institution of the prosecution, be compounded by the Authorised Officer on payment of an amount computed in the manner specified in Schedule III.

The following fees shall be Chargeable in case of compounding of offences concerning illegal mining

- (a) Whenever any person undertakes transportation of any mineral without a Transit Permit or Delivery Challan, such person shall be liable to pay compounding fees at the rate of Rupee five thousand per tonne.
- (b) Wherever any person undertakes transportation of any mineral without getting the mineral weighed at the nearest weigh bridge, such person shall be



liable to pay compounding fees equal to one hundred percent of the royalty for such mineral; provided that the relevant Carrier has crossed the nearest weigh bridge as specified in the Transit Permit or Delivery Challan.

- (c) Whenever any person undertakes illegal mining or illegal storage, he shall be liable to make compounding payment and the collectible amounts shall be calculated in accordance with the below mentioned formula, and such amount shall be rounded off/ calculated up to the next highest multiple of ten:

$$\text{Mineral Value (MT)} = (\text{Royalty Index} \times \text{Royalty}) + \text{Royalty Rate}$$

$$\text{Where Royalty Index} = \text{Production Value/Royalty Rate}$$

The Government may also, by notification, specify the amount of compounding fees to be paid from time to time in situations where any person undertakes illegal mining or illegal storage of a mineral.

- (d) Whenever any person undertakes illegal transportation of any mineral or illegal mining or illegal storage thereof, the following compounding fees may be charged in addition to the costs specified in clause (a) and clause (b) above, for releasing the seized equipment/vehicle/tools etc.

Sl. No.	Name of Equipment/Vehicle/Tools	CF for each item (in ₹)
1	Tractor trolley/ compressor/ drilling machine/ wire saw and other tools	25,000
2	Half body trucks/ Small Dumpers/ crane etc	50,000
3	Full body trucks/ Heavy Duty Dumpers/ Crusher/ power hammer etc	1,00,000
4	Trolla/ Excavator/ Loader etc	2,00,000

**8.4.4.8** Rule 17 of the PIMTS Rules 2017 provides notwithstanding anything contained in the foregoing provisions, it shall be lawful for an Authorised Officer to sell in a fair and transparent manner, by public auction, any mineral seized and confiscated in accordance with the provisions of these rules.

**8.4.4.9** As per Rule 14 all money, except fines imposed by the judicial courts due under these rules, if not paid when due, may be recovered as if it were an arrear of land revenue.

## **8.5 District Mineral Foundation**

The Government of India vide Act No. 10 dated 26.03.15 published in official gazette inserted section 9B to the MMDR Act which empowered the State Government to establish a trust, as a non-profit body, to be called the District Mineral Foundation by notification in any district affected by mining related operations.

The objective of the District Mineral Foundation shall be to work for the interest and benefit of persons, and areas affected by mining related operations in such manner as may be prescribed by the State Government.

ML holder after this Amendment Act, in addition to the royalty, pay to the DMF of the district in which mining operations are carried on not exceeding one-third of such royalty. The holder of a mining lease granted before the Amendment Act,

2015, shall, in addition to the royalty, pay to the District Mineral Foundation of the district in which the mining operations are carried on, an amount not exceeding the royalty paid in terms of the Second Schedule in such manner and subject to the categorisation of the mining leases and the amounts payable by the various categories of lease holders, as may be prescribed by the Central Government.

Accordingly, the Governmentt of Gujarat *vide* Notification No. GU-2016-(42)-DMF/102015/836/CHH dated 01.04.16, framed the Gujarat District Mineral Foundation Rules, 2016 with retrospective effect from 12.01.2015. It is registered as a society for charitable purpose under Societies Registration Act, 1960.

It is comprised of a Governing Council and an Executive committee. In Governing council, Prabhari Mantri is a Chairperson while other members include the Collector, DDO, Geologist, Director of DRDA. In Executive Committee, the District Collector is the Chair person and includes 12 other members. The Executive committee to prepare Annual Plan which will be approved and overall supervised by Governing Council.

Contribution in the DMF

- 10% for ML granted after 12.01.15
- 30% for ML granted before 12.01.15- (Notification dated 17.09.2015)

## **8.6 Gujarat Mineral Research & Development Society (GMRDS)**

### **8.6.1 Introduction**

The GMRDS is an Autonomous Body formed in the year 2002 to support the mineral industries and to provide the technical support for mineral administration under control of Commissionrate of Geology & Mining/ Industry and Mines. Audit of GMRDS is conducted under Section 14 of Comptroller and Auditor General's (DPC) Act, 1971 by AMG-I section of office of the Accountant General (Audit II), Gujarat, Ahmedabad.

### **8.6.2 The objectives of GMRDS are as under:**

1. To assess quality of Ores, Minerals by Chemical, Physical testing Instrumental analysis.
2. Carrying exploration and finding of new mineral resource.
3. To conduct innovative experiments in new methods and technologies in the field of analysis & testing of mineral samples and its education in order to achieve the international standards for such technology;
4. To study the minerals with respect to industrial applications.
5. To study polishing characters of the decorative stones and testing engineering characteristics.
6. To provide analytical services to corporations and public entrepreneurs on "No Profit no loss Basis".
7. To identify the mineral and associated impurities with the help of modern instruments.

8. To determine specific gravity of rocks and minerals.
9. To apply Remote Sensing techniques for regional stratigraphy and structural continuity of Rock types.
10. System Audit of existing Major Mineral Lease in Gujarat State

**8.6.3 The various activities carried out by GMRDS is shown as under:**

- New Mineral Resource and its deposition / occurrence in a particular region.
- Chemical analysis of mineral samples
- System Audit of existing Major Mineral Lease in Gujarat State
- Geological chemical mapping system development for unexplored area in Gujarat
- Carrying exploration and finding of new mineral resource
- Developing technical and other skills;
- practicing responsible environmental management and sustainable development; and
- the maintenance of standards of good practice in the junior mining sector
- To undertake the analysis & testing of mineral samples submitted by Industries& Mines Department and private sector mineral industries, research, institutions, laboratories etc.
- To conduct innovative experiments in new methods and technologies in the field of analysis & testing of mineral samples and its education. in order to achieve the international standards for such technology;
- To develop and maintain exchange arrangements with centres of excellence in the testing analysis of minerals in developed countries for training and research including distance education *etc.*;
- To receive grants from the Government and gifts, donations, benefactions, testators or transferors or from any donor as the case may be;
- To deal with property belonging to or vested in the “GMRD” in any manner which is considered necessary for promoting the objects of the “GMRD”;
- To demand and receive such testing fees and membership fees as may be laid down by the Regulations;
- To co-operate with other national and international laboratories and institutions in the conduct of research and higher education in the area of the information Technology;
- To take decisions on questions of policy relating to the administration of the affairs and working of the "GMRD”;
- To admit members and to appoint remaining members of Governing Body and various committees;
- To appoint officers, geologist or scientists, technical persons, financial consultants, management consultants and other employees as are necessary for carrying out, the functions of the “GMRD” in accordance with this

Memorandum of Association. and the rules and regulations made there under and to decide their terms of service and other conditions;

- To do such other acts and things as may be necessary to further the objects of the the "GMRD".

## **8.7 Sampling Methodology in respect of Geology and Mining Receipts**

### **Commissioner of Geology and Mining (HOD)**

- Enforcement Activities, if any, undertaken during the period of audit.
- Sanction of Lease in respect of Major Minerals.
- Deficiency in control mechanism
- Expenditure Audit in respect of the two months selected.
- Contracts finalized during the period of audit.

### **Geologists/ Assistant Geologists**

- Scrutiny of Lease sanctioned during the period of audit for major and minor minerals (Max. 50 cases /25%)
- Scrutiny of Demand and Collection Register in respect of both Major and Minor Minerals (50% or 100 cases)
- Scrutiny of RRC cases (max 50%)
- System issue- Inspection of Lease; Renewal of Lease; Auction cases of Sand block., Expenditur

## **8.8 Tasks to be assigned during audit of Geology and Mining**

1. Examination of Lease agreement entered into in respect of Major and Minor Minerals and also the agreement entered into under the provision of petroleum and Natural Gas Rules, 1957.
2. Review of system of realization of Royalty/ Dead rent/ Surface rent. Review of arrear position relating to Royalty/ Dead rent/ Surface rent. General review of lease holders. (Demand Register).
3. Review of Lease ledgers (Demand Registers) with reference to raising of demand and collection of Royalty/ Dead rent/ Surface rent.
4. Audit of Royalty/ Dead rent/ Surface rent collection during two selected months.
5. Review of Lease application forms/ lease registers.
6. Review of Quarry permits issued.
7. Tracing of two months' collection on account of Royalty/ Dead rent/ Surface rent/ penalty etc in the lease ledgers (Demand Registers) with reference to challans received from the treasury.
8. Tracing of two months' collection in the treasury records.

**Please Refer Annexure 13 –Checks to Be Applied During the Course of the Audit**

## CHAPTER 9

### STATUTORY CORPORATIONS AND PSUs

#### 9.1 Statutory Corporations under the I&MD

The following Statutory Corporations fall under the Department of Industries and Mines:

1. Gujarat Industrial Development (GIDC)
2. Gujarat State Finance Corporation (GSFC)

Note:

- a. Audit of GIDC is governed by the provisions of Gujarat Industrial Development Act, 1962 and Audit of GSFC is governed by the provisions of State Financial Corporation Act, 1951.
- b. Audit of the Statutory Corporation are conducted under Section 19(2) of Comptroller & Auditor General's (DPC) Act, 1971

#### 9.2 Gujarat Industrial Development Corporation (GIDC)

Gujarat Industrial Development Corporation (the Corporation) was incorporated on 4 August 1962 under Section 3 of the Gujarat Industrial Development Act, 1962 for assisting in the orderly establishment and organisation of industries in industrial areas and industrial estates in the State. The main functions of the Corporation are acquisition of land, establishment and development of industrial estates and its management, allotment of plots/ sheds for industrial/ commercial/ residential purposes, recovery of allotment price of plots/ sheds and also recovery of service charges from the allottees.

As a nodal agency of Government of Gujarat, for development of industrial estates in the State, the Corporation acquires land all over Gujarat for industrial purpose and develops industrial estates, constructs sheds and housing quarters and allots it to various industries after creating infrastructure facilities such as roads, streetlights, water supply, effluent disposal, storm water, drainage etc.

##### 9.2.1 Organization Structure

The Management of the Corporation is vested in the Board of Directors consisting of 12 directors. Vice Chairman *cum* Managing Director (VC&MD) is the chief executive officer of the Corporation. The VC&MD is mainly assisted by one Joint Managing Director (Jt. MD), two Executive Directors (ED)<sup>63</sup>, three General

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63 (i) Co-ordination and Pre-Allotment (ii) Recovery, Finance, Post-Allotment and Land and Planning.

Managers, a Chief Engineer (CE) and a Chief Accounts Officer at the Corporation's head office.

The day to day functioning of the Corporation is managed by Division and Circle offices in respect of technical matters like monitoring the development of estates and its maintenance and by the Divisional Managers (DM)/ Regional Managers (RM) offices in respect of administrative matters, allotment of plots and recovery of dues. As on 31 March 2018, the Corporation had eight DM offices<sup>64</sup> and 15 RM offices<sup>65</sup> for dealing with administrative matters. It also has four Circles<sup>66</sup> and eight Division<sup>67</sup> offices each headed by a Superintending Engineer (SE) and Executive Engineer (EE) respectively for dealing with technical matters *i.e.* development work and maintenance of estates. The DM and SE at the field offices are reporting to ED and CE respectively.

### 9.2.2 Special Investment Regions

The Government of Gujarat enacted the Special Investment Region -SIR Act, 2009 with the objective of creating large size Investment Regions and Industrial Areas in the State of Gujarat and develops them as global hubs of economic activity supported by world class Infrastructure. GIDC is setting up 11 Special Investment Regions in Gujarat catalyzing unprecedented economic growth in the state.

- It enables the State Government to establish, develop, operate and regulate SIRs
- The Government is empowered to declare an Investment Regions or an Industrial Area
- An SIR has a minimum area of 100 sq. km. (10,000 hectare). An Industrial Area has a minimum area of 50 sq. km. (5,000 hectare)
- A 4 tier administrative mechanism set up for establishment, operations, regulations and management of SIRs/ IAs.

The details of 11 SIRs are as follows:

Regions	Area (sq. km)	Potential Sectors
PCPIR	453	Refinery downstream products, high performance chemicals, pigments and coating products, nanotechnology, bio-refinery, mineral resource based

64 Ahmedabad, Mehsana, Gandhinagar, Vadodara, Vapi, Ankleshwar, VU Nagar and Rajkot.

65 Ahmedabad, Vadodara, Rajkot, Ankleshwar, Surat, Junagadh, Bhuj, Mehsana, Surendraangar, Bhavnagar, V. U. Nagar, Gandhinagar, Jamnagar, Vapi and Sanand.

66 Ahmedabad, Rajkot, Bharuch and Surat

67 Ahmedabad, Mehsana, Rajkot, Vadodara, Ankleshwar, Vapi, Surat and Bharuch.

Regions	Area (sq. km)	Potential Sectors
		products
Halol-Savli	123	Engineering, Automobile Ancillaries, Engineering Plastics, Electrical and Electronics
Santalpur	186	Agro based (species and Seed Processing, Vegetables and Fruits processing, Dairy cotton ginning), Contract framing, Solar power, Logistic
Changodhar	319	Agro based, Steel and Metal, Plastic, Pharmaceutical and Oil and Gas
Pipavav	147	Logistic based industries, pre-cast structure, spinning
Simar	84	Engineering, Energy, Port and Port related activities. Food and Fish processing, Cement
Navlakhi	182	Ceramic, Engineering and Automobiles, Food Processing, Electronics, Textile, Chemical and Petrochemicals
Okha	206	General Manufacturing, Pharmaceuticals CRO, Biotechnology and Biopharma, Auto and Auto Ancillaries, Mineral based and Tourism
Anjar	237	Port and Port based industries, Mineral and Agro based and Engineering
Viramgam	109	Automobiles and Engineering, Healthcare, Pharmaceuticals and Fertilizers
Aliyabet	169	Entertainment (eco zone, film city, amusement zone, golf course, aquaculture and marine engineering

### 9.2.3 Special Economic Zones

Special Economic Zones (SEZ) are specially delineating duty free enclaves for the purpose of trade, operations, duty and tariffs. These zones are self-contained and integrated, having their own infrastructure and support services. Apart from providing state-of-the-art infrastructure and access to a large well-trained and skilled work force, the SEZ also provides enterprises and developers with a favourable and attractive framework of incentives.

The details of five SEZ are as follows:

Sl. No.	Name of the SEZ	Type of SEZ	Area(in hectare)
1	Gandhinagar Electronic SEZ	EHTP	28
2	Mega IT Projects SEZ, Gandhinagar	IT/ITES	22
3	Bio-Tech Park SEZ, Vadodara	Bio-Tech	15
4	Surat Apparel Park SEZ	Apparel	56
5	Ahmedabad Apparel Park SEZ	Apparel	20

#### 9.2.4 Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine the policy of the State Government in selection of land for purchase/ acquisition with reference to the nature of the industries and the creation of infrastructure facilities.
- g) To examine whether the development of land was in proportion to the acquisition of land.
- h) To examine the system of tendering for civil works for development of various estates.
- i) To examine the terms and conditions in the contracts entered into with the contractors for civil works are in the financial interest of the corporation.
- j) To examine the system of recovery of mobilisation advance paid to contractors in connection with development of projects.
- k) To examine the time and cost overrun of developmental projects.
- l) To examine suitable clause has been included in the tender documents for recovery of quality testing charges of the material brought by the contractor.
- m) To examine whether the Corporation has obtained necessary certificate from the competent Authority to avail Excise Duty exemption on all items of machinery and their components/parts and pipes required for setting up the water supply plants and also on the pipes needed for delivery of water from its source to the end users for agricultural as well as industrial purposes.



- n) To examine whether Feasibility study is being conducted before setting up SEZ.
- o) To examine whether the infrastructure created in any of SEZ remained un-utilised.
- p) To examine the un-utilised plots *vis-à-vis* the total number of plots allotted in SEZ.
- q) To examine whether enabling clause has been inserted towards enhanced compensation payable to the land owners where the matter is before the judicial authorities in the allotment letters issued to the allottees.
- r) To examine the system of revision of Premium Price at regular intervals keeping in view of increase in development cost.
- s) To examine the cases of allotment made to the private parties in deviation to its approved policy/ guidelines.
- t) To examine the long outstanding dues recoverable from the allottees who have been allotted Plots/ sheds under the provision of Gujarat Public Premises Act, 1972 as arrears of land revenue.
- u) To examine the status of stock lying at various sub-division offices.
- v) To examine the system of recovery of interest and penalty from the allottees as per the terms and conditions indicated in the allotment letter/ agreements.
- w) To examine whether the Land acquisition for creation of industrial estates was done as per laid down procedures and there was effective utilization of land for development of the estates and whether the Corporation established and developed the industrial estates economically, efficiently and effectively.
- x) To examine whether the long term/ short term planning for industrial development in the state existed and was in line with the industrial policy prevalent in the State from time to time.
- y) To examine whether the proper allotment policy was in place and the allotment was made as per the prevailing rules/ regulations. The post allotment procedures for the administration of the estate were followed as per the Corporation's policies; and whether the maintenance of the industrial estates was being done timely, economically and efficiently.
- z) To examine whether the Finances / Grants for the projects were obtained in time and was utilized in economic, efficient and effective manner.
- aa) To examine whether corporation's policy and procedure for estate management was adhered.
- bb) To examine whether dues *i.e.* Non-utilization fees, transfer fees, sub-let fees *etc.* were recovered timely and efficient manner.

### **9.3 Gujarat State Finance Corporation (GSFC)**

Gujarat State Financial Corporation was incorporated in August 1961 under the State Financial Corporation Act, 1951 with the main objective of extending financial assistance to low and medium level industrial units in State of Gujarat including Union Territory of Dadra and Nagar Haveli.

The shares are held by Government of Gujarat (55.09 *per cent*), Small Industrial Development Bank of India (28.41 *per cent*) and the balance of shares is held by Banks, Insurance Companies and others (16.50 *per cent*).

The management of the affairs and business of the Corporation is vested in Board of Directors (BOD) and the constitution of the BOD is governed by Section 10 of SFC Act, 1951. The day to day affairs are managed by Managing Director who is assisted by the Executive Officers. There are three Regional Offices headed by Regional Managers at Ahmedabad, Rajkot and Surat and two field offices at Baroda and Mumbai are attached to Ahmedabad and Surat Regions respectively.

### **9.3.1 Present Status**

Banks and financial institutions accord high priority to lend to MSME sector and extend financial assistance at competitive rates. The State Financial Corporations are not in a position to raise cheap funds for its operations.

A high level of default in repayment of dues (Accumulation of Non-performing assets- 100.00 *per cent*) by the loanees affected the working of the Corporation and the Corporation started making loss since 2001. Though the Corporation has the potential to serve the sector from close quarters, adverse financial position and its inability to raise funds prevent it from carrying out its main operations of sanction and disbursement. The Corporation, therefore, suspended the business activity of financing (2001-02) and thereafter concentrated for recovery of dues. One-time settlement (OTS) scheme was introduced for recovering the outstanding dues from time to time.

As per financial result of 2019-20 Corporation registered a loss of ₹ 117.44 crore and accumulated loss stood at ₹ 2804.74 crore. It has recovered ₹ 0.24 crore during 2019-20. Due to weak financial condition, defaults and dues payable to Govt. of Gujarat amounted to ₹ 661.68 crore.

The Board of Director decided (October 2012) to recommend to Government of Gujarat to make the loan of ₹ 621.37 crore as interest free from 1 July 2012. The proposal in this regard has been submitted to Government through Department of Industries and Mines and the decision is still awaited. Till then, interest on Government loan is charged to Statement of Profit & Loss on simple interest basis from 1 July 2012.

During the Financial Year 2019-20 all loan accounts are treated as doubtful for more than three years or loss assets. Accordingly, 100 *per cent* provision has been made.

### **9.3.2 Special Points to be seen during the audit**

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the

cases of any inconsistencies and non-compliances with reference to the manuals.

- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine the terms and conditions of loan borrowed from the Government of Gujarat are in the financial interest of the Corporation.
- g) To examine whether the Corporation has made detailed analysis before investing in Quoted and Un-quoted securities.
- h) To examine the reasons for diminution in the value of securities.
- i) To examine the loans and advances made to the Company/ Entities were in compliance to the procedures adopted by the Corporation.
- j) To examine the classification of Non-Performing Assets into Standard, Doubtful, Loss Assets as per the norms prescribed by SIDBI.
- k) To examine proper reconciliation of heads of accounts has been made between the subsidiary ledger and general ledger.
- l) To examine the cases of legal proceedings for recovery of loans initiated under Gujarat Public Money (Recovery of dues) Act, 1979 and under Section 29 of State Financial Corporation (SFC) Act, 1951.
- m) To examine the terms and conditions of One Time Settlement (OTS) Scheme approved by the Company. To examine compliance to the OTS Scheme wherein the parties opted for the OTS.
- n) To examine the system of distribution of sale proceeds of units sold under Section 29 of the SFC Act as per the Government Resolution Dated 7 February 2004 and 5 September 2005.
- o) To examine whether the Collateral Security are collected at the time of sanctioning of loan from the parties and are in force.
- p) To examine whether the decree passed in favour of the Corporation by the Court are executed by the Corporation without any delay for recovery of amount from the guarantors within the time limit prescribed in the Limitation Act, 1963.
- q) To examine the system of write-off of loans with regard to the declared policy approved by the Competent Authority.
- r) To examine the realisation of outstanding sales tax dues (Principal amount without interest) from the borrowers who availed finance under Hire Purchase and Lease who has been already identified and settled their

accounts prior to February 2009 as per the directions of the Board of Directors.

- s) To examine the disposal of assets taken possession from the defaulters in lieu of outstanding dues.
- t) To examine the implementation of Voluntary retirement Scheme (VRS) with specific reference to GSFC (staff) regulation, 1961.

The State Government PSUs which fall under the Department of Industries and Mines are discussed below:

#### **9.4 Gujarat Mineral Development Corporation Limited**

Gujarat Mineral Development Corporation Limited (GMDC) was incorporated (May 1963) as a private limited Company to undertake mining of minerals and ancillary works and also to develop mineral resources in the State which commenced with a small silica sand quarrying plant near Thangadh to crush and screen the silica required for glass manufacturing. Bauxite mining were commissioned as a scarcity work initially during 1964 at Kutchh which was later expanded to six operating mines that produced refractory grade bauxite which was also suitable to metallurgical purposes. A beneficiation plant was commissioned to process 500 M.T. of fluorspar ore and to produce calcium fluoride used for the manufacture of Hydro-fluoric acid and as flux in metallurgical industries. A captive mine at Ambadungar was established also to feed the plant. A small pilot plant with a capacity to process 50 tons of multi-metal ore containing copper-lead and zinc was established at Ambaji in the year 1980. A captive mine was established and developed to supply to the plant at that time with a total metal content of about 10 *per cent*.

It was converted into a wholly owned Government Company in July 1971. The Company is operating nine<sup>68</sup> mining projects. The Government of Gujarat (State Government) assigned (July 1994) the work of implementation of Akrimota power project to the Company as the Company was mining lignite at various locations and was financially sound. The project envisaged to set up power station based on lignite as fuel at Akrimota in Lakhpattaluka of Kutchh district. As per the Detailed Project Report (DPR) prepared ((March 1999) by the Company, the installed generating capacity of the power station would be 250 MW having two Units of 125 MW each were to be commissioned by 30 November 2003 and 31 May 2004. Both the units were put into commercial operation since March 2007.

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<sup>68</sup> Six Lignite projects – Tadkeshwar, Rajparadi, Panandhro, Bhavnagar, Mata no Madh, Umarsar; two Bauxite Projects – Gadhsisa and Mevasa and one Fluorspar project at Kadipani in Vadodara district.

Lignite mining is the main activity of the Company with nine leases for lignite mines that are operational in six<sup>69</sup> Projects located in four districts of the State. The Company is the largest merchant seller<sup>70</sup> of lignite in the country with annual production capacity of 90 lakh MT *per annum*. The Company has 11 leases for bauxite mines that are operational at two Projects viz., Gadhsisa (operational -eight and non-operational- two) in Kutch district and one operational mine at Mevasa in Devbhumi Dwarka district. The Company has discontinued mining of fluorspar in its mining lease at Ambadungar and Kadipanipending setting up of fluorspar Beneficiation Plant in joint venture. Further, the only lease for multi-metal mine at Ambaji is not operational.

The Management of the Company is vested in Board of Directors (BoD) comprising of Chairman, Managing Director (MD), two functional Directors, and four Independent Directors. The MD is the Chief Executive of the Company and is assisted by Chief General Manager (CGM), Chief Financial Officer (CFO), Senior General Manager, Six General Managers, three Deputy General Managers, two Senior Managers, and Company Secretary in the day-to-day functioning of the Company.

#### **9.4.1 Special points to be seen during the audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine whether the planning and execution of mining activities was in accordance with applicable laws, rules and regulations prescribed by the statutory authorities

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<sup>69</sup> Panandhro (District-Kutch), Mata-no-Madh (District-Kutch), Rajpardi (District-Bharuch), Tadkeshwar (District-Surat), Bhavnagar and Umarsar (District-Kutch).

<sup>70</sup> The Company considers the sale of lignite to other than Power Sector as Merchant Sale.

- (g) To examine whether the system for award of contracts was transparent, terms and conditions of contract were periodically reviewed and the contracts were efficiently monitored for effective implementation.
- (h) To examine whether the production and sales activities were carried out economically and efficiently adhering to required rules and approved policies.
- (i) To examine whether the environment laws, regulations and rules were complied with in execution of mining activities.
- (j) To examine whether the internal control was adequate and efficient, and mandate for Corporate Social Responsibility was effectively discharged.
- (k) To examine the mechanism implemented by the company in mining operations and its cost of mining including its viability.
- (l) To examine whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.
- (m) To examine whether the company has taken adequate measures to reduce the adverse effect on environment as per established norms and taken up adequate measures for the relief and rehabilitation of displaced people.
- (n) To examine whether the company had obtained the requisite statutory compliances that was required under mining and environmental rules and regulations.
- (o) To examine critically the development expenditure incurred for exploitation of minerals.
- (p) To examine the utilisation of mining equipment's viz., drills, shovel, dumpers, etc., and the rate of consumption of drill bits, explosives, etc., with reference to the norms fixed by the Company.
- (q) To examine the pricing policy so as to verify that company absorbs all fixed and variable costs as well as overheads.
- (r) To examine the system of preventive maintenance of plant, machinery and buildings.
- (s) To examine the terms and conditions of the consultancy agreements entered into by the Company is in the financial interest.
- (t) To examine the system of physical verification of various ore lying in the mine premises or yards.
- (u) To examine whether overburden removal from mines and back filling of mines are commensurate with the mining activity.
- (v) To examine whether the company has disbanded and discontinued mines, if so, the payment of the corresponding dead rent there against may be verified.
- (w) To examine the system of Rehabilitation Activity and Mine Closure Planis as per the guidelines issued by the Cola Controller, Ministry of Coal, and Government of India.
- (x) To examine the expenditure incurred in connection with the construction of Stone Park, Laboratory, Trade Fair and ISRC activities undertaken on

behalf of the Commissioner of Geology and Mining, GoG out of the funds received from the State Government which are in the nature of deposits.

- (y) To examine the payment of Lease Rent and Royalty on land taken on lease by the Company for mining operations is as per the agreement.
- (z) To examine whether the tenders have been floated properly and allotted to the successful bidder as per CVC guidelines.

## **9.5 Gujarat Industrial Investment Corporation Limited**

Gujarat Industrial Investment Corporation Limited was incorporated in August 1968 as Non-Banking Financial Company to provide finance to industries in various sectors. The Company is wholly owned by GoG. The activities of the Company included term lending to medium and small scale units, project promotion by way of equity participation and undertaking small fees based activities. The business activities of the Company are suspended from 2001-02 onwards due to losses incurred (1998) from business operation resulting in increase in Non-Performing Assets (NPAs). As a Development Banker GIIC has assisted more than 4,000 industrial projects with gross sanctions by way of term loan of around ₹ 25,221.94 lakh. This has generated investment of over ₹ 56,277 million and employment - both direct and indirect - for more than 560,000 people. The Management is vested with a Board of Directors (BoD) comprising of the Chairman, Managing Director (MD), and five Directors. The day to day affairs are carried out by the Managing Director.

### **9.5.1 Special Points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine the terms and conditions of loan borrowed from the Government of Gujarat is in the financial interest of the Company.
- (g) To examine whether the term loan sanctioned to the industrial projects are as per GoG guidelines/ directions.

- (h) To examine whether the Company has made detailed analysis before investing in Quoted and Un-quoted securities.
- (i) To examine the reasons for diminution in the value of securities.
- (j) To examine the loans and advances made to the Company/ Entities was in compliance to the procedures adopted by the Company.
- (k) To examine the classification of Non-Performing Assets into Standard, Doubtful, Loss Assets as per the norms prescribed in the Non-Banking Financial (Reserve Bank) Directions, Companies Prudential Norms, 1998.
- (l) To examine the cases of legal proceedings for recovery of loans initiated under Gujarat Public Money (Recovery of dues) Act, 1979 and under section 29 of State Financial Corporation (SFC) Act, 1951.
- (m) To examine the One Time Settlement (OTS) Scheme approved by the Company. To examine compliance to the OTS Scheme wherein the parties opted for the OTS.
- (n) To examine the realisation of amount if any, due to unilateral withdrawal from the Company's SBI PLA account by the GoG which are treated as Interest Free Loan in its books.
- (o) To examine the Prime Security and Collateral Security are collected at the time of sanctioning of loan from the parties and are in force.
- (p) To examine whether the decree passed in favour of the Company by the court are executed by the Company without any delay for recovery of amount from the guarantors within the time limit prescribed in the Limitation Act, 1963.

## **9.6 Gujarat State Handloom and Handicraft Development Corporation Limited**

Gujarat State Handloom and Handicraft Development Corporation Limited (GSH&HDCL) was established in the year 1973 by Government of Gujarat for development of Handloom and Handicraft Artisans of villages. In the year 1979, Govt. of Gujarat had established "Gujarat State Handloom Development Corporation" independently for the Handloom related development activities. But in the year June 2002, again it was merged with Gujarat State Handicraft Development Corporation. Since then, GSH&HDCL is working for development of Handloom and Handicraft and helping artisans for providing employment.

GSH&HDCL provides guidance to the artisans engaged in the field of Handloom and Handicraft and continuously makes efforts to keep alive the art of Handloom and Handicraft by providing Schemes and Activities viz., (i) Sale through Exhibition; (ii) To provide employment to artisans by giving them raw material; (iii) To provide employment through proper trainings as per the requirement of the market; and (iv) To provide employment through Tribal Fairs. The Company is implementing various Central and State Government schemes.



The products have received acclamation not only across the country but in overseas countries too. The Company's activities have helped in creating sustainable employment opportunities and income generation to the artisans working in the area of handloom and handicrafts, which is a non farming sector of our Indian economy. With a view that ample marketing opportunities are available to these artisans/weavers, the Corporation markets their products through its GARVI-GURJARI chain of emporia across the country and supply to exporters, which has created its market in overseas countries. The Corporation is also implementing various state and centrally sponsored schemes for the promotion and development of the Handloom and Handicrafts Sector.

### **9.6.1 Vision and Mission**

- Identification, revival, development, promotion and marketing of handloom and handicraft products of Gujarat.
- Organizing exhibitions, tribal melas for selling and creating awareness of handloom, handicrafts and tribal crafts of Gujarat among prospective buyers.
- Providing marketing support to the artisans/weavers by way of procuring the products and selling through its chain of Garvi-Gurjari emporia.
- Providing assistance to the artisans/weavers in the field of design development, quality raw materials and development of new value added products suiting to the contemporary market requirement and fashion trends.
- Creating employment opportunities and sustainable income to the rural artisans/weavers.
- To implement the schemes of Government of India and Government of Gujarat to the benefit of artisans and weavers.  
(source: company website)

The Management is vested with a Board of Directors (BoD) comprising of the Chairperson, Managing Director (MD), and eight Directors. The day to day affairs are carried out by the Managing Director.

### **9.6.2 Special Points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.

- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine grants/ Subsidies received from Government are utilised for the purpose for which these were received.
- (g) To examine the un-utilised grants/ subsidies if any, and analyse the reasons for non-utilisation.
- (h) To examine the procedure for submission of the utilisation certificates to the Central/State Government in respect of grants/ subsidies received.
- (i) To examine whether the company had deposited with the Government the interest earned on schematic funds placed with the GSFS.
- (j) To examine whether the schemes has been implemented as per scheme guidelines and as per Government directions.
- (k) To examine the implementation of the various schemes to achieve the object of providing the employment to the artisans in rural areas.
- (l) To examine the purchase procedure of the company and see that the procurement of handicrafts is made economically.
- (m) To analyse the position of slow moving and non-moving stock with reference to the year of its procurement.
- (n) To examine the inventory control procedure with reference to the turnover and the stock held.
- (o) To examine the working of various sales emporia for the last three years and see that their income covers all its expenditure. To also examine whether action has been taken to close down the unviable emporia's.
- (p) To examine the system of discount allowed on sale of old, damaged and obsolete items of stock.
- (q) To examine whether the sales policy has been reviewed periodically so as to cover the cost of sales with reasonable profit margin on each product.
- (r) To examine the system of conducting physical inventory and its reconciliation with the records maintained.
- (s) To examine the expenditure incurred on exhibition, fairs (both domestic and international) are reasonable.
- (t) To examine whether proper records have been maintained stock of inventory lying with third parties *viz.*, processors, weavers, franchisees and training agencies.
- (u) To examine the claims receivable from the GoG.
- (v) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.
- (w) To examine whether corporation are taking necessary steps by implementing schemes for creating employment opportunities and sustainable income to the rural articans/ weavers.

- (x) To examine whether proper assistance to the artisans/weavers in the field of design development, quality raw materials and development of new value added products suiting to the contemporary market requirement and fashion trends has been provided.

## **9.7 Gujarat Growth Centres Development Corporation Limited**

Gujarat Growth Centres Development Corporation Limited (GGDC) was incorporated as a company on 11 December 1992 with the objectives to:

- Set up and promote growth centres in Gujarat and elsewhere in other states/union territories.
- Promote industrialisation of backward and other areas along with the concomitant infrastructure development by setting up/promotion of the growth centres so as to bring about balanced growth in such areas.
- Provide growth centres with such infrastructure facilities at par with best available in the country so that they act as magnets for attracting industries to such areas having potential for industrial development satisfying various criteria for selection.

The detailed instructions for selection of growth centres were issued (circular No.14/23/99-DBA-I dated 08 December 1988) by Department of Industrial Development, Ministry of Industry, GOI). The State government also was required to prepare the project reports in respect of growth centres already selected in accordance with the guidelines (Letter no.14/2/88-DBA-I dated 13 September 1990). GOI approved sites selected at Vagra (Bharuch), Motichirai and MithiRohar (Bhuj) and Amirgadh (Palanpur) and IID at Miyani.

The Company resolved (24 December 1992) to assign the entire work of setting up of Growth Centres to Gujarat Industrial Development Corporation (GIDC) and accordingly an agreement was executed (14 October 1999) between GIDC and GGDC.

### **9.7.1 Present status**

As per the audited accounts of the Company for the year ended 31 March 2018, in terms of directions of the Government of Gujarat and in execution of a written agreement dated 17 October 2008, executed between the company and GIDC and also with the approval of Government of Gujarat State, the Board of Directors of the Company vide resolution dated 29.09.2005 and subsequent meetings had agreed to transfer its functions, activities, assets, liabilities, establishment and all rights, licence, contracts to GIDC w.e.f. 01 April 2006. The company is no more a “Going Concern” as all its assets, liabilities, activities, contracts etc. are transferred to GIDC and the net advance outstanding in the name of GIDC *etc.* is considered recoverable and good. Since the Government of India is holding major portion of the shares of the company, the company had written to the Government of India in

July 2016 requesting to grant it the approval for winding up the company. However, upon no response from the Government of India, now Board of Directors of the company has decided to go for such approval through and with help of Government of Gujarat State.

As per the Director's Report for the year ended 31 March 2018, the company continued to withhold its' activities. However, the company continued with its' normal working and tried to resolve all pending matters both on the financial and administrative sector.

### **9.7.2 Special Points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine whether the land was selected was not suitable for development of growth centres due to non-accessibility to rail or road, within the vicinity to the Industrial hub or due to soil conditions.
- (g) To examine whether there were any encroachments of land already acquired for allotment to the entrepreneurs.
- (h) To examine whether any assessment of availability of water and electricity was done on land already acquired and developed.
- (i) To examine whether there were deficiencies like allotment of land at reduced rates, at rates prevailing on the date of Letter of Intent (LoI) instead of the date of allotment, at industrial rates in lieu of commercial rates, etc., in allotment of land in Growth Centres.
- (j) To examine the reasons for delay in closure of the Company.

### **9.8 Gujarat Rural Industries Marketing Corporation Limited**

Gujarat Rural Industries Marketing Corporation Limited, Gandhinagar (GRIMCO) was incorporated on 16 May 1979, as a wholly owned Government Company with the main objectives of

- marketing of products of rural industries;
- providing technical and managerial assistance to rural artisans engaged in rural/village industries of Gujarat;
- imparting training to rural artisans;
- organising production through cooperative societies; and
- individual artisans at the Company's own production centres.

The erstwhile Gujarat State Leather Industries Development Corporation Limited, (GSLIDC) Gandhinagar (a Government of Gujarat undertaking) was amalgamated (January 2001) with the Company, and the activities of GSLIDC were thereby also transferred to the Company.

The management of the Company is vested in a Board of Director (BOD) consisting of six directors. The day-to-day operations of the Company are carried out by the Managing Director (MD) and assisted by a Company Secretary and ten Managers<sup>71</sup>

The Company implements various schemes relating to welfare of rural artisans such as (i) ManavKalyanYojana (Kit supply); (ii) ManavGarimaYojana; (iii) VidvaSahayakYojana;(iv)SarasvatiSadhanaYojana (Bicycle supply); (v) Leather/RexinTalim Programme (vi) Natural Fibre Talim Programme (vii) Project (Interior decoration works for Government offices).

### **9.8.1 Special Points to be seen during audit**

- To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- To examine the Delegation of Powers approved by the Competent Authority.
- To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- To examine grants received from Government are utilized for the purpose for which these were received.
- To examine whether the Company had planned and carried out its various activities efficiently so as to achieve its incorporated objectives of marketing

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<sup>71</sup> Sanctioned strength is ten managers and men-in-position are only one manager.

rural products; providing technical and marketing support and training to rural artisans; and creation of employment for rural artisans close to their residences

- (h) To examine the un-utilised grants if any, and analyse the reasons for non-utilisation.
- (i) To examine the procedure for submission of the utilisation certificates to the State Government in respect of grants received.
- (j) To examine whether the company had defaulted in repayment of loan received from the State Government along with interest.
- (k) To examine the system of procurement of tools and kits for various Yojanas sponsored by the State Government by following the procedures indicated in the General Financial Rules.
- (l) To examine whether the Company had implemented the various Government schemes in an efficient and effective manner and that it had promoted rural industries and rural artisans in the process of its implementation. .
- (m) To examine whether the Company provides technical and managerial support to artisans to help them produce high quality products.
- (n) To examine whether the training programs conducted by the Company are well planned with the objective of achieving skill development in the said field and ensured coverage of all geographical areas. The trainings were implemented as per targets, achieved the desired results and were consistent with the objectives of the Company.
- (o) To examine whether the company carried out marketing of rural products through its emporia and its other marketing activities, ensured creation of rural employment and development of rural products.
- (p) To examine the Pricing Policy is reviewed by the Management at regular intervals.
- (q) To review the age-wise analysis of Trade Receivables which are outstanding along with the payment terms stipulated in the order placed by the Government Departments. To examine the realization of dues as per the contractual terms.
- (r) To examine whether the company had maintained proper records relating to the expenditure incurred on conducting Melas.
- (s) To review the age-wise analysis of Finished Goods which are held in the Company's go-down since long. To analyse the reasons thereof.
- (t) To examine the slow-moving and non-moving Raw Materials and Finished Goods including the damaged stock if any.
- (u) To examine whether the company had made payment to the vendors as per the quality parameters indicated in the purchase orders.
- (v) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

## **9.9 Dahej Special Economic Zone (SEZ) Limited**

Dahej SEZ Limited was incorporated on 21 September 2004 as a Limited Company and is promoted jointly by Gujarat Industrial Development Corporation (GIDC) and Oil and Natural Gas Corporation Limited (ONGC) with the objective of developing Special Economic Zone (SEZ). The promoters have 50 *per cent* shareholding each. Consequent to the introduction of Special Economic Zone Act, 2005, the Company has received (4 April 2007) the approval of Government of India as a developer of Multi Product Special Economic Zone in the Dahej Region in Vagra Taluka of Bharuch district. Accordingly, the Company commenced its activity of development of SEZ from the year 2007-08.

The main objective of setting up of the Company was (i) To establish and develop Special Economic Zones, Economic Trading Zones, Trade Zones, and other Zones and Industrial Estates/ Park and other infrastructure facilities at Dahej; (ii) To carry on business of property developers of all and any kind of infrastructure facilities and services; and (iii) To carry out on the business of communication and to provide security services and to do construction of infrastructure, purchase of plant and machineries, and to carry out business of import and export.

Dahej SEZ is a part of Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) and is within Delhi-Mumbai Investment Corridor (DMIC). Dahej SEZ covers the total land area of 1682 Hect. wherein 1573 Hect. is processing area and 34 Hect. is non-processing area. SEZ is divided into two parts, part I (east) about 1200 hect. and part II (west) about 461 hect., part I and II are joined by a dedicated corridor of 21 hect. Company had sub-allotted allocable 1508.44 hectares of land and provides basic infrastructure facilities and in turn the Company is charging service charges and lease rent from the allottees.

The Management is vested with a Board of Directors (BoD) comprising of the Chairman, four Directors. The day to day activities are handled by the Chief Executive Officer.

### **9.9.1 Special Points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.

- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine whether the company has complied all the relevant rules and regulations notified by Government regarding land acquisition.
- (g) To review the terms and conditions contained in the allotment letters issued to the allottees for allotment of plots.
- (h) To examine whether the Government of India had de-notified any area acquired from GIDC. If so, the amount paid in excess are recovered from GIDC towards the land which has been surrendered.
- (i) To examine whether the allotment has been done at the prevailing allotment rates.
- (j) To examine whether the allotment has been done as per the rules and regulation of the company.
- (k) To examine whether there was any delay in the payment of land price on the part of allottees and the penal interest thereon are charged to the allottees.
- (l) To examine whether there exists a system of levy of penalty in the case of non-utilisation of plot.
- (m) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

## **9.10 Tourism Corporation of Gujarat Limited**

The Tourism Corporation of Gujarat Limited (Company) incorporated in June 1975 was entrusted with the responsibility of development of tourism industry in the State in line with the tourism policy. To develop and promote tourism as an engine of economic growth, IMD declared (24 September 2015) the Tourism Policy for the state of Gujarat for 2015-20 to position Gujarat as a vibrant tourist destination, with an emphasis on improving visitor experience, livelihood linkages, environmental concerns and enhancing investment opportunities, thus catapulting tourism as one of the most important economic drivers, leading to sustainable development and inclusive growth in the State. Under Tourism Policy 2015-20, 271 projects have been registered involving capital investment of ₹10334.59 crore in the State upto the end of 31<sup>st</sup> March 2018. Tourism Corporation of Gujarat Ltd (TCGL) provides comprehensive travel assistance and services to the tourists coming to visit Gujarat. Some of the services of TCGL include accommodation, conducted tours and ground transport with a wide range of choice to meet diverse needs.

The activity of the Company is focused on the overall development of tourism in the State by creating infrastructure, connectivity and providing tourists with facilities in important tourist destinations and religious places.

The Company gives a special thrust to ‘Event (Festival) based Tourism’ and promotes the major events like Kutch Rann Utsav, Kite festival, Navratri festival, Somnath festival, Dwarka festival, Tarnetar fare etc., both within and outside the country.



The Principal Secretary (Tourism) is the administrative head of the Department and is assisted by the Commissioner of Tourism (CoT) who heads the tourism branch of the IMD. The CoT also acts as the Managing Director of the Company. The management of the Company is vested in the Board of Directors (BoD) consisting of nine members and is headed by the full time Chairman. The Managing Director is assisted in day-to-day functioning by a General Manager and two functional managers for Marketing and Public Relations and two executive engineers. The Corporation has a network of 18 accommodation units and 5 Cafeterias under the brand name Toran.

#### **9.10.1 Special points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine the Tourism Policy of the Government *vis-à-vis* its implementation. To critically examine the non/partial implementation of the policy and its effects on the Company.
- (g) To examine the Grants received from the State Government and the Central Government are utilised for the purpose it was granted.
- (h) To examine whether the un-utilised grants has been surrendered to the Government accounts.
- (i) To examine whether the funds allocated for the destination development and other activities have been properly utilised and there is no wasteful expenditure.
- (j) To examine the expenditure incurred on conducting fairs and festivals are properly recorded.
- (k) To examine the system of tendering for execution of various projects, to also examine the system of bid evaluation.
- (l) To examine the involvement of Public Private Partnership (PPP) was based on calling for Expression of Interest (EOI) by clearly specifying the qualification criteria.

- (m) To examine the term and conditions in PPP Agreements for promotion of fair and festivals are in financial interest of the company.
- (n) To examine whether the Company has done cost benefit analysis keeping in mind present and future revenue and popularity of the brand or obtained a feasibility report from experts before awarding the fair and festivals on PPP mode.
- (o) To analyse the reasons for incurring continuous loss making hotels and lower level of room occupancy and steps taken by the company to rehabilitate the situation.
- (p) To examine the system of revision of room tariff.
- (q) To examine the system of revenue earned on food and beverages in the hotels managed by the company and revenue earned on food and beverages in the hotels where the catering services were outsourced.
- (r) To examine the system of procurement of inventories.
- (s) To examine the system of physical verification of stock where the catering services in hotels managed by the Company.
- (t) To examine whether the Company had efficiently and effectively utilized and furnished its utilization certificates of the government grants and recovered its cost of administrative and other charges from GoG/GoI in accordance with the terms and conditions of grant/guidelines/Gujarat Financial Rules.
- (u) To examine whether the tenders has been floated as per government directions/ CVC guidelines, moreover, the tenders has been allotted to successful bidder.
- (v) To examine whether proper mechanism is in place for providing wide publicity about the existing hotels to improve its occupancy, fix the tariff accommodation at various locations.
- (w) To examine whether proper system is in place with the Company for safeguarding and maintaining the facilities created for tourists and assets constructed under different programmes.

## **9.11 Gujarat Industrial and Technical Consultancy Organisation Limited**

Gujarat Industrial and Technical Consultancy Organisation Limited (GITCO) was set up in 1978 to render industrial consultancy services to new and existing enterprises in the State. Over the years, it has graduated to providing its services to the Small and Medium Enterprises (SME) Sector covering both manufacturing and service activities. Apart from this, the Company undertakes Special studies<sup>72</sup> and Assessment Reports for Government Departments, Environmental studies for State Authority<sup>73</sup>, Appraisals for financial institutions and such other consultancy

<sup>72</sup> Sectoral Studies, Regional Studies, Tourism Sector Studies, Rural Development Studies, Sub Regional Plan Studies, Industry Specific Studies.

<sup>73</sup> Environment Impact Assessment Study, Waste Water Treatment Services, Laboratory Services, Solid Waste Treatment Services, Hydro-geomorphological Study, Cleaner Production Assessment, Environment Audit, Assessment of Environment Load, Project Appraisal, etc.

services. The Company has also set up a Patent Assistance Cell (PAC) with the help of the State Government in filing Patents on assignment basis.

The Finance Dept., Govt. of Gujarat has empanelled GITCO as a Consultant for the Urban Housing, Environment, Agriculture, Public Health and Infrastructure Projects mainly Externally Aided Projects. GITCO is registered as a Schedule-I Auditor for carrying out the Environment Audit of Industries falling under Schedule-I and II. GITCO is also registered as an Approved Consultancy Organisation with different Agencies.

GITCO has been set up by all-India financial institutions (ICICI Bank, SIDBI and IFCI), State industries promotion corporations (GIIC, GSFC, and GMDC) and seven Nationalised Banks. The support of financial institutions and State Government enables the organization to undertake activities ranging from infrastructure studies to environment consultancy to private sector project appraisals.

The Management is vested with a Board of Directors (BoD) comprising of the Chairman. The day to day activities are handled by the Officer in charge (Operations).

#### **9.11.1 Special points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine the terms and conditions indicated in the Consultancy Contracts which are executed by the Company are in the financial interest.
- (g) To examine whether the pricing policy of the Company has been reviewed at regular intervals.

#### **9.12 Dholera International Airport Company Limited**

Dholera International Airport Company Limited (DIACL) was incorporated in January 2012 for development of a Greenfield International Airport near Dholera Special Investment Region in Ahmedabad district. The planning for the airport had

started much earlier in 2008-09 with allotment of land, obtaining of clearance from Ministry of Civil Aviation and preparation of project report for construction of an airport of 2,800 hectares.

As the CRZ notification of 2011 issued subsequent to the planning but prior to the incorporation of DIACL, did not allow the development of the airport in the area planned, the area had to be reduced to 1,400 hectares. DIACL had originally planned the airport to be a world class airport in the lines of the Chicago and Atlanta airport with four runways of 4,000 metres each sufficient even for wide bodied aircrafts. With the reduction in area, the shape of the land changed from a rectangle shape to an uneven shape wherein two runways of 3,470 and 3,670 metres would only be possible. The runways planned by DIACL under the revised area will be smaller than the runways of the Rajiv Gandhi, Indira Gandhi and ChattrapatiShivaji International airports at Hyderabad, New Delhi and Mumbai. Thus the reduction in the area of the land for the DIACL airport has made it unsuitable for bigger aircrafts.

Dholera International Airport project has been declared as an 'Early Bird Project' jointly by Department of Industrial Policy and Promotion, Delhi - Mumbai Industrial Corridor Development Corporation and the Govt of Gujarat. Delhi Mumbai Industrial Corridor Development Corporation (DMICDC) has over 8% equity stake in DIACL.

Flood Study and Mitigation of the Dholera Airport Site and Aviation Zone – Part-I is completed by March, 2016. DIACL has already floated RFQ cum RFP through DMICDC for selection of transaction advisor to develop Dholera International Airport.

DIACL is also planning for an Aviation Zone and MRO hub in the adjacent Government land parcel available. Aviation Zone may consist of aircraft manufacturing units like parts manufacturing units, Aviation Academy, Flight training institute etc. MRO Hub may include development of various MROs such as airframe, body, paint, engine MRO and Services of level of C & D checks)

The shares are held by Government of Gujarat (91.93 *per cent*) and National Industrial Corridor Development & Implementation Trust (NICDIT) (8.07 *per cent*).

#### **9. 12.1 Special points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the

Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.

- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine whether the recommendations made in the reports for development of the project have been complied with by the Company.
- (g) To examine the terms and conditions of RFQ cum RFP floated by DIACL through DMICDC for selection of transaction advisor to develop Dholera International Airport is in the financial interest of the Company.
- (h) To examine whether the Company has made suitable fund arrangements for execution of the project related work.
- (i) To examine whether the necessary approvals such as site clearance, environment clearance, in-principal approval and No objection clearance etc. has been taken from Government of India.
- (j) To examine whether the work orders/ contracts has been floated/ issued to the successful bidder as per Government guidelines/ CVC guidelines.
- (k) To examine whether the work was completed within the stipulated time frame? If no, whether penalty was levied as per the terms and conditions of the agreement/ work order/ supply order.

### **9.13 Guj Tour Development Company Limited**

Guj Tour Development Company Limited (Guj Tour) was incorporated in April 2011 to identify gaps in tourism infrastructure, explore new avenues for development of tourism in the State and create corpus fund for tourism projects in the PPP mode. It is still in the tenderisation stage eight years after its incorporation. The initial tender inviting private partnership had not laid down the eligibility conditions favourably for the private parties as a result of which only one bid was received both the times the tendering was done under the said conditions. No activities related to tourism infrastructure have been done or outsourced by the company. In case of procuring services for different assignments no tendering or quotes have been called for by the company.

Guj Tour had no permanent employees, therefore had not incurred any employee cost. Turnover of the company is NIL and at present company is not carrying out any activity.

### **9.14 Gujarat State Aviation Infrastructure Limited**

Gujarat State Aviation Infrastructure Limited (Guj SAIL) was incorporated in July 2010 to provide services of designing, developing, maintaining and modernising aviation infrastructure like helipads, taxiways, parking bays, hangars, terminal

buildings, passenger and cargo handling services etc. It has inaugurated the new hangar at Ahmedabad airport and also a facility centre for the Maintenance, Repair and Overhauling (MRO) services for various aircrafts. It is the nodal agency for development of aviation and related infrastructure in the state of Gujarat. Guj SAIL has three airstrips under their jurisdictions which are Mehsana, Amreli and Mandvi and seven are under planned airfields.

Guj SAIL would be a 100% Government-owned Company. GUJSAIL shall be the nodal organization for implementation of the Gujarat Civil Aviation Policy. GUJSAIL will encourage, to contract with private sector in order to promote and develop finance, to establish, operate or takeover any aviation project including any type of/kind of ancillary facilities on a “Build Own Transfer (BOT), “Build Own Operate” (BOO), “Build Own Operate and Transfer” (BOOT), “Build Own Operate and Maintain” (BOOM).

#### **9.14.1 Special points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine whether the Company has made suitable fund arrangements for execution of the project related work.
- (g) To examine whether grants received from the Government had been utilised as per the conditions stipulated for release.
- (h) To examine whether the feasibility study was done before developing airstrips/airports and there was approval from the competent authority.
- (i) To examine whether the operation and maintenance of airports/airstrips has been carried out economically adhering to the guidelines issued by Airport Authority of India (AAI) and other authorities.
- (j) To examine whether the contracts were awarded in a transparent manner.

#### **9.15 Gujarat Industrial Corridor Corporation Limited**

Gujarat Industrial Corridor Corporation Limited (GICCL) was incorporated in March 2009 as a special purpose vehicle to oversee the work pertaining to the development of the area of Delhi Mumbai Industrial Corridor (DMIC) within the state of Gujarat under the auspices of GIDB which is designed as nodal agency for the purpose. At present the company worked in close coordination with AECOM, Gujarat Industrial Development Board (GIDB) and Dholera Special Investment Region Development Authority (DSIRDA) for completion of the Dholera Special Investment region projects.

Currently the company is not implementing any projects/ works and all its works has been transferred to MandalBecharaji Special Investment Region (MBSIR) and Dholera Industrial City Development Limited (DICDL). In 40<sup>th</sup> Board Meeting held on 21 May 2018, the Board after detailed deliberation decided to wind up the Company.

The Share capital stood at ₹ 10.00 crore as on 31 March 2018. The shares are held by Government of Gujarat. The accounts were maintained by an accounts officer of DSIRDA holding an additional charge here. The Managing Director of GICCL was the ex-officio Chief Executive Officer of GIDB.

#### **9. 15.1 Special points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine whether the funds received from the Government is properly utilized by the company.
- (f) To examine whether the tenders/ contract have been floated properly and allotted to the successful bidder as per Government/ CVC guidelines.
- (g) To examine whether the company has adequate HR Policy in place.
- (h) To examine whether the process of winding up has been completed as required by Companies Act, 2013.

#### **9.16 Sarigam Clean Initiative**

Sarigam Clean Initiative, Sarigam (Company) was incorporated (June 2015) as Section 8 Company under the Companies Act 2013. The Company operates

facilities for safe disposal of industrial waste, to set up facilities for conversion of organic waste into organic manure using suitable processes and for effective functioning of the Common Effluent Treatment Plant (CETP) for waste and effluent treatment discharged by the factories within the limits of Sarigam Industrial estate.

Earlier, before incorporation of the Company, Gujarat Industrial Development Corporation (GIDC) has established (Year 2014) the above set up of CETP having the effluent capacity of the 15 Millions of Litres per Day (MLD). Further, GIDC has formed the above Company for operation & maintenance (O&M) of CETP plant. As per the GIDC resolution, the total share capital of the Company will be divided into two parts i.e. GIDC holding and members holding of 51 percent and 49 percent respectively.

Currently the Company is in the possession of the fixed assets in the form of land, plant & machinery, building and other items (Full CETP Plant) but ownership of the same is still in the name of GIDC. As per latest approved annual accounts (FY 2017-18) it was disclosed by the Company that when the final cost of capital will be derived by the GIDC and submitted to the Company necessary book entries will be passed in the books of accounts for recognition of fixed assets in books of accounts.

#### **9.16.1 Special points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine whether the Company was functioning as per the objectives incorporated in Memorandum of Association (MOA)?
- (f) To examine whether Operation and Maintenance of the CETP was economical and effectively managed.
- (g) To examine whether the assets were transferred in the name of the Company by GIDC.
- (h) To examine whether the billing has been done to its members as per billing policy.
- (i) To examine whether the company has recovered the treatment charges and supplementary charges timely.



- (j) To examine whether effective steps has been taken by the company to recover the outstanding dues on account of treatment charges.
- (k) To examine whether the work orders/ contracts has been floated/ issued to the successful bidder as per Government guidelines/ CVC guidelines.

### **9.17 Gandhinagar Railway and Urban Development Corporation Limited (GARUD)**

Gandhinagar Railway and Urban Development Corporation Limited (GARUD) was incorporated on 05 January 2017. The company is a joint venture of Government of Gujarat (GoG) and Government of India (GoI) and in which GoG holds 74% share and GoI holds 26% share. The company is incorporated by GoG and Ministry of Railway, GoI as a Special Purpose Vehicle (SPV) for redevelopment, financing, planning, operations and management, implementation of Gandhinagar Railway Station, re-development project including development of hotel by leveraging land, air space and other infrastructure available around the Gandhinagar Railway Station and also to undertake operations, maintenance, management of Mahatma Mandir and Exhibition Centre at Gandhinagar jointly.

GARUD is entrusted with the task of undertaking the implementation of Gandhinagar Railway Station redevelopment project. It has been mutually agreed between Indian Railways and Government of Gujarat that Gandhinagar Railway Station would be re-developed to international standards by leveraging land/air space around station which shall include development of 5 Star Category 300 rooms hotel on the airspace of the station as well as management of Mahatma Mandir and Exhibition Centre at Helipad Ground for enhanced utilization of these facilities

According to Indian Railways, this ₹ 255 crore project of the redeveloped Gandhinagar railway station will be India's "first railway station jeweled with amenities at par with modern airports".

### **9.18 Gujarat Rail Infrastructure Development Corporation Limited (G-RIDE)**

Gandhinagar Rail Infrastructure Development Corporation Limited (G-RIDE)) is incorporated on 06 January 2017. The company is a joint venture of Government of Gujarat (GoG) and Government of India (GoI) and in which GoG holds 51% share and GoI holds 49% share. G-RIDE is incorporated by Ministry of Railway (MoR), Government of India and Industries and Mines Department of Government of Gujarat as Special Purpose Vehicle (SPV) for the purpose of development of viable railway project in the State of Gujarat (by itself or through subsidiary/ SPV) including project with viability gap funding.

The JV Company will co-ordinate with the Railway ministry through an SPV and implement works for the concerned zonal railways and Railway PSU projects. It has been decided that the contract of the specific SPV could be for 30 years under Railways, and land would be under the ownership of the project SPV. The

proposed joint venture's initially paid up capital will be ₹ 100 crore, which is based on the cost of projects to be undertaken.

### **FUNCTIONAL STRUCTURE OF SPV**

The proposed rail connectivity infrastructure projects envisaged in Gujarat are anticipated to involve a significant quantum of investment and at the same time have a long gestation. There are challenges in attracting a private sector developer at an early stage, while at the same time these projects being entirely public funded result in significant public resources being tied up.

To overcome the above challenges, the approach adopted for G-RIDE (Holding SPV) formation is to pool in public resources of various arms and agencies of the State and Union Government as also to structure projects (Independent SPVs) with the relevant partners/stakeholders in a manner that they are more bankable.

- a) Independent SPVs (Subsidiaries) shall be created for each rail connectivity project. G-RIDE (Holding SPV) will have constituents common to all rail connectivity projects, with a minimum 26% stake in each of these independent SPVs.
- b) The Independent SPVs (Subsidiaries) will have equity participation from partners specific to a particular connectivity project (such as port developer, contractors, industrial hubs or industries seeking connectivity *etc.*)
- c) The umbrella SPV structure helps in leveraging funding from the public and private sectors. Funds can be raised by G-RIDE from multilateral agencies in terms of soft loan. The Independent SPVs (Subsidiaries) can in turn raise debt from banks and financial institutions.

### **9.19 Narmada Clean Tech (NCT)**

**Narmada Clean Tech** (formerly known as Bharuch Eco Aqua Infrastructure Limited), is a company in the business of wastewater management and disposal. It is based on PPP model, and is a subsidiary of Gujarat Industrial Development Corporation (GIDC) and also jointly promoted by Member Industries of Ankleshwar, Jhagadia and Panoli Industrial Estates.

Prior to commencement of this project treated effluent from three industrial estates were disposed off into a natural creek namely Amlakhadi leading to Narmada Estuary. Objection was raised by local population and NGOs against disposal of effluent and subsequently High Court has intervened and directed to stop the disposal of effluent into Amlakhadi. A high level committee at State level decided to treat effluent up to marine standard and release into Gulf of Khambhat beyond Narmada Estuarine Zone. NCT was set up to honor the directives given by the High Court. The Final Effluent Treatment Plant (FETP) is spread over more than 3,00,000 sq. meters of land, has treatment capacity of 60,000 m<sup>3</sup> per day (60 MLD). More than 75000 trees are planted to cover bare land. Facility was commissioned in December, 2006 at the cost of ₹131 crore to treat 40,000 m<sup>3</sup> per day (40 MLD) of effluent using conventional biological treatment. Facility was enhanced by 20,000 m<sup>3</sup> per day (20 MLD) at an additional cost of ₹35 crore taking

total project cost to ₹166 crores. The continual improvement projects includes addition of pre-primary clarifiers to reduce carryover of suspended solids, installation of additional decanters for solid removal, installation of culture tank for sustainable development of microbes, installation of filter press for reducing moisture content in dewatered slurry, installation of triton aspiration aerators to maintain Dissolved Oxygen content, etc. Study of Technical feasible & economically viable technologies to reduce COD namely Electro coagulation, ozonation, Ultrasonic sound, RO, etc. are in progress.

**The main objectives of the company are as follows:**

- a) To provide environmentally safe treatment and to dispose of treated water deep into the sea keeping Amlakhadi, Narmada Estuarine Zone and nearby area free from pollution and thereby protecting aquatic life.
- b) The Long-term solution to the effluent disposal issue.
- c) Encouragement for industrial development and expansion of three Industrial Estates.
- d) Sustainable growth of Bharuch District.

The majority of shares are held by Gujarat Industrial Development Corporation (GIDC) (51.45 *per cent*).

**9.19.1 Special points to be seen during audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine whether the effluent has been discharge by member industries as per policy of GPCB.
- (f) To examine whether the work orders/ contracts has been floated/ issued to the successful bidder as per Government guidelines/ CVC guidelines.
- (g) To examine whether the work was carried out as per the terms & conditions specified in the work order.
- (h) To examine whether the charges has been recovered as per agreement from different users.
- (i) To examine whether the Liquidated Damages (LD)/Penalty was deducted from various bills in case of delay in recovery of charges.

- (j) Review of Costing to recover the charges from Industries for carrying out the work of treatment of polluted water.
- (k) To examine whether there was any loss suffered by the Company due to delay/short supply of power and fuel for any other reason attributable to the supplier.
- (l) To examine whether LD/Penalty was deducted for delay in completion of work.

## **9.20 Dholera Industrial City Development Limited (DICDL)**

Dholera Industrial City Development Limited was incorporated on 28 January 2016. The Dholera Special Investment Region Development Authority (DSIRDA) has the responsibility of planning and development of DSIR and will encompass the function of administering government land within DSIR. An SPV named Dholera Industrial City Development Limited (DICDL) has been created between the Central Government (DMICDC Trust) and the State Government (DSIRDA) of Gujarat to implement the project.

Dholera Industrial City will have its own self-sustaining eco-system consisting of economic drivers through industrialisation, utility & logistic infrastructure, Social Infrastructure including education, healthcare and other public amenities.

### **Development Highlights:**

- (a) Dholera Special Investment Region (DSIR) spanning approximately 920sq km- encompasses 22 villages of Dholera Taluka.
- (b) DSIR, under Town Planning Schemes 1 to 6, covers an area of 422 sq km. Phase I covers 153 sq km of TP1 and TP2
- (c) Construction in an area of 2250 ha has been initiated for industrial and residential zones
- (d) DSIR is strategically located between industrial cities of Baroda, Ahmedabad, Rajkot and Bhavnagar.
- (e) DSIR is also connected to Delhi and Mumbai via NH8 & DMIC
- (f) DSIR provides access to both the domestic and international markets and land parcels can be combined to get a contiguous area

## **9.21 Bahucharaji Rail Corporation Limited (BRCL)**

Government of Gujarat and Ministry of Railways executed (August 2016) Joint Venture Agreement (JVA) for development of rail infrastructure in the State of Gujarat. As per JVA, GoG and MoR incorporated G-RIDE. G-RIDE identified various economic viable railway projects one of which is Katosan-Bahucharaji-Chanasama-Ranuj (65 kms) line gauge conversion project. MoR and GoG directed (September 2017) G-RIDE to incorporate single project SPV. Subsequently as per GR No. MIS-10-2017-1665-1-1 dated 05 February 2018 issued by GoG, Bahucharaji Rail Corporation Limited was set up to carry on the business of development, financing, planning and implementation of gauge conversion of Katosan Road-Becharaji-Chanasama-Ranuj for 65 kms line project in the State of

Gujarat. The SPV was formed with equity contribution by G-RIDE, GIDC and Maruti Suzuki India Limited in the ratio of 41, 26 and 33 *per cent* respectively. Accordingly, BRCL has been incorporated under the provisions of Companies Act 2013 on 13 December 2018.

## **9.22 G-RIDE Bedi Port Rail Limited (GBPRL)**

G-RIDE is a special purpose vehicle (SPV) for the Railway project as per GR No MIS/102021/UOR-4/124472/i-1 dated 1 July 2021 issued by Government of Gujarat for execution and maintenance of last mile rail connectivity to Old Bedi Port (approx. 3 km) under 100% equity model in the state of Gujarat. Company has been incorporated on 27 August 2021.

The SPV was formed with equity contribution of 74 *per cent* by Gujarat Maritime Board and of 26 *per cent* by GRIDE (Of this 26 *per cent*, Ministry of Railways will contribute land as equity and Government of Gujarat will contribute equity of ₹ 10.29 crore).

## **9.23 Non- working Companies**

### **9.23.1 Gujarat State Machine Tools Corporation Limited**

The Company had prepared the Financial Statements for the year ended 31 March 2018 as a “Going Concern” despite negative Net Worth of ₹ 273.87 lakh. The factory has been closed since September 1997 and the assets of the Company are held for sale.

### **9.23.2 Gujarat Trans Receivers Limited**

As per the Audited Accounts for the year ended 31 March 2018, due to non-holding of any fixed assets, accumulation of huge losses, discontinuation of business activities since F.Y. 1998-1999, non-renewal of manufacturing licence, absence of any future plans for the business and no initiative by the present management/promoters to invest further funds and or undertake same or any new business activities there is a substantial doubts about the company’s ability to continue as a going concern. The 12 *per cent* Redeemable Preference Shares which was due for redemption on 21 March 1996 has not been so redeemed. It seems that the company has not made petition to the National Company Law Tribunal in past for consent for further issue of redeemable preference share and/or postpone the date of redemption.

### **9.23.3 Naini Coal Company Limited**

Union Ministry of Coal (MoC) allocated (25 July 2007) the Naini Coal Block (500 MT reserves) in Odisha to Gujarat Mineral Development Corporation (GMDC) and Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDICL) for setting up a 1,500 MW power plant at Angul in Odisha or Dumka in Jharkhand and a 1,500 MW power plant at the pithead of the mine.

Naini Coal Company Ltd. is a 50:50 joint venture of GMDC and Pondicherry Industrial Promotion Development Investment Corp Ltd. (PIPDIC). Naini Coal Company Ltd had given bank guarantee of ₹ 65 Crores to Coal Ministry, Govt of India for allocation of Naini Coal block in the State of Orissa. The said bank guarantee was secured by Corporate Guarantee of GMDC for an amount of ₹ 3250 Lakh and another ₹ 3250 Lakh was secured by bank guarantee of UCO Bank, arranged by PIPDIC. Ministry of Coal, Govt of India has invoked 50% of Bank Guarantee *i.e.* ₹ 3250 Lakh given by the Naini Coal Company Ltd. *vide* their letter dated 27/12/2012 due to non-compliance of some terms and conditions of Naini Coal block allocation. GMDC had discharged its liability of ₹ 1625 Lakh towards invoked bank guarantee and has accounted for the same as advance to Naini Coal Company Ltd. Total provision for impairment made for advances to Naini Coal Company Ltd. amounts to ₹ 1703.81 Lakh (PY: ₹ 2035.62 Lakh). During the year GMDC has received ₹331.81 lakh from Govt.of India (through Naini Coal Co. Ltd) towards expenditure incurred on Geological and other reports, hence, provision has been reduced to that extent.GMDC has already filed special civil application before the Hon'ble Gujarat High court against arbitrary cancellation of coal block as well as invocation of bank guarantee. During the pendency of petition before the Hon'ble Gujarat High Court, the Hon'ble Supreme Court has cancelled all the coal blocks. Therefore, the petition with Hon'ble High Court is pending in respect of invocation of Bank Guarantee only."

Due to non-achievement of the milestones, the block had been de-allocated resulting in invocation (January 2013) of BG of ₹ 16.25 crore for GMDC and capital expenditure of ₹ 9.02 crore<sup>74</sup>. NCCL had no separate staff set up. NCCL stated (May 2014) that it had now intimated the MoC that it was ready to set up the power plant in Odisha itself.

Due to slow progress on the project because of non-receipt of PL approval from Govt. of Odisha, Ministry of Coal, Govt. of India, de-allocated the block, invoking 50% of the Bank Guarantee. The Hon'ble Supreme Court of India has cancelled all the allocated coal blocks which include Naini Coal Block also. Hence this joint venture will be closed in due course. GMDC has filed a petition in the Hon'ble High Court and is pending for disposal. Meanwhile, approval of the State Government is also being sought for closing the company as the same is not required any more.

#### **9.23.4 Alcock Ashdown (Gujarat) Limited**

Alcock Ashdown (Gujarat) Limited is a fully owned undertaking of Government of Gujarat having its first legacy shipyard located at Old Port, Bhavnagar and at the Chanch island of Amreli District of Gujarat. This Company was originally owned by a British business house during the pre-independence era and subsequently taken over and re-activated by the Government of India in 1975.

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<sup>74</sup> Administrative expenditure, fee paid for geological/ topography studies, exploration fees paid, *etc.*

Later the ownership of the company was transferred to Government of Gujarat in 1994. The Company is incorporated under the Companies Act 1956.

The Share capital stood at ₹ 5100 lakh as on 31 March 2018. The shares are held by Government of Gujarat (28.43 *per cent*), Gujarat Industrial Development Corporation Limited (20.59 *per cent*), Gujarat Maritime Board (24.51 *per cent*) and Gujarat State Petroleum Corporation Limited (22.55 *per cent*).

GoG decided (07 August 2018) to transfer the assets and its balance activities to Gujarat Maritime Board (GMB)/ Revenue Department and decided to close the Company under Insolvency and Bankruptcy Code 2016. The process of winding up is yet to be taken up.

### 9.23.5 Companies under Liquidation

The following Companies of Government of Gujarat have been under liquidation. The years up to which accounts were finalised by these Companies, as per office records (position up to March 2018) are given below:

Sl. No.	Name of the Government Company	Accounts Finalised	Date of order for liquidation
1	Gujarat Small Industries Corporation Limited (Voluntary Winding Up- Liquidator appointed)	2007-08	16 June 2008 by High court of Gujarat
2	Gujarat Leather Industries Limited	2002-03	03 February 2003 by High court of Gujarat
3	Gujarat Communication and Electronics Limited	2002-03	18 February 2002 by High court of Gujarat
4	Alcock Ashdown (Gujarat) Limited (AAGL)	2020-21	Application submitted under Section 10 of the IBC on 8 March 2021
5	Gujarat State Construction Corporation Limited	2019-20	Application submitted under Section 10 of the IBC on 11 November 2020

## CHAPTER 10

### PORTS AND TRANSPORT DEPARTMENT

**10.1** The Ports and Transport Department is an Administrative Department of the Government of Gujarat and was created vide GAD order No. GS-2005- 26-skn-2005(4) cu dated 03 March 2005. The Ports and Transport Department is dealing with all the Administrative work relating Port Policy, Motor Vehicles Rules and also policy related matters of State Public Transport Services.

The Port Policy of the State is being implemented by the Gujarat Maritime Board which has been created by Gujarat Maritime Board Act, 1981. The Motor Vehicle Rules and other related matters are being implemented by the Commissioner of Transport (COT). The State Public Transport facilities are provided by the Gujarat State Road Transport Corporation (GSRTC) which has been created vide the Road Transport Corporation Act, 1950.

The Ports and Transport Department is headed by the Principal Secretary and assisted by the Deputy Secretary (Ports), the Deputy Secretary (Transport), the Under Secretary (Ports), the Under Secretary (Transport) and Section Officers.

#### **Functions:**

- i. Operation of all policy decisions of road transport and port matters allotted to the department
- ii. Matters relating to appointment of all officers / employees of of Ports and Transport Department
- iii. Preparation of budgets relating to the Departmet
- iv. Matters relating to the coordination operations of the Ports and Transport Department
- v. Matters relating to purchase, repair and maintenance of vehicles owned by Transport Department
- vi. Matters relating to development of small and medium scale ports in the State

#### **10.1.1 Head of the Departments (HODs)**

- Commissioner of Transport
- Gujarat State Road Transport Corporation
- Gujarat Maritime Board

#### **10.1.2 Law Administered by Department:**

- Gujarat Maritime Board Act
- Indian Port Act
- Port Policy
- Ship Building Policy 2010
- Road Transport Corporation Act, 1950
- Gujarat State Road Transport Corporation Rules



- Motor Vehicle Act, 1988
- Central Motor Vehicle Rules, 1989
- Gujarat Motor Vehicle Rules, 1989
- Gujarat Motor Vehicle Tax Act, 1958
- Gujarat Motor Vehicle Tax Rules, 1959
- Gujarat Motor Vehicle (Passenger Tax) Act, 1958
- Gujarat Motor Vehicle (Passenger Tax) Rules, 1959
- Gujarat Road Safety Authority Act, 2018

### **10.2 Commissioner of Transport (COT) (HOD)**

The Commissioner of Transport functions as the head of the Motor Vehicles Department of Gujarat State. The Joint Directors, Deputy Directors, Assistant Directors, Accounts Officer and Research Officer assist him in his work.

Road Safety Authority is working under the Commissioner of Transport.

#### **Functions:**

1. Overall administration of the Transport Department.
2. Assessment and collection of Motor Vehicle Tax and Passenger Tax in respect of fleet owner (GSRTC/AMTS)
- 3. Work relating to finalization of tenders and matters relating to Information Technology.**

### **10.3 Regional Transport Authorities**

The State is divided into regions each one being headed by the Regional Transport Officer (RTO) or Assistant Regional Transport Officer (ARTO). RTOs / ARTOs function under the control of the Commissioner of Transport

#### **Functions:**

1. Issue/ renewal of registration certificates of transport and non-transport vehicles,
2. Issue/ renewal of permits,
3. Issue/ renewal of learning/ driving/ conductor's/ international driving license,
4. Issue/ renewal of trade certificate,
5. Issue of fitness certificate,
6. Issue/ renewal of license for establishment of motor driving school,
7. Levy and collection of taxes on motor vehicles and collection of various fees at prescribed rates,
8. Imposition of penalty in Departmental Action (DA) cases

### **10.4 Government Transport Service**

The Government Transport Service (GTS) is in charge of operations including allotment, maintenance, repair of vehicles, emergency services for VVIPs,

Ministers of the State Cabinet and dignitaries and special guests. It is headed by the Manager, Government Transport Service.

### **10.5 Computerization:**

The Ministry of Road Transport and Highways has been facilitating computerization of Road Transport Offices (RTOs) across the country. RTOs issue Registration Certificate (RC) & Driving License (DL) that are valid across the country. Ministry entrusted National Informatics Centre the task to standardize & deploy the software VAHAN for Vehicle Registration and SARATHI for Driving Licenses and compilation of data with respect to Vehicle Registration and Driving Licenses of all the states in State Register and National Register.

The VAHAN & SARATHI are conceptualized to capture the functionalities as mandated by Central Motor Vehicle Act, 1988 as well as State motor vehicle Rules with customization in the core product to suit the requirements of 33 States.

**10.5.1 SARATHI:** The *Sarathi* system for driving license was implemented in November, 2006 through service providers. The SARATHI Software was designed to feed all necessary information relating to issue of driving licenses. The system sought to achieve the objectives of (i) Conducting testing of learner's knowledge in driving aptitude generally to be observed by a person while driving a particular vehicle, Issuance of Proper Learner License and regular driving license, (ii) Maintenance of State and National Registers of Driving Licenses and (iii) Providing Citizen centric services.

*Other* modules pertain to driving school license, conductor licenses and enforcement.

**10.5.2 VAHAN:** VAHAN is an application program for registration of vehicles in Regional Transport Offices. It automates management of information related to the vehicle registration, identity of its owner, technical details and its capacity.

The system also manages information related to tax collection status & its validity, fitness of transport and non-transport vehicles and its validity, issue of permits & its validity, authorization, including inter- State aspects and insurance validity details. Separate Modules have been developed for the Permits and Prosecution processing.

Data from all districts is consolidated at the State Register and made available at the National Register for access by authorized persons through an asynchronous system through secured VPN over Broadband.

**10.5.3 Automated Driving Testing System:** An Automated Driving Testing System is being implemented in RTOs to ensure transparency while issuing Driving License. The track has electronic sensors/camera which will help in arriving driving skill and knowledge on driving. Result of the driving tests stands transferred to the 'Sarathi' application.

**10.5.4 High Security Registration Plates(HSRP):** The scheme for affixing High Security Registration Plates (HSRPs) on motor vehicles was implemented in the State in February 2012 with an objective to implement Rule 50 of the CMV Rules, 1989 regarding affixing of High Security Registration Plates and orders issued by

Central Government to ensure uniformity in size, colour and specifications of the registration plates in all types of vehicles being registered/already registered. It is a non removable and non reusable snap lock in the rear of the vehicles for the sake of better scrutiny.

## **10.6 Audit of Motor Vehicle Tax**

### **10.6 1 Historical and Legislative Background**

Taxes on mechanically propelled vehicles is a "concurrent" subject (under item 35 of List-III concurrent list of the seventh schedule to the Constitution) and as such, there are both Central and State legislations on the subject. The Central Act (The Motor Vehicle Act, 1988) is mainly regulatory in nature and does not levy any tax as such though certain fees are prescribed for certain purpose covered by the Act. The power to administer this Act and also to make rules under the Act for carrying out the purposes of the Act within the jurisdiction of each State is vested in the concerned State Government. The rules applicable to Gujarat are the Bombay Motor Vehicle Rules, 1959 now Gujarat Motor vehicle Rules, 1959.

**10.6.2** There are three State Acts in the State of Gujarat which provides for the levy and collection of Motor Vehicle Tax (**Road Tax**), Goods Tax and Passenger Tax respectively. These Acts also contain certain regulatory aspects besides providing for levy and collection of tax. These Acts and the Rules framed there under are listed below:-

1. The Gujarat Motor Vehicles Taxation Act, 1958.
2. The Gujarat Motor Vehicles Taxation Rules, 1959.
3. The Gujarat Motor Vehicles (Taxation of Passengers) Act, 1958.
4. The Gujarat Motors Vehicles (Taxation of Passengers) Rules 1958.
5. The Gujarat Carriage of Goods Taxation Act, 1962 (Repealed by Gujarat Act 13 of 1997 with effect from 1-4-1997).
6. The Gujarat Carriage of Goods Taxation Rules, 1962.

Further details are given in the subsequent paragraphs

### **10.6.3 Procedure for registration of vehicles, issue of liecences etc. in the Regional Transport Offices**

In the Regional Transport Offices, the general arrangement of sections/ branches is as follows:

#### **A. Registration branch**

This branch deals with registration of new vehicles, assignment of fresh registration numbers of vehicles got from other States, *etc.* For registration of a new vehicle under Section 39 of the Motor Vehicles Act, an Application is filed by the owner in form 20 given in the first schedule to the Act along with the fees. The particulars contained in the form are scrutinised by an Inspector of Motor Vehicles who also inspects the vehicle brought for registration in order to see that the vehicle conforms to the specifications contained in Chapter V of the Motor Vehicles Rules. The Inspector on satisfying himself of the requirements

recommends the registration of the vehicle. The vehicle is accordingly registered and a suitable registration number is allotted to it. The tax classification of the vehicle is also determined by the Regional Transport Officer at the time of registration. To watch the regular payment of tax by the vehicle a tax index card is simultaneously opened which will be maintained by the taxation branch.

## **B. Taxation branch**

(i) The taxation branch maintains tax-index cards registers in respect of all vehicles under the tax jurisdiction of Regional Transport Officer. It is this branch which determines and records the rate of tax appropriate to a vehicle registered by the registration branch on form 20 referred to above.

(ii) Under rule 6 of the Motor Vehicles Tax Rules, every time payment of tax is due, a declaration in form 'AT' is to be filed by the owner. The tax due is also tendered simultaneously. Such payment of tax is noted in the tax index card register with reference to which tax not paid is ascertained and demand notices issued.

(iii) Under the existing procedure payment of Motor Vehicles Tax can be made by a registered owner not necessarily to the Regional Transport Officer with whom his vehicle is registered but with any Regional Transport Officer in the State. When a registered owner makes payment of Motor Vehicles Tax to a Regional Transport Officer other than the one with whom his vehicle is registered, the Regional Transport Officer after receiving the payment will forward to the appropriate Regional Transport Officer the 'AT' form along with the duplicate receipt. The latter Regional Transport Officer will complete his tax index cards / registers in respect of such vehicles on the basis of the documents received by him.

## **C Licensing branch**

This branch is entrusted with the issue of Licenses to drivers and conductors under chapter II of the Motor Vehicles Act and the corresponding Rules. Persons desirous of obtaining such licenses are to file with Regional Transport Officer necessary application along with appropriate fees therefor. The Regional Transport Officer will examine the eligibility of the persons applying and on his finding that the applicants are suitable, will issue to them the necessary License. For example an applicant for a Driving License will be required to pass a test of competence. Likewise, the Act and the Rules provide for qualification for performing the duties of a conductor of a stage carriage.

The Regional Transport Officer maintains a record of the driving licenses issued by him in the form of cards.

## **D. Cash and Accounts branch**

In the cash and accounts branch all money tendered in payment of fees and taxes are received and receipts issued. The receipts are made out from triplicate receipt books. One copy of the receipt is handed over to the remitter, another being filed with the appropriate case file. The third copy remains in the receipt book. Each cashier receiving money enters it in a columnar subsidiary cash book. At the end of the day the totals of the subsidiary cash books are carried to a master cash book. A summary register is also maintained in which the receipts forming part of the case files are entered independently. The register is provided with separate columns for

different class of receipts, like Motor vehicle tax, registration fees etc. The total struck in the summary register is agreed with the total of the master cash book before the cash receipts are taken as proved.

Moneys received through cheques are watched through separate registers maintained for the purpose. Similarly, moneys received through treasury challans are accounted in a challan register.

### **E. Departmental Action branch**

This branch deals with prosecution and departmental action against owners of Motor Vehicles for offences committed contrary to the provisions under the Act/ Rules. The cases are entered in suitable registers as and when they arise and action thereon is watched. Offences committed against permit condition and offences like non-possession of documents in a vehicle which are detected by the executive staff during road checks are reported by them to this section through inspection memos prepared from a counter-foil inspection book maintained by each executive staff entrusted with road checking.

### **F. Goods and Passenger Tax branch**

This branch maintains accounts of payment of goods tax and passenger tax by operators liable to such payment. The recovery of goods tax is watched by the maintenance of registers in which a page is allotted for each registered vehicle liable for the payment.

**10.6.4 Provisions of the Motor Vehicles Act, 1988:** The arrangement of the sections of the Act is dealt with briefly chapter wise as under:

#### **10.6.4.1 Chapter 1 (deals with definitions)**

#### **10.6.4.2 Licencing of Drivers and Conductors**

Chapter II and III dealt with issue of the licenses to Driver and Conductor. License to Drivers fall under two categories viz. Learner's license and Driver's license. Section 4 provides that a person who has completed sixteen years of age may drive motorcycle without gear. To drive a motor vehicle, other than a transport vehicle, the person must have completed eighteen years of age and to drive a transport vehicle a person must have completed twenty years of age. Section 14 lays down that a learner license shall be valid for six months. It also provides that in respect of persons who have not attained 50 years of age, the issue and renewal of driving license to drive non-transport vehicle shall be for 20 years or until the date on which the holder attains 50 years of age whichever is earlier and in respect of persons who have attained age of 50 years, for every 5 years. The issue and renewal of driving license to drive transport vehicle will be for 3 years and the driving license shall be deemed to be effective for 30 days after the date of its expiry.

The fees for license shall be charged as per the provisions of Rule 32 of the Central Motor Vehicles Rules 1989.

Applications for the issue of the licenses are made on prescribed form. Learners' licenses are issued after knowledge test through computer (regarding rules and regulation of traffic and traffic signals) of the candidates and a register of such license issued is maintained by the licensing branch of Regional Transport Officer/Assistant Regional Transport Officer. In respect of regular driving licenses, a test of competence to drive the vehicles in respect of which the license is applied for is conducted by the Inspector of Motor Vehicles who maintains a register of the test conducted by him. Applicants who qualify for the test, the driving license is issued on payment of fees. A driving license card in respect of each driving license issued is maintained by the licensing branch.

#### **10.6.4.3 Maintenance of State Register of Driving Licence**

Every licensing authority is required to furnish a monthly report in duplicate, containing particulars required by the form of State Register of Driving License prescribed by the Central Government to the Commissioner of Transport within ten days of the succeeding each month. The Commissioner of Transport shall forward a quarterly compiled report in duplicate, of particulars received from all the licensing authorities to the Secretary, Ports, Transport and Fisheries Department (at present Home Department) within fifteen days of the succeeding month after the concerned quarter. The State Government shall send to the Director (Transport Research), Ministry of Surface Transport, New-Delhi a printed copy of the register referred to above.

#### **10.6.4.4 Registration of Motor Vehicles**

Chapter IV deals with the registration of Motor Vehicles. The necessity for registration of motor vehicles is explained in section 39 and where the registration is to be made is stated in Section 40. Accordingly, no person is entitled to drive a motor vehicle in any public place unless the vehicle is registered and it carries registration mark in the prescribed manner. The registration of a vehicle has to be done by a registering authority in the State in which the owner of the vehicle has his residence or place of business where the vehicle is normally kept. It also empowers the State Government to prescribe conditions subject to which the provisions of Section 39 will not apply to the motor vehicles in possession of dealers.

**10.6.4.5** "A vehicle running on fixed rails or Vehicles of a special type adapted for use only in a factory or in any other enclosed premises" mentioned in Section 2(28) of the Act are exempted from the above provisions. The word only therein confines the operation of exemption to vehicles which are incapable of being used in any other manner and in any other place as a goods vehicle, omnibus, stage carriage or such other vehicles as defined in the Act. The test would be if the vehicles are reasonably suitable for being used along with the public roads. The fact that manufacturers have made or intended a particular vehicle for one purpose or the other or the dealers have sold it for a particular purpose or that a particular vehicle is described by a particular name or description is no criterion to decide whether the vehicle is adapted for use upon the roads within the meaning of the definition given in Section 2(28) of the Act.

*(Messrs Bolani Ores Ltd. & another Vs. State of Orissa AIR 1968 Orissa I).*

*[Dalmia Cements (Bharat) Ltd. Vs. R.T.O. Bellary A.I.R. 1970 Mys.49.]*

In the second case, quoted above "dumpers" were used in the "mining area" and were not registered as Motor Vehicles. It was held that the "dumper" in question can be used for carrying loads even outside the "Mining area" or any other enclosed premises like any other goods vehicle which is required to be registered under the Act. It may be that it is not as convenient or advantageous as any other public carrier or goods vehicle, which is commonly used for the transport of goods, when it is used for a similar purpose outside a factory or an enclosed premises. This circumstance in itself is not sufficient to bring the vehicle within the scope of the statutory exemption mentioned in the definition of a motor vehicle.

#### **10.6.4.6 Section 39 not conflicting with Section 3 of the Gujarat Motor Vehicle Tax Act, 1958**

The Motor Vehicles Act is based on Entry 35 in list III of the Seventh Schedule to the State on entry 57 in the list II of the said schedule and the objects of the two enactments are entirely different and there is no conflict between them. Thus, when a vehicle is driven along the road for the purpose of being registered, no offence would be committed under the Motor Vehicles Act, but a tax will none the less be attracted under the Tax Act.

*N. Sundareswaran Vs. State of Travancore Cochin-AIR-1956 T.C.85*  
*Supreme court judgment dated 25-11-71 in Automotive manufactures (P) Ltd. Vs. Govt. of A.P.*

#### **10.6.4.7 Method of Registration**

**Section 40** lays down that a motor vehicle should be registered by the registering authority in whose jurisdiction the owner of the motor vehicle resides or where the motor vehicle is normally kept **Section 41** provides the form and fee for application for registration of motor vehicle, the form in which the certificate of registration shall be issued by the registering authorities, the form of records in which the particulars of vehicles registered shall be kept by the registering authorities, the distinguishing marks and manner in which such marks consisting of letters and figures shall be exhibited in motor vehicle. It also lays down that the certificate of registration shall be valid for a period of 15 years and shall be renewable for a period of 5 years and the registering authority which is competent to issue duplicate certificate of registration is the original registering authority. The details of registration are also entered in a register of registration maintained by the Regional Transport Officer. The fees for registration shall be charged as per the provision at Rule 81 of the Central Motor Vehicles Rules, 1989.

#### **10.6.4.8 Temporary Registration**

**Section 43** confers power upon registration authorities to register a motor vehicle temporarily. The temporary registration is valid only for a period not exceeding one month and is not renewable, provided that where a motor vehicle so registered is a chassis to which a body has not been attached and the same is detained in a workshop beyond the period of one month for being fitted with a body, the period on payment of such fees, if any, as may be prescribed be extended by such further period or periods as the registering authority, as the case may allow.

#### **10.6.4.9 Assignment of New Registration Mark on removal to another State**

Section 47 requires that a motor vehicle registered in one state and kept in another state for a period exceeding 12 months shall be assigned a new registration mark in the other state. It lays down the procedure in making the application for assignment of new registration marks, the documents to be enclosed with the application and the procedure to be followed by the registering authorities in assigning the new registration marks. It also empowers the State Government to make rules to require the owners of vehicles required to be registered in this State to furnish such information as may be required.

#### **10.6.4.10 Maintenance of State Register of Motor Vehicles**

- 1.** Every registering authority shall furnish a monthly report in duplicate, containing particulars required by the form of State Register of Motor Vehicle prescribed by the Central Government to the Commissioner of Transport within 10 days of the succeeding each month.
- 2.** The Commissioner of Transport shall forward a quarterly, compiled report in duplicate of particulars received from all the registering authorities to the Secretary to the Government in Ports, Transport and Fisheries Department (now Home Department) within ten days of the succeeding month after the concerned quarter.
- 3.** The State Government may, from time to time, issue directions to the registering authorities or to the Commissioner of Transport for the purpose of carrying into effect, the provisions of Section 63 of the Motor Vehicles Act, 1988.
- 4.** The State Government shall send to the Director (Transport Research), Ministry of Surface Transport, New-Delhi a printed copy of the register referred to above.

**10.6.4.11** The other Section of chapter IV of the Act deal with assignment of fresh registration marks, change of ownership, alteration of motor vehicle, suspension and cancellation of registration and special provision in respect of transport vehicles, certificate of fitness of transport vehicles etc.

**10.6.4.12** Like-wise, Chapter V onwards deal with subjects like control of transport vehicle, provision relating to insurance, offences and penalties etc., which are necessary for carrying out the general scheme of the Act. In the Chapter on Audit checks reference has been made to provisions contained in these chapters in so far as they are relevant to financial matters.

**10.6.4.13** The fees chargeable under the various provisions of the Central Motor Vehicle Rules, 1989 and the Gujarat Motor Vehicle Rules, 1989 and the periodicity of grant/renewal of certificate of fitness in respect of Transport vehicles are as specified through various notifications.

#### **10.6.5 Provisions of the Gujarat Motor Vehicle Tax Act, 1958**

##### **10.6.5.1 General**

The Bombay Motor Vehicle Tax Act, 1958 (LXV of 1958) as adopted by the Gujarat Adaptation of Laws' (State and concurrent subjects) order 1960 and as amended from time to time, now renamed as Gujarat Motor Vehicles Tax Act, 1958, governs the law relating to the taxation of motor vehicles in the State of Gujarat.



### **10.6.5.2 Levy of Tax**

The Act provides for the levy of Motor Vehicle Tax/ Lump Sum Tax on all motor vehicles used or kept for use in the State and the tax levied at rates fixed by the Government but not exceeding the maximum rates specified in the First, Second, Third, Fourth, Fifth, Sixth Schedule to the Act. A registered owner of a vehicle shall be deemed to use or keep such a vehicle for use in the State except during the period for which the Taxation Authority has certified that the motor vehicle was not used or kept for use in the State (Section-3).

Further, the Act also provides that tax shall be levied and collected on all omnibuses which are used or kept for use in the state exclusively as contract carriages a tax at the rates specified separately by the Government (Sub-clause IV-AAA of First Schedule, Section-3).

### **10.6.5.3 Basis of Taxation**

The basis for motor vehicle tax is unladen weight for motor cycles, tricycles etc. registered laden weight for goods vehicle, seating capacity for motor vehicles plying for hire and used for carriage of passengers. In respect of trailers additional tax is levied on the motor vehicles used for drawing them depending upon the use to which they are put, and cost of the vehicles for light motor vehicles, tractors, trailers (from 1.8.1998).

### **10.6.5.4 Payment of Tax**

The tax leviable under Section-3 in respect of motor vehicle specified in First Schedule shall be paid in advance at the annual, quarterly or monthly rate and the tax leviable in respect of motor vehicle specified in second, third, fourth, fifth, sixth seventh, eighth and ninth schedule shall be paid in advance in lump sum, by every registered owner or any person having possession or control of such motor vehicle. The payment may be made into a Government treasury or to the Taxation Authority in cash or by demand draft. The owner of a vehicle registered in the state of Gujarat or elsewhere but brought for use in the State may pay the tax in any of the Regional Transport offices in the State (Section 4).

### **10.6.5.5 Concession to Other States Vehicles**

Vehicles of other states enjoy the following concessions:

(1) Non-transport vehicle is not required to pay tax for the period not exceeding three months, during which they arrive in the state, if such tax has been paid in any other State or Union Territory [(Rule 16-A (4) Home Department's Notification dated 4.4.2000)].

(2) For period of stay for less than 3 months in this State all transport vehicles not being the designated omnibuses of other States or Union Territory are liable to pay tax at 4 *per cent* of the annual rate for each week or part thereof subject to a maximum amount equal to the amount of tax leviable for a month (Section 4(1A)).

(3) In the case of motor vehicles kept by a dealer or manufacturer of such vehicles, for the purpose of trade, tax is levied only on that motor vehicle which is permitted

to be used on the roads in the manner prescribed by rules made under the Motor Vehicles Act, 1988.

#### **10.6.5.6 General Exemptions from Payment of Tax**

All the motor vehicles designated and used solely for agricultural operations on farms or farm lands are exempt from the payment of tax. Exemptions from tax are also provided partially to tractor cum trailer belonging to agriculturist used for agricultural purposes. Exemptions are provided by notifications in the official Gazette (Section 13 and notifications issued there under). However, Tractor (Agriculture use) and Tractor (Non-agriculture use) are brought to tax by Government after 31.03.2003.

#### **10.6.5.7 Fleet Owners**

The tax Act provides for special provisions for fleet owners. Fleet owner is defined as a person who is the registered owner of a fleet of one hundred or more transport vehicles used or kept for use in the State. Before the commencement of the financial year the fleet owner should give a declaration to the Taxation Authority (Commissioner of transport in this State) stating the prescribed particulars in respect of all transport vehicles used or kept for use by him in the State in the month of February of the year immediately preceding the year along with the certificate of final assessment of tax for the previous year issued by the Taxation Authority and other prescribed documents. Upon receipt of such preliminary declaration, the taxation authority will assess provisionally the tax payable by the fleet owner. The final declaration has to be delivered on or before the 30th April of the succeeding year and the adjustment of tax paid short or in excess will be made by the Taxation Authority after the final assessment (Section 10).

### **10.6.6 Assessment and Collection of Tax under Gujarat Motor Vehicles Tax Act, 1958**

#### **10.6.6.1 Introduction**

Levy of motor vehicles tax is generally based on the unladen weight, registered laden weight, seating capacity, percentage of cost of the vehicles or fuel used, of the motor vehicles. Government is empowered to fix the rules by publishing the same in the official gazette subject to not exceeding the maximum rates as specified in the first schedule, second schedule, fourth schedule and sixth schedule to the Act. For the purpose of levy of motor vehicles tax, motor vehicles are classified as under:-

- (i) Motor vehicles (including tricycle) used for the carriage of goods or materials.
- (ii) Motor vehicles (including tricycle) plying for hire and used for the carriage of passengers other than designated omnibus.
- (iii) Private service vehicles (by Guj.11 of 2000)
- (IV) Sleeper designated omnibus vehicles (By Guj.6 of 2002)
- (v) Designated omnibus vehicles
- (vi) Break down vans used for towing disabled vehicle.

- (vii) Motor vehicles other than those liable to tax under the foregoing provisions (i) to (vi)
- (viii) Additional tax payable in respect of motor vehicles used for drawing trailers.
- (ix) Motor vehicles falling under (ii) or (vii) manufactured out of India and imported into India after 31.3.1957.
- (x) Motor cycles and tricycles (including motor scooters and cycles) with attachment for propelling the same by mechanical power.
- (xi) Motor vehicle does not exceeding 250 kgs in weight, unladen adapted and used for invalids.
- (xii) Motor vehicles other than those liable to tax under the foregoing provisions of (x) and (xi)
- (xiii) Motor vehicles falling under (x) or (xii) and manufactured out of India and imported into India after 31.3.1957.
- (xiv) Motor vehicles including trailers to carry personal effects or a camping trailer for private use.
- (xv) Motor vehicles falling under (xiv) and manufactured out of India and imported into India after the 31.7.1998.
- (xvi) Motor vehicles registered in the State of Gujarat on or after the 1st April 1999, and are plying for hire and are used for the carriage of passengers.
- (xvii) Motor vehicles falling under (xvi) and manufactured out of India and imported into India after the 31<sup>st</sup> March, 1999.

#### **10.6.6.2 Levy of Tax**

Under Section 3, a tax shall be levied and collected on all motor vehicles used or kept for use in the State, at the rates fixed by the State Government by notifications in official gazette but not exceeding the maximum rates specified in the first schedule, second schedule, fourth schedule and sixth schedule to the Act. For this purpose, the motor vehicles are divided into two parts *viz.*

**Part-I:** Motor vehicles using motor spirits

**Part-II:** Motor vehicles using fuel other than motor spirit compressed natural gas or operated by electric battery or solar energy.

Motor vehicles are classified into groups mentioned above, based on the use to which the motor vehicles are put and the rates of tax fixed according to the unladen weight or registered laden weight of the vehicles, their carrying capacity (both sitting and standing accommodations), or on cost of vehicles, depending upon the use to which the vehicles are put.

The Government issues notifications for fixing the rates of motor vehicles tax/lump sum tax/passenger tax.

#### **10.6.6.3 Levy of Additional Tax**

Under Section-3-A, an additional tax is leviable with effect from 1.5.1982 on all omnibus exclusively used or kept for use as contract carriage in the State. Section-3A was deleted by Guj.9 of 2002 dtd.31.3.2002.

#### **10.6.6.4 Payment of Tax**

Tax is payable in advance where it is at lump sum rate and in other cases in advance either annually at annual rate, or quarterly for one or more quarters at the quarterly rate which carries an element of surcharge at 10 *per cent* of one fourth of the annual rate. In Gujarat, the procedure for payment of motor vehicle tax for all types of motor vehicles is common. The owner is required to file a declaration form "AT" and present with the Registration Certificate and Insurance certificate, along with the amount of tax due in the office of the Regional Transport Officer/ Assistant. Regional Transport Officer. The booklet of Registration Certificate also contains Taxation Certificate which indicates the amount of tax payable per year or for a quarter. The amount of tax can be paid in cash or demand draft or cheque at the counter, along with form "AT". The cashier issues a receipt for the amount paid either by cash or by demand draft / cheque. He may also pay the amount in the Government Treasury by challan under the specified head of account. In case the amount of tax is paid by challan, he may specify the fact in the Form "AT" of having so remitted the amount. The Regional Transport Officer, having satisfied himself that the correct amount of tax is paid for a quarter or year issues a receipt for the said period and makes an entry in the Registration Certificate and returns it to the owner along with the receipts. In addition to the facilities for payment of tax in cash provided in the offices of the Regional Transport Officer / Assistant Regional Transport Officer touring offices are also opened at other important centers where the amount of tax is collected in cash on specified dates and the receipts are issued on the spot. Tax index cards registers for individual motor vehicles are maintained in the offices of the Regional Transport Officer/Assistant Regional Transport Officer on which the entries of payment are made, simultaneously with the entry made in the Registration Certificate. The payment or non-payment of motor vehicles tax is watched on verification of the tax index cards, tax registers.

**10.6.6.5** Section 4(1A) of the Gujarat Motor Vehicles Tax Act, 1958 provides for payment of motor vehicle tax in respect of a transport vehicle brought for use in the State for a temporary period on monthly basis or on weekly basis for a period less than a month at the rate of 4 *per cent* of the annual rate for each week or part thereof subject to a maximum of monthly tax. For this purpose, rule 21 prescribes that a declaration in form (FT) is required to be presented by the vehicle owner, within seven days of the entry of the motor vehicle into the State to the nearest taxation authority. A transport vehicle, for which a temporary permit is issued by another State, pays motor vehicle tax and goods tax by demand drafts through the transport authority of the respective State and the demand drafts are addressed to the Commissioner Transport, Gujarat State, Gandhinagar. Where no such procedure exists, the other State vehicles entering Gujarat pay the tax at the Check posts, and the returns along with particulars of cash remitted into Treasury/Sub-Treasury are sent to Commissioner of Transport by the Motor Vehicle Inspectors, in charge of the check posts.

#### **10.6.6.6 Alteration of Vehicles**

Where any motor vehicle specified in the first schedule, in respect of which a tax, for any period has been paid, is altered during such period or proposed to be used during such period in such manner, as to cause the vehicle to become a vehicle.

(a) in respect of which a higher rate of tax is payable with reference to the rates fixed by the State Government under Section 3, having regard to the maximum rates specified in the First Schedule, the registered owner or persons who is in possession or control, of such vehicle shall pay for the unexpired portion of such period since the vehicle is altered or proposed to be used an additional tax of a sum equal to the difference between the amount of tax payable for such unexpired portion at a higher rate and the rate at which tax was paid before the alteration or use of the vehicle for that portion

(b) In respect of which lump sum tax is payable with reference to the rates fixed by the State Government under Section 3, having regard to the maximum rates specified in third schedule, the registered owner or person who is in possession or control of such vehicle shall pay such lump sum tax at the rates fixed by the State Government under Section 3 having regard to the maximum rates specified in the third schedule. (Section-7)

**10.6.6.7** The owner of the vehicle should file an additional declaration in form BT prescribed in the Rules, stating the alteration made to the vehicle or the manner in which it is proposed to be used so as to cause it to become a vehicle in respect of which a higher rate of tax is payable, within 14 days of such alteration or use, along with the amount of additional tax payable. (Rule 9)

#### **10.6.6.8 Non Use of Vehicles**

The registered owner or any person having possession or control of a motor vehicle of which the certificate of registration is current, shall be deemed to use or keep such vehicle for use in the State, except during such period where the Taxation Authority has certified in the prescribed manner that the vehicle was not used or kept for use in the State (Section-3(2)).

For this purpose, the owner has to make a declaration in form "NT" to the Taxation Authority along with the certificate of Taxation. Such a declaration has to be made before the expiry of the current period for which the tax has been paid for the vehicle (Rule-5). Refund of tax, if any, will be permissible as per Section-9 of the Act.

#### **10.6.6.9 Tax Payable by Fleet Owner**

A fleet owner who owns more than 100 transport vehicles is permitted to pay a provisional tax in the beginning of the year based on the vehicles shown as used or kept for use by him in a preliminary declaration. At the end of the year based on the actual use a final declaration is filed and the particulars of the number of transport vehicles shown therein are verified by the Commissioner of Transport and the final tax determined. The differential amount of tax is recovered or refunded to him as the case may be within fifteen days from the date of issue of the certificate of final assessment of tax.

In Gujarat, Ahmedabad Municipal Transport Service (AMTS) and the Gujarat State Road Transport Corporation (GSRTC) submit returns to the Commissioner of Transport as fleet owners (Section 10).

#### **10.6.6.10 Refund of Tax**

Refund of motor vehicles tax is regulated under the provisions by Section-9 of the B.M.V.T Act for vehicle owners other than fleet owners and by Section (10)(6) for the fleet owner. Where the tax has been paid in advance at the annual rate, then the difference between the sum paid at the annual rate and the sum which would have been payable at the quarterly rate for every quarter or part thereof which has expired on the date of surrender of certificate of taxation at one twelfth of the annual rate for each calendar month and at one day's tax of the monthly installments of tax paid for each day which has not commenced on that date is refunded. Where a Taxation Authority is satisfied that (a) for any reasons whatsoever, a motor vehicle specified in the second schedule or as the case may be the third schedule is removed to any other state or the registration of such motor vehicle is cancelled or (b) such motor vehicle is altered or proposed to be used in such manner as to cause such motor vehicle to become the vehicle liable to payment of tax at a rate fixed by the State Government under Section 3 having regard to the maximum rates specified in first schedule, the person who has paid the lump sum tax in respect of such motor vehicle shall on an application made in that behalf be entitled to a refund of such amount as may be determined by the Taxation Authority having regard to the principles as may be prescribed. For the fleet owner the provision is modified to the extent that a proportionate reduction for one calendar month or more is allowed in the final tax determined and levied for the period of non-use. The application for refund should be made within six months of the expiry of the period for which refund is claimed.

#### **10.6.6.11 Penalty for Non Payment of Tax**

Where the whole or any portion of the tax due in accordance with the provisions of the Act in respect of any motor vehicle for any period or part thereof has not been paid in time by the person liable for payment thereof, the Taxation Authority may levy (1) in addition to the tax so due, a penalty @ 2 *per cent* per month not exceeding 25 *per cent* of the amount of tax so due, (2) if the vehicles are found under use or kept for use during a period of non-use declared by him to the Taxation Authority, in addition to the tax for the non-use period, a penalty equal to twice the amount of tax so due is leviable. Where penalty is leviable under both (1) and (2) above, it shall be levied under (2) and not under (1) (Inserted by Guj.9 of 2002 dtd.1.4.2002).

The amount of penalty so levied shall, unless it is paid within the prescribed time, be recoverable in the same manner as arrears of land revenue.

#### **10.6.6.12 Interest for Non-Payment of Tax**

Where the whole or any portion of the tax due in accordance with the provisions of the Act in respect of any motor vehicle for any period or part thereof has not been paid in time by the person liable for payment thereof, the Taxation Authority may levy, in addition to the tax so due, interest at the rate of two *per cent* per month or

the part of a month up to 31.3.2007 and thereafter at the rate of one and half *per cent* per month or part thereof for the period of delay.

## **10.6.7 Provisions of the Gujarat Carriage of Goods Taxation Act, 1962**

### **10.6.7.1 Introduction**

The Act which came into effect from 1962 provides for the levy and collection of a tax on goods carried by road in motor vehicles in the State of Gujarat. Under the powers conferred by Section 32 thereof, the Gujarat carriage of goods/Taxation Rules, 1962 have been framed by the Government.

### **10.6.7.2 Levy of Tax**

Under the Scheme of the Act, goods tax is leviable on all goods carried by road in the State when carried in a public goods vehicle at a rate of three *per cent* of the freight charged or chargeable for their carriage and when carried in a private goods vehicle at the rate of four tenths of a Naya paisa per metric tonne per kilometer. No such tax shall be levied on goods that are the property of the Central Government including the Indian Railways or are transported in departmental vehicles, not being public goods vehicles, owned by either. (Section 3)

### **10.6.7.3 Collection and Payment of Tax**

Under the provisions of the Act and Rules the operator should collect and pay the tax to the Government. The tax in respect of any month payable in accordance with the returns submitted should be paid into the Treasury or to the Taxation Officer in cash, cheque, demand draft etc., before the tenth of the succeeding month and the receipt in token of such payment sent to the Taxation Officer. (Section 4, 8 and Rule 10-B)

**10.6.7.4** When goods are carried through the State or from or to any place outside the State, the tax payable is only in respect of their carriage over the distance within the State. If separate freight is charged or chargeable for such distance, the proportionate freight is calculated on the freight charged or chargeable. (Section 5)

### **10.6.7.5 Returns**

A monthly return in Form I for every public goods vehicle and in form II for every private goods vehicle is to be submitted by every operator to the Taxation Officer. The returns show the details of goods carried their weight, kilometers covered, freight charged and tax due. (Section 6 and Rule 4)

### **10.6.7.6 Lump Sum Payment of Tax**

Every operator of a goods vehicle shall have an option of lump-sum payment of tax by sending an application for the purpose to a taxation officer in a prescribed form. The Government issues notification for fixing the lump sum rates of tax.

### **10.6.7.7 Penalty for Non-Payment of Tax**

Any operator failing, without reasonable cause, to pay tax within time under the provisions of the Act shall be liable to pay in addition to the amount of the tax a sum not exceeding 25 *per cent* thereof as penalty.

#### **10.6.7.8 Liability of Operator to Pay Interest**

Where the operator does not pay the tax on or before the date prescribed under Section 8 or Section 12 as the case may be, there shall be paid by such operator for the period commencing immediately after the prescribed date and ending on the date of payment of the tax, simple interest at the rate of twenty four *per cent* per annum on the amount of tax not so paid or any less amount thereof, remaining unpaid during such period.

#### **10.6.7.9 Refunds**

The Act provides for refund of tax in the following cases:

(i) When the operator has paid the amount of tax penalty and interest (if any) in excess of that due from time to time, the Taxation Officer shall refund the excess amount to him or adjust it from the amount of tax, penalty and interest (if any) due for any other period.

(ii) In the case of goods exported out of India, on production of satisfactory proof to the Taxation Officer the refund of tax paid is permissible.

(iii) Refund of tax of any vehicle paying tax on lump sum rates, which has been rendered incapable of use due to a breakdown, accident or causes beyond the operator's control, on satisfaction by the Taxation Officer. (Section 12, 18, 30)

Other procedure for claiming the refund is laid down in Rule 14 of the Gujarat Carriage of Goods Taxation Rules 1962 and with effect from 1<sup>st</sup> April 1997 the Gujarat carriage of Goods Taxation Act, 1962 Stands replaced (By a Gujarat Act 13 of 1997 dt.26.3.1997). Thus the levy of goods tax was merged with Motor Vehicles Tax with effect from 01.04.1997.

### **10.6.8 Provisions of the Gujarat Motor Vehicles (Taxation of Passengers) Act, 1958**

#### **10.6.8.1 Introduction**

The Bombay Motor Vehicles (Taxation of Passengers) Act, 1958 was adapted and modified by the Gujarat Adoption of Laws (State and concurrent subject) order 1960 and amended from time to time, now renamed as Gujarat Motor Vehicles (Taxation of Passengers) Act, 1958. The Act provides for the levy of a tax on passengers carried in certain classes of public service vehicles in the State of Gujarat. Under the powers conferred by Section 22 of the Act, the Gujarat Motor Vehicles (Taxation of Passengers) Rules, 1958, have been framed by Government.

#### **10.6.8.2 Levy of Tax**

Under the Act, a tax on all passengers carried by a stage carriage is levied at such rate as would yield an amount equal to seventeen and one-half *per cent* of the inclusive amount of fares payable to the operator of a stage carriage and paid to



Government. If the stage carriage plies exclusively within the new capital area or a municipal area and also areas adjacent to the said areas or serving the new capital area, municipal area and area between them as approved by the Government, the said rate shall be such as would yield an amount not exceeding one per cent of the inclusive amount of fares payable. (Section 3)

#### **10.6.8.3 Payment of Tax**

The Tax for any month is payable in accordance with the returns submitted by the operator. The payment may be made into the Government treasury and the receipt thereof sent to the Taxation Officer not later than 10<sup>th</sup> of succeeding month. In the case of a fleet owner, the receipt should reach before the last day of the succeeding month. The payment may also be made to the Taxation Officer in case or by means of cheque or demand draft.

#### **10.6.8.4 Penalty for Non-Payment of Tax**

Where the whole or any portion of the tax payable to the State Government in respect of any stage carriage for any month or portion thereof in pursuance of Section 5, 6 and 7 has not been paid in time, the Taxation Officer may, in his discretion, levy in addition to the tax so payable, a penalty not exceeding 25 *per cent* of the maximum tax which would have been payable to the State Government if the stage carriage had carried its full complement of passengers during such month or portion thereof.(Section 8)

#### **10.6.8.5 Liability of Operator to Pay Interest**

Where the whole or portion of the tax payable to the State Government in respect of any stage carriage in pursuance of Section 5, Section 6 or Section 7 has not been paid in time the operator shall be liable to pay to the State Government simple interest at twelve *per cent* per annum. (Section 9-A)

#### **10.6.8.6 Returns**

A fleet owner has to submit a monthly return in Form I in respect of all the stage carriages held by him under a permit to the Commissioner of Transport before the end of the month succeeding the month to which it relates. Every other operator has to submit to the Regional Transport Officer concerned a daily return in Form II in respect of every stage carriage authorized to be used exclusively as contract carriages a weekly return in Form II in respect of every other stage carriage and a monthly return in Form IV in respect of all the stage carriages, held under a permit.

The time limit for delivery of returns in Forms II, III and IV is given in Rule 6. The procedure when no returns are submitted is explained in Rule 6.

#### **10.6.8.7 Refunds**

Under Section 9 A of the Act, the amount of tax, interest and penalty if any, paid by an operator in excess of the amount due from him can be refunded by the Tax officer either in cash or at his option by deduction from the amounts due from him.

### **10.7 Records, Registers and Returns of the Department**

The Motor Vehicles department is required to maintain certain forms, registers, etc. which are peculiar to it. The special Motor Vehicles Forms can be divided into three broad classes.

- (1) Various application forms prescribed under the Acts and Rules.
- (2) Forms in which documents specified in these Acts and Rules are prepared and which are issued against payment of fees (Money value forms).
- (3) Other registers, returns etc. which are peculiar to the department.

**10.7.1 Item No. (1)** Includes forms such as application for learner's license, Application for trade certificates, Application for temporary permits, etc. These are appended to the various Acts and Rules and are not given in detail here.

**Item No. (2)** Money value forms-A list of important Money value forms is given in **Appendix 10.1**.

**Item No. (3)** A list of other important registers is given in **Appendix 10.2**.

The following more important registers are briefly dealt with below:

### **10.7.2 Registration Register**

This is the primary record of registration of vehicles in Regional Transport Offices / Assistant Regional Transport Offices.

Registration of motor vehicles as required under Section 39 of the Motor Vehicles Act, 1988 is done making suitable entries about the vehicles in this register. The serial number on the top is the registered number of the vehicle. Particulars of previous registration, class of the vehicle, make and model, year of manufacture, brief and detailed description of the vehicle, particulars of date of arrival, hire purchase agreement. Registered laden weight, unladen weight, particulars of change of ownership, seating/ standing capacity, etc. are noted in this register. Entries in this register are to be attested by an officer not below the rank of an Assistant Regional Transport Officer.

### **10.7.3 BT Register**

This register has been prescribed to note the alteration made to a vehicle. A notice in B.T.I. under rules 65 (i) of Bombay Motor Vehicles Rules is required to be given by the owner of the vehicle for any alterations proposed to be made to the vehicle. Along with the B.T.I., the owner is required to file an additional declaration within 14 days of alterations in form 'BT` under Rule 9 of Bombay Motor Vehicles Tax Rules, in case the alteration, made to the vehicles make him liable to pay additional tax in respect of the altered vehicle. The Registering authority after satisfying himself that the particulars in the additional declaration are correct and complete makes a note of such alteration in this register and in the Registration register and determines the additional tax payable, before issuing a tax token.

### **10.7.4 Register of Refunds**

Separate registers are maintained by each Regional Transport Officer for refunds of motor vehicles tax, goods tax, passenger tax, lump sum tax and refund applications for all vehicles are noted in this register. Columns are provided for watching the period within which such refunds are claimed, the proof of payment of tax etc. If the taxation authority issuing the certificate of refunds is not the authority in whose custody the records of the motor vehicles are maintained, it communicates the particulars of the refund to such other authority, which also makes relevant entries in the Tax index card.

#### **10.7.5 Register of Permits**

Permit registers are separately maintained according to the nature of permits and also in respect of permits issued for and on behalf of other States. All the applications for such permits are entered in this register and a court fee stamp register is also maintained for ₹ 5 affixed as court fee in each application for a permit. The entries provide for fresh permits, renewals, the fees levied, Receipt No & date, period for which permits are issued / renewed etc.

#### **10.7.6 Register of Driving Licences**

A register is maintained for driving licenses granted to applicants and all such applications for obtaining a driving license for the type of vehicle, to which the application refers, are noted in this register. The licensing authority before granting the license tests the person for the competence to drive and the applicant is required to pay "testing fees" before the test is commenced. On renewal/issue of a license, a license fee is also charged and reference to the receipt no. and date of payment of such fees is indicated in the register.

#### **10.7.7 Register for the assignment of New Registration Mark on removal of Motor Vehicles to another State**

For the vehicles of other States, entering Gujarat and kept for use therein for a period of more than a year, the registration mark of Gujarat State is required to be assigned under Section 47 of M V Act. All application for assignment of new registration mark are entered in this register a fee as prescribed under Rule 81 for such assignment is collected from the motor vehicle owner and the collection of fee is also noted in this register. The registering authority intimates the original registering authority before assigning new registration mark and on receipt of the particulars from the original registering authority enters the particulars and notes the new registration mark assigned to the vehicle.

### **10.8 Exemption, Remission and Refunds of Tax**

#### **Part A- Motor Vehicles Taxes**

##### **10.8.1 Rule 16A -Principles of Exemption:**

Rule 16-A of the Gujarat Motor Vehicles Taxation Rules, 1959 lays down the principles of exemption from payment of tax under section 13(2) of the Motor Vehicles Tax Act.

The following exemption notifications are in force:

**(i) GOVERNMENT OF BOMBAY NOTIFICATION NO.6882/3XV OF 24-6-36**

(1) Mechanically propelled Road Rollers Fire engine, fire escape Tenders	Totally exempted from payment of tax.
(2) Conservancy cars and watering cars maintained by the Local Authority or maintained under contract for a Local Authority and exclusively used for conservancy or watering purposes.	

**(ii) GOVERNMENT OF BOMBAY NOTIFICATION NO.MTA. 1756-1471 43557 XII.DATED 14-5-59.**

Motor Vehicles other than transport vehicles from payment of tax for the quarter in respect of which a corresponding tax on those vehicles has been paid in any other territory outside the State of Bombay. This will come into force effect from 1.4.59	Issued in Super session of Government of Bombay Noti.No.6122/4 dated 26-6-44 and Notification No.9611.5 dated 5-1-50, Subject to provisions of the B.M.V. Tax Rules, 1959.
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**(iii) GOVERNMENT OF GUJARAT NOTIFICATION NO.MTD-1362-5112-E DATED 13-2-63.**

Totally exempted Transport Vehicles registered in any State other than the State of Gujarat and Union Territory in India and chartered by tourists and carrying special distinguishing mark specified by the Central Government under sub-section (6) of Section 63 of the M V Act, 1939, from the payment of the tax provided that similar reciprocal exemption is granted in such other State to transport vehicles registered in the State of Gujarat, which are chartered by tourists and carrying special distinguishing mark as aforesaid.

**(iv) GOVERNMENT OF GUJARAT NOTIFICATION NO.MTD-1362-4242-E DATED 14-11-63.**

Exempted from payment of motor vehicles tax belonging to Gujarat State Road Transport Corporation, which are under intimation of non-use but which are moved on the road when such movement is exclusively between the garage and the workshop or from one workshop to another, for the purpose of periodical checking, overhaul, repairs, painting or body building or for the purposes or road testing and such movement is not for hire or reward.

**(v) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/G/347 MTA-1762-648-E DATED 10-2-65.**

Totally exempted from payment of tax- Tractors for drawing trailers belonging to Panjara poles and used by them for the transportation between the land cultivated by them and their place of residence or godown or any market place, of agricultural produce grown on such land or of materials required in connection with the cultivation of such land.

**(vi) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/G/920-MTA-2062-400-E DATED 9-12-66.**

Totally exempted from payment of tax- Motor vehicles owned by the Government of Madhya Pradesh, other than those used for commercial purposes. (*refer similar notification of Government of Madhya Pradesh.*)

**(vii) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/G/1077-MTA-1765-10933-E OF 4-9-67.**

Totally exempted from payment of tax- Motor Vehicles belonging to charitable Institutions for the blind and used free of charge in furtherance of welfare of the blind irrespective of their caste, creed or community.

**(viii) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/G/119-MTA-1765-504-E DATED 11-10-67.**

Totally exempted from payment of tax-Motor Vehicles belonging to the United Nations Agencies and Organisation.

**(ix) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/G/1783-MTA-1769-3765-E DATED 23-2-70:**

Totally exempted from payment of tax-Motor Vehicles registered in the name of CAREINC so far as the said Motor Vehicles are used exclusively for a philanthropic object in the benefit of the public in general irrespective of their caste, creed or community.

**(x) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/G/1936-MTA-78477-E DATED 7-8-70.**

Totally exempted from payment of tax- Motor Vehicles owned by the United States Agency for International Development Mission. American Embassy, New Delhi and used solely for the purposes of the work of the Gujarat Government, in connection with the Agriculture Production Project.

**(xi) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/G/MTA.1766-21455-E DATED 5-4-71 :**

Totally exempted from payment of tax- Wreckers (Break-down Vans) owned by the Gujarat State Road Transport Corporation so long as the said vehicles are used exclusively for State Transport purposes.

**(xii) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/G/71/143/MTA-1771-56676-E DATED 9-8-71**

Totally exempted from payment of tax- Motor Vehicles owned by the personnel of the United States Agency for International Development Mission, so far as they remain the employees of the said mission.

**(xiii) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/G/60 MTA/2564-1046-E DATED 18-4-64**

Totally exempted from payment of tax- All Motor Vehicles intended to be used free of charge as Mobile Dispensary or Mobile Vans or such other purposes and

owned by the Charitable Institutions and Hospitals, for welfare of the public in general irrespective of their caste, creed or community".

**(xiv) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/(G) 72/165/MTA/1769 (44043)E DATED 1-8-1972.**

Totally exempted from payment of tax-All Motor Vehicles belonging to persons physically handicapped if such vehicles are driven by them personally for use in connection with their employment, trade or business.

**(xv) GOVERNMENT OF GUJARAT HOME DEPARTMENT NOTIFICATION NO. GH (G073/42/MTA/1773/1350-E DATED 15-2-1973**

Totally exempted from payment of tax- All Motor Vehicles belonging to any organisation or Association or a Public body or an individual handed over to the State Government for use for scarcity work so long as the vehicles remain with the State Government for the said work. Such exemption shall be eligible to any vehicle on the basis of a certificate issued by the Director of Relief that the said vehicle has been handed over to the State Government for scarcity work.

**(xvi) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/(B) 87/100/MTA-1782-1993 T DT.9-7-1987.**

On supersession of Government Notification, Home Department No.GH/G/76/212/MTA —1775-2913-E Dt.22-6-1976, the Government of Gujarat exempted totally from the payment of motor vehicles tax, all motor ambulances intended to be used solely for conveyance of the sick or injured irrespective of their caste, creed or community, either free of charge or on payment of a charge of a nominal rate not exceeding the following.

- (i) ₹ 10 in lump sum or ₹ 2 per kilometer, whichever is more within municipal or cantonment limits (including return journey)
- (ii) ₹50 in lump sum or ₹ 3 per kilometer, whichever is more outside municipal or cantonment limits (including return journey).

**(xvii) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/(B)/87/116/MTA 2487/Mini/25/T dated 7-9-1987.**

In supersession of Government Notification, Home Department No.GH/G/77/307-MTA-1676-5742-E Dated 30-11-1977, the Government of Gujarat exempted totally from payment of tax with effect on and from the 7<sup>th</sup> September,1987, the tractors-cum-trailers belonging to agriculturists (being registered owners thereof ) and used by them for transportation between the land cultivated by them personally and their place of residence or godown or any market place of agricultural produce grown by them on such land or required by them in connection with the cultivation of such and or of other material required for construction of farm houses or for personal use or consumption but not for commercial or trade purposes.

**(xviii) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/(B)/88/25/MTA-2487/mini/25/T dtd.24-5-1988.**

The Government of Gujarat amended the ports, Transport and Fisheries Department Notification No.GH/B/87/116/MTA/2487/Mini/25-T dtd.7-9-1987 as follows, namely:

For the words, figures and letters “from the 7<sup>th</sup> September, 1987”, the words, figures and letters “from the 1<sup>st</sup> April, 1987” shall be substituted.

**(xix) GOVERNMENT OF GUJARAT NOTIFICATION NO.GH/B/ 88/148/ MTA-2487/Mini/25/T dtd.24-5-1988.**

The Government of Gujarat exempted from the payment of the tax with effect on and from the 1<sup>st</sup> June, 1988, the tractor-cum-trailers belonging to the Co-operative societies of agriculturists (being registered owners thereof) and used by them or as the case may be, members of such society solely for transportation of their own agricultural produce grown by them on such land or required by them in connection with the cultivation of such land or of other material required for construction of farm houses or for personal use or consumption but not for commercial or trade purposes and not given by them on hire or reward to other persons who are not members of such society.

**NOTIFICATION**  
**Ports, Transport and Fisheries Department**  
**Sachivalaya, Gandhinagar**  
**Dated 9-7-1987**

No.GH/B/87/100/MTA-1782-1993-T In exercise of the powers conferred by sub-section (2) of section 13 of the Bombay Motor Vehicles Tax Act, 1958 (Bom.LXV of 1958), read with sub-rule (1) of rule 16A of the Bombay Motor Vehicles Tax Rules, 1959 and in supersession of Govt. Notification, Home Department no.GH/G/76/212 MTA-1775-2913-B dated the 22<sup>nd</sup> June 1976, the Government of Gujarat hereby exempts totally from the payment of motor vehicles tax leviable under the said Act, all motor ambulances intended to be used solely for the conveyance of the sick or injured irrespective of their casts, creed or community, either free of charge or on payment of a charge at a nominal rate not exceeding the following :-

1. ₹10/- in lump sum or ₹2/- per kilometer, whichever is more within municipal or cantonment limits (including return journey);
2. ₹50/- in lump sum or ₹3/- per kilometer whichever is more outside municipal and cantonment limits (including return journey)

Section Officer  
Ports, Transport and Fisheries Deptt.

**GUJARAT GOVERNMENT GAZETTE 22-07-1993**  
**HOME DEPARTMENT**  
**NOTIFICATION**  
**Sachivalaya, Gandhinagar**  
**Dated 05-07-1993**

**BOMBAY MOTOR VEHICLES TAX ACT, 1958**

NO.GH/G/93/79/MTA/1592/69(II)KH- In exercise of the powers conferred by clause (b) of sub-section (5) of section 3A of the B M V Tax Act, 1958 (Bom.LXV of 1958), the Government of Gujarat hereby authorises the Commissioner of Transport, Gujarat State to be the officer to whom a registered owner or a person or a person having possession or control of a designated omnibus, who has paid tax under section 3A has to prove to the satisfaction that the designated omnibus in respect of which the tax has been paid, has for the reasons beyond the control of such owner or person not been used or kept for the use for a continuous period of not less than one month but exceeding three months in a year.

By order and in the name of the Governor of Gujarat

**Joint Secretary to Govt.**

**10.8.2 Scrutiny of Exemption Orders in Audit**

Exemptions orders issued by the Government under Section 13(2) of the Tax Act require careful scrutiny in audit from the point of view of competency, regularity and propriety. These orders should be put up after scrutiny in receipt audit section to the Sr.DAG for acceptance. The same principle would apply to remissions as well.

**10.8.3 Refunds**

The grant of refunds of Motor Vehicles Tax paid in advance is regulated by Section 9 of the Tax Act and the corresponding Rules. Under the Rules and application in form DT is to be submitted by an owner claiming refund. The Regional Transport Officer after satisfying himself on the admissibility of a refund orders refund which is paid at the treasury on a special form ET prescribed in the Motor Vehicles Tax Rules. The refund bills are prepared on this from, a counterfoil bill book maintained by the Regional Transport Officer with reference to the counter foil available in the book and also register of refunds, maintained by the Regional Transport Officer refund payments should be scrutinized in audit in order to see that the refunds are correctly paid. In advance of the audit of a Regional Transport Office, the refund vouchers should be arranged to be obtained from the Rajkot Office. It should be further ensured in audit that a note of each refund is made by the Regional Transport Officer in the appropriate pages of the Tax-index cards as well as the cash book as a safeguard against double payment.

It should be ensured that the amount of refund has been correctly worked out against the original entry and rules in respect of duplicate refund voucher and revalidation are observed.



**Write off:** - In respect of orders of write off, of any taxes due to Govt. it should be seen that the orders are issued by the competent authority. The circumstances leading to the write off should be studied in detail in local audit so as to ensure that the write off was not occasional be failure to take prompt action for recovery.

**PartB: Bombay Motor Vehicles (Taxation of Passengers Act)**

**10.8.4 Exemption:** The State Government may by notification in the official gazette exempt totally or partially from payment of tax the passengers carried in stage carriage on such inter-state routes as may be specified in the notification or carried by stage carriages operating in furtherance of any educational, medical, philanthropic or other object.

**10.8.5 Refunds:** The Taxation officer is empowered to refund to an operator the amount of tax, interest and the penalty, if any, paid by such operator in excess of the amount payable under the Rules. The refund may be either by cash payment or at the option of the operator by deduction of such excess period. Where, however, a demand for tax against the operator has been issued, the tax officer should first apply the amount towards the demand and then refund the balance.

**Part-C: Carriage of Goods Taxation Act**

**10.8.6 Exemption:** The State Government may, subject to the provisions of any Rules made in that behalf, by notification in the official gazette totally or partially from payment of tax:

- (a) Any goods required to be so exempted in pursuance of any international arrangement or obligation.
- (b) Goods carried by or on behalf of any institution, recognized association or a public body in furtherance of any educational, medical, philanthropic or similar object.
- (c) Tractor-cum-trailers owned by an agriculturist when used by him for or in connection with agricultural operations or the carriage of his agricultural produce to a market.
- (d) Goods carried in such special or exceptional circumstances for such period and on such terms and conditions as may be specified in the notification.
- (e) Goods carried in any class of private goods vehicles or public goods vehicles, other than those falling under clause (C) or goods carried in any goods vehicles belonging to any class of persons.

Every notification issued shall be laid before the State Legislature as soon as may be after it is issued any shall be subject to recession by the legislature or to such modification as the legislature may make during the session in which it is so laid.

Any recession or modification so made by the State Legislature shall be published in the official gazette and shall thereupon take effect.

**10.8.7 Refund:** The taxation officer can refund to an operator the amount of tax, penalty and interest, if any, paid by such operator in excess of the amount due from him from time to time. The refund may at the option of the operator be by deduction of such excess from the amount of tax, penalty and interest, due from

him in respect of any other period. However the taxation officer shall before making any such refund first apply such excess towards the recovery of any amount due in respect of which a notice has been issued.

### **10.9 Fleet Owners (Commissioner of Transport Office)**

The Commissioner of Transport, Gandhinagar is the Administrative Head of the Motor Vehicle Department. In addition, he is also declared as a taxation authority in respect of fleet owners. In Gujarat, the Gujarat State Road Transport Corporation (GSRTC) and Ahmedabad Municipal Transport Services (AMTS) are the only fleet owners. Motor Vehicles Tax in respect of the vehicles operated by these bodies is collected by the Commissioner of Transport. In view of the fact that a certain amount of flexibility has to be allowed to such operators, in the matter of payment of tax by these bodies depending upon the use or non-use of their vehicles and the limits within which they operate during a year, the fleet owner procedure is contemplated in the Tax Act and the Rules. In accordance with this procedure, the fleet owner has to render to the Commissioner of Transport in February of each calendar year, a return in form "HT" (Rule 16(1)) showing therein the vehicles in their possession which are on the roads as on the date of the return. On the basis of this return, a provisional assessment of the Motor Vehicle tax payable/on the vehicle is assessed by the Commissioner of Transport in the form of an order issued by him in form "KT" (Rule 16(3)). During the course of the year, the GSRTC/AMTS go on intimating the Commissioner of Transport of all changes to the vehicles, having a bearing on their taxation. These mainly are non-use of vehicles, changes in limits of operation from general to municipal area or vice versa and alteration in the vehicles (seating capacity etc.). In the Commissioner's office a register of fleet owner's vehicles (FOV Register) is kept (At present the register is maintained in a different form JT) in which noting are made of the intimations of charge received. In April of the subsequent year, the GSRTC/AMTS shall send to the Commissioner a return in form IT/JT showing manner of the vehicles operated during the year and the taxes payable thereon. These returns are scrutinized by Commissioner's office with reference to the Register maintained by them and final assessment of tax is made in an order of the Commissioner of Transport in form "KT" (Rule 16(4)).

### **10.10 Payment of Tax by Vehicles Belonging to Other States**

Transport vehicles of other State entering in Gujarat requires permit issued by Regional Transport Authority of the home State. At the time of issue of such a permit the Regional Transport Authority of the home State will collect from the owner the taxes due to Gujarat State for the period of intended stay of the vehicle concerned in Gujarat and remit the amount collected to the Commissioner of Transport, Gujarat State, by a demand draft. The Regional Transport Authority of different States send to the Commissioner returns showing the details of the permit issued by them every month and the particulars of demand drafts sent. These returns should be scrutinized in audit to see that the demand drafts are in fact received and entered in the cash book maintained by the Commissioner of Transport and credited to Government account, without delay.

**10.10.1** Details of such vehicles which enter in Gujarat State through one or other of the check posts established by the State which are referred to in paragraph 4.2.2

which are maintained by inspectors of motor vehicles. The particulars of the vehicles seeking entry are entered in a register maintained in the check post where such a vehicle is one which carries the permit duly issued by a R.T.A. of another state with proper endorsement thereon of demand draft particulars, the inspector would allow entry to the vehicle after recording the particulars in his register. However, if the vehicle does not carry a permit the inspector will collect from the owner permit fees and appropriate taxes for the period of intended stay of the vehicle in Gujarat and issue a receipt to the owner. The receipts are entered by the inspector in his cash book and directly banked. The inspector will also make entry of such vehicle in his register. From this register the inspector sends a return to the Commissioner of Transport every month. These returns should be scrutinized in audit to see whether every vehicle entering with a permit has paid taxes due to Government with reference to the demand draft register. The cash realization by the inspector and their banking will however form a part of the check of the check post accounts in audit.

### **10.10.2 Inter-State Reciprocal Agreement**

The Government of Gujarat have entered in to Inter-State Reciprocal Transport Agreements with the adjoining State of Maharashtra, Rajasthan, Madhya Pradesh, and Union Territories of Goa, Diu, Dadra, Nagar Haveli and Delhi on the basis of single point taxation. Under the terms of agreement, the permits of Public and Private goods vehicles of one State are countersigned by the Reciprocating State and these vehicles will be allowed to operate on inter-State routes without payment of tax for the reciprocating State. For this a fixed number of vehicles of one State will be recommended by the State Transport Authority of that State for counter signature by the reciprocation State and vice versa.

The Government of Gujarat exempted with effect from 1<sup>st</sup> April 1997 the goods vehicles plying between any other State and the state of Gujarat under Reciprocal Transport Agreement and having counter signature of the State of Gujarat from the payment of tax to the extent of amount exceeding ₹5,500 of motor vehicles tax liable in the state of Gujarat for a period of each financial year irrespective of its gross vehicle weight subject to the following conditions:

- (1) The said sum of ₹5,500 payable as tax is paid in full in advance for each financial year.
- (2) The tax shall be assessed on pro rata basis for quarter in which countersignature has been granted and thereafter for other quarter. Quarter shall be taken as unit and not in month and days.
- (3) No refund on account of non-use or any other cause shall be permissible except in a case where the replacement of vehicle has been granted. The tax paid in respect of the vehicle covered by the countersignature permit shall be adjusted towards the replaced vehicle.
- (4) The tax leviable in respect of every such goods vehicles and any law relating to tax on motor vehicles for the time being in force in Gujarat State has been paid in full in relation to the financial year during which the vehicle is in use under the authority of countersignature permit in the state of Gujarat and the holder of such countersignature permit has obtained an endorsement there on that the tax has been

paid and produced it on demand for the inspection by any officer dully authorized or empowered by the State Government in this behalf.

*(HOME DEPARTMENT NOTIFICATION NO.G/G/97/48/MTA/1097/947/KH dated 31-3-1997. Effective from 1-4-1997).*

**10.11** A National Permit Scheme has also been implemented in the state. In suppression of Government Notification Home Department No.GH/G 193/112/MTA/2093 3115/KH dated 1<sup>st</sup> September 1993, the Government of Gujarat partially exempted goods carriages owned by public carriers National permits in respect thereof issued by the appropriate authority of any of the States (other than the State of Gujarat ) or Union Territories in India and who have chosen to operate their goods carriages in the State of Gujarat, from payment of so much of the amount of tax in excess of `5500 irrespective of the laden weight of the vehicle for a period of twelve months, from the date of issue of authorization, subject to the following conditions namely :

(1).The said sum of ₹5,500 payable as tax is paid in full in advance for a period of one year (herein after referred to as "composite tax) from the date of validity of the national permit or authorization.

(2). No refund on account of any circumstances shall be allowed.

(3). Where the said amount of tax remains unpaid on or before 15 days of the period of validity of authorization there shall be levied an additional sum of ₹100 per month or part thereof for each of the States or Union Territories as penalty for delay in the payment;

(4). The tax leviable in respect of every such goods carriage under any law relating to tax on motor vehicles for the time being in force in any such State or Union Territories has been paid in full in relation to the year so reckoned during which the vehicle is in use under authority of such national permit in the State of Gujarat and the holder of such national permit has obtained an endorsement thereon that the Tax has been paid, produce it on demand for inspection by any Officer duly authorized by the State Government in this behalf.

**Explanation :** For the purpose of this notification expression `national permit' means a permit granted under sub-section (14) of section 88 of the Motor Vehicles Act, 1988.(59 of 1988)

*(Amended vide Home Department Notification No.G/G/97/46/MTA 2093/3115/KH dated 27-3-1997.*

### **10.12 Payment of Goods Tax by Inter-State Vehicles**

The accounts of goods tax now merged with Motor Vehicles Tax (1-4-97) payment by vehicles covered under the agreements referred to above are maintained by the Commissioner in the form of index cards. The assessment and collection of goods tax in respect of inter-State vehicles should be scrutinized in audit with reference to the declarations filed by the operators-under Rule 4 of the Good Tax Rules, the index cards and the receipts issued in order to see that the assessments are correctly made and the collections properly accounted and remitted to the Treasury.

### **10.13 Registration Procedure**

To begin with, application forms received during the year of audit for registration of new vehicles should be taken up for audit. It should be seen whether the vehicles registered have been correctly classified under the appropriate tax classification given in the notification issued by Government under Section 3 of the Tax Act, special attention being paid to goods and passenger vehicles in respect of which the rate of tax is comparatively high.

**10.14** In pursuance of the provisions of Section 58(1) of the Motor Vehicles Act, 1988, the Central Government has specified effective from 1-7-1989 that in relation to the transport vehicles of all makes and models except motor cab, the maximum safe laden weight of motor vehicles and maximum safe axle weight of each axle of such vehicles shall be as follows, namely:

- (1) The maximum safe laden weight and maximum safe axle weight of each in relation to each make and model of such transport vehicle shall be as per the rating of the maximum axle weight of each axle fixed by the manufacturer.
- (2) The maximum safe axle weight determined in para (1) above shall be further restricted to the maximum safe axle weight given in the 'Table' below;
- (3) The maximum safe laden weight in respect of all such transport vehicles shall not be more than the sum total of all the maximum safe axle weight put together.

**Table**

The maximum safe axle weight shall be as follows:	Tonnes
(i) Single axle (single wheel) fitted with 1 tyre	3.0
(ii) Single axle fitted with 2 tyres	6.0
(iii) Single axle fitted with 4 tyres	10.2
(iv) Tandem axle fitted with 8 tyres	19.0

**10.14 Review of Tax Index Cards/Tax Registers**

The tax index cards / tax registers should be reviewed to the extent prescribed to see that owners pay tax regularly, penalty is levied according to rules for delay in payment and recovery action is energetic.

**10.15 Alteration of Vehicles**

The procedure for alterations of vehicles is set out in Section 52 of the Motor Vehicles Act. Under Section 7 of the Tax Act when a vehicle in respect of which tax is paid for a period is altered or used/ during such period in such a way as to make it liable to a higher rate of tax than that at which tax was paid, the owner should pay to Government difference of tax equal to the sum payable for the unexpired portion at the higher rate less the sum paid already for that period. Under the tax rule, applicants file declaration in form 'BT' for such alteration. These declarations should be scrutinized in audit and it should be seen whether the difference of tax has been recovered correctly in all cases.

**10.16 Licenses**

The audit scrutiny on licenses consists in checking whether for each service rendered on applications, proper fees have been recovered.

### **10.17 Fitness Certificate for Transport Vehicles**

Under Section 56 of the Motor Vehicles Act every transport vehicle is required to be in possession of a certificate of fitness. It should be seen in audit with reference to the fitness cards maintained by the Regional Transport Officer whether transport vehicles are inspected at required periodicity and whether fees for inspection and issue of certificates are levied correctly.

### **10.18 Permit**

Transport vehicles need permits under Section 66 of Chapter V of the Motor Vehicles Act. The fees for grant of different kinds of permits are prescribed in Motor Vehicles Rules. Applications for permit received on paper affixed with appropriate court fee stamp are entertained by the R.T.O.s. The applications are first entered in a register of applications through which their final disposal is watched. The details of permit issued are entered in suitable permit registers. These documents should be scrutinized in audit with the view to seeing generally that the permits are issued after following the prescribed procedure and appropriate fees are collected and credited to Government.

### **10.19 Payment of Goods and Passenger Tax**

The entries relating to pay load of vehicles on which lump sum payment of goods tax is based which is noted by the Regional Transport Officer on the top of the Goods Tax Register, it should be scrutinized with reference to the registration register which records the registered laden weight of vehicles. It should also be seen that the recovery of goods tax now merged with Motor Vehicle Tax (01.04.1997) at periodic interval is watched zealously, appropriate penalties levied for belated payment and proceedings instituted against defaulters. Likewise the assessment and recovery of passenger tax by the Regional Transport Officer should be scrutinized with reference to the returns submitted by the operator.

### **10.20 Departmental Action Cases**

These cases should be scrutinized in audit to see that fines and penalties levied for offences are according to the law and competent executive orders.

In respect of offences against permit conditions the Regional Transport Authority have laid down schedule of penalty to be imposed for different categories of offences. It should be generally seen that fines are levied in accordance with such directions, care being taken not to call in question discretionary exercise of powers by executive excepting cases in which decisions are grossly wrong or mala fide. In such cases no point should be included in the L.A.R. as a matter of routine but a note sent confidentially for orders of the Accountant General. Any instruction issued by the Government to finalize the D.A. cases may also be reviewed accordingly.

### **10.21 Corelation of Goods/ Passenger Tax Returns with Tax Index Card**

Under the Motor Vehicle Tax Act non-use declaration can be filed and the concession of not paying tax for such period availed of. The interlinking in audit of the goods now merged with MVT passenger tax record with the motor vehicles tax

index card/non-use declaration can indicate cases in which non-use concessions were incorrectly availed of. Similarly in respect of a new goods vehicle passenger vehicle registered it should be seen in audit that corresponding entry is made by the Regional Transport Office in the goods/passenger tax record so that the recovery of the latter taxes is not lost sight of.

### **10.22 Recovery of Tax**

In respect of Motor Vehicle Tax, the tax index card/tax register serves as the record of payment of tax. On the expiry of the tax payment period the tax index cards/tax registers are reviewed by the department and the position of payment of tax in respect of each registered vehicle noted in a position register. From this register, cases of non-payment of tax are entered in a demand notice register. Where however tax is paid by an owner in some other region, an enquiry letter is issued to the tax officer of the other region. The demand notice register serves as the basis for further action for recovery through the Recovery Mamlatdar. It should be seen in audit that each one of the above stages is correctly followed by the tax officer and there is no avoidable delay in the review of the card register the posting of the position register, and the issue of demand notices/enquiry letter. It must be ensured that in respect of each defaulting vehicle the process of recovery is carried to its completion and cases of write off of revenue are reduced to the minimum.

In regard to payment of goods tax a similar procedure is followed. In these cases on review of the register after each quarter demand notices are issued to owners of vehicles in default.

It should be seen in audit that the review action is efficiently done and demands are issued without any avoidable delay.

The bulk of the revenue on passenger tax is received from the Gujarat State Road Transport Corporation which is a statutory corporation, Revenue on this account is also received to a lesser extent from the transport service operated by the Ahmedabad Municipal Corporation. The returns of passenger fares collected and the passenger tax paid to Government are received from the undertaking in the office of the Commissioner of Transport, where the returns are scrutinized in audit. The Commissioner of Transport has accepted the suggestion of audit that the returns submitted by these main operators may be got certified by statutory auditors so that there may be an independent verification of the correctness of the particulars furnished in the return. In the audit of these returns it should be mainly seen whether the passenger tax payable to Government is correctly worked out on the basis of the figures of fare collections shown therein.

In regard to contract carriage operation the passenger tax is usually collected by the Regional Transport Officer at the time the permit for the contract operation is given. Where contract operation is under taken by the Gujarat State Road Transport or the Municipal Transport Services fares collected are according to tariff prescribed by them. In respect of such operation no difficulty is encountered in checking the passenger tax collected with reference to the particulars of the journey furnished and the mileages given in the standard Road Map.

### **10.23 Reconciliation with Treasury Accounts**

In RTO and ARTO, heavy cash collections are made in the tax collection period. The procedure for the receipt of money the issue of receipts therefor and the entry of the moneys received in the cash book was referred to in Chapter-2. In this paragraph, reference was also made to maintenance of summary register in the RTO/ ARTO for the purpose of affording the head of office an effective control over the moneys received as reported by the Cashier (Cash-book) and as reported by the accounts branch. The proper maintenance of this register is to receive careful attention in audit.

Under Rule 98(2) of the Bombay Treasury Rules it is the duty of the head of office to call for from the treasury officer at the end of each month a consolidated receipt for all remittances made during the month which should be compared by him with the postings in the cash-book. It should be ensured in audit that this important reconciliation is properly observed by the RTO/ ARTO / check posts. The Annexures of the treasury should be called for in audit for the months selected and it should be verified that all moneys entered in the cash-book as paid into the treasury have been acknowledged by the treasury officer and there is no scope for embezzlement.

In the absence of the proper maintenance of the summary register and the independent scrutiny by the accounts branch it is easily possible for an unscrupulous cashier to defalcate Government money by the simple device of entering the correct amount received in the copies of the receipt meant for the tax payer and for record with the vehicle file and entering a lesser amount in the last copy of the receipt which remains with the receipt book. In such an event the check of the triplicate receipt book. In such an event the check of the triplicate receipt book with the cash-book will not serve to expose the defalcation. The verification with the treasury record would not also indicate any irregularity. A fraud of this nature will not come to light in the scrutiny of the tax index card or other record kept for noting payment, since these records are posted with reference to the copy of the receipt containing the correct amount. On his part the tax payer will have no reason to complain because he is in possession of the receipt for correct amount paid and there is no occasion what-so ever for the department to issue any demand notice on him.

In order that such a fraud is not practiced, audit should not rest content with the scrutiny of the summary register and Cash-book posted by the departmental staff. To the extent prescribed in the Comptroller and Auditor General of India's instructions audit should verify independently the receipt recorded in the tax index card/vehicle/other relevant file with the cash-book posting instead of checking the cash book with the triplicate copy of the receipt alone.

The scrutiny of independent verification to the prescribed extent should be conducted by the receipt audit party while the tracing of triplicate receipts into the cash-book, striking the totals of the cash-book, reconciliation with treasury statement etc. will form part of expenditure audit.

## **10.24 Offences and Penalties**

### **Part-A**

#### **Motor Vehicle Tax Act 1958 and Rules Framed thereunder**



### **10.24.1 Incomplete and Untrue Declaration**

Whoever delivers a declaration or additional declaration, wherein the particulars required by the Act to be set forth are not fully and truly stated or obstructs any officer in the exercise of powers conferred upon him under the Act to enter any premises where a motor vehicle is kept or require the driver of any motor vehicle at any public place to stop the vehicle for the purpose of ascertaining whether taxes due under the Act has been paid shall on conviction be punished with fine not less than the quarterly tax and extending to a sum equal to the annual tax on the vehicle concerned. In the event of such a conviction after the first offence the fine shall be not less than the tax due for two quarters and will extend to twice the annual tax in the respect of the vehicle.

### **10.24.2 Non Payment of Tax**

Where the tax or any portion of the tax due for any period is not paid the taxation authority can levy in addition to the tax due a penalty not exceeding 25 *per cent* of the amount of tax payable for such period in respect of that motor vehicle.

### **10.24.3 Penalty for Contravention of Rules.**

In respect of contravention of the following Motor Vehicle Tax Rule, conviction and fine which may extend to two hundred rupees are provided for.

- (i) Rule 6 manner of filling in form AT.
- (ii) Rule 7 manner of delivery of AT declaration.
- (iii) Rule 8 relating to period within which declaration is to be made.
- (iv) Rule 9 governing additional declaration in form BT.
- (v) Rule 16 declaration by a fleet owner.
- (vi) Rule 17 application for exemption in form MT.
- (vii) Rule 21 declaration in Form FT of other State vehicle.
- (viii) Rule 24 manner of exhibition of Tax Token on the vehicle.

### **10.24.4 Other Penalties**

Whoever contravenes any of the provisions of the Act shall on conviction be punished with fine extending to ₹100 in the case of the 1<sup>st</sup> offence and to ₹200 in respect of subsequent offences. This provision applies if no other penalty is provided elsewhere for such a contravention.

### **Part-B**

**The Gujarat Motor Vehicle (Passenger Taxation) Act, 1958 and the Rules framed there under**

### **10.24.5 Offences and Penalties and Competent Court**

**(1) Any person who:**

- (a) being an operator, submits or allows to be submitted an incorrect or incomplete return under section 4 or fails to submit a return as required under that section, or
- (b) being an operator, fraudulently evades or allows to be evaded, the payment of any tax due from him, or,
- (c) being an operator, fraudulently makes or allow to be made any wrong entry in, or fraudulently omits or allow to be omitted any entry from, any statement submitted, or any accounts or register maintained by him, or,
- (d) willful acts in contravention of any of the provision of this Act or any Rules made there under or any lawful orders passed in accordance therewith.

Shall, on conviction, be punished with fine which may extend to one thousand rupees, and if the Magistrate so directs in his order, the person convicted shall pay in addition, as if it were a fine, such specified amount as the Magistrate may determine to be the amount which the person convicted had evaded to pay.

No offence punishable under this Act shall be inquired into or tried by any court inferior to that of a Magistrate of the second class.

**10.24.6 Offences by Companies**

(1) Where an offence under this Act has been committed by a company, every person who at the time the offence was committed, was in charge of and was responsible to the company for the conduct of the business of the company, as well as the company shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Provided that nothing contained herein shall render any such person liable to any punishment provided without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

(2) Where an offence under this Act has been committed by a company that the offence has been committed with the consent or connivance of or is attributable to an neglect on the part of, any director, manager, secretary, or other officer such office shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

**Explanation: -**

- (a) “company” means a body corporate, and includes a firm or other association of individuals, and
- (b) “director in relation to a firm means a partner in the firm,

**10.24.7Composition of Offences**

The Tax Officer may, either before or after the institution proceedings for any offence punishable under Section 15, accept from any person charged with such offence by way of composition of the offence, where the offence charged consists of the evasion of the tax, a sum of money not exceeding double the amount of the tax recoverable, in addition to the amount of tax so recoverable, and in other cases, a sum of money not exceeding two hundred and fifty rupees.

## **Part-C**

### **The Gujarat Carriage of Goods Taxation Act, 1962 and Rules made there under**

#### **10.24.8 Penalty for Non-Payment of Tax**

Any operator failing, without reasonable cause, to pay tax within time under the provisions of the Act shall be liable to pay in addition to the amount of the tax a sum not exceeding 25 *per cent*, thereof as penalty.

#### **10.24.9 Offences and Penalties and Competent Court**

(1) Any person who

(a) Being an operator

(i) submits or allows to be submitted an incorrect or incomplete return or fails to submit a return as required by or under any provisions of this Act, or

(ii) fraudulently evades or allows to be evaded, the payment of any tax due from him, or

(iii) fraudulently makes or causes or allows to be made any wrong entry in, or fraudulently omits or causes or allows to be omitted any entry from, any statement submitted, or any accounts or register, or

(b) willfully acts in contravention of any of the provisions of the Act or the Rules or any lawful orders passed in accordance therewith, shall, on conviction, be punished with fine which may extend to one thousand rupees, and if the Magistrate so directs in his order shall be liable to pay in addition as if it were a fine, such specified amount as the Magistrate may determine to be the amount the payment of which he had evaded.

(2) No offence punishable under the Act shall be inquired into or tried by any court inferior to that of a Magistrate of first class and except on complaints made by the Taxation Officer or by any other officer, authorized in that behalf by the State Government by a general or special order.

#### **10.24.10 Offences by Companies**

(1) Where an offence under this Act has been committed by a company every person who at the time the offence was committed, was in-charge of, and was responsible to the company for the conduct of the business of the company, as well as the company shall be deemed to be guilty of the offence and shall be liable to be prosecuted against and be punished accordingly.

Provided that, nothing contained herein shall render any such person liable to any punishment provided in the Act if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

(2) Where an offence under the Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of or is attributable to any neglect on the part of any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also

be deemed to be guilty of that offence and shall be liable to be prosecuted against and punished accordingly.

**Explanation:** (a) "Company" means a body corporate and includes a firm or other association of individuals and (b) "Director" in relation to a firm means a partner in the firm.

#### **10.24.11 Compounding of Offences**

(1) The Taxation Officer may either before or after the institution of proceedings for any offence punishable under Section 23 accept from any person charged with such offense by way of composition of the offence where the offence charged consists of the evasion of payment of tax, a sum of money not exceeding double the amount of the tax recoverable, in addition to the amount of tax so recoverable, and in any other case, a sum of money not exceeding two hundred and fifty rupees.

(2) On the payment of such sum as may be determined by the Taxation Officer under sub-section (1), if any criminal proceeding have been instituted against such person in respect of the offence, the composition shall be deemed to amount to an acquittal, and no further proceedings shall be taken against such person in respect of the same offence.

#### **10.25 Audit Checks**

The sampling technique and the audit checks to be adopted while conducting audit in respect of Motor Vehicle Tax has been brought out in **Appendix 10.3** and **Appendix 10.4** respectively.

#### **10.26 Gujarat State Road Transport Corporation (GSRTC)**

**10.26.1** Public road transport is catered to by State Road Transport Undertakings incorporated by respective State Government under Section 3 of the Road Transport Corporation Act, 1950 as wholly owned Corporation or as Government Company under Company Act, 1956 with a view to provide an efficient, adequate, economical and properly coordinated road transport.

GSRTC is passenger transport organization providing bus services both within Gujarat and neighboring States. GSRTC came in to existence on 01 May 1960 on formation of Gujarat from a modest beginning of 7 divisions 76 depot and 7 division workshops and it has gone to 16 divisions, 125 Depots and 16 division workshops and one Central Workshop in Ahmedabad.

GSRTC also has the powers to manufacture, purchase, maintain, and repair rolling stock, vehicles, appliances, plant, equipment or any other things required for the purpose of any of the activities of the corporation.

The Administrative set up of the GSRTC is comprising of the Chairman, the Vice Chairman and Managing Directors, and assisted by the Executive Director (Vigilance), the General Manager (ADM), the General Managers (Operation), the Chief Accountant Officer and the Financial Adviser.

### **10.26.2 Functions:**

- Creation of the State of Art Public Transport Facilities for the users.
- To ensure that Public Transport Infrastructure does not suffer due to under investment & lack of funds.
- Operation & Maintenance of the Public Transport Infrastructures by Private Sectors.
- Introduction of best management practice in Public Transport Infrastructure.
- Self sustainable model for optimum utilization of public land.

### **10.26.3 Law Administered/ Governed by:**

- Road Transport Corporation Act, 1950
- Gujarat State Road Transport Corporation Rules
- Motor Vehicles Act, 1988
- Central Motor Vehicles Act, 1989
- Carriers Act, 1865
- Carriage By Road Act, 2005 (Revised)

### **10.26.4 Overview/Activities**

- i. Providing transport facilities right up to remote areas covering 98 *per cent* villages.
- ii. GSRTC is going to induct 1600 new buses which includes 700 express, 200 Gurjarnagari (12 meter long), 500 Gurjarnagari (10 meter long) and 200 sleeper coach buses in financial year 2016- 17 with the help of Government of Gujarat.
- iii. Public will be facilitated with the Passenger Information System by installing GPS based vehicle tracking system in 2400 express services of GSRTC.
- iv. 60 major bus stations have been equipped with Online Electronic Surveillance Vigilance System by installing CCTV cameras. GSRTC is going to implement the same at rest of 65 bus station with the help of Govt. of Gujarat in year 2016-17.
- v. GSRTC is going to issue RFID Smart Cards based commuter passes to daily passengers.
- vi. GSRTC has introduced an Online Grievances System on its website for the valuable suggestions and complaints from the passengers and then response and solution of the same from GSRTC.
- vii. Introduced Online Monitoring Cell, featured with 24X7 toll free support to assist the commuters with any prevailed difficulties in Online Passenger Reservation System.
- viii. GSRTC is going to authorize 1000 modern and reasonable highway hotels for the long route passengers.
- ix. Total renovation of central workshop including epoxy flooring.
- x. With the help of the State Govt. grant, the work for the renovation/up gradation of staff quarters, depot workshops, divisional offices in under progress.

### **10.26.5 E-Governance**

- (i) First in country to introduce GPS / PIS based Bus Tracking & Passenger Information System for Monitoring in GSRTC buses.
- (ii) GSRTC has launched its own website www.gsrtc.in. Online time table for express services has been uploaded on website and also through SMS Internet based online passenger reservation system for passengers as well as E-Ticketing for Public.
- (iii) Internet based online passenger reservation system for passengers as well as E-Ticketing for Public.
- (iv) CCTV Camera based surveillance Vigilance system has installed in all 125 Depots.
- (v) Integrated Depot Management System has implemented in all 125 Depots.
- (vi) Central Stores and all Divisional Stores have been computerized. Inventory Management System (INMANS) has been implemented successfully.
- (vii) Computerized Pass Issue System has been introduced for Daily & Student passes.
- (viii) Laboratory testing analysis at Central Store has been computerized.
- (ix) Pay Bill and Provident Fund System of all employees has been computerized.
- (x) Statistical analysis has been carried out through computerized system.
- (xi) E tendering process has been established.
- (xii) Implementing “Automatic driver testing system” for driving skill test.
- (xiii) Implemented Video Conference System between Central Office and All 16 Division Office

### **10.26.6 Special Services**

GSRTC provide the special services viz., (i) Services to accommodate some major schedule of railway; (ii) Festival Services; (iii) Services to connecting industrial zones; (iv) Services to connecting to schools, and colleges; (v) Services to connecting pilgrim places (vi) Contract Service Buses are given out on contract basis to Public for special occasion.

Audit of the GSRTC is conducted under section 19 (2) of Comptroller & Auditor General's DPC Act, 1971.

### **10.26.7 Special points to be seen**

- i. To review the various manuals approved by the Competent Authority for implementation of Scheme/ Programme/ Projects/ Activities of the Department. Examine the cases for any inconsistencies and non-compliances with reference to the manuals.
- ii. To examine whether the Delegation of Powers approved by the Competent Authority.
- iii. To examine whether departmental receipt/revenue have been taken into departmental account and credited the same into treasury/ Bank within prescribed period.

- iv. To examine whether budget provisions for implementation of Scheme, Programme, Project etc. and expenditure thereof.
- v. To examine whether the Grants received from the State/ Central Government are utilised for the purpose it was granted/sanctioned.
- vi. To examine unutilized grant that has been surrendered to Government Account.
- vii. Usually the funds drawn for various Schemes/ Programmes/ Projects etc. are kept in Personal Deposit (PD) Account/ TP Account with the Treasury or Bank Account. Examine whether sanction exists for depositing the funds in such accounts.
- viii. To examine the Management Information System (MIS) Reports, Monthly/ Quarterly/ Yearly Progress Reports/ Expenditure Reports pertaining to activities of Department/ Scheme/ Programme/ Projects etc. Examine whether it indicates delay/ slow progress etc.
- ix. To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies mitigation of operational risk.
- x. To examine whether the corporation has prescribed norms on desired age of bus in line with the norms prescribed by the Association of State Road Transport Undertakings (ASRTU).
- xi. To examine the fleet utilization vis-à-vis the achievements. Analyses the reasons for deviations, if any, for not achieving the targets.
- xii. To examine whether vehicle productivity (refer to the average kilometers run by each bus per day) in a year was significantly low.
- xiii. To examine any scientific route survey for maximizing the load factor.
- xiv. To examine the system of recovering fares from its commuters on rationale with reference to the operational cost.
- xv. To examine the cancellation of schedule kilometers for buses and crew and its impact on the contribution.
- xvi. To examine the system of preventive maintenance of buses in order to reduce breakdowns/ and other mechanical failure.
- xvii. To analyses the un-economical routes operated by the Corporation.
- xviii. To critically examine the repair and maintenance cost on over aged buses.
- xix. To examine whether the Corporation has fixed the target for fuel efficiency considering the local conditions and past experiences.
- xx. To examine system of deployment of vigilance squads for curtailing the leakage of revenue.
- xxi. To examine whether the system of physical verification of Store and Stock inadequate.
- xxii. To examine the surplus, non-moving and obsolete stores, its utilization and disposal.
- xxiii. To examine whether idle equipment/unserviceable/store and stock have been auctioned.
- xxiv. To examine the system of costing for determination of operating cost and various jobs undertaken by the workshops.
- xxv. To examine whether INMANS software has implemented fully and functioning properly at Central Stores and all Divisional Stores.
- xxvi. To examine whether the Management Information System of Store was adequate and effective.
- xxvii. To examine whether the store related data was properly synchronized between IDMS and INMANS.

- xxviii. Whether IDMS and INMANS software integrated fully/partially.
- xxix. To examine whether purchase policy for procurement of materials/ services etc. Whether Purchase Committee has been formed at appropriate level and procurements have been made as per purchase policies of the Industries & Mines Department.
- xxx. To examine whether the system of tendering for execution for various projects/ system of procurements of material/ services/ machineries etc. the system of bid evaluation may also examined.
- xxxi. Examine whether the involvement of Public Private Partnership (PPP) was based on calling for Expression of Interest (EoI), Memorandum of Understanding (MoU) by clearly specifying the qualification criteria.
- xxxii. To examine whether the terms and conditions in PPP Agreement for implementation of project is in financial interest of the Government.
- xxxiii. To examine whether the Disputes/ Court Cases/ Arbitration cases against department and by the department against Supplier/ Contractors/ Parties have been adequately addressed.
- xxxiv. Examine whether fund drawn on Abstract bills/ by way of issue of charges against expenses, department receipt credited it Govt. Account has been reconciled within Treasury/ Bank and deposited/ credited into correct head of Accounts.

## **10.27 Gujarat Maritime Board (GMB)**

**10.27.1**The State of Gujarat has 1600 km long coastline and hence the ports in the State play an important role in stimulating economic activity by serving the vast north and central Indian hinterland. The State had one major port at Kandla and (48) minor ports as on 31 March(2021). The Government of Gujarat (GoG) managed all the minor ports (port) until April 1982. Kandla Port is managed by Government of India (GoI) under the Major Ports Trust Act, 1963. Gujarat Maritime Board Act, 1981 (GMB Act) was enacted on 23 June 1981 for administration, control and management of these ports. Accordingly, Gujarat Maritime Board (GMB) was established (April 1982) by GoG under the administrative control of the Ports & Transport (P&T) Department of Government of Gujarat. It is responsible for the development of infrastructure and port related activities. For effective control and administration, the GMB has classified the (48) ports based on their geographical location into 10 Port Offices (POs). GMB controls the activities of ports through its 10 POs and collects both the State charges and its own charges.

The GMB is Statutory Board specially set up under the Gujarat Maritime Board Act-1981 to implement Port policy of the Government of Gujarat which is created for the Port development at coastal areas of Gujarat State.

The management of GMB is vested in a Board of Directors (BoD) consisting of twelve members including the Chairman, who are appointed by the State Government. The Vice Chairman and the Chief Executive Officer is assisted in day-to-day functioning by 11 Head of Departments (HoD) and 10 Port Officers.

The Board is headed by the Chief Secretary to the Government of Gujarat as Chairman. He is assisted by the Vice Chairman and Chief Executive Officer.



Under the VC&CEO, there are departmental heads viz. FC & CAO, Chief Engineer, Nautical Surveyor & Chief Nautical Officer, OSD (Admn), GM (Projects) & CGM, GM(H.R.), GM(Business Development), SE(Mechanical), SE(Dredging).

Audit of GMB is conducted under Section 20(1) of the Comptroller and Auditor General's DPC Act, 1971.

**Vision:** To capture the strategic advantage of India's longest coastline Gujarat is endowed with; develop maritime infrastructure, facilities & services comparable with global standards and to place Gujarat prominently on the international shipping map

**Mission:** To sustain, facilitate and excel in developing multi purpose port and logistic facilities and shipping related industry via its competent services and timely infrastructure development

### **10.27.2 Objectives**

- To maximize coastal benefits and strategic advantages of Gujarat Ports
- To capture maximum traffic at Gujarat Ports and enhance container traffic at GMB Ports
- To further strengthen its role in liquid and bulk cargo container traffic at GMB Ports
- To develop Gujarat as a Shipbuilding/Repair Hub
- To promote various other port led development as Ro-Ro Ferry Terminal services, Jetty Services, Marine Tourism, Logistic Parks
- To provide services, property and infrastructure support that will promote private investment
- To ensure and protect ecological balance and safeguard social and environmental issues
- To bring innovation and implement latest technology at all ports
- To ensure safety and security at all levels of operation

### **10.27.3 Laws Administered / Governed by:**

- a. Gujarat Maritime Board Act, 1981
- b. Indian Port Act
- c. Port Policy, 1995
- d. Ship Building Policy, 2010
- e. Schedule of Port Charges
- f. Model Concession Agreement
- g. Lease Agreement

### **10.27.4 Departments of GMB**

- i. **Engineering:** Prime Responsibility is in execution of Civil engineering projects at GMB. They also do project monitoring and

implementation of special projects (Like Ro-Pax Ferry Project etc.)

- ii. **Human Resources:** They are responsible for dealing with all administrative matters like staff matters, establishment including Recruitment, training, confidential reports, etc.
- iii. **Finance and Accounts:** Primarily responsible for dealing with all financial matters of the Organization. They are also entrusted with the responsibility of budget preparation, fund disbursement, trust management, etc.
- iv. **Nautical:** Nautical Branch deals with matters related to Disaster management, pollution control and navigational issues. It also works towards implementation of IV Act, IMO regulations etc at various ports of the State.
- v. **Mechanical:** Primarily responsible for execution of mechanical projects, including procurement and disposal. They also conduct regular maintenance of mechanical & electrical equipments/ assets of GMB.
- vi. **Dredging:** Responsible for carrying out dredging work within GMB ports. They also conduct regular maintenance and manning of dredgers and dredging equipment's of GMB.
- vii. **I.T.:** Responsible for computer and system related matters at GMB. They also take care of procurement of computers, installation of software (IPMS, POMS etc.) at GMB ports.
- viii. **Traffic:** Primarily responsible for compiling traffic data and fixing SOPC. Traffic Branch also provides permissions for lease of GMB plots, godowns, etc.
- ix. **Projects:** Primarily responsible for dealing with all projects monitoring system for all civil and mechanical projects. Apart from that Projects Branch also constitute Strategic Cell, which works towards many Strategic projects and related initiatives.
- x. **Privatization:** Privatization Cell deals with matters related to development of Greenfield ports/ private jetties/ captive jetties/ shipyards on PPP basis such as conducting feasibility study, bidding, DPR approval, Concession Agreement approval etc.
- xi. **Public Relations:** Public Relations Cell deals with all public relations and marketing efforts such as road shows, press, media content, etc. They also supervise execution of various investors/stakeholders events, exhibitions, conferences or seminars undertaken by GMB.
- xii. **Environment:** Environment Branch is responsible for all environment related matters for ports such as carrying out studies, liaison with MoEF/ GPCB and ensuring compliance with environment laws at GMB.
- xiii. **Alang:** Responsible for execution of Ship Breaking Rules and Regulations for facilitating ship recycling activities at Ship Recycling Yards at Alang and Sachana.

#### 10.27.5 Present Activities/ Achievement

- i. The GMB ports handled around 171.69 Million Metric Tons (MMT) of traffic till the month of September 2020 of 2020- 21, as compared to 200.90 MMT of traffic handled during the same period last year.
- ii. The Kutch SagarSetu Project undertaken by GMB jointly with Tourism Department, Government of Gujarat and a Private operator- DwarkaKutchh Ferries & Tourism Pvt Ltd: Under this project, the ferry service between Okha and Mandvi will be opening shortly, reducing the twelve hour road journey to just one hour by sea.
- iii. Operation & Maintenance of Safety Training & Welfare Institute of Workers at Alang under Sagar Mala Project of GoI: A new training mechanism is required to be created to impart comprehensive training about Occupational Safety & Hazard to Workers employed at the ship recycling yards imparting them knowledge about issues in ship recycling operations that expose workers to a wide range of hazards at workplace activities and are likely to cause injuries, death or chronic occupational disease.
- iv. Rail Connectivity at Bedi/ Rozi Pier: Bedi is connected by broad gauge railway line with rest of India. The nearest broad gauge railway station is at Jamnagar which is 7 KM away from Bedi.
- v. Japan International Cooperation Agency (JICA): The Alang Shiprecycling yard Bhavnagar District – The objective of the project is to improve the operation of ship recycling by upgrading the facilities and working procedure of Ship recycling yard allied with “ The Hong Kong International Convention for safe and Environmentally sound recycling of Ships. The project falls into the waste management sector under the JICA guidelines for environmental and social considerations.
- vi. Modernization of the Ship Recycling Yard
- vii. Dry Dock for decontamination of the Hazardous Waste onboard & inbuilt
- viii. Environmental Facilities for disposal of the wasteWelfareInfrastructure For workers for providingbetterfacilities to the workers.
- ix. Gujarat Maritime University:
  - x. Gujarat Maritime University has been established under the Gujarat Private Universities Act, 2009. The prime objective of Gujarat Maritime University is to be a global centre of excellence in maritime education research and development, professional training and it seems to enhance and increase the Human Capital and capacity of maritime industry both in India and across the Globe.
- xi. Maritime Cluster: Gujarat Maritime Cluster is conceived as a dedicated ecosystem of Ports, Maritime / Shipping and Logistics service Providers. Gujarat Maritime cluster will host an array of maritime/ shipping industry players and service providers along with relevant Government regulatory agencies, in Gujarat International Finance Tech City (GIFT CITY) Gandhinagar, thus enabling a synergetic collaboration. Gujarat maritime cluster strives to become a one stop solution for the Maritime fraternity.
- xii. Shipyard Development: Gujarat has 9 operational shipyards having an annual capacity of 1.1 million DWT.

- xiii. Presently Gujarat has 9 shipbuilding yards in operation at MagdallaSurat, JageshwarDahej, Hazira, Kaladara Village, Pipavav, old Port Bhavnagar, Billimora, Chanch near Pipavav, eight under execution and 6 under process of approval and Gujarat Maritime Board has envisaged for more notable shipbuilding projects.
- xiv. Gujarat Maritime Board has envisaged developing a cluster based shipyards or Marine Shipbuilding Park (MSP) within a stretch of 5 to 8 km along the waterfronts of Gujarat coasts. The waterfront will be provided for development on a long-term basis.
- xv. Government has also taken initiative to establish /upgrade training institutes to provide training for specific skill required for the Ship Building Industry. Two locations have been approved along the Gujarat Coast to develop as 'Marine Shipbuilding Park' viz. North bank of Narmada River in Dahej region and Old Bhavnagar port.
- xvi. LNG Terminal with Floating Storage and Regasification Unit (FSRU) will be developed at Jafrabad with private investment of more than ₹.4000crore.
- xvii. In-Principal approval has been granted to M/s Sea Ports Pvt. Ltd. (an IL&FS Group company) for development of multipurpose jetty for the proposed SEZ by the Government for development of captive jetties.
- xviii. Information Technology: Presently POMS project is under implementation which aims at enhancing the performance of Gujarat port's services required for long term strategic growth of the ports under GMB. Various features to facilitate desired functionality are Port Operations, Cargo Management system (CMS), Revenue Management system, online payment and online Port User Registration.

## **Infrastructure Development**

### **10.27.6 GMB owned Ports**

Gujarat Maritime Board is responsible for management, control and administration of 48 ports in Gujarat State. These ports under the jurisdiction of Gujarat Maritime Board are grouped into 10 ports and each of these groups is headed by the respective Port Officer.

- i. Bedi Port
- ii. Jafrabad Port
- iii. Navlakhi Port
- iv. Veraval Port
- v. Bhavnagar Port
- vi. Magdalla Port
- vii. Okha Port
- viii. Dahej Port
- ix. Mandvi Port
- x. Porbandar Port

### **10.27.7 Privatization**

Gujarat Maritime Board has multiple port privatization models to promote private player participation in Gujarat ports and to enhance its holistic development.

These port projects are being developed under BOOT policy (Build Own Operate Transfer) and will be transferred back to GMB after completion of 30 years BOOT period.

### **Captive Jetties**

Private companies have been granted permission to construct captive jetties on BOMT (Build, Operate, Maintain and Transfer) basis to cater to their import-export requirement. As per this model, a port-based industry creates port facilities to import their industrial raw material and exports their finished products. These jetties are allowed to be used till the industry for which the jetty was constructed is continued by the respective companies. Currently, 30 captive jetties are operational at Gujarat coastline.

### **Private Jetties**

Port facilities are offered to private companies to be developed through private investment. Following are the general guidelines of privatization: i. Incomplete works of wharf/jetty/quay of GMB, ii. Privatization of construction of new wharves/ jetties in selected sites, iii. Installing modern mechanized handling system to handle cargo by private investment in order to increase efficiency.

The private jetties are granted permission for a lease period varying from 5 to 25 years depending on investment.

#### **10.27.8 Special points to be seen**

- i. The examination of the marine services, cargo handling, storage facility, cargo handling capacity augmentation, tariff fixation and approval thereof from GoG, financial and estate management, and Public Private Partnerships will be the probable areas for audit examination. The examination of the areas to be carried out to ascertain whether:
  - ii. the amounts recoverable from private ports, private Jetties and captive jetties were recovered timely and as per rates specified;
  - iii. the dredging at various ports was carried out efficiently and the port dredgers were effectively utilised so as to recover the fixed cost;
  - iv. the terms and conditions for private/ captive jetties were not prejudicial to the interest of the Board;
  - v. the capacity augmentation schemes were implemented effectively, efficiently and economically;
  - vi. the assets of the Board were protected, properly insured, efficiently safeguarded and effectively utilised for operations and the obsolete assets are timely disposed-off;
  - vii. the Public Private Partnership (PPP) model adopted for developing infrastructure at the ports was efficient, effective and economical and effective steps were taken for implementing various projects as per MoU;
  - viii. the accounting and auditing arrangements in the PPP venture provided adequate access of its original books, to GoG appointed Statutory auditor's;
  - ix. the performance bench marks viz., output per ship berth day, idle time at berth, pre-berthing detention and turnaround time in GMB operated ports were prescribed;
  - x. whether applicable environmental laws/ regulations were complied

- xi. port equipment's were not obsolete, remained underutilised and were adhering to minimum utilization norms;
- xii. Comparative study of port operations in private ports vis-à-vis GMB jetties.
- xiii. Parking and Investment of GMB Funds.
- xiv. Grant received and grant utilization for specific purpose, Terms and Conditions of Grants.
- xv. Deposit Works undertaken by GMB.
- xvi. Lease Agreement, Different Royalty and charges like Lighterage charges, waterfront royalty etc.

### **10.27.9 Focus Areas**

#### **Private Ports**

- i. Terms and Conditions of the Concession Agreement executed between the Private party and the GMB are being adhered to and currency of terms of concession agreement
- ii. Water Front Royalty is being paid by the Licensee to the Licensor as per Option 1 for Royalty Payments: Straight Line Option **or** Option 2 for Royalty Payments: Set-off Option, as the case may be.
- iii. Correctness of the working of Water Front Royalty payable / set off by the Licensee, in accordance with the actual throughputs of each particular type of cargo in the month.

#### **Captive Jetties**

- i. Terms and Conditions of the Captive/Lease Agreement executed between the Private party and the GMB are being adhered to and currency of terms of Lease agreement
- ii. Concession in Wharfage charges given as per terms of the agreement
- iii. Correctness of the working of Concession in wharfage charges, in accordance with the cargo handled
- iv. Handling of cargo in violation of terms and conditions of the Lease Agreement I .e. cargo not intended for captive consumption are not handled

#### **Private Jetties**

- i. Terms and Conditions of the Lease Agreement executed between the Private party and the GMB are being adhered to and currency of terms of Lease agreement
- ii. Concession in Port charges given as per terms of the agreement
- iii. Correctness of the working of Concession in port charges, in accordance with the cargo handled

## **10.28 Gujarat Ports Infrastructure and Development Company Limited (GPIDCL)**

**10.28.1**The Company was incorporated on 25 July 1997 as a special purpose vehicle of Gujarat Maritime Board (GMB) with an objective to promote, develop, aid and assist all kind of port related activities and services. The Authorised and Paid-up Share Capital of the Company stood at ₹200 crore and ₹ 18 crore respectively as at the end of March 2018. The Paid-up Share Capital of the Company is wholly held by GMB. The main objectives are to promote, develop, upgrade, operate, organise, manage, and deal in classes, types, kind and forms of:

- Minor and major ports, shipyards, jetties;
- Harbours, as well as dock including basins, locks, cuts, entrance, graving locks, graving blocks, inclined planes, slipways, gridirons, moorings, transit sheds, warehouse, godowns, open plots, works and things appertaining to any dock and also the portion of sea enclosed or protected by the arms of groves of a harbor;
- Piers including any stage, stairs landing place, hard jetty, floating barge or pontoon and any bridges and work connected therewith;
- Wharfs including all wall or stage or any part of land or foreshore that may be used for loading or unloading goods or for the embarkation or disembarkation of passengers and any well enclosed or adjoining the same and also;
- Infrastructural facilities, utilities, conveniences and amenities including roads, buildings, warehouse and those relating to cargo-handling, ship-building, ship-repairing and shop-breaking.

The Gujarat Port Infrastructure and Development Company Limited (GPIDCL) is a subsidiary of Gujarat Maritime Board (GMB). The management of GPIDCL is vested in the Board of Directors (BoD) consisting of four members and is headed by the Managing Director.

### **10.28.2 Special points to be seen during the audit**

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.

- (f) To examine receipt of *Zero per cent* debt instrument for the amount calculated @11 *per cent* of equivalent of Indian rupee for US\$60 Million brought into Gujarat Adani Port Limited (GAPL) by the shareholders of Adani Container (Mundra) Terminals Limited (ACTL) as stipulated by the GMB (10 May 2003) while approving transfer of 100 *per cent* equity share capital of ACTL to P&O Ports (Mundra) Private Limited.
- (g) To examine the pending Arbitration cases, if any.
- (h) To examine whether there were deviations to the core objectives indicated in the Memorandum of Association.
- (i) Whether the administrative/office expenditure are being carried out with effective, economical and efficient manner.
- (j) Whether the management of ports i.e., ports operation including port infrastructure development/revenue realization is being done effectively.
- (k) Whether Government fund along with interest earned on it is being managed efficiently and effectively.
- (l) Whether the procedure for awarding contract was transparent and in line with the purchase policy and delegation of power.
- (m) Whether provision of the Company's Acts, Memorandum of Association and other law is being complied.

**Note:** For Expenditure Audit under Section 13 of Comptroller & Auditor General's DPC Act, 1971, General Principles enumerated in MSO (Audit) should be kept in mind.

For Audit of Autonomous Bodies/ PSUs/ Companies/ Corporations, General Principles enumerated in MSO (Audit) should be kept in mind.

Besides, following Annexure may also be referred to:

1. Annexure 1: Audit of Autonomous Bodies
2. Annexure 2: Audit of Government Companies and Corporations
3. Annexure 3: Audit of Expenditure/ Establishment Audit
4. Annexure 4: Audit of Grants or Loans given to Authorities/ Bodies for Specific Purpose



## ANNEXURE 1

**No:**  
Government of India,  
Ministry of Finance,  
Department of Economic Affairs, New Delhi.

Date:

To,  
The Comptroller and Auditor  
General of India, New Delhi.

Subject: Entrustment of audit of accounts to the Comptroller and Auditor General of India under section 20 of the C&AG (DPC of service Act, 1971).

Sir,

I am directed to state that the President of India is pleased to request the Comptroller and Auditor General of India to undertake the audit of the accounts of \_\_\_\_\_ in terms of Section 20 of the CAG's (Duties, Powers and Conditions of Services) Act, 1971.

As required under the said section, the office of the Comptroller and Auditor General of India has been consulted vide their U.O. No. \_\_\_\_\_.  
Provisions of sub-section (3) of Section 20 of the said Act are satisfied in this case. The terms and conditions for conducting the audit of the accounts of the said Institution/Body/Authority shall be as indicated in the annexure hereto.

**Yours faithfully,**

-Sd-

**Officer on Special Duty (Budget).**

### TERMS AND CONDITIONS

Any expenditure incurred in connection with the audit will be payable by the body to the Comptroller and Auditor General of India.

The Comptroller and Auditor General of India or any person appointed by him in connection with the audit shall have the same rights; privileges and authority the C&AG has in connection with the audit of Government accounts.

The result of audit will be communicated by the C&AG or any person appointed by him to the Governing body who shall submit a copy of the report along with its observations to the Government. The C&AG will also forward a copy of the report direct to the Government.

The audit is entrusted to the C&AG in public interest for period of 5 years in the first instance, subject to review of arrangement after that period.

No other auditor will be appointed for any purpose whatsoever in connection with the accounts of the body (except with the prior approval of the C&AG).

The scopes, extent and manner of conducting audit shall be as decided by the Comptroller and Auditor General.

The C&AG will have the right to report to Parliament/ State Legislature the results of audit, at his discretion.

**ANNEXURE 2**

**TITLE SHEET OF THE INSPECTION REPORT**

*(To be submitted with every inspection report)*

**Annexure II**

<b>TITLE SHEET (TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT)</b>		
	<b>PART A Summary of audit results</b>	
1	Name of the organisation audited	
2	Name of party personnel	
	(i) Sr. Audit Officer/ Audit Officer	
	(ii) Sr. Audit Officer/ Audit Officer	
	(iii) Asst. Audit Officer/ Supervisor	
3	Period of audit	
4	Dates of commencement and completion of audit (Extension of time, if any, granted may be separately indicated)	
5	Whether entry conference was held with the Audited Entity? If yes, enclose Minutes/ Record of discussions. If no, provide reasons	
6	Number of potential paras (drawing reference to paras.) included in Part-IIA of the Inspection Report	
7	Number of paras (drawing reference to para nos.) relating to fraud or misappropriation, presumptive fraud and leakage of revenue etc	
8	Paras relating to persistent irregularities etc that need to be brought to the notice of HOD through Management Letter	
9	Briefly mention the challenges faced during audit (non-production of records, manpower or resource constraints, scope limitation etc) and how they were addressed during the course of audit.	
10	Suggestions for overcoming such challenges in future audits.	
11	Whether Exit Conference was held and draft Inspection Report discussed with the Head/ Nodal Officer of the Audited Entity. If no, reasons may be indicated.	
12	Date of submission of Draft Inspection Report and all working papers to Hqrs. (may be submitted within a period of 7 working date from the date of conclusion of audit).	
13	Reasons for delay in submission of draft IR etc. to	

	Hqrs with reference to allotted time period, if any.				
14	General remarks, if any.				
15	<p>Whether HMs/Paragraphs, if any, reported to the higher authority in advance and approval obtained.</p> <p>Whether compliance to the queries raised by Hqrs. in respect of HMs proposed have been submitted and duly approved by Group Officer.</p> <p><i>(HMs in respect of audit observation valuing ₹ 1 crore/ 25 crore and above to be reported to Group Officer/PAG respectively)</i></p>				
	<b>Part B</b>				
	<b>(Details of audit process followed)</b>				
1	Whether the allocation of duties amongst each member of the Audit Team (SAO/ AO/ AAO/ Sr Auditor/ Auditor) was prepared in line with the planned broad assignment plan and acknowledged by the respective party members? If no, reason and justification may be provided.				
2	Sampling methodology adopted (Use as many rows as needed)				
	Sl. No	Section/ Wing being audited	Nature of document	No selected for review	
		The selection on judgemental based. Kept at P._____/c			
3	Whether focus areas identified and procedures applied were as planned (with reference to the plan as approved by Group Officer before commencing the audit) If no, reasons and justification may be				
4	Whether all issues marked for examination by Group Officer on supervision/ Hqrs section have been addressed?				
5	Whether all work assigned as per allocation of duties was completed? If no, provide the whether the reasons and justifications are provided.				
6	Briefly indicate the potential focus areas for next audit.				
7	Whether daily diaries indicating the documents/ records checked by team members of the Audit Team have been prepared, signed and enclosed?				
8	Whether a certificate of obtaining sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report has been provided?				
9	Whether the key documents have been referenced in the para and the source of evidence has been provided as footnotes?				

10	Please indicate the position of outstanding paras of previous Inspection Reports as under:			
	Period of Inspection Reports	No of paras outstanding (opening)	No of paras outstanding (closing)	
11	Whether a certificate that the audit was conducted in accordance with the CAG's Auditing Standards 2017 has been provided?			
12	Whether a certificate that the audit party has complied with the Audit Quality Framework and Code of Ethics has been provided?			

**Annexure B**

**Proforma for Duty list of each member of the Audit Team**

Duties assigned	Work Assigned	Noted and signed (Acknowledgement)

**Annexure C**

**Follow up of supervision by the Group Officer**

Name of the Audited Entity	Date of Supervision	Comments/Queries of the Group Officer	Action taken by the Audit Team on Comments/Queries.

**Annexure D**

We have examined all the issues as per the duty list (except following) and necessary audit observations based on audit scrutiny have been issued.

Sr. No.	Brief particulars of the issues which could not be seen in audit.	Reasons therefore (Non availability of records, time constraints, shortage of manpower, other constraints/reasons) etc.

**Annexure E**

**Daily Diary of each member of the Audit Team**

Date	Brief details such as file number, item of work done, records seen and examined etc.

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## **Annexure F**

### **Certificate**

It is certified that:

- a) sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report have been obtained and have been submitted along with the Draft Inspection Report
- b) that the audit was conducted in accordance with the CAG's Auditing Standards 2017

the audit party has complied with the Audit Quality Framework and Code of Ethics

**Annexure II (A)**

<b>(TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT EXCLUSIVELY FOR R&amp;B DEPRATMENT)</b>	
	<b>PART A Summary of audit results</b>
1	(i) Name of the organisation audited (Name and Designation of the Present Head of the office inspected)
	(ii) Name & Designation of the immediate superior controlling officer and his office address in full
	(iii) Name(s) of Divisional Accountant for the period covered by Audit
2	Months selected for detailed audit-
	(a) As intimated by FAW
	(b) As actually audited
	(c) Reasons for change if the Months against (a) & (b) are different
	(d) Other months selected for check of arithmetical accuracy etc.
3	(a) Whether remittances made during the selected months were verified with the original records maintained at treasuries or with reference to the schedules of remittances received from treasuries/Banks:
	(b) Months verified
	(c) Period up to which reconciliation with treasury done
	(d) Whether any observations have been included in draft IR <i>(Reference to draft IR para to be given)</i>
4	Name of Sub-Division audited <i>(Deviations from the one intimated by FAW may be mentioned with justification)</i>
5	Details of records received from Hqssections and FAW marked

	for audit/review				
	(a) Whether Special points marked for audit have been reviewed and action taken thereon				
	<i>(Reference of Note/Records in support of review of Special Point)</i>				
	(b) Whether Press Clippings marked for audit have been reviewed and action taken thereon				
	<i>(Reference of Note/Records in support of review of Press Clipping)</i>				
	(c) Whether Complaint case(s) marked for audit have been reviewed and action taken thereon				
	(d) Indicate the position of outstanding paras in respect of Inspection Report (part II) as shown  <i>(Verification Report for each period showing compliance of the audit entity with key documents should be shown separately and attached to the Inspection Report )</i>	Period of audit	No. of paras outstanding	No. of paras settled	Reasons for pendency
	(e) Whether material (s) to be collected for Draft paragraphs sent by DP Sn have been completed in all respect				
	(f) Indicate the position of outstanding Audit Notes and Special letters issued by FAW Section.	Period of audit	No. of cases outstanding	No. of cases settled	Reasons for pendency
6	Adverse comments on DAO/D.A. if any during period covered by the audit				

**ANNEXURE 3**

**Core Areas to be seen for inclusion in Report**

<b>Chapter</b>	<b>Areas</b>	<b>Sub Areas</b>
<b>Chapter I</b> <b>Financial Performance of State Public Enterprises</b>	Introduction	<ul style="list-style-type: none"> <li>• Mandate of Audit</li> <li>• Role of Government and Legislature</li> <li>• Nature of SPSEs covered in the Report</li> <li>• Audit of financial statements of SPSEs</li> </ul>
	Investment in SPSEs	<ul style="list-style-type: none"> <li>• Stake in Government Companies and Statutory Corporations</li> <li>• Investment in Equity</li> <li>• Loans given to Government Companies and Corporation</li> <li>• Interest Coverage Ratio</li> <li>• Age wise analysis of Interest outstanding on State Government Loans</li> <li>• Adequacy of assets to meet loan liabilities</li> <li>• Budgetary support to SPSEs having account in arrears</li> <li>• Reconciliation with Finance Accounts of Government of Gujarat</li> <li>• Disinvestment, restructuring and privatisation of SPSEs</li> <li>• Winding up of inactive SPSEs</li> </ul>
	Returns on investment in SPSEs	<ul style="list-style-type: none"> <li>• Profit earned by SPSPEs</li> <li>• Dividend Payout in SPSPEs</li> <li>• Return on Equity</li> <li>• SPSEs incurring losses</li> <li>• Erosion of Net Worth</li> </ul>
	Operating efficiency of SPSEs	<ul style="list-style-type: none"> <li>• Return on Capital Employed</li> <li>• Return on Government Investment</li> <li>• Rate of Return on State Government Investment</li> </ul>
<b>Chapter II</b> <b>Oversight Role of CAG</b>		<ul style="list-style-type: none"> <li>• Appointment of Statutory Auditors</li> <li>• Statutory Audit</li> </ul>
	Submission of accounts by SPSEs	<ul style="list-style-type: none"> <li>• Need for timely submission of Annual Report</li> <li>• Timeliness in preparation of accounts by SPSEs</li> </ul>
	Placement of Separate Audit Reports of Statutory Corporations	<ul style="list-style-type: none"> <li>• Placement of Separate Audit Reports of Statutory Corporations</li> </ul>



	CAG's oversight- Audit of accounts and supplementary audit	<ul style="list-style-type: none"> <li>• Financial reporting framework</li> <li>• Audit of accounts of Government Companies by Statutory Auditors</li> <li>• Supplementary Audit of accounts of Government Companies</li> </ul>
	Result of CAG's oversight role	<ul style="list-style-type: none"> <li>• Status of Financial Statements of SPSEs</li> <li>• Significant comments of the CAG issues as supplement to the Statutory Auditors' reports</li> <li>• Statutory corporations where CAG is the sole auditor</li> </ul>
	Non-compliance with provisions of Accounting Standards/ IND AS	<ul style="list-style-type: none"> <li>• Non-compliance with provisions of Accounting Standards/ IND AS</li> </ul>
	Management letters	<ul style="list-style-type: none"> <li>• Management letters</li> </ul>

## ANNEXURE 4

### **Direct access to Private Sector Records for Audit by CAG-Protocol**

The duties and powers of the Comptroller and Auditor General of India (CAG) to directly access and audit the records of the private sector have been under discussion for some time. This issue was examined by the Hon'ble Delhi High Court and the Supreme Court of India in the case of access of records of Private telecom companies by the CAG. The Hon'ble Courts recognised that the records for private players entrusted with the responsibility of delivering public goods and services by utilising the State owned resources should be accessible to the CAG for audit.

Important arguments accepted the rationale behind the judgments and the highlights of the above mentioned judgments that have wider implications for audit by the CAG of private sector organisations are brought out below:

#### **Judgment dated 6 January 2014 of the Delhi High Court**

Applicability of Principle of 'Res Communes' – The doctrine of 'res Communes' claims that some things are common to mankind – the air, the water etc. Thus, the titles of these resources are vested with the State as the sovereign, in trust for the people (Para No 21). Licensees are the accountants of the Central Government and are expected to maintain complete, accurate and honest books of accounts as to any transaction(s) involving revenue as a fiduciary duty. (Para No 31).

Revenue would include any income of the nation derived from any source, to be credited into the Consolidated Fund of India (CFI). Therefore, the revenue shared by the Licensees with the Central Government, flowing into the CFI is the income of the nation and it comes under Article 266(1) of the Constitution (Para No 48).

#### **Judgment dated 17 April 2014 of the Supreme Court of India**

Article 149 of the Constitution and the Comptroller and Auditor General of India (DPC) Act 1971 is to provide for Parliamentary control of executive on public funds, consequently ambit of audit by CAG has to cover all issues that are required to be examined by the Parliament (Para No 18).

Article 266 of the Constitution of India take in "all revenue receipts by the Government of India" and submitted that a combined reading of Sections 13,16 and 18 of the CAG (DPC) Act would indicate that it is obligatory on the part of the CAG to audit all transactions entered into by the Union and the States pertaining to the consolidated Fund (Para No 19)

When nation's wealth/natural resources, like spectrum, are being dealt with either by the Union, State or its instrumentalities or even the private parties, like service providers, they are accountable to the people and to the Parliament (Para No 37).

CAG's examination of the accounts of the Service Providers in a Revenue Sharing Contract is extremely important to ascertain whether there is an unlawful gain to the Service Provider and an unlawful loss to the Union of India, because the revenue generated out of that has to be credited to the Consolidated Fund of India (Para No 41).

The Expression "to audit all receipts" doesn't distinguish the revenue receipts and non-revenue receipts (Para No 45).

Section 13 read along with the Section 16 makes it clear that the expression 'to audit all transactions' so also "audit of all receipts". Payable into Consolidated Fund of India would take in not only the accounts of the Union and of the State and of any other authority or body as may be prescribed or under any law made by the Parliament but also to audit all transactions which Union and State have entered into which has a nexus with Consolidated Fund, especially when the receipts have direct connection with Revenue Sharing (Para No 45).

Unless the underlying records which are in the exclusive custody of the Service Providers are examined, it would not be possible to ascertain whether the Union of India as per the agreement, has received its full and complete share of revenue, by way of license fee and spectrum charges (Para No 48).

CAG is not actually auditing the accounts of the UAS Service providers as such, but examining all the receipts to ascertain whether the Union is getting its due share by way of License fee and Spectrum charges, which it is legitimately entitled to, by way of revenue sharing (Para No 50).

CAG's function is separate and independent and is not familiar to the audit conducted by the DoT under clause 22.5 or special audit under clause 22.6 (Para No 51).

### **Role of CAG in a changing audit environment:**

In essence, these judgments have emphasized that the duties and powers of the CAG being part of the basic structure of the Constitution, are to be interpreted and carried out to meet the changing needs and requirements of accountability. In the current scenario, the purpose of audit by CAG of records of private sector organisations can be stated as under:

Providing an independent assurance that the terms and conditions of the agreements have been complied with in letter and spirit.

Assisting in protecting the legitimate interest of public at large.

Ensuring parliamentary oversight.

An independent assurance by the CAG, as an external auditor, to the Government is necessary and different from the roles of executive, the statutory auditor and the regulator. As the audit of such private sector records is to safeguard the interests of the State or its agencies or instrumentalities, it is the constitutional mandate of CAG and has been upheld in the above said judgment. Therefore, there may be no requirement of specific entrustment of such audits.

### **Protocols**

The emerging audit scenario requires a new protocol to be established for accessing/auditing private sector records. This guidance note aims at laying down the procedure on the following aspects:

Identification of agreements involving private sector participation

Determination of need to access private sector records

Scope of examination of private sector records

Mode of interactions with private sector

Composition of Audit parties and capacity building.

### **Identification of agreements involving private sector participation**

The field audit offices are required to prepare a master data base of all agreements entered into by the Union and State Governments and their agencies or instrumentalities with private sector:

For delivery of public goods and services

Dealing with transfer or natural resources (like land, water, spectrum and general resources) or public properties to private sector, if such transfer affects public interest.

Nexus with consolidated fund of India or State.

Having an impact on public matter.

Presence of one or more of the above mentioned parameters could be the basic identification of agreements for this purpose. These parameters would help in identifying agreements/ contracts which could require access to private sector records by CAG to provide assurance as indicated above.

### **Determination of need to access private sector records**

The decision to access the records of any private sector organisation has to be taken with the approval of controlling DAI/ ADAI. The necessity of accessing the

private sector records would be decided by the HQ on a case by case basis, depending upon the risk assessment of the subject matter and the ability /inability of the CAG to effectively fulfil his mandate only through audit records of the government/public entity which comes under the CAG audit purview. HQ would also decide the applicable section of the CAG's DPC Act under which such audit would be conducted deciding in turn the scope of audit. A self-contained proposal giving justification/necessity for such direct access has to be sent by the field audit officer to the headquarters. While recommending the need to access/ audit private sector records the following aspects may be kept in view:

The contract may provide for specific agreements clauses requiring private sector organisation to provide access to information/records to public sector partners or any other public authority.

In most of the cases it may be possible to get the required information through the public sector audited entity entering into agreement with the private sector entity in question. The public sector entity should be the first port of call.

In certain cases, it would not be possible to provide assurance that the terms and conditions of the agreement are being complied with, unless the underlying records that are in the exclusive custody of the private sector organisation are examined.

In all cases, the materiality and the risk perception need to be given due consideration.

## ANNEXURE 5

### PREFACE TO AUDIT REPORTS (PSU)

This Report deals with the results of audit of Government Companies and Statutory Corporations for the year ending (*Name of period*) and has been prepared for submission to the Government of Gujarat under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

2. The accounts of Government Companies are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 139 and 143 of the Companies Act, 2013. According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company<sup>75</sup> owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred as Government controlled other Companies. The Statutory Auditors (Chartered Accountants) appointed by the CAG certify the accounts of such companies which are subject to supplementary audit by the CAG. The CAG gives his comments on or supplements the report of the Statutory Auditors. The Companies Act, 2013 empowers the CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited. The audit arrangements of Statutory Corporations are prescribed under the respective acts through which the corporations are established.

3. This report deals with performance of (*Number of Companies*) State Public Sector Enterprises (SPSEs) consisting of (*Number of Companies*) Government Companies, (*Number of Companies*) Government controlled Other Companies and (*Number of Statutory Corporation*) Statutory Corporations in the State of Gujarat the audit of which has been entrusted to the Comptroller and Auditor General of India.

4. The CAG is the sole auditor in respect of (*Number of Corporation*) Corporation, namely (*Name of Corporation*). The CAG has the right to conduct a supplementary audit in respect of (*Name of Corporation*) after Chartered Accountants appointed under the statutes have conducted their audit.

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<sup>75</sup> Ministry of Corporate Affairs- Companies (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014

5. The accounts of the State Public Sector Enterprises (SPSEs) reviewed in this Report cover the accounts for the years (*name of year*) (to the extent received). In respect of SPSEs where any particular year's accounts were not received, the figures from the accounts last audited have been adopted.

6. All references to 'Government Companies/ Corporations or SPSEs' in this Report may be construed to refer to 'State Government Companies/ Corporations'.

**ANNEXURE 6**

**TITLE SHEET FOR COMMENTS ON ACCOUNTS  
(PART 'A')**

<b>1.</b>	<b>Name of the:</b>	
	<ul style="list-style-type: none"> <li>• Company/ Corporation whose Accounts are being Audited</li> </ul>	
	• <b>Holding Company</b> of the Company/ Corporation	
	• <b>Subsidiary</b> of the Company/ Corporation	
	• <b>Associate</b> of the Company/ Corporation	
	Whether the Company is a <b>Dormant Company</b> under section 455 of the Companies Act, 2013	
<b>2.</b>	Name of the authority having right to appoint majority of Directors or to control the Management or policy decision of the Company/ Corporation.	
<b>3.</b>	Names of party personnel with dates	
	(i) Supervisory Officer	
	(ii) Assistant Audit Officer/ Supervisor	
	(iii) Sr. Auditor/ Auditor	
	(iv) Consultant/ contractual appointment	
<b>4.</b>	Year of financial statements	
<b>5.</b>	Month selected for detailed review of cash book	
<b>6.</b>	<b>Date of: (To be filled by PAG/ AG HQ's Office)</b>	
	i. approval of consolidated/ financial statements by the Board of Directors.	
	ii. the Audit Report (Applicable where a separate Statutory Auditor is appointed)	
	iii. receipt of certified accounts along with Auditors Report; and	
	iv. receipt of compliance to directions under section 143 (5) of the Companies Act, 2013	
	v. commencement of conducting audit and duration of audit (in working days)	
	<ul style="list-style-type: none"> <li>• Details of extension sought, if any; and</li> <li>• number of days for which extension is granted. (in working days)</li> </ul>	
<b>7.</b>	<b>Provisional Comments (To be filled by PAG/ AG HQ's Office)</b>	
<b>7.</b>	Date of issue of draft comments to:	
(i)		
	i. Statutory Auditor	
	ii. Company	
<b>7.</b>	Date of receiving replies of draft comments from:	
(ii)		
	i. Statutory Auditor	
	ii. Management of the Company	
<b>7.</b>	Date of sending draft comments to CAG office	



(iii)		
8.	Date of Annual General Meeting in which the accounts for the previous year were adopted	
9.	Did the Audit Committee have a discussion with Auditor and had reviewed the financial statements before their submission to the Board of Directors.	
10.	Whether the Statutory Auditors attended, the meetings convened for planning and finalisation for audit of accounts. If not details of the meetings not attended. <i>(To be filled by PAG/ AG HQ's office)</i>	
11.	Whether the Management/ Statutory Auditors have replied to all audit enquiries? If not, whether it has been brought to the personal attention of Chief Executive?	
13.	Whether all records/ information required by Audit Team was made available. If not, the details of records not produced to Audit may be given.	

**(PART `B')**

<b>I</b>	<b>Review of Statutory Auditors Report</b>	
1.	Whether all the statutory assertions specified in sections 143 (2) and (3) of the Companies Act, 2013 have been stated in the Report.	
2.	Whether the requirements of SA 700 have been fulfilled as regards the form and content of the Report <i>(A check list is enclosed as Annexure-I)</i>	
3.	Whether the Report includes the required statements on all matters specified in CARO 2003/ Companies (Auditor's Report) Order, 2015. Whether the following requirements of CARO 2003/ CARO 2015 have been complied with <i>(CARO 2003 is applicable up to the accounts finalized for financial year 2013-14 only)</i>	
	i) If the auditor is unable to report on any of the matters, whether the fact has been indicated along with reasons.	
	ii) Whether the assessment made by statutory Auditor on the adequacy of internal control system is consistent with other observation of the Auditors.	
	iii) Whether the report of auditor on maintenance of proper books of accounts under law is correct and verified. <sup>76</sup>	
	iv) Whether the company has disclosed the impact, if any, of pending litigations on its financial position in its financial statement.	

<sup>76</sup> The purpose of this item is to verify the audit observations relating to non-maintenance of proper books of record required by the Companies Act and/or any other relevant Act with reference to records of the Company. There is no need to examine all the records of the company but where the statutory auditor has made audit observation in this aspect, only these observations need to be examined and not all therecords.

	v) whether the company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;	
	vi) Whether there has been any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.	

<b>4.</b>	<b>Qualifications in Auditor's Report</b> Whether the requirements of Section 143(4) and Statement on Qualifications in Auditor's Report as indicated below have been complied with.	
	i. Has the auditor stated the full information about the subject matter of qualification?	
	ii. Has the auditor stated the reasons for the qualification?	
	iii. Has the auditor stated all the qualifications in their report itself and without referring to a report made in earlier years?	
	iv. If any note to accounts is a subject matter of qualification, whether the auditor has stated the full subject matter of the note in his qualification, instead of referring to the note.	
	v. Whether the auditor has stated, wherever possible, the effect of individual qualification and total effect of all qualifications and total effect of all the qualifications on profit or loss or state of affairs.	
	vi. If it is not possible to quantify the effect of qualifications accurately, whether the auditor has stated the effect based on estimates made by the management, after indicating the fact that the figures were based on management estimates.	
<b>5.</b>	Whether the auditor has furnished the report U/ s 143 (5) along with Auditor's report U/ s 143 (2). If not, the date of receipt of report u/ s 143 (5) may be mentioned.	
<b>6.</b>	Has the auditor complied with all directions issued and sub directions issued U/ s 143 (5)?	
<b>7.</b>	Whether Statutory Auditor has shared his working papers with the Audit Team as and when asked for.	
<b>8.</b>	Whether the opinions expressed by the auditors on the financial statements is fair keeping in view their qualifications.	
<b>9.</b>	If the auditor has revised his Audit Report, Whether the same is in accordance with 'Guidance Note on Revisions of Auditor's Report'	
<b>10.</b>	Whether Statutory Auditors has issued any communication to those Charged with Governance	

	under SA 260? If yes, whether the same has been reviewed <sup>77</sup> .	
<b>11.</b>	Is there any material evidence regarding non-compliance with any Standard of Auditing by the Auditor <sup>78</sup>	
<b>II</b>	<b>Review of Financial Statement</b>	
	<b>Whether the following have been verified?</b>	
<b>1.</b>	Whether the Balance Sheet and statement of Profit and Loss have been prepared in the forms set out in Schedule III- Part I and Part II of the Companies Act, 2013 respectively.	
<b>2.</b>	Whether financial statements including consolidated financial statements, if any, have been approved by Board of Directors and authenticated as required under Section 134 (1) of the Companies Act, 2013.	
<b>3.</b>	Whether all significant accounting policies have been disclosed <sup>79</sup> and form part of the financial statement	
<b>4.</b>	Whether any accounting policy is vague leaving scope for misinterpretation or is against the provisions of Accounting Standards/ relevant laws.	
<b>5.</b>	If there is a change in accounting policy, which has a material effect The amount by which financial statements is affected should be disclosed as such in one place otherwise the reasons for non-disclosure should be indicated.	
<b>6.</b>	Whether auditor have signed their report only after adoption of previous years accounts in AGM as required in Companies Act, 2013 and letter of appointment of Auditor.	
<b>7.</b>	Whether unusual transactions have been dealt with in accounts properly. If not, has the auditor given significant comments on it?	
<b>8.</b>	Whether depreciation has been charged as required by section 123 considering the useful lives to compute depreciation as stipulated in Schedule II. Where the Company adopts useful and residual life different from the limits specified in Part 'C' of Schedule II it has been disclosed with justification in financial statements.	

<sup>77</sup> Communication under AAS 27 can be reviewed either before taking up or during the supplementary audit to review the observations of Statutory auditor contained therein which may be helpful in deciding the scope and extent of supplementary audit.

<sup>78</sup> To be reported only on exception basis if some convincing evidence indicating material non-compliance of SA are noticed during the normal course of Supplementary audit.

<sup>79</sup> List of the areas where the entity should frame accounting policy as given in AS-1, can be considered as significant areas. In addition to this, based on the experience, PAG office may be aware of the major significant areas where the Company should have an accounting policy. Such examination is not necessary during supplementary audit, it can be done before the start of audit or any part of the year as change in Accounting Policies is not a routine feature of a Company and most accounting policies remain the same.

9.	The useful and residual life of any specific asset notified for accounting purpose by a Regulatory Authority constituted under any special Act of parliament shall be applied for calculating depreciation to comply with requirement under section 123 of the Companies Act, 2013.	
10.	Whether test checks revealed that SA 250 regarding due consideration of laws and regulations followed by the Auditor is adequately reported?	
11.	Whether the Company is liable to make provision for Corporate Social Responsibility (CSR) as required by section 135 of the Companies Act, 2013, if so, whether provision has been made for notified activities of CSR.	
<b>III</b>	<b>Compliance with Accounting Standards</b>	
1.	Whether the financial statements complied with Accounting Standard as required in Section 133 of the Companies Act, 2013 read with Rule 7(2) of the Companies (Accounts) Rules, 2014.	
2.	Cases of non-compliance if noticed during test check. <i>(A checklist is enclosed as Annexure-II)</i>	
3.	i. Whether the Company has made disclosures as required in Section 129 (5) of the Companies Act, 2013.	
	ii. If not, whether the Statutory Auditor has stated the non-compliance in their report.	
<b>IV</b>	<b>Compliance with Assurances:</b>	
	Whether the Company has complied with all the assurances given to Audit in the previous year (s)	
<b>V</b>	<b>Compliance with requirement of Regulatory Authorities relating to preparation and presentation of financial statement/ accounts</b>	
	Whether the requirements of any, regulatory authorities viz., SEBI, IRDA, RBI, BPE, NHB and Administrative Ministry etc, with regard to financial reporting been complied with by the Company? If not, indicate whether specific non-compliance has been pointed out.	
<b>VI</b>	<b>Recommendations of Supervisory Officer</b>	
1.	Whether any change in time allotted is necessary for future audit?	
2.	Details of areas to be focused in compliance audit?	
3.	Constraints faced, if any, in conducting the audit of accounts of the Company/ Corporation	
4.	Other recommendations/ remarks.	
<b>Part C</b>		
<i>(The matters included in this part are not exhaustive PAG may include other matters according to their requirement)</i>		
1.	Whether all the points indicated in the register of important points marked for verification in the accounts audit by the AMG-I section have been reviewed and action taken.	

2.	Whether list of audit points, which may have some audit value for other LAPs been attached.	
3.	Whether the Statutory Auditors' report and the audited accounts of units not selected for audit been reviewed.	
4.	Whether the contribution statement with money value and name of the LAP official has been attached.	
5.	A statement of allocation of duty amongst the party members may be attached duly signed by all members of the audit party accepting the duty assigned to him/ her and a certificate that the duty assigned was completed.	
6.	A copy of declaration regarding adherence to the code of ethics of Comptroller and Auditor General of India separately signed by the LAP officials in duplicate, giving one copy to head of audited entity prior to commencement of audit.	
7.	A certificate regarding investment by State Government in form of equity/ capital contribution may be attached as per <b>Annexure-III</b>	
8.	Whether a separate file containing the documents to be collected as per <b>Annexure-IV</b> attached with signature of officials that have verified the items mentioned in working sheet.	
9.	whether all the information required in the proforma on performance of auditors of Government Companies and Corporations has been obtained and incorporated in the attached <b>Annexure-V</b> .	

Submitted to Dy. Accountant General (AMG-1))

**Camp:**  
**Date:**

**Signature of AO**  
**AMG 1/ Party No.\_\_\_\_\_**

**Certificate of completion of allocated duty by LAP officials**

Sl. No.	Name	Details of Work	Signature

**Audit Officer (I)**  
**AMG 1/ Party No.\_\_\_\_\_**

(Continuation of Annexure-2.2)  
Annexure-(I)

**Check list to ensure compliance of Standard on Auditing 700**

Sl. No.	Particulars	Compliance
	Whether the audit report contains the following basic elements:	
	• Title	
	• Addressee	
	• Opening paragraph	
	• Scope of Paragraph	
	• Opinion paragraph	
	• Date of Report	
	• Place of Signature	
	• Auditor's signature	
	Whether the type of report to be issued based on audit has been decided, if yes, whether it is properly drafted considering the type of report-	
	Qualified	
	Disclaimer	
	Adverse	
	Whether the membership number is mentioned of the member signing the report	

(Continuation of Annexure-2.2)

*Annexure-(III)*

**CERTIFICATE**

The figures of Investment of ₹.      Lakh made by the State Government in the form of equity share capital/ capital contribution and shown in the accounts for the period from..... to ..... of..... is verified with respect to the following basic documents and is found correct:

- 1) Government Resolution regarding release of equity capital/ capital contribution to the PSU.
- 2) Bank/ PLA account documents in respect of actual receipt of capital fund.
- 3) Board resolution regarding allotment/ issue of shares to the Government.
- 4) Register of shareholders.
- 5) Intimation made by the PSU to Registrar of Companies.
- 6) Posting of the figure of investment in all the related accounts maintained by the PSU.
- 7) Any other documents (*as the LAP may deem fit to cross-check the correctness of the figures of investment shown in the account of the PSU*)

**Audit Officer (I)**  
**AMG-1 Party No.\_\_\_\_\_**

**(Continuation of Annexure-2.2)**  
**Annexure-(IV)**

**Working Sheet**

*(For Accounts Audit)*

**DOCUMENTS TO BE ATTACHED WITH EVERY ACCOUNT AUDIT IN  
A SEPARATE FILE ALONG WITH AUDIT PLAN**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Page No. of file where kept</b>	<b>Signature of official that has checked the item</b>
<b>1</b>	Balance Sheet grouping		
<b>2</b>	Trial Balance		
<b>3</b>	Statement of fixed assets showing details of assets under each category of the fixed assets schedule, along with opening balance additions, transfer/ sale and closing balance, of the gross block and opening balance, addition, reduction and closing balance of depreciation. The statement should be certified to have been checked and verified.		
<b>4</b>	Statement of CWIP/ Project under execution showing opening balance, addition, transfer and closing balance, with project wise details. Certificate to the effect that the same has been verified		
<b>5</b>	Statement showing details of investments, opening balance, additions, sale and closing balance. The investments should be classified as quoted and un quoted and their market value should also be shown. A certificate that the statement of investments has been verified and found correct.		
<b>6</b>	Statement showing closing stock valuation (RM, WIP and finished goods) and a certificate that the same is as per declared policy and as per records.		
<b>7</b>	Statement showing list of scrap and obsolete items with date from which lying as scrap or obsolete.		
<b>8</b>	Statement showing age wise analysis of debtors and certificate that balances are as per ledger and whether confirmed/ not confirmed by debtors		
<b>9</b>	Policy of Bad debt provisioning and certificate that provisioning has been made as per policy		
<b>10</b>	Bank's Confirmation of bank balances both for current accounts and fixed deposit accounts, along with bank reconciliation statements for difference with cash book		



Sl. No.	Particulars	Page No. of file where kept	Signature of official that has checked the item
11	Statement showing interest accrued and due calculation on fixed deposits		
12	In respect of loans and advances similar statement as in the case of sundry debtors		
13	In case of increase in paid-up share capital. Board Resolution allotting shares		
14	Statement showing party wise details of secured and unsecured Loans with certificate that balances has been verified with ledger balances.		
15	Interest accrued and due calculation statement on the above Loans		
16	Project wise statement of grant/ subsidy showing opening balance, receipt, expenditure and closing balance. A certificate that the statement has been verified with ledger accounts.		
17	Statement showing deferred tax calculation as incorporated in accounts, along with supporting document.		
18	Party wise balances of sundry creditors with certificate that same has been verified with ledger accounts		
19	Statement showing provision for outstanding expenses		
20	Statement showing provision for taxation		
21	Statement showing provision for employees benefits		

**Note: If hard copies of the above documents are not feasible/ provided by Company/ Corporation, the information may be collected in soft copy in a Compact Disc containing the above details for submission.**

## ANNEXURE 7

[PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY. PART II.

SECTION 3, SUB-SECTION (ii)

New Delhi, the 25th February, 2020

**S.O. 849(E).—In exercise of the powers conferred by sub-section (11) of section 143 of the Companies Act, 2013 (18 of 2013 ) and in supersession of the Companies (Auditor's Report) Order, 2016, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide number S.O. 1228 (E), dated the 29<sup>th</sup> March, 2016, except as respects things done or omitted to be done before such supersession, the Central Government, after consultation with the National Financial Reporting Authority constituted under section 132 of the Companies Act, 2013, hereby makes the following Order, namely:—**

**1. Short title, application and commencement.**—(1) This Order may be called the Companies(Auditor's Report) Order, 2020.

(2) It shall apply to every company including a foreign company as defined in clause (42) of section 2 of the Companies Act, 2013 (18 of 2013) [hereinafter referred to as the Companies Act], except—

(i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949(10 of 1949);

(ii) an insurance company as defined under the Insurance Act, 1938 (4 of 1938);

(iii) a company licensed to operate under section 8 of the Companies Act;

(iv) a One Person Company as defined in clause (62) of section 2 of the Companies Act and a small company as defined in clause (85) of section 2 of the Companies Act; and

(v) a private limited company, not being a subsidiary or holding company of a public company, having a paid up capital and reserves and surplus not more than one crore rupees as on the balance sheet date and which does not have total borrowings exceeding one crore rupees from any bank or financial institution at any point of time during the financial year and which does not have a total revenue as disclosed in Scheduled III to the Companies Act (including revenue from discontinuing operations) exceeding ten crore rupees during the financial year as per the financial statements.

(3) It shall come into force on the date of its publication in the Official Gazette.

**2. Auditor's report to contain matters specified in paragraphs 3 and 4.** - Every report made by the auditor under section 143 of the Companies Act on the accounts of every company audited by him, to which this Order applies, for the financial years commencing on or after the 1st April, 2019, shall in addition, contain the matters specified in paragraphs 3 and 4, as may be applicable:

**Provided this Order shall not apply to the auditor's report on consolidated financial statements except clause (xxi) of paragraph 3.**

**3. Matters to be included in auditor's report.** - The auditor's report on the accounts of a company to which this Order applies shall include a statement on the following matters, namely:-

(i) (a) (A) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment;

**(B) whether the company is maintaining proper records showing full particulars of intangible assets;**

(b) whether these Property, Plant and Equipment have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account;

(c) whether the title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company, if not, provide the details thereof in the format below:-

Description of property	Gross carrying value	Held in name of	Whether promoter, director or their relative or employee	Period held - indicate range, where appropriate	Reason for not being held in name of company*
-	--	-	-	-	*also indicate if in dispute

(d) whether the company has revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the valuation by a Registered Valuer; specify the amount of change, if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets;

(e) whether any proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder, if so, whether the company has appropriately disclosed the details in its financial statements;

(ii) (a) whether physical verification of inventory has been conducted at reasonable intervals by the management and whether, in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate; whether any discrepancies of 10% or more in the aggregate for each class of inventory were noticed and if so, whether they have been properly dealt with in the books of account;

(b) whether during any point of time of the year, the company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets; whether the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account of the Company, if not, give

details;

(iii) whether during the year the company has made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties, if so,-

(a) whether during the year the company has provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to any other entity [not applicable to companies whose principal business is to give loans], if so, indicate-

(A) the aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to subsidiaries, joint ventures and associates;

the aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to parties other than subsidiaries, joint ventures and associates;

(b) whether the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are not prejudicial to the company's interest;

(c) in respect of loans and advances in the nature of loans, whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;

(d) if the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest;

(e) whether any loan or advance in the nature of loan granted which has fallen due during the year, has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties, if so, specify the aggregate amount of such dues renewed or extended or settled by fresh loans and the percentage of the aggregate to the total loans or advances in the nature of loans granted during the year [not applicable to companies whose principal business is to give loans];

(f) whether the company has granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment, if so, specify the aggregate amount, percentage thereof to the total loans granted, aggregate amount of loans granted to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013;

(iv) in respect of loans, investments, guarantees, and security, whether provisions of sections 185 and 186 of the Companies Act have been complied with, if not, provide the details thereof;

(v) in respect of deposits accepted by the company or amounts which are deemed to be deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules made thereunder, where applicable, have been complied with, if not, the nature of such contraventions be stated; if an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not;

(vi) whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act and whether such accounts and records have been so made and maintained;

(vii) (a) whether the company is regular in depositing undisputed statutory dues including Goods and Services Tax, provident fund, employees' state

insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated;

**(b) where statutory dues referred to in sub-clause (a) have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned (a mere representation to the concerned Department shall not be treated as a dispute);**

(viii) whether any transactions not recorded in the books of account have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961), if so, whether the previously unrecorded income has been properly recorded in the books of account during the year;

(ix) (a) whether the company has defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender, if yes, the period and the amount of default to be reported as per the format below:-

Nature of borrowing, including debt securities	Name of lender*	Amount not paid on due date	Whether principal or interest	No. of days delay or unpaid	Remarks, if any
	*lender wise details to be provided in case of defaults to banks, financial institutions and Government.				

(b) whether the company is a declared wilful defaulter by any bank or financial institution or other lender;

(c) whether term loans were applied for the purpose for which the loans were obtained; if not, the amount of loan so diverted and the purpose for which it is used may be reported;

(d) whether funds raised on short term basis have been utilised for long term purposes, if yes, then nature and amount to be indicated;

(e) whether the company has taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures, if so, details thereof with nature of such transactions and the amount in each case;

(f) whether the company has raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies, if so, give details thereof and also report if the company has defaulted in repayment of such loans raised;

(x) (a) whether moneys raised by way of initial public offer or further public offer (including debt instruments) during the year were applied for the purposes for which those are raised, if not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported;

**(b) whether the company has made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally**

**convertible) during the year and if so, whether the requirements of section 42 and section 62 of the Companies Act, 2013 have been complied with and the funds raised have been used for the purposes for which the funds were raised, if not, provide details in respect of amount involved and nature of non-compliance;**

(xi) (a) whether any fraud by the company or any fraud on the company has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated;

(b) whether any report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government;

(c) whether the auditor has considered whistle-blower complaints, if any, received during the year by the company;

(xii) (a) whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability;

(b) whether the Nidhi Company is maintaining ten per cent. unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;

(c) whether there has been any default in payment of interest on deposits or repayment thereof for any period and if so, the details thereof;

(xiii) whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable and the details have been disclosed in the financial statements, etc., as required by the applicable accounting standards;

(xiv) (a) whether the company has an internal audit system commensurate with the size and nature of its business;

**(b) whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor;**

(xv) whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act have been complied with;

(a) whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and if so, whether the registration has been obtained;

(b) whether the company has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934;

(c) whether the company is a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, if so, whether it continues to fulfil the criteria of a CIC, and in case the company is an exempted or unregistered CIC, whether it continues to fulfil such criteria;

(d) whether the Group has more than one CIC as part of the Group, if yes, indicate the number of CICs which are part of the Group;

(xvi) whether the company has incurred cash losses in the financial year and in the immediately preceding financial year, if so, state the amount of cash losses;

(xvii) whether there has been any resignation of the statutory auditors during the year, if so, whether the auditor has taken into consideration the issues, objections or concerns raised by the outgoing auditors;

(xviii) on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, whether the auditor is of the opinion that no material uncertainty exists as on the date of the audit report that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date;

(xix) (a) whether, in respect of other than ongoing projects, the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year in compliance with second proviso to sub-section (5) of section 135 of the said Act;

**(b) whether any amount remaining unspent under sub-section (5) of section 135 of the Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with the provision of sub-section (6) of section 135 of the said Act;**

(xx) whether there have been any qualifications or adverse remarks by the respective auditors in the Companies (Auditor's Report) Order (CARO) reports of the companies included in the consolidated financial statements, if yes, indicate the details of the companies and the paragraph numbers of the CARO report containing the qualifications or adverse remarks.

**4. Reasons to be stated for unfavourable or qualified answers.-** (1) Where, in the auditor's report, the answer to any of the questions referred to in paragraph 3 is unfavourable or qualified, the auditor's report shall also state the basis for such unfavourable or qualified answer, as the case may be.

(2) Where the auditor is unable to express any opinion on any specified matter, his report shall indicate such fact together with the reasons as to why it is not possible for him to give his opinion on the same.

**K.V.R. MURTY, Jt. Secy.**

## **Audit of Consolidated Financial Statements**

### **1 Introduction**

Corporate financial reporting and disclosures play a crucial role in bringing transparency in the functioning of an enterprise thereby improving its functional efficiency besides being one of the important constituents of corporate governance structure. One of the major instruments in improved financial reporting is the preparation of Consolidated Financial Statements (CFS). Consolidated Financial Statements are the financial statements of a group, presented by a parent/ holding company, in which the assets, liabilities, equity income, expenses and cash flows of the holding company and its subsidiary companies are presented as those of a single economic entity.

The purpose of CFS is to highlight the financial position and operational performance of the group which would not have been apparent from the standalone financial statements.

### **2 Regulatory Framework (prior to Companies Act, 2013)**

Financial reporting in India has been governed by the Companies Act, 1956, the Indian Accounting Standards formulated and issued by the Institute of Chartered Accountants of India and by the listing agreements. The preparation and presentation of the CFS in India has been regulated as under:

1. Section 212 of the Companies Act, 1956 requires holding Companies to attach the financial statements of each of its subsidiaries along with the holding Company's interest therein with its own standalone financial statements.
2. Clause 41 of the listing agreement also requires submission of annual audited consolidated financial results for listed companies while submitting annual audited financial results prepared on stand-alone basis to the stock exchange within sixty days from the end of the financial year.
3. Preparation of CFS is required to comply with the requirements of Accounting Standard-21 (Consolidated Financial Statements), Accounting Standard-23 (Accounting for Investments in Associates in Consolidated Financial Statements) and Accounting Standards-27 (Financial Reporting of Interests in Joint Ventures) issued and specified by the Institute of Chartered Accounts of India (ICAI) under Section 211 of the Companies Act, 1956.

### **3 Regulatory frameworks (post Companies Act, 2013)**

The Companies Act, 2013 focuses on corporate reporting framework and some of the significant changes relating to CFS are as under.



**a) Mandatory Preparation of Consolidated Financial Statements**

Section 129(3), of the Companies Act, 2013 mandates preparation of CFS for all parent/ holding company companies having one or more subsidiaries in addition to the separate financial statements and the same are required to be prepared in the same form and manner as the separate financial statements. For the purpose of this section, the word subsidiary would include associate companies and joint ventures. The requirements of Schedule-III of the companies Act, 2013, which lays down the format for preparation of financial statements, apply mutatis mutandis on the preparation of CFS by a company. Under section 129(4), the requirements concerning preparation, adoption and audit of financial statements of a holding company shall, mutatis mutandis, apply to CFS. Other requirements for CFS, if any, are stated in the Act at appropriate places.

**b) Definitions of Subsidiary, Associate and Joint Venture**

The definitions of the terms ‘subsidiary’ and ‘associates’ have been modified under the Companies Act, 2013 and the term joint venture is defined under IND As-28. The definitions are discussed below:

**Subsidiary**

The Companies Act, 1956 did not define the term “control”. It explains the meaning of terms “holding company”, and “subsidiary” as a company will be deemed to be a subsidiary of another company if, but only if the other company controls the composition of its board of directors, or controls more than one-half of the voting power of an enterprise.

Companies Act, 2013 defines ‘subsidiary’ as a company of which the ‘holding’ company controls more than one-half of the total share capital (either directly or indirectly) or controls composition of the board of directors. Control includes right to appoint majority of the directors.

The definition of a subsidiary under the 2013 is based on ownership of the total share capital which includes convertible preference share capital [only convertible preference share capital, as per Rules 2 (r)(b) of Companies (Specification of definitions details) Rules, 2014].

In Contrast, IND AS 110 on CFS defines a subsidiary as an enterprise that is controlled by another enterprise. Control is defined as the ownership, directly or indirectly through subsidiary (ies), of more than one-half of the voting power of an enterprise; and/ or (b) control of the composition of the board of directors.

The definition of a subsidiary under the 2013 is based on ownership of the total share capital which includes convertible preference share capital. This will have a significant impact on several companies which have issued preference shares. Also this definition does not consider the concept of control over voting power covered in Companies Act 1956 and AS-21.

**While the definition of the term 'subsidiary' is confined to accompany registered under the Companies Act 2013, the same extend to non-company under IND AS 110.**

**Associate**

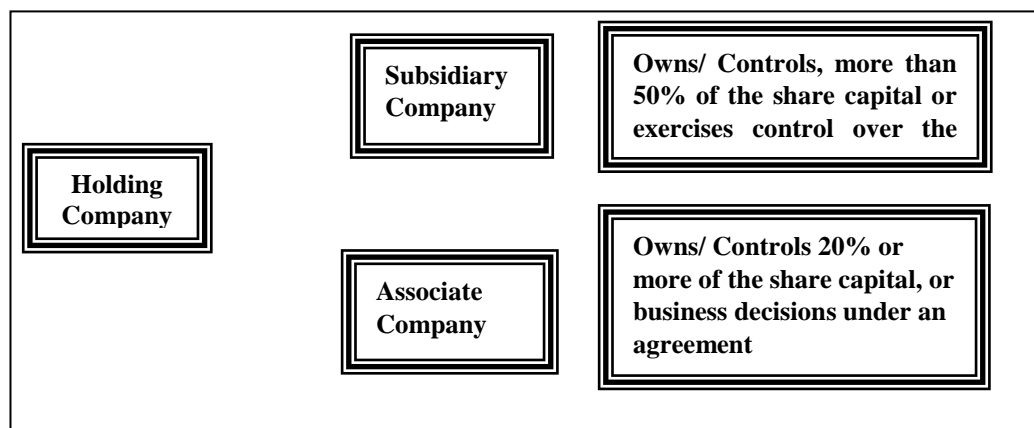
The Companies Act, 1956 did not define the term "associate" or "associate company." Notified Indian Accounting Standard 28 (Investments in Associates and Joint Ventures) defines the term "associate" as “an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.” IND AS 28 defines the term “significant influence” as “the power to participate in the financial/ operating policy decisions of the investee but is not control or joint control of those policies.”

Companies Act, 2013, defines an ‘associate’ as a company in which that other company has a significant influence’, but which is not a subsidiary company of the company having such influence and includes a joint venture company. ‘Significant influence’ means control of at least 20 *per cent* of total share capital, or of business decisions under an agreement.

The subsidiary and associate company as defined in the Companies Act, 2013 are as under-

**Joint Ventures:**

The term 'joint venture' has not been defined under the Companies Act, but it has been defined under AS-27. Under IND AS-31 (i) a joint venture is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control, (ii) Joint control is the contractually agreed sharing of control over an economic activity, (iii) Control is the power to govern the financial and operating policies of an economic activity so as to obtain benefits from it, (iv) a venture is a party to a joint venture and has joint



control over that joint venture.

**Additional disclosure requirements**

- a) Section 129 of the Companies Act, 2013 requires the company to attach along with its financial statement, a separate statement containing the salient

features of the financial statement of its subsidiary or subsidiaries in such form as may be prescribed. Such statement has been prescribed under Rule-5 of the company (Accounts) Rule, 2014. However, Rule-6 states that a company covered u/s 129(3), which is not required to prepare consolidated financial statement under the Accounting Standards, it shall be sufficient that the company complies with provisions on CFS provided in schedule-II of the Act.

- b) Schedule-III of the Companies Act, 2013 containing the general instructions for the preparation of CFS requires the companies to disclose by way of a statement, the share in profit/ loss and net assets of each subsidiary, associate and joint ventures as additional information. It also requires the companies to cover all subsidiaries, associates and joint ventures (whether Indian or foreign) under CFS and disclose the list of subsidiaries or associates or joint ventures which have not been consolidated in the CFS along with the reasons of not consolidating.

#### **4 Preparation of Consolidated Financial Statement and its format**

Consolidated Financial Statements are presented for a group of entities under the control of a parent. A parent is an entity that has one or more subsidiaries. A group comprises a parent and its subsidiaries. Thus, CFS are the financial statements of a group presented by parent/ holding Company.

The rule 6 of Companies (Accounts) Rules, 2014 has provided two sets of exemptions from preparing CFS:

- a) Companies which do not have any subsidiary company but has one or more associate companies or JVs or Both, are exempted from preparing CFS for the financial year 2014-15.
- b) Intermediate wholly owned subsidiary companies, whose immediate parent is a company incorporated in India, do not need to prepare CFS.

The preparation of CFS broadly involves:

- Identifying components (subsidiaries/ associates/ joint ventures);
- Obtaining accurate and complete financial information from components;
- Including the financial information of the components in the CFS;
- Identifying reportable segments for segmental reporting;
- Identifying related parties and related party transactions for reporting.
- Making appropriate consolidation adjustments.

For this purpose, the parent company generally issues instructions to the management of components for supplying the required financial information of the components for inclusion in the CFS within a pre-defined reporting time table. The information required relates to the accounting policies to be applied, statutory and other disclosure requirements, identification of and reporting on reportable segments, related parties and related party transactions.

## 5 Consolidation Procedures and Principles: AS 21

The Accounting Standard-21 (Consolidated Financial Statements) issued by ICAI lays down the following procedures/ principles to be applied in the preparation of CFS.

- The financial statements of the parent and its subsidiaries should be combined on a line by line basis by adding together like items of assets, liabilities, income and expenses.
- The Cost to the parent of its investment in each subsidiary and the parent's portion of equity of each subsidiary, at the date on which investment in each subsidiary is made, should be eliminated. Any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, should be described as goodwill to be recognized as an asset in the CFS. When the cost to the parent of its investment in a subsidiary is less than the parents' portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, the difference should be treated as a capital reserve in the CFS.
- Minority interests in the net income of consolidated subsidiaries for the reporting period should be identified and adjusted against the income of the group in order to arrive at the net income attributable to the owners of the parent; and minority interests in the net assets of consolidated subsidiaries should be identified and presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders. Minority interests in the income of the group should also be separately presented.
- Intra-group balances and intra-group transactions and resulting un-realised profits should be eliminated in full. Un-realised losses resulting from intra-group transactions should also be eliminated unless cost cannot be recovered.
- The financial statements used in the consolidation should be drawn up to the same reporting date. If it is not practicable to draw up the financial statements of one or more subsidiaries to such date and, accordingly, those financial statements are drawn up to different reporting dates, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the parent's financial statements. In any case, the difference between reporting dates should not be more than six months.
- Consolidated Financial Statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies in preparing CFS, that fact should be disclosed together with the proportions of the items in the CFS to which the different accounting policies have been applied.

- An investment in an enterprise should be accounted for in accordance with Accounting Standard-13 (Accounting for investments), from the date that the enterprise ceases to be a subsidiary and does not become an associate.
- The consolidation process would include the following steps generally:
  - Collection of information from the subsidiaries, associates, JVs
  - Line by line consolidation of the financial statements of the Company and its subsidiaries and JVs.
  - Elimination of inter unit transactions/ balances.
  - Valuation of goodwill/ capital reserve arising from the difference between the cost of investment in a subsidiary/ associate and its net assets (equity) at the time of acquisition.
  - Valuation of minority interest
  - Valuation of investment in associates
  - Consolidation of accounting policies and notes.

## **6 Audit of Consolidated Financial Statements**

The Audit of the CFS is carried out to express an opinion on the true and fair view presented by the CFS. The auditor has to ensure that the CFS have been prepared to the extent possible, in the same format as adopted by the parent for its separate standalone financial statements and that the CFS have been prepared in accordance with the requirements of IND AS 110 (Consolidated Financial Statements), IND AS 28 (Investments in Associates and Joint Ventures) and IND AS 31 (Interest in Joint Ventures). Broadly, the audit of CFS would involve:

- Reviewing the information relating to the identification and addition/ deletion of the subsidiaries, associates and JVs of the Group Company for the purpose of consolidation.
- Understanding the accounting policies of the parent, subsidiaries, associates and joint ventures; assessing the deviations/ variations and reviewing the appropriateness of adjustments relating to harmonizing the variations and the disclosures made in that regard.
- Examining the adjustment entries made in the process of consolidation for elimination of inter-group transactions and balances; unrealized profits or losses and reconciliation of inter group balances.
- Examining whether the notes which are necessary and material for presenting a true and fair view of the CFS have been included in the CFS as an integral part thereof and whether the additional statutory information disclosed in separate financial statements of the subsidiary and/ or a parent having bearing on the true and fair view of the CFS have been disclosed in the CFS.

- Reviewing that the calculation and disclosure of valuation of investments in associates are in accordance with the IND AS 28(Investment in associates and joint ventures).
- Review the proportionate consolidation of interest in a jointly controlled entity in accordance with the proportionate consolidation method provided in IND AS 31 (Interests in Joint Ventures).
- Review the compliance of CFS with the requirements of various Accounting Standards as all the Accounting Standards apply in the same manner to the CFS as they apply to any standalone financial statements.
- Review the additional disclosure requirements of Schedule-III and Rule 5 of Companies (Accounts) Rules 2014 as may be applicable for CFS.

A detailed checklist for Audit is given:

### Checklist For Audit Of Consolidated Financial Statements

Sl. No.	Audit Area	Yes/ No/ NA	Remarks
<b>Component Identification</b>			
1	Whether all the components of the group viz, subsidiaries, associates and joint ventures (only jointly controlled entities) have been properly identified in accordance with the laid down definitions for the purpose of preparation of consolidated financial statements. (Note as per explanation given under Section 129(3) of Cos Act 2013, Subsidiary includes associate company and joint venture also (only for the purposes of Section 129 (3)). Thus, a holding company if such a holding company is a government Company, has to consolidate the financial statements of its subsidiaries, associate company(ies) and joint venture(s) Though subsidiary of a Government company is supposed to be a Government Company or a company falling in the category of companies owned or controlled, directly or indirectly, by the Central Government, or any State Government or Governments, or partly by the Central Government and partly by one or more State Governments', the associate company or a joint venture of such a holding company or that of its subsidiary may be private entities. Hence, our supplementary audit would not cover the annual financial audit of such entities and will be reflected by way of a suitable disclaimer to that effect.)		
<b>Requirements of IND AS 110</b>			
2	Whether the Consolidated Financial Statement have been prepared by consolidating all the subsidiaries, domestic as well as foreign? If the identification of subsidiary has to be with reference to AS-21, the following subsidiaries referred to in Para 11 of Accounting Standard-21 (Consolidated Financial Statements) are exempted from consolidation- <ul style="list-style-type: none"> <li>• Where control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future; or</li> <li>Where it operated under severe long term restrictions which significantly impair its ability to transfer funds to the parent (Para No. 9 and 11 of AS 21)</li> </ul>		

Sl. No.	Audit Area	Yes/ No/ NA	Remarks
3	Whether any subsidiary has been wrongly excluded from the consolidation on the ground of business activities being dissimilar from those of the other enterprises within the group? (Para 12 of AS-21)		
4	Whether the results of operations of a subsidiary are included in the consolidated financial statements only as from the date on which parent-subsidiary relationship came into existence? (Para 22 of AS-21)		
5	Whether the results of operations of a subsidiary with which parent subsidiary relationship ceases to exist are included in the consolidated statement of profit and loss only until the date of cessation of the relationship? (Para 22 of AS-21)		
6	Whether the reasons for not consolidating a subsidiary have been disclosed in the consolidated financial statements? (Para 11 of AS-21)		
7	Whether a list of all subsidiaries, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held has been disclosed in consolidated financial statements? (Para 29(a) of AS-21)		
8	Whether the nature of the relationship between the parent and a subsidiary, if the parent does not own, directly or indirectly through subsidiaries, more than of the voting power of the subsidiary has been disclosed in the consolidated financial statements? (Para 29(b)(i) of AS-21)		
9	Whether the effect of the acquisition and disposal of subsidiaries on the financial position at the reporting date, the results for the reporting period and on the corresponding amounts for the preceding period have been disclosed in consolidated financial statements? (Para 29 (b) (ii) of AS-21)		
10	Whether the investments in such subsidiaries which have not been consolidated in the consolidated financial statements in accordance with Para 11 of Accounting Standard - 21 (Consolidated Financial Statements), have been accounted for in accordance with Accounting Standard - 13 (Accounting for Investments) in the standalone financial statements? (Para 29 (b)(iii) of AS-21)		
11	Whether the investment in an enterprise has been accounted for in accordance with AS - 13, from the date that the enterprise ceases to be a subsidiary and does not become an associate? (Para 23 of AS-21)		
<b>Format and Contents</b>			
12	Whether the Consolidated Financial Statements include- <ul style="list-style-type: none"> <li>• Consolidated Balance Sheet</li> <li>• Consolidated Statement of Profit and Loss</li> <li>• Consolidated Cash Flow Statement</li> <li>• Statement of change in Equity</li> <li>• Notes, Statements and Other Explanatory Material</li> </ul> (Para 6 of AS-21 and Section 2(40) of Companies Act, 2013)		
13	Whether the consolidated financial statements are being presented, to the extent possible, in the same Format as that adopted by the parent for its separate financial statements?		

Sl. No.	Audit Area	Yes/ No/ NA	Remarks
	<i>(Para 6 of AS-21)</i>		
14	Whether the full comparative figures for the previous period have been presented in the consolidated financial statements except in case of first time preparation of consolidated financial statements? <i>(Para 30 of AS-21)</i>		
15	Whether identification of reportable segments for the purpose of segment reporting across all consolidating entities is appropriate?		
16	Whether the identification of related parties and reporting of related party transactions by all the consolidating entities is appropriate?		
17	In case of consolidating entities having subsidiaries/ associates/ joint ventures, whether the consolidated financial statements thereof have been used for preparing the group consolidated financial statements.		
18	Whether the financial statements used in the consolidation have been drawn up to the same reporting date? <i>(Para 18 of AS-21)</i>		
19	In case it is not practicable to draw up the financial statements of one or more subsidiaries/ jointly controlled entities to same date and, accordingly, those financial statements are drawn up to different reporting dates, whether proper adjustments have been made for the effects of significant transactions or other events that occur between those dates and the date and the parent's financial statements <i>In any case, the difference between reporting dates should not be more than six months. (Para 18 of AS-21)</i>		
20	Whether the names of the subsidiaries/ jointly controlled entities/ associates of "which reporting dates are different from that of the parent and the difference in reporting dates have been disclosed in consolidated financial statements? <i>(Para 29(iii) of AS-21)</i>		
21	Whether the length of the reporting periods, and any difference in the reporting dates, are consistent from period to period? <i>(Para 19 of AS-21)</i>		
<b>Accounting policies and Notes</b>			
22	Whether the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances? Whether adjustment have been made to harmonise the different accounting policies? <i>(Para 20 of AS-21)</i>		
23	In case it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, whether the fact has been disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied. <i>(Para20 of AS-21)</i>		
24	Whether all the notes involving items which are material and which are considered necessary for presenting a true and fair view of the consolidated financial statements are included in the consolidated financial statements. <i>(Para 6 of AS-21, Explanation -1)</i>		
<b>Line by Line Consolidation</b>			



Sl. No.	Audit Area	Yes/ No/ NA	Remarks
25	Whether the consolidated financial statements have been prepared by combining on a line by line basis by adding together like items of assets, liabilities, income and expenses of the parent and its subsidiaries so that the consolidated financial statements present financial information about the group as that of a single enterprise? ( <i>Para 13 of AS-21</i> )		
26	Whether 100 percent line by line consolidation has been carried out in respect of subsidiaries? ( <i>Para 13 of AS-21</i> )		
27	Whether proportionate line by line consolidation been carried out in respect of joint ventures (jointly Controlled Entities) in accordance with the 'participating interest' held by the parent? ( <i>AS-27</i> )		
<b>Elimination of inter unit transactions/ balances</b>			
28	Whether all the intra-group' balances and intra-group transactions and resulting unrealized profits have been eliminated in full? ( <i>Para 16 of AS-21</i> )		
29	Whether unrealized losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered? ( <i>Para 16 of AS-21</i> )		
30	Whether the details of transactions/ balances in the books of accounts of respective companies have been properly reconciled to arrive at final figures before these eliminations? ( <i>Para 17 of AS -21</i> )		
31	Whether all the intra-group transactions/ balances relating to purchase/ sale, loans given/ received, receipts/ payments of interest/ dividend, debtors/ creditors, investment/ equity etc. and any other have been covered in the elimination? ( <i>Para 17 of AS -21</i> )		
<b>Investments</b>			
32	Whether the cost to the parent of its investment in each subsidiary and the parent's portion of equity of each subsidiary, at the date on which investment in each subsidiary is made, has been properly eliminated? ( <i>Para 13 (a) of AS-21</i> )		
33	Whether any excess of the cost to the parent of its investment in a subsidiary/ associate/ jointly controlled entity over the parent's portion of equity of the subsidiary/ associate/ jointly controlled entity, at the date on which investment in the subsidiary/ associate/ jointly controlled entity is made, has been properly recognized as goodwill (asset). In the consolidated financial statements? ( <i>Para 23(b) of AS-21</i> )		
34	Whether any excess of the parent's portion of equity of the subsidiary over the cost to the parent of its investment in a subsidiary, at the date on which investment in the subsidiary is made, has been properly recognized as capital reserve (liabilities) in the consolidated financial statements? ( <i>Para 13(c) of AS-21</i> )		
<b>Minority Interest</b>			
35	Whether the minority interests in the net income of consolidated subsidiaries (where the share of parent is less than 100%) for the reporting period has been properly identified and adjusted against the income of the group in order to arrive at the net income attributable to the owners of the parent? ( <i>Para 13(d) of AS-21</i> )		

Sl. No.	Audit Area	Yes/ No/ NA	Remarks
36	Whether the minority interests in the net assets of consolidated subsidiaries has been properly identified and presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders? ( <i>Para 13(e) of AS-21</i> )		
37	Whether the minority interests in the net assets of consolidated subsidiaries properly accounts for- <ul style="list-style-type: none"> <li>• the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and</li> <li>• the minorities' share of movements in equity since the date the parent-subsidiary relationship came in existence. (<i>Para 13(e)-(i) and(ii) of AS-21</i>)</li> </ul>		
<b>Requirements of AS-23 : Accounting for investment in Associates</b>			
38	Whether the investment in an associate has been accounted for in consolidated financial statements under the equity method except when – <ul style="list-style-type: none"> <li>• the investment is acquired and held exclusively with a view to its subsequent disposal in the near future; or</li> <li>• the associate operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor. (<i>Para 7 of AS-23</i>)</li> </ul>		
39	Whether the reasons for not applying the equity method in accounting for investments in an associate have been disclosed in the consolidated financial statements? ( <i>Para 7 of AS-23</i> )		
40	Whether the use of the equity method has been discontinued from the date the company ceases to have significant influence in an associate but retains, either in whole or in part, its investment? ( <i>Para 9 of AS-23</i> )		
41	Whether the carrying amount of the investment at that date of discontinuation of use of equity method has been regarded as cost thereafter? ( <i>Para 9 of AS-23</i> )		
42	Whether the investments in associates accounted for using the equity method have been classified as long- term investments and disclosed separately in the consolidated balance sheet? ( <i>Para 23 of AS-23</i> )		
43	Whether the unrealized profits and losses resulting from transactions between the investor or its Consolidated subsidiaries and the associate have been eliminated to the extent of the investor's interest in the associate? ( <i>Para 13 of AS-23</i> )		
44	In case of a provision for proposed dividend having been made by an associate in Its financial statements, whether the investor's share of the results of operations of the associate is computed without taking in to consideration the proposed dividend? ( <i>Para 6(b) of AS-23</i> )		
45	In case of an associate having outstanding cumulative preference shares held outside the group, whether the share of profits or losses is computed after adjusting for the preference dividends, irrespective of declaration of dividend. ( <i>Para 17 of AS-23</i> )		
46	In case, an investor's share of losses of an associate equals or exceeds the carrying amount of the investment under the		

Sl. No.	Audit Area	Yes/ No/ NA	Remarks
	equity method; whether recognition of the share of further losses is discontinued and investment is reported at nil value. (Para 18 of AS-23)		
47	In case the recognition of the share of further losses is not discontinued. Whether the additional losses are provided for only to the extent that the investor has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the investor has guaranteed or to which the investor is otherwise committed. In such case, if the associate subsequently reports profits, the investor resumes including its share of those profits only after its share of the profits equals the share of net losses that have not been recognized. (Para 18 of AS-23)		
48	In case of an associate preparing consolidated financial statements as well, whether the results and net assets to be taken into account by investor are those reported in that associate's consolidated financial statements. (Para 19 of AS-23)		
49	Whether the consolidated financial statements disclose- <ul style="list-style-type: none"> <li>• investor's share of the contingencies and capital commitments of an associate for which it is also contingently liable; and</li> <li>• those contingencies that arise because the investor is severally liable for the liabilities of the associate. (Para 21 of AS-23)</li> </ul>		
50	Whether an appropriate listing and description of associates including the proportion of ownership 50 interest and, if different, the proportion of voting power held has been disclosed in the consolidated financial statements. (Para 22 of AS-23)		
<b>Requirements of AS-23: Financial Reporting of interests in joint ventures</b>			
51	Whether the interests of an enterprise in jointly controlled entity have been reported in the consolidated financial statements by using proportionate consolidation except- <ul style="list-style-type: none"> <li>• an interest in a jointly controlled entity which is acquired and held exclusively with a view to its subsequent disposal in the near future and</li> <li>• an interest in a jointly controlled entity which operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venture. (Para 28 of AS-27)</li> </ul>		
52	Whether separate line item for proportionate share of the assets, liabilities, income and expenses of the jointly controlled entity is included in the consolidated financial statements? (Para 32 of AS-27)		
53	Whether any offsetting of assets or liabilities by the deduction of other liabilities or assets or any income or expenses by the deduction of other expenses or income has wrongly been done while effecting proportionate consolidation, unless a legal right of set-off exists and the offsetting represents the expectation as to the realization of the asset or the settlement of the liability? (Para 35 of AS-27)		
54	Whether in case of contribution or sale of assets to a joint		

Sl. No.	Audit Area	Yes/ No/ NA	Remarks
	venture, where the assets are retained by the joint venture and risks and rewards of ownership have been transferred to the joint venture, only portion of the gain or loss attributable to the interests of the other ventures have been recognized? (Para 40 of AS-27)		
55	Whether in case of purchase of assets to a joint venture, its share of the profit of the, joint venture have not been recognized until resale of the assets to an independent party? (Para 41 of AS-27)		
56	Whether all the interests in joint ventures, which do not have joint control, have been reported in consolidated financial statements in accordance with AS-13, AS-21 or AS-23, as appropriate? (Para 45 of AS-27)		
57	Whether the aggregate amount of the following contingent liabilities, unless the probability of loss is remote have been disclosed separately from the amount of other contingent liabilities- • its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and • those contingent liabilities that arise because the venture is contingently liable for the liabilities of the other ventures of a joint venture. (Para 50 of AS-27)		
58	Whether the aggregate amount of the following commitments in respect of its interests in joint ventures have been disclosed separately from other commitments: • any capital commitments of the ventures in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other ventures; and • its share of the capital commitments of the joint ventures themselves. (Para 51 of AS-27)		
59	Whether lists of all joint ventures and description of 59 interests in significant joint ventures have been disclosed? (Para 52 of AS-27)		

**References: -**

- Companies Act, 1956.
- Companies Act, 2013 and Companies (Specification of definitions details) Rules, 2014.
- Accounting Standard 21 (Consolidated Financial Statements) issued by the institute of Chartered Accountants of India.
- Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) issued by the institute of Chartered Accountants of India.
- Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) issued by the institute of Chartered Accountants of India
- Guidance Note on Audit of Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

**ANNEXURE 9A**

**(Format of certificate for conducting supplementary audit of financial statements and issue of Comments)**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).**

The preparation of financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>80</sup> of the Act is/ are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the Company) for the year 31 March (year) under Section 143 (6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

- A. Comments on Profitability
- B. Comments on Financial Position
- C. Comments on Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditor's Report
- F. Other comments

*(May be arranged in order of decreasing importance)*

**For and on the behalf of the  
Comptroller and Auditor General of India**

**Signature  
Name of Pr. AG/ AG**

**Place:**

**Date:**

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<sup>80</sup> In case of first auditor appointed by the CAG.

**ANNEXURE 9 (B)**

**(Format of certificate for conducting supplementary audit of financial statements and issue of Nil Comments)**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of company) FOR THE YEAR ENDED 31 MARCH (Year)**

The preparation of financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>811</sup> of the Act is/ are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the Company) for the year 31 March (year) under Section 143 (6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143 (6) (b) of the Act.

**For and on the behalf of the  
Comptroller and Auditor General of India**

**Signature  
Name of Pr. AG/ AG**

**Place:**

**Date:**

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<sup>81</sup> In case of first auditor appointed by the CAG.

**ANNEXURE 9 (C)**

**(Format of certificate for not-conducting supplementary audit of financial statements)**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of company) FOR THE YEAR ENDED 31 MARCH (Year)**

The preparation of financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>821</sup> of the Act is/ are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the financial statements of (name of the company) for the year ended 31 March (Year) under section 143(6)(a) of the Act.

**For and on the behalf of the  
Comptroller and Auditor General of India**

**Signature**

**Name of Pr. AG/ AG**

**Place:**

**Date:**

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<sup>82</sup> In case of first auditor appointed by the CAG.

## ANNEXURE 9 (D)

**(Format of certificate for conducting supplementary audit of financial statements, revision of financial statements and consequent issue of Nil Comments)**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of company) FOR THE YEAR ENDED 31 MARCH (Year)**

The preparation of financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013(Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>831</sup> of the Act is/ are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the Company) for the year ended 31 March (year) under Section 143 (6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

In view of the revision(s) made in the financial statements by the management, as indicated in Note No..... of the financial statements, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to the statutory auditors' report under section 143 (6)(b) of the Act.

**For and on the behalf of the  
Comptroller and Auditor General of India**

**Signature  
Name of Pr. AG/ AG**

**Place:**

**Date:**

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<sup>83</sup> In case of first auditor appointed by the CAG.



## ANNEXURE 9 (E)

**(Format of certificate for conducting supplementary audit of financial statements, revision of financial statements and subsequent issue of comments)**  
**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (Year).**

The preparation of financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013(Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>84</sup> of the Act is/ are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report (date of report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the Company) for the year ended 31 March (year) under Section 143 (6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. The financial statements of the Company have been revised by the management, as indicated in Note No..... of the financial statements, to give effect to some of my audit observations raised during supplementary audit.

In addition, I would like to highlight the following significant matters under section 143 (6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

- A. Comments on Profitability
- B. Comments on Financial Position
- C. Comments on Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditor's Report
- F. Other comments

(May be arranged in order of decreasing importance)

**For and on the behalf of the  
Comptroller and Auditor General of India**

**Signature  
Name of Pr. AG/ AG**

**Place:**

**Date:**

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<sup>84</sup> In case of first auditor appointed by the CAG.

## ANNEXURE 10 (A)

**(Format of certificate for conducting supplementary audit of consolidated financial statements and issue of Comments)**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH THE SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).**

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013(Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>85</sup> read with section 129(4) of the Act is/ are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the Company) for the year ended 31 March (year) under section 143 (6)(a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities), but did not conduct supplementary audit of the financial statements (name of subsidiaries, associate companies and jointly controlled entities)<sup>86</sup> for the year ended on that date. **Further, section 139 (5) and 143 (6) (a) of the Act are not applicable to (name of the subsidiary/joint venture/associate company) being private entity(ies)/ entity(ies) incorporated in foreign country(ies) under the respective laws for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditor nor conducted the supplementary audit of these companies.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143 (6)(b) read with section 129 (4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report”

- A. Comments on Consolidated Profitability
- B. Comments on Consolidated Financial Position

<sup>85</sup> In case of first auditor appointed by the CAG.

<sup>86</sup> If the number exceeds three, they may be listed as annexure

- C. Comments on Consolidated Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditor's Report on Consolidated Financial Statement
- F. Other comments

*(May be arranged in order of decreasing importance)*

**For and on the behalf of the  
Comptroller and Auditor General of India**

**Signature  
Name of Pr. AG/ AG**

**Place:**

**Date:**

## ANNEXURE 10 (B)

(Format of certificate for conducting supplementary audit of consolidated financial statements and issue of Nil Comments)

### COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of company) FOR THE YEAR ENDED 31 MARCH (Year)

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013(Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>87</sup> read with section 129(4) of the Act is/ are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the Company) for the year ended 31 March (year) under section 143 (6)(a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities), but did not conduct supplementary audit of the financial statements (name of subsidiaries, associate companies and jointly controlled entities)<sup>88</sup> for the year ended on that date. **Further, section 139 (5) and 143 (6) (a) of the Act are not applicable to (name of the subsidiary/joint venture/associate company) being private entity(ies)/ entity(ies) incorporated in foreign country(ies) under the respective laws for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditor nor conducted the supplementary audit of these companies.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143 (6)(b) of the Act.

**For and on the behalf of the Comptroller  
and Auditor General of India**

**Signature  
Name of Pr. AG/ AG**

**Place:**

**Date:**

<sup>87</sup> In case of first auditor appointed by the CAG.

<sup>88</sup> If the number exceeds three, the same may be listed as annexure

**ANNEXURE 10 (C)**

**(Format of certificate for not-conducting supplementary audit of consolidated financial statements)**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (Name of company) FOR THE YEAR ENDED 31 MARCH (Year)**

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>89</sup> read with section 129(4) of the Act is/ are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the consolidated financial statements of (name of the company) for the year ended 31 March (Year) under section 143 (6)(a) read with section 129(4) of the Act.

**For and on the behalf of  
Comptroller and Auditor General of  
India**

**Signature  
Name of Pr. AG/ AG**

**Place:  
Date:**

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<sup>89</sup> In case of first auditor appointed by the CAG.

## ANNEXURE 10 (D)

### **(Format of certificate for conducting supplementary audit of consolidated financial statements, revision of consolidated financial statements and consequent issue on Nil Comments)**

#### **COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (Name of company) FOR THE YEAR ENDED 31 MARCH (Year)**

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013(Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>281</sup> read with section 129(4) of the Act is/ are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report (date of report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the Company) for the year ended 31 March (year) under section 143 (6)(a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities), but did not conduct supplementary audit of the financial statements (name of subsidiaries, associate companies and jointly controlled entities)<sup>29</sup> for the year ended on that date. **Further, section 139 (5) and 143 (6) (b) of the Act are not applicable to (name of the subsidiary/joint venture/associate company) being private entity(ies)/ entity(ies) incorporated in foreign country(ies) under the respective laws for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditor nor conducted the supplementary audit of these companies.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of

<sup>28</sup> In case of first auditor appointed by the CAG.

<sup>29</sup> If the number exceeds three, the same maybe listed as annexure.

the statutory auditors and company personnel and a selective examination of some of the accounting records.

In view of the revision(s) made in the consolidated financial statements by the management, as indicated in the Note No.\_\_\_\_ of financial statements, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to the statutory auditors' report, under section 143 (6)(b) read with section 129 (4) of the Act.

**For and on the behalf of the  
Comptroller and Auditor General of India**

**Signature  
Name of Pr. AG/ AG**

**Place:**

**Date:**



## ANNEXURE 10 (E)

**(Format of certificate for conducting supplementary audit of consolidated financial statements, revision of consolidated financial statements and subsequent issue of comments)**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (Year).**

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013(Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>30</sup> read with section 129(4) of the Act is/ are responsible for expressing opinion of the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report (date of report)

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the Company) for the year ended 31 March (year) under section 143 (6)(a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities), but did not conduct supplementary audit of the financial statements of (name of subsidiaries, associate companies and jointly controlled entities)<sup>31</sup> for the year ended on that date. **Further, section 139 (5) and 143 (6) (b) of the Act are not applicable to (name of the subsidiary/joint venture/associate company) being private entity (ies)/ entity (ies) incorporated in foreign country(ies) under the respective laws, for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditor nor conducted the supplementary audit of these companies.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of

<sup>30</sup> In case of first auditor appointed by the CAG.

<sup>31</sup> If the number exceeds three, the same may be listed as annexure



the statutory auditors and company personnel and a selective examination of some of the accounting records.

The consolidated financial statements of the Company have been revised by the management, as indicated in the Note No.....of the financial statements, to give effect to some of my audit observations raised during supplementary audit.

In addition, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the consolidated financial statements and the related audit report:

- A. Comments on Consolidated Profitability
- B. Comments on Consolidated Financial Position
- C. Comments on Consolidated Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditor's Report on Consolidated Financial Statemetns
- F. Other comments

(May be arranged in order of decreasing importance)

**For and on the behalf of the  
Comptroller and Auditor General of  
India**

**Signature  
Name of Pr. AG/  
AG**

**Place:**

**Date:**

## ANNEXURE 10 (F)

(Format of certificate for conducting supplementary audit of financial statements, revision of Statutory Auditor's Report and consequent issue of comments)

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (Year).**

The preparation of financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>32</sup> of the Act is/ are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the Company) for the year ended 31 March (year) under section 143 (6)(a) of the Act. The supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. The audit report has been revised by the statutory auditor to give effect to some of my audit observations raised during supplementary audit.

In addition, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

- A. Comments on Profitability
- B. Comments on Financial Position
- C. Comments on Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditor's Report
- F. Other comments

(May be arranged in order of decreasing importance)

**For and on the behalf of the Comptroller  
and Auditor General of India**

**Signature  
Name of Pr. AG/ AG**

**Place:**

**Date:**

<sup>32</sup> In case of first auditor appointed by the CAG

## ANNEXURE 10 (G)

(Format of certificate for conducting supplementary audit of financial statements, revision of Statutory Auditor's Report and consequent issue of Nil comments)

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (Year).**

The preparation of financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>331</sup> of the Act is/ are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the Company) for the year ended 31 March (year) under section 143 (6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

In view of revision(s) made in the statutory auditor's report, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to statutory auditors' report under section 143(6) (b) of the Act.

**For and on the behalf of the  
Comptroller and Auditor General of  
India**

**Signature  
Name of Pr. AG/ AG**

**Place:**

**Date:**

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<sup>33</sup> In case of first auditor appointed by the CAG.

## ANNEXURE 10 (H)

**(Format of certificate for conducting supplementary audit of consolidated financial statements, revision of Statutory Auditor's Report and consequent issue of comments)**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (Year).**

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>341</sup> read with section 129(4) of the Act is/ are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the Company) for the year ended 31 March (year) under section 143 (6)(a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities), but did not conduct supplementary audit of the financial statements of (name of subsidiaries, associate companies and jointly controlled entities)<sup>35</sup> for the year ended on that date. **Further, section 139 (5) and 143 (6) (a) of the Act are not applicable to (name of the subsidiary/joint venture/associate company) being private entity (ies)/ entity (ies) incorporated in foreign country(ies) under the respective laws for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of

<sup>34</sup> In case of first auditor appointed by the CAG.

<sup>35</sup> If the number exceeds three, the same may be listed as annexure.

some of the accounting records. The Audit Report has been revised by the statutory auditor to give effect to some of my audit observations raised during supplementary audit.

In addition, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the consolidated financial statements and the related audit report:

- A. Comments on Consolidated Profitability
- B. Comments on Consolidated Financial Position
- C. Comments on Consolidated Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditor's Report on Consolidated Financial Statements
- F. Other comments

(May be arranged in order of decreasing importance)

**For and on the behalf of the  
Comptroller and Auditor General of  
India**

**Signature  
Name of Pr. AG/  
AG**

**Place:**

**Date:**

## ANNEXURE 10 (I)

**(Format of certificate for conducting supplementary audit of consolidated financial statements, revision of Statutory Auditor's Report and consequent issue of Nil comments)**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (Year).**

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (Year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7)<sup>361</sup> read with section 129(4) of the Act is/ are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them *vide* their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the Company) for the year ended 31 March (year) under section 143 (6)(a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities), but did not conduct supplementary audit of the financial statements of (name of subsidiaries, associate companies and jointly controlled entities)<sup>37</sup> for the year ended on that date. **Further, section 139 (5) and 143 (6) (b) of the Act are not applicable to (name of the subsidiary/joint venture/associate company) being private entity (ies)/ entity (ies) incorporated in foreign country(ies) under the respective laws for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of

<sup>36</sup> In case of first auditor appointed by the CAG.

<sup>37</sup> If the number exceeds three, the same may be listed as annexure.

the statutory auditors and company personnel and a selective examination of some of the accounting records.

In view of revision(s) made in the statutory auditor's report, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to statutory auditors' report under section 143(6) (b) of the Act read with section 129(4) of the Act.

**For and on the behalf of the  
Comptroller and Auditor General of  
India**

**Signature  
Name of Pr. AG/  
AG**

**Place:  
Date:**

**ANNEXURE 11**

**PROFORMA ON THE PERFORMANCE OF AUDITORS OF GOVERNMENT COMPANIES AND GOVERNMENT CONTROLLED OTHER COMPANIES FOR THE YEAR, 20\_\_**

To be sent to the Comptroller and Auditor General's Office with the endorsement copy of Comments/ Nil comments/ Non review certificate on the accounts of the Company.

<b>A. Basic Data</b>			
(i)	Name of the Company/ Corporation		
(ii)	Name of the Branch/ Unit of the Company/ Corporation audited		
(iii)	Year of Account		
(iv)	Name of Statutory Auditors; Joint Auditor and Branch auditors and partner who certified the financial statements on the behalf of the CA firm.		
(v)	Name of the Partners, Chartered Accountant Employees and other employees who actually audited the Company/ Unit and the man days deployed/ spent by the Partners/ CA employees on the audit.		
Name	Man days/ hours Spent in Audit	Travelling Allowance/ Daily Allowance paid/ payable (₹)	Out of pocket expenses paid/ payable (₹)
(a) Partners			
(b) Chartered Accountant Employees			
(c) Other employees			

(vi) Audit fee and other remuneration paid/ payable to the Auditors by the Company (please give separate entries for each Audit firm and each type of remuneration).

Name of the Statutory auditor/ Joint Auditor/branch auditor	Audit fees mentioned in the annexure II attached with the appointment letter	Audit fees actually paid by the Company	Details of other remuneration/ fee paid/ Payable to the auditor along with amount thereof for the year of account. (₹)
			(i) Tax Audit
			(ii) VAT Audit
			(iii) Half yearly / Quarterly Financial Reviews
			(v) Others (specifying the nature of services rendered)



			<b>Total</b>	
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**B. Parameters for assessing the performance of auditor**

		<b>Yes</b>	<b>No</b>
1	Has the auditor failed to report non-compliance of any Accounting Standard by the Company Management as required under Section 133 and 143 (3) (e) of the Companies Act, 2013?		
2	Has the Auditor failed to report on any assertions as specified in Section 143(2) and (3) of the Companies Act, 2013 read with Rules framed there under?		
3	Whether the Auditor failed to report on any matter specified in Companies (Auditors Report) Order, 2015?		
4	Whether the Auditor failed to comply with the Auditing Standards as required by Section 143(10) of the Companies Act, 2013?		
5	Whether the Auditor failed to report non-compliance of any of the provision of Schedule III of the Companies Act, 2013 regarding preparation of Balance Sheet and Statement of Profit and Loss Account?		
6	Whether the Auditor failed to report on the matters included in Rule 11 of the Companies (Audit and Auditors) Rule, 2014?		
7	Whether the Auditor failed to report non-compliance of any of the requirements prescribed by any Regulatory authorities/bodies viz. SEBI, IRDA, RBI, DPE, NHB and Administrative Ministry etc., regarding preparation of financial statements?		
8	Whether the Auditor's Report did not include the Directions issued by the Comptroller and Auditor-General of India, action taken thereon and their impact on the accounts and financial statements of the company as required by section 143 (5) of the Companies Act,2013?		
9	Whether the Auditor failed to state (wherever possible) the effect of individual qualification as well as impact of all the qualification on profit or loss or state of affairs?		
10	Whether the Auditor delayed the audit and submission of Audit Report without proper justification.		
11	Whether the Auditor failed to offer his comments on the provisional comments issued by the DG/ PAG/ MAB office within time stipulated by the DG/PAG/MAB?		
12	Whether any complaint/ representation has been		

	received from the Company/ Management against the unethical practices adopted by Statutory Auditor?		
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### C. Performance –Unsatisfactory/ Satisfactory

#### PROFORMA TO BE SENT WHEN ‘NON REVIEW’ CERTIFICATE IS ISSUED TO GOVERNMENT COMPANIES and GOVERNMENT CONTROLLED OTHER COMPANIES FOR THE YEAR, 20\_\_

To be sent to the Comptroller and Auditor General’s Office with the endorsement copy of Comments/ Nil comments/ Non review certificate on the accounts of the Company.

A. Basic Data			
(i)	Name of the Company/ Corporation		
(ii)	Name of the Branch/ Unit of the Company/ Corporation audited		
(iii)	Year of Account		
(iv)	Name of Statutory Auditors; Joint Auditor and Branch auditors and partner who certified the financial statements on the behalf of the CA firm.		
(v)	Name of the Partners, Chartered Accountant Employees and other employees who actually audited the Company/ Unit and the man days deployed/ spent by the Partners/ CA employees on the audit.		
Name	Man days/ hours Spent in Audit	Travelling Allowance/ Daily Allowance paid/ payable (₹)	Out of pocket expenses paid/ payable (₹)
(a) Partners			
(b) Chartered Accountant Employees			
(c) Other employees			

(vi) Audit fee and other remuneration paid/ payable to the Auditors by the Company (please give separate entries for each Audit firm and each type of remuneration).

Name of the Statutory auditor/ Joint Auditor/ branch auditor	Audit fees mentioned in the annexure II attached with the appointment letter	Audit fees actually paid by the Company	Details of other remuneration/ fee paid/ Payable to the auditor along with amount thereof for the year of account. (₹)
			(i) Tax Audit
			(ii) VAT Audit
			(iii) Half yearly / Quarterly Financial

			Reviews	
			(v) Others (specifying the nature of services rendered)	
			<b>Total</b>	

File No. \_\_\_\_\_

Office of the \_\_\_\_\_

Dated

### MEMO

A reference is Invited to 'Auditor's Report' under Section 143(2) & (3) of the Companies Act, 2013 on the financial statements of ..... (Name of the Company) for the year ..... During the course of supplementary audit under Section 143(6)(a) of the Companies Act, 2013, of the financial statements, following has been observed:

(i)

(ii)

*(indicate here the non-compliance to the relevant parametere(s) mentioned in para 3.2)*

It is requested to give your comments on the observation within fourteen working days from the issue of this Memo. In case you desire to be heard in person you may meet the undersigned on any working day with prior appointment.

Your performance as auditors of the Company for the year 2017-18 will be adjudged considering your reply and your submission during personal hearings, if sought. In case nothing is heard from you within fourteen working days of issue of this Memo, it will be presumed that you have nothing to say in the matter and the matter will be processed as per provisions of Regulations on Audit and Accounts of the CAG of India.

**Sr. DAG/DAG/Director/Dy. Director**

M/s \_\_\_\_\_

**Chartered Accountants**

**Matters to be taken care of**

- (i) Failure by the auditors in any one of the above parameters should be interpreted as serious lapse. Accordingly, if the reply is in affirmative in any one of the above, the performance of the Statutory/ Branch auditor **may be adjudged as unsatisfactory.**
- (ii) If the performance is assessed as Unsatisfactory,
  - (a) A special memo has to be issued to statutory auditors spelling out the various failures/ lapses on account of which their performance was proposed to be considered unsatisfactory?
  - (b) The auditor should also be given an opportunity for personal hearing in case they desired to be heard in person.
- (iii) The proforma assessing the performance of the auditor as unsatisfactory should invariably be sent along with the following documents/ information; -
  - 1. A copy of the special memo issued to the auditors along with the date of issue.
  - 2. A copy of the reply of the auditors to the special memo (**or** the fact of their failure to reply **within a reasonable time**) with the date of reply.

Whether a personal hearing was given and if so, name of the partner who had represented the firm.

- 3. Remarks of the DG/ PAG/ MAB/ AG on the reply of the auditors in aide-memoirs form.
- 4. A detailed note in the form of speaking order of the DG/ PAG/ MAB/ AG indicating the reasons and justification for considering the performance of the statutory auditors as adverse.

## ANNEXURE 12 (A)

### **SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 37(6) OF THE STATE FINANCIAL CORPORATION ACT, 1951 ON THE ACCOUNTS OF GUJARAT STATE FINANCIAL CORPORATION FOR THE YEAR ENDED 31 MARCH**

The preparation of financial statements of Gujarat State Financial Corporation for the year ended 31 March .....in accordance with the financial reporting framework prescribed under the State Financial Corporation Act, 1951 and generally accepted accounting principles is the responsibility of the Management of the Corporation. The Statutory Auditor appointed by the Corporation in the general meeting of shareholders out of the panel of auditors approved by the Reserve Bank of India under Section 37 (1) of the State Financial Corporation Act, 1951 are responsible for expressing opinion on these financial statements based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body - the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated.....

This Separate Audit Report (SAR) contains the comments of the Comptroller and Auditor General of India (CAG) on the accounting treatment only with regards to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on the financial transactions with regards to compliance with the Laws, Rules and Regulations (Propriety and Regularity) and efficiency-cum-performance aspects, etc., if any, are reported through Inspection Reports/ CAG's Audit Reports separately.

We, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the Financial Statements of Gujarat State Financial Corporation for the year ended 31 March ..... under Section 37 (6) of the State Financial Corporation Act, 1951. This audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor and Corporation's personnel and a selective examination of some of the accounting records. Based on our audit, we would like to highlight the following significant matters under Section 37 (6) of the State Financial Corporation Act, 1951, which have come to our attention and which in our view are necessary for enabling a better understanding of the financial statements and the related Audit Report issued by Statutory Auditors.

#### **Comments on Accounts**

- 1. Balance Sheet**
- 2. Profitability**
- 3. General**

**For and on behalf of the  
Comptroller and Auditor General of India**

**Accountant General (Audit II), Gujarat**

## ANNEXURE 12 (B)

### **Separate Audit Report on the accounts of Gujarat Industrial Development Corporation for the year ended 31 March .....**

We have audited the attached Balance Sheet of Gujarat Industrial Development Corporation (Corporation) as on 31 March ..... and the Income and Expenditure Account for the year ended on that date annexed thereto under Section 19(3) of CAG's (DPC) Act, 1971 read with Section 26(2) of the Gujarat Industrial Development Act, 1962. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

This Separate Audit Report contains the comments of the Comptroller and Auditor General of India (CAG) on the accounting treatment only with regard to classification; conformity with best accounting practices, accounting standards, disclosure norms, etc. Audit observations on financial transaction with regard to compliance with the law, rules, and regulations (Propriety and regularity) and efficiency cum performance aspects, if any, are reported through Inspection Reports/ CAG's Audit Report separately.

We have conducted our audit in accordance with Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining on a test basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) The Balance Sheet and Income and Expenditure Account dealt with in this Report have been drawn up in the format approved by Government of Gujarat under Form D of GID Rules, 1963.
- (iii) In our opinion, proper books of accounts, and other relevant records as required under section 26(1) of the Gujarat Industrial Development Act, 1962 have been maintained by the Corporation, in so far as it appears from our examination of books.

We further report that:

- A. Balance Sheet**
  - I. Liabilities**
  - Ii. Assets**

**B. Income And Expenditure Account**  
**C. General**

(iv) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure account dealt with by this report are in agreement with the books of accounts.

(v) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts and subject to the significant matters stated above and other matters mentioned in Annexure I to this Audit Report, give a true and fair view in conformity with accounting principles generally accepted in India:

In so far as it relates to the Balance Sheet, of the state of affairs of the Corporation as at 31 March .....; and in so far as it relates to Income and Expenditure account, of the excess of income over expenditure for the year ended on that date.

**For and on behalf of the  
Comptroller and Auditor General of India**

**Accountant General (Audit II), Gujarat**

## ANNEXURE 12 (C)

### **Separate Audit Report Of The Comptroller And Auditor General Of India On The Accounts Of Gujarat State Road Transport Corporation For The Year Ended 31 March .....**

We have audited the attached Balance Sheet of Gujarat State Road Transport Corporation as on 31 March ..... and the Profit and Loss Account for the year ended on that date under Section 33(2) of Road Transport Corporations Act, 1950. These financial statements include the accounts of units of the Corporation. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

This Separate Audit Report contains the comments of the Comptroller and Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules and Regulations (propriety and regularity) and efficiency-cum-performance aspects, etc. if any, are reported through Inspection Reports/ CAG's Audit Reports separately.

We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test check basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, we report that:

- (I) We have obtained all the information and explanations, which according to the best of our knowledge and belief were necessary for the purpose of our audit.
- (II) The Balance Sheet and Profit and Loss Account dealt with in this report have been drawn up in the format prescribed by the Government of Gujarat (GoG) in consultation with the Comptroller and Auditor General of India under Section 33(1) of the Road Transport Corporations Act, 1950.
- (III) In our opinion, proper books of accounts and other relevant records have been maintained by the Corporation as required under the Road Transport Corporations Act, 1950, in so far as it appears from our examination of such books.

(IV) We further report that:



**Comments on Accounts**

- A. Balance Sheet**
- B. Profit and Loss Account**
- C. General**

Subject to our observations in the preceding paragraphs, we report that the Balance sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and subject to the significant matters stated above and other matters mentioned in *Annexure* to this Audit Report give a true and fair view in conformity with accounting principles generally accepted in India:

- i.** In so far as it relates to the Balance Sheet, of the state of affairs of the Corporation as at 31 March 20...., and
- ii.** In so far as it relates to Profit and Loss account, loss for the year ended on that date.

A review of accounts showing the summarized financial results of the Corporation for the last three years is given in *Annexure*.....

**For and on behalf of the  
Comptroller and Auditor General of India**

**Accountant General (Audit-II), Gujarat**

## Annexure 13

### CHECKS TO BE APPLIED DURING THE COURSE OF THE AUDIT

#### MAJOR MINERALS

1	<p><b>Register of applications for Reconnaissance Permits:</b></p> <p>(a) Whether register is maintained in the prescribed proforma <i>i.e.</i> Form G 1 (Rule 7D of Mineral Concession Rules).</p> <p>(b) Whether the applications were submitted in prescribed proforma, <i>i.e.</i> <b>Form A</b>, in triplicate alongwith requisite fee at the rate of ₹ five <i>per</i>sq km and other necessary documents (Rule-4).</p> <p>(c) Whether all valid applications have been entered into the register. Any left out applications may be looked into with reasons for not entering.</p> <p>(d) Disposal of all the applications, <i>i.e.</i> whether granted or refused has been mentioned in the register under authentic signature. Which is the authority to sign? Whether authenticated person has signed the disposal.</p> <p>(e) Any other check as deemed fit, may be applied.</p>
2	<p><b>Register of Reconnaissance permits:</b></p> <p>(a) Whether register is maintained in the prescribed proforma <i>i.e.</i> <b>Form H1</b> (Rule-7D).</p> <p>(b) Whether all the Reconnaissance Permits issued have been entered into register. Discrepancies may be pointed out.</p> <p>(c) Whether a deed granting Reconnaissance Permits have been executed in <b>Form F1</b> within 90 days of the date of the communication of order or such further period as the State Government may allow (Rule7A)</p> <p>If not, whether order granting Reconnaissance Permit has been revoked by the State Government where non-execution of deed due to any fault on the part of the applicant and fee paid has been forfeited to the State Government.</p> <p>(d) Whether Security deposit has been paid by the applicant before execution of the deed of Reconnaissance Permit at the rate of ₹20 <i>per</i> sq.km. or part thereof for which permit has been granted. (Rule 7B)</p>
3	<p><b>Register of applications for Prospecting Licences:</b></p> <p>(a).Whether register is maintained in the prescribed proforma, <i>i.e.</i> <b>Form G</b> (Rule 21)</p> <p>(b) Whether applications were submitted by the applicants in prescribed proforma, <i>i.e.</i><b>Form B</b>, in triplicate alongwith requisite fee calculated in accordance with the provisions of schedule II and other necessary documents. (Rule 9)</p> <p>(c) Whether all valid applications have been entered into the register.</p> <p>(d) Whether disposal of all the applications, <i>i.e.</i> whether granted or refused has been mentioned in the register under authentic signature.</p>

	(e) Whether applications for renewal, if any were submitted in <b>Form E</b> in triplicate alongwith necessary documents and / or fee. (Rule 9).
	(f) Whether renewal application submitted at least before 90 days of completion of validity of the Prospecting licence originally granted or renewed. (Rule11)
	(g) Whether all valid renewal applications have been entered into the register.
	(h) Whether disposal of the renewal applications, i.e. whether renewed or refused has been mentioned in the register under authentic signature.
4	<b>Register of Prospecting Licence:</b>
	(a) Whether the register is maintained in <b>Form H</b> (Rule-21)
	(b) Whether all the Prospecting Licence issued have been entered into the register.
	(c) Whether entries regarding renewal of the Prospecting Licences have been made in the register.
	(d) Whether a deed granting Prospecting Licence has been executed in <b>Form-F</b> within 90 days of the date of the communication of order or such further period as the State Government may allow (Rule 15).
	If not, whether order granting Prospecting Licence has been revoked by the State Government in case non-execution of deed due to any fault on the part of the applicant and fee paid has been forfeited to the State Government.
	(e) Whether security deposit has been paid by the applicant before execution of the deed of Prospecting License at the rate of ₹ 2,500 per sq.km. or part there of which license has been granted. (Rule-20)
5	<b>Register of applications for Mining Lease:</b>
	(a) Whether register is maintained in <b>Form L</b> (Rule 40).
	(b) Whether applications were submitted by the applicants in <b>Form I</b> , in triplicate alongwith requisite fee of ₹ 2,500 and deposit of ₹1,000 for meeting preliminary expenses and other necessary documents. (Rule 22)
	(c) Whether all valid applications have been entered into register.
	(d) Whether disposal of the applications, i.e. whether granted or refused has been mentioned in the register under authentic signature.
	(e) Whether renewal applications, if any, were submitted in <b>Form J</b> in triplicate alongwith requisite fee and necessary documents/ information at least before 12 months of the date of expiry of the lease period originally granted or renewed. (Rule 24A)
	(f) Whether all valid renewal applications have been entered into register and forwarded to the State Government.
	(g) Whether disposal of the renewal applications, i.e. Whether renewed or refused applications has been mentioned in the register under authentic signature.
6	<b>Register of Mining Lease:</b>

	(a) Whether the register is maintained in <b>Form M</b> (Rule 40)
	(b) Whether all the Mining Lease granted have been entered into register.
	(c) Whether entries regarding renewal of Mining Lease have been made in register.
	(d) Whether lease deed has been executed in <b>Form-K</b> within six months of the order granting lease or within such further period as the State Government may allow. (Rule 31)
	If not, whether the order granting Mining Lease has been revoked by the State Government wherein non-execution due to any fault on the part of the applicant and application fee has been forfeited to the State Government.
	(e) Whether security deposit of ₹ 10,000 has been paid by the applicant before execution of lease deed. (Rule 32)
<b>7</b>	<b>Lapsing of Mining Leases: (Rule 28)</b>
	(a) Whether the lease has been declared as lapsed by the State Government and communicated the declaration to the lessee in the cases where mining operations are not commenced within two years from the date of execution of lease or is discontinued for a continuous period of two years after commencement of such operations.
	(b) Whether any application has been submitted by the lessee to the State Government stating reasons where non-operation is due to reasons beyond the control of the lessee.
	(c) Whether such application, if any, has been submitted at least three months before expiry of period of two years and accompanied by requisite fee.
	(d) Whether disposal of such application has been mentioned under authentic signature quoting order of the State Government.
	(e) Whether entries regarding lapsing of lease have been made in the register against concerned lease under authentic signature quoting order of the State Government.
<b>8</b>	<b>Transfer of Lease: (Rule 37)</b>
	(a) Whether consent in writing has been received for transfer of lease from the State Government or as the case may be, the Central Government.
	(b) If not, whether the State Government has determined the lease.
	(c) Whether entries in respect of either of the case above have been made in the register against concerned lease under authentic signature.
	(d) Whether a transfer lease deed has been executed in <b>Form-O</b> within three months of the date of the consent or within such further period as the State Government may allow.
<b>9</b>	<b>Returns and Statements: (Rule 51)</b>
	(a) Whether holder of a Prospecting Licence or a Mining Lease has furnished to the State Government such returns and statements and within such period as may be specified by it.
	(b) Whether penalty has been levied for non-furnishing of any document or

	statement or information or returns as the case may be (Rule 52) (Discretionary).
<b>10</b>	<b>Demand and Collection Register:</b>
	(a) Whether all monthly accounts showing mineral excavated, cleared/ consumed, royalty paid, if any, along with chalans have been submitted by the lessee and entries thereof have been made promptly.
	(b) If not, whether any action has been taken to get them submitted by the lessee.
	(c) Whether the register/ account has been closed at least at the end of the financial year and outstanding dues have been carried forward to the next financial year correctly under authentic signature.
	(d) Whether demand notices have been issued in respect of outstanding dues of royalty, dead rent, surface rent, interest or any other sums as the case may be.
<b>11</b>	<b>Refund Register:</b>
	(a) Whether any register in respect of refunds has been maintained.
	(b) Whether refunds, if any, made has been entered in the register.
	(c) No. of cases where refunds have been made.
	(d) Whether refunds granted were examined and requisite audit checks exercised to the extent prescribed as per Hqrs. (RA Manual, Circular and Other orders)
<b>12</b>	<b>Revenue Recovery Certificates:</b> (Section 25 of the Mines and minerals (Development and Regulation) Act, 195
	Whether Revenue Recovery Certificates have been issued in cases where rent, royalty or other sums are outstanding for a considerable period.
	<b>MINOR MINERALS</b>
	<b>Gujarat Minor Mineral Rules, 2017</b>
<b>13</b>	<b>Register of applications for Quarry Lease:</b>
	(a) Whether register is maintained in <b>Form C</b> (Rule 9)
	(b) Whether applications were submitted by the applicants in Form-A in triplicate alongwith requisite fee <i>i.e.</i> non-refundable application fee for processing of such lease applications as below and other necessary documents (Rule 6)
	<b>(A) For sand, kankar, gravel and ordinary clay</b>
	(i) ₹ 500 For an area less than five hectares
	(ii) ₹ 1,000 for an area of five hectares or more
	<b>(B) For minor mineral other than A above</b>
	(i) ₹ 2,500 for an area less than five hectares
	(ii) ₹ 5,000 for an area of five hectares or more
	(c) Whether all valid applications have been entered into register.
	(d) Disposal of the applications, <i>i.e.</i> whether granted or refused has been mentioned in the register under authentic signature.
	(e) Whether renewal applications, if any, were submitted in <b>Form-F</b> in

	triplicate alongwith requisite fee and other necessary documents/ information at least before 90 days of the date of expiry of the lease period originally granted or renewed. (Rule17)
	(f) Whether all valid renewal applications have been entered into register.
	(g) Disposal of the renewal applications, <i>i.e.</i> Whether renewal granted or refused has been mentioned in the register under authentic signature.
<b>14</b>	<b>REGISTER OF QUARRY LEASE:</b>
	(a) Whether the register is maintained in <b>Form-N</b> (Rule 47)
	(b) Whether all the Quarry Lease granted have been entered into register.
	(c) Whether entries regarding renewal of Quarry Lease have been made in the register.
	(d) Whether lease deed has been executed in <b>Form-B</b> within prescribed time limit [Rule 10(3)]
	(e) Whether a performance security equivalent to an amount of 0.25 per cent of the value of estimated resources in case of minerals specified in Part A-II or Part B of <b>Schedule III</b> (Rule 10) and in case of minerals specified in Part A-I of <b>Schedule III</b> the performance security as mentioned in rule 57 has been levied
<b>15</b>	<b>SURRENDER OF QUARRY LEASE: (RULE 18)</b>
	(a) Whether there are any cases of surrender of any part or whole of the lease by the lessee.
	(b) Whether application in Form K were given by the lessee in writing to the competent officer at least before six months.
	(c) In case of acceptance of surrender of any part or whole of the lease by the competent officer, whether entries to that effect has been made in the register.
	(d) Whether all outstanding dues <i>i.e.</i> royalty, dead rent, surface rent, interest or other sums have been recovered in full prior to acceptance of surrender of lease from the lessee.
	(e) Whether possession of the leased area surrender by the lesseea to the competent officer.
<b>16</b>	<b>TRANSFER OF QUARRY LEASE: (RULE 44)</b>
	(a) Whether previous consent in writing has been received for transfer of lease from the Government.
	(b) If not, whether the competent officer has taken any action <i>viz.</i> determined the lease.
	(c) Whether entry in respect of either the case above has been made in the register against concerned lease under authentic signature.
	(d) Whether a transfer lease deed in <b>Form M</b> has been executed within prescribed time limit, if any, of the date of the consent.
	(e) Whether the holder of quarry lease make payment of a fee to the Government
	(i) in case of minerals specified in Part A-I of Schedule III: rupees one

	<p>lakh if residual value of mineral resources is upto rupees one crore and rupees two lakh if residual value of mineral resources is greater than rupees one crore; and</p> <p>(ii) in case of minerals specified in Part A-II or Part B of Schedule III: rupees five lakhs if residual value of mineral resources is upto rupees ten crores and rupees ten lakhs if residual value of mineral resources is greater than rupees ten crores;</p>
<b>17</b>	<b>RETURNS:</b>
	(a) Whether any register has been maintained to watch the receipt of returns.
	(b) Whether the lessee has furnished to the competent officer monthly returns in <b>Form Q</b> before 10 <sup>th</sup> day of the succeeding month [Rule 49 (1) (a)]
	(c) Whether annual return has been furnished by each lessee in <b>Form R</b> for every financial year before 30 April of the succeeding year [Rule 49 (1) (b)]
<b>18</b>	<b>FINE FOR EXCAVATION FROM AREA NOT COVERED BY LEASE</b>
	Whether any fine which may extend up to 100 per cent of royalty and an amount equal to the mineral value for the mineral excavated from the encroached area has been levied and recovered and encroachment area vacated by the competent authority (Rule 18).
<b>19</b>	<b>INSPECTION OF LEASE BY COMPETENT AUTHORITY</b>
	Whether any directions issued by the competent authority during inspection of lease to prevent wasteful extraction and to ensure safety and conservation of minor minerals has been complied with by the lessee.
<b>20</b>	<b>CANCELLATION OF LEASE FOR DISCONTINUOUS MINING FOR ONE YEAR</b>
	Whether any action has been taken for cancellation of quarry leases in cases where lessees ceases to quarry work for a continuous period of one year. Whether any authenticate prior permission has been obtained by such a lessee for not operating the quarry.
<b>21</b>	<b>DEMAND AND COLLECTION REGISTER:</b>
	(a) Whether all monthly returns have been furnished by every lessee and entries there from regarding mineral excavated and cleared/ transported, royalty / dead rent/ surface rent paid have been made promptly.
	(b) If not, whether any action has been taken to get them furnished by the lessee.
	(c) Whether the register/ account has been closed at least at the end of the financial year and outstanding dues have been carried forward to the next financial year correctly under authentic signature. (Authority for signing it)
	(d) Whether demand notices have been issued in respect of outstanding

	dues of royalty, dead rent, surface rent, interest or any other sums, as the case may be.
22	<b>REFUND REGISTER:</b>
	(a) Whether any register of refunds has been maintained
	(b) Whether refunds made, if any, have been entered in the register.
	(c) No. of cases where refunds have been granted.
	(d) Whether refunds granted were examined and requisite audit checks exercised to the extent prescribed as per Hqrs. (RA Manual, Circular and Other orders)
23	<b>REVENUE RECOVERY CERTIFICATE:</b>
	Whether Revenue Recovery Certificates have been issued promptly in cases where rent, royalty or any other sums are outstanding (Rule 58)
24	<b>QUARRYING PARWANA:</b>
	(a) Whether any register has been maintained for Quarrying Parwana issued.
	(b) Whether quarrying parwana has been issued in <b>Form H</b> for a maximum period of one year, on payment of a non-refundable fee of
	(i) ₹ 500 for an area upto 1,000 sqmtrs. And
	(ii) ₹ 1000 for an area exceeding 1,000 sqmtrs
	(c) Whether all the quarrying Parwana issued have been entered into the register.
	(d) Whether security deposit has been paid as determined by the Commissioner per parwana (Rule 34)
	(e) Whether any action has been taken to recover dues not paid within 30 days from the due date, as arrears of Land Revenue and the parwana has been determined. [Rule 32 (11)]
	(f) In cases where parwana has been transferred or power of attorney has been given, whether such parwana has been cancelled
25	<b>REGISTER OF APPLICATION FOR QUARRYING PERMITS:</b>
	(a) Whether any register has been maintained in respect of applications of Quarrying Permits received:
	(b) Whether applications were submitted by the applicants in <b>Form D</b> alongwith requisite fee <i>i.e.</i> non refundable fee at the rate of rupees one thousand for every one hundred metric tonnes or part thereof of the minor minerals proposed to be extracted (Rule 21)
	(c) Whether all valid applications have been entered into register.
	(d) Whether disposal of applications, <i>i.e.</i> permit granted or refused, has been mentioned in the register under authentic signature.
26	<b>REGISTER OF QUARRYING PERMITS:</b>
	(a) Whether register has been maintained in <b>Form O</b> [Rule 64 (3)]
	(b) Whether all quarrying permits issued have been entered into register.
	(c) Whether Quarrying permits have been granted in <b>Form E</b> [Rule 62(1)].
27	<b>Records maintained in respect of Surprise checks by the Head of the</b>



	<b>Office:</b>
	(a) No. of illegal excavation of minerals found.
	(b) No. of illegal transportation of minerals found.
	(c) Whether necessary action has been taken as per provisions of the Rules
	(d) Any other checks deemed fit with specific mention.
28	<b>ESTABLISHMENT OF DISTRICT MINERAL FOUNDATION (DMF)</b>
	Whether a trust, as a non-profit body has been established in the district by notification to work for the interest and benefit of persons and areas affected by mining related operations. [Section 9B(1)]
	Whether any amount has been recovered on removal of minor minerals from each lessee at the rate prescribed by the State Government as contribution towards DMF.[Section 9B(4)]
	Whether contribution recovered has been credited to the DMF in a manner prescribed by Government.
29	<b>ESTABLISHMENT OF NATIONAL MINERAL EXPLORATION TRUST (NMET)</b>
	Whether any amount has been recovered at the rate of two per cent of royalty as contribution towards NMET.[Section 9C(4)]
	Whether the sum recovered has been credited to NMET in a manner prescribed by the Central Government.
30	<b>INTEREST ON DELAYED PAYMENT</b>
	Whether any simple interest at the rate of 18 per cent per annum has been recovered on any rent, royalty or other sums due from the date fixed by the competent authority or Government till the date of payment of such amount. (Rule 54)
31	<b>RECOVERY OF SURFACE RENT</b>
	Whether surface rent has been recovered on total area of the quarry lease at Non Agriculture Assessment (NAA rate) prescribed for mining [Rule 56].

**ANNEXURE-14**

**(A) CERTIFICATE TO BE RECORDED BY THE Sr. AUDITOR/AUDITOR**

- 1) Certified that audit of all the monthly accounts as per the sample size provided to me have been audited in accordance with the rules and .....Audit Notes (AN) issued
- 2) The objections with monetary value have been registered in the Objection Book and the balances totalled and progressive totals brought up-to-date.
- 3) All wanting schedules have been noted in the Register prescribed and necessary action to call for them has been taken.

**(B) CERTIFICATE TO BE GIVEN BY THE AAO/ SUPERVISOR**

- 1) Certified that audit of all the accounts allocated to my section have been completed as per the sample size and review of audit carried out by Assistant Supervisor/ Sr. Auditors/ Auditors has been completed in accordance with the rules
- 2) Certified that I have checked classification of all vouchers
- 3) Certified that no cases of expenditure on New Service not contemplated in the annual budget were noticed during the audit.

**ANNEXURE-15**

**CHECK LIST FOR PART-I OF THE MONTHLY ACCOUNTS**

<p><i>The Checklists mentioned below are not intended to be exhaustive: any other items of check not specifically mentioned but required to be checked under the provisions of MSO (Audit), MICA, CPWD Code and Financial Attest Audit Guidelines for State Govt are also to be followed during central audit.</i></p>	
<p><b>1-Schedule of Revenue Realised (Form 46)</b> (This schedule gives the details of receipts realised under particular major head)</p>	
<b>Checks to be exercised</b>	<b>Scrutiny</b>
<p>Verify whether the figures shown as receipts in Form 46</p> <p>i) Have been correctly classified</p> <p>ii) The total of receipts have been correctly taken to Form 80</p> <p>iii) The receipts are supported by entries of cash book/DR/TR receipt no. or schedule docket no. for recoveries from works.</p>	
<p><b>2-Schedule of Works Expenditure (Form 64)</b> - (This schedule gives the details of expenditure incurred during the month, estimate amount of each work, agreement number and year for each work.)</p>	
<p>Verify whether the amount of sanctioned estimate/allotment is given in the schedule in cases where expenditure appears for the first time;</p>	
<p>Verify whether the total of this schedule (under column 5) has been correctly taken to classified abstract (Form 74) under the respective Head of Account.</p>	
<p>Verify whether the progressive expenditure does not exceed the amount of the sanctioned estimate</p>	
<p>Verify whether any expenditure has been incurred without sanction or in excess of sanction.</p>	
<p>Verify whether the schedule of works expenditure (Form 64) is enclosed for each Head of Account separately?</p>	
<p>Verify whether in case of an expenditure incurred for a maintenance work, the estimate sanctioned is of the current year.</p>	
<p><b>3- Schedule of Deposit Works (Form 65)</b></p>	
<p>Whether Cash receipts under deposit shown in the Schedule of Deposit Works have been verified with the “Memo of Miscellaneous Cash Receipts Paid into treasuries” shown in the Monthly Account (Form 80).</p>	
<p>Whether excess expenditure is charged to MPWA and relevant entries made in the Schedule of MPWA?</p>	

Whether particulars of all unaffected deposit works are shown in Part II of the Schedule?	
When the works are shown as completed, whether action is taken to refund the excess deposit or realise the excess expenditure?	
Whether the entries in deposit register is complete in all respects including reference to agreements of security deposits.	
<b>4- Schedule of Deposit Register(Form 79)</b>	
Verify whether debits / credits are compared with concerned schedule vouchers and memos of cash receipts?	
Verify whether debits are adjusted to the extent of corresponding credits and there is any minus balance?	
Verify whether the certificate at the front of the Schedule has been recorded correctly in respect of items converted into any form of interest bearing securities?	
Verify whether necessary details are given in the Schedule of works in respect of deposits for work to be done	
Verify whether lapsed deposits have been credited to Government account when the schedule for March A/c is checked?	
Whether the totalling in the deposit register is correctly arrived at and in consonance with the abstract.	
Whether particulars of all unaffected deposit works are shown in Part II of the Schedule?	
<b>5- Schedule of debits/credits to Remittances (Form 77)</b>	
Whether the total in the schedules are supported by necessary details in the schedule of monthly settlement with Treasuries and that figures agree with corresponding figures in Form-51(line 2)	
<b>6- Schedule of settlement with Treasuries (Form-51)</b>	
Whether the schedule has been received in original	
Whether the difference in line 5 in respect of each treasury is supported by necessary details Whether difference as per <i>line 5</i> agrees with details of difference under both parts?	
Whether at the close of the year <i>i.e.</i> in the month of <b>March</b> there is ordinarily no difference except on account of cheques issued upto 31 <sup>st</sup> March but not encashed by that date.	
<b>7- Schedule of Debit to Stock (SDT)</b>	
Verify whether items in Part II agree with relevant items in SDTs, consolidated contingent bill etc. and remaining issue traced from several accounts as indicated in part I?	
Whether closing balances exceed the sanctioned limit of	

stock?	
<b>8-Schedule of Miscellaneous Public Work Advances (Form 70)</b>	
Verify whether the schedule has been submitted in revised form which should also provide additional column for indicating the month of account in which the transaction last appeared.	
Verify whether any major items are pending in MPWA (5 lacs and above) and if so whether any details have been furnished.	
Verify whether the schedule for September and March Accounts is accompanied by list of items outstanding under this head for more than six months.	
Verify whether a special check is exercised in respect of items indicating a disregard of any financial rule or losses, retrenchment orders awaiting adjustment?	

**ANNEXURE-16**

**CHECKLIST FOR PART-II OF THE MONTHLY ACCOUNTS**

<p><b>1. Schedule Docket-</b> The Schedule Docket gives an account of expenditure incurred in respect of each voucher enclosed and is prepared work wise and also head of account wise. The Auditor should take up the verification of the Schedule Docket serial number wise. The expenditure shown in the Docket is only with respect to that month in respect of that particular work</p>	
<p>Verify whether the charges in the Schedule Dockets are in consonance with vouchers which accompany them. (Any misclassification noticed)</p>	
<p>Verify the total of each Schedule Docket with the Schedule of Works expenditure (Form 64) under the particular Schedule Docket Number.</p>	
<p>Whether contra entries in respect of all Transfer Entries mentioned in the Schedule Docket have been verified?</p>	
<p>Verify whether the Schedule Docket gives details of Name of Work, Major, Head Sub, Major Head, Minor Head, Sub Head along with details of number of vouchers and number of TEO attached with Schedule Docket.</p>	
<p>Whether all vouchers and transfer entry orders enumerated on the dockets and which have to be submitted are forthcoming.</p>	
<p>Whether each docket bears the initials of the Divisional Accountant.</p>	
<p>Verify whether individual amounts detailed in the vouchers add up to the totals indicated in Schedule Docket and the totals are indicated both in words and in figures.</p>	

## ANNEXURE-17

### CHECKLIST FOR VOUCHERS

Following vouchers are received in the monthly accounts viz., First and Final Bills, Running Account (RA) Bills and Final Bills, other vouchers such as purchase bills and telephone bills, electricity bills etc, Hand Receipts and Transfer Entry vouchers

The following checks on assertions on measurement, completeness, regularity, occurrence and disclosure will be mandatorily exercised on all vouchers selected for audit.

#### ASSERTIONS ON MEASUREMENT

1	Verify whether the amount accounted in the Schedule of Receipts is same as the amount actually received as per Challan.
2	Verify whether the totalling in the vouchers and challans are correctly arrived at.
3	Verify whether the amount actually paid as per voucher is same as per the receipt signed by the recipient
4	Verify whether the total of sub vouchers equal the paid amount as per main voucher.
5	Verify whether the deducted amounts from bills are correctly booked in corresponding Revenue Receipt/Capital Receipt/Public Account Major Heads.

#### ASSERTIONS ON REGULARITY

1	Check whether the expenditure is incurred with proper budget allocation and that the expenditure is not on a new service or new instrument of service.
2	Verify whether certificate of Payments or Certificate of Receipts for Missing Vouchers/Challans are properly authorized and accepted by Accountant General (A & E)
3	Verify whether the classification of vouchers and challans are correctly done.
4	Check whether expenditure booked as charged expenditure is eligible for such classification under provisions of constitution and as per provisions in the

	budget
5	Check whether the expenditure in the voucher is sanctioned by appropriate authority and actual expenditure is for the amount sanctioned.
6	Check whether the expenditure is correctly classified as revenue or capital based on principles applicable for classification into revenue or capital
7	Check in respect of offices having cheque drawing powers whether the transactions pertain only to their offices.

### ASSERTIONS ON OCCURRENCE

1	Check whether in respect of expenditure incurred through Contingency Fund action to recoup the same through supplementary demands have been taken.
2	Check all Nil Payment vouchers of March to verify whether they have been paid to avoid lapsing of budget allocation.
3	Check whether in respect of refund of deposits, the original deposits have been credited to government account.
4	Check whether in respect of adjustment or refund of advances, the advance had originally been paid and booked under the correct head of account.

### ASSERTIONS ON COMPLETENESS

1	Verify whether the bills/challans are in the prescribed format and contains all documents required to be attached to the bills/challans
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### ASSERTIONS ON DISCLOSURE

1	Check whether the classification shown in the Bill/Challan is correct
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### Specific checks on Different Categories of Vouchers Received with Monthly Account

<b>(a) First and Final Bill-</b> (This bill is prepared when one single payment is made for the work done and as per agreement entered with contractor)	
Whether the details viz. Name of Contractor, Agreement number, Estimate amount, cash book voucher number and the total value	



of work done has been recorded.	
Whether the bill amount is arithmetically accurate and agrees when total quantity is multiplied with the rate per unit	
Whether the voucher bears the reference of Measurement Book page no. item wise	
Whether an acknowledgement for the gross amount by the payee/contractor has been recorded.	
Whether mandatory deductions like IT, Surcharge on IT, ST and Surcharge on ST have been made at the rates applicable as on date.	
Whether the voucher contains details of measurement recorded by the AE/DEE and check measurement by the EE /AEE /DEE/AE with reference to relevant measurement book page no.	
<b>(b) RA Bills (including Final RA Bills)</b>	
<p>Verify whether the following details are entered on the first page of RA Bills.</p> <p>i) Name of the Contractor,</p> <p>ii) Name of the work</p> <p>iii) Purpose of work</p> <p>iv) Agreement number</p> <p>v) Contractor`s Ledger Folio No</p> <p>vi) Serial Number of the Bill</p> <p>vii) Number and date of last bill for the work,</p> <p>viii) Details of acceptance of the contract</p> <p>ix) Date of written order to commence the work,</p> <p>x) Date of completion as stipulated in the contract.</p> <p>xi) Details of extension granted upto</p> <p>xii) Date of actual completion of work</p>	
In case of delay in completion of work and non-submission of details regarding extension of time limit whether liquidated	

damages have been recovered	
Whether the up-to-date and other figures which are dependent upon the entries in the Running Account bill, which is not the first bill of a series relating to an Account, are correct with reference to the last previous bill	
Verify whether measurement has been recorded with the dated signature of the competent authority	
Whether Arithmetical Calculation in Part-IV Memorandum of Payments is correct	
Whether the mandatory deductions viz, Income Tax (2%), Labour Welfare Cess (1% of the value of the work done), GST (2%) (SGST 1% and CGST 1% in case the value of work done is above Rs 2.5 lakh), Hire charges, Royalty, Security deposit (2.5% of the estimated cost), Recovery of materials issued to the contractor and Recovery of mobilization advance if any. Testing charges (1% of the estimated cost as per the conditions of the contract) etc have been made from RA Bills as per the provision of the agreement and rules and regulations prevailing at that time.	
Verify whether signature of the competent authority is there on the RA bills in support of proof of having passed payment.	
Whether the amount shown as paid in the RA Bills is in consonance with the amount mentioned in the Schedule Docket.	
Verify whether the rates at which amounts have been paid for each item of work agree with those mentioned in the contract agreement or rate contract. In the case of rate list contracts they should be checked with reference to the Schedule of Rates.	
Check whether the deducted amounts from bills are correctly booked in corresponding Revenue Receipt/Capital Receipt/Public Account Major Head.	
Whether final bill prepared within <b>45 days</b> from the date of recording final measurement of work?  For work costing upto 50 Lakh (amount put to tender).	
Whether final bill prepared within <b>75 days</b> from the date of recording final measurement of work?  For work costing more than 50 Lakh (amount put to tender).	

<b>(c) Special Checks on Final Bills –</b>	
Verify whether the bill is in the prescribed form and contains all the relevant details such as agreement number, name of the work and details of previous bill paid etc.,	
Verify whether details like dates of measurements, dates of super check measurements and references to pages of Measurement book in respect of the particular work are furnished.	
Verify whether the certificate of the relating to the Quality check by the Quality Control Units furnished.	
<b>(d) Vouchers (Purchase bills)</b>	
Verify whether the vouchers are in the prescribed form, in original and duly acknowledged by the payees in token of receipt	
Verify whether the vouchers give the details of name of the work, estimate and sanction, Measurement Book page number and necessary certificates that the quantities purchased were taken to log book/ stock account as the case may be.	
Whether all the vouchers have a pass order given by EE or AEE as the case may be	
Whether the pass order is given for the gross amount and pay order for net amount and payment details like cheque number, date, Cash Book voucher number and the month have been stated?	
Whether other relevant certificates such as ‘ payment not made already’ were furnished by JE/AEE or Executive Engineer	
Verify whether the vouchers are numbered with reference to the Schedule of List of Payments, Schedule Dockets or other accounts, as the case may be.	
Verify whether stamps have been affixed and punched on all vouchers involving a net payment in excess of 5000/- unless otherwise provided in the rules of Government.	
<b>(e) Hand Receipt</b>	
Whether the proper Form-28 was used.	
Verify whether all the details viz. names of payer, payee, name of the work, head of account, estimate number, cheque number and	

cheque amount, Voucher number and purpose for which payment has been made are recorded.	
Whether the Officer authorizing payment has put his dated initial on the Hand Receipt.	
Whether the certificate to the effect that the bill had not been paid previously recorded on the Hand Receipt.	
If it is not a payment of advance it should be supported by claimant's bill, with appropriate-stamped acknowledgement or advance stamped receipt	
If an award/verdict is granted by the Hon. Court of Law in Land Acquisition case and amount deposited in the court vide Hand Receipt, a copy of the order of the Hon. Court should be attached with the Hand Receipt and payment so deposited should be properly acknowledged by the court clerk. Verify whether the same was done.	
<b>(f) Transfer Entry-</b> (Transfer entry relates to expenditure debited to a work through a TEO expenditure withdrawn from another work or suspense heads like Miscellaneous PWA, Stock etc)	
Verify whether the details from where the expenditure stands transferred are recorded.	
Verify whether the reasons for proposing TEO along with details like estimate number and DR number in respect of both the works are mentioned	
Verify whether 7F Issue and Receipts statement have been endorsed in cases where TEO involves value of materials transferred from one work to another.	

**ANNEXURE-18**

**M.S.O. (Audit) Form - 3**

**Audit Note on the Account of .....Divisions, for the month  
of.....**

- Part-I (i) Objections in respect of Works included in Part I of the Works Register regarding: (a) cases of want to or excess over sanctioned estimated allotments, whereregularisation have been delayed for over six months and (b) want of or excess over administrative approval, and
- (ii) All objections regarding want of or excess over financial sanction.

Sl. No.	Name of work	Up to date expenditure under objection											
		(with amount of sanctioned estimate to be shown in red ink)	Want of sanctioned estimate	Excess over sanctioned estimate	Want of Allotment	Excess over Allotment	Want of administrative approval	Excess over administrative approval	Want of financial sanction	Excess over financial sanction	Explanation of Divisional Officer	Remarks by Superintendent Engineer	For use in the audit Office How disposed of

	₹	₹	₹	₹	₹	₹	₹	₹			
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**Part – II**

**Miscellaneous Objection**

**M.S.O. (Audit) Form – 3**

Item No.	No. of voucher or item in the schedule concerned (with name of schedule)	Particulars	Amount under objection, if any	Particulars of Objections	Explanation of Divisional Officer	For use in the Audit Office how disposed

(\*) In nearest Rupees)

**ANNEXURE-19**

**M.S.O. (Audit) Form - 4**

Objection Book and Adjustment Register

PUBLIC WORK TRANSACTIONS

**Class of objection**

		Balance brought forward		April			Supplementary Accounts			
Item No.	Name of work particulars of item	Year from which outstanding	Amount	* Amount placed under objection	* Amount cleared	Amount so on	Amount placed under objection	Amount cleared	Reference to the order, account, voucher or other documents justifying the removal of objection	# Remark (including particulars of correspondence and action taken)
			₹	₹	₹	₹	₹	₹		

In nearest Rupees

\* The amount placed under objection during the month or the amount cleared during the month should be noted in black or blue black ink and the progressive totals should be shown in green ink, *e.g.*, 100/100, 200/300, and so on.

# This column should be filled in only in respect of miscellaneous objections.

**APPENDIX-1.1****Calendar of Returns****AMG I Headquarters I**

<b>Name of Returns</b>	<b>To whom due</b>	<b>When due</b>	<b>Authority</b>
Daily Attendance Register	Branch Officer	Daily	Part 04 of Manual of Office procedure
Weekly Status of Accounts	Group Officer	Every Monday	-
Calendar of Return	Branch Officer	Every Monday	Manual of Office procedure
Details of Outstanding Letters/ Weekly closing of Letters	Branch Officer	Every Monday	AG's order No. 06 dated 15/07/1968
Outward register	Branch Officer	Fortnightly	Office order No. TM 13 dated 17/03/1962
Monthly indent for Stationary	GOM Section	14th of every month	Manual of office procedure
Closing of Attendance Register	Branch Officer	5th of every month	Manual of office procedure
Auditors Notebook	Branch Officer	5th of every month	Para 640 of MSO Tech. Vol.I
AAO Note Book	Branch Officer	5th of every month	Para 640 of MSO Tech. Vol.I
Adjustment Register (G&M)	Branch Officer	5 <sup>th</sup> of every month	Office order No. 04 dtd. 23.06.1998
Register for recovery at the instance of audit	Branch Officer	5th of every month	Circular No. CAD/Misc/Returns/No. 09-10 dated 26.08.2009
Objection Book Adjustment Register Monthly Progress Report	Branch Officer & Sr.DAG	5th of every month	Office order No. 04 dtd. 23.06.1998
Position of Money Value effected at the instance of Audit	Branch Officer	10th of every month	Circular No. CAD/Misc./Returns/No. 09-10 dtd. 26.08.2009.
Register of TA Bills	Branch Officer	5th of every month	
Register of Weekly Diaries	Branch Officer	5th of every month	
Monthly Arrear Report	QA Section	10th of every month	Manual of office procedure
Status of Pending Complaint Cases	QA, Sect. to Pr.AG	01st of every month	Office order TM/08 dated 01.11.66, O/o No. AG/Sect./180/725 dtd. 20.09.1989



Men in position	SAO Admn.	5th of every month	
Register of Black listing of Contractors.	Branch Officer	5th of every month	
Register of Theft /Misappropriation Cases	Branch Officer	5th of every month	
Return in respect of officials absent from Hqrs for more than one month.	Bills Section	10th of every month	Bills section letter dated 10.07.14
Register of Men in position	Branch Officer	15th of every month	
Press Clipping/ Special Point Register to pursue complaint & Press Clippings	Branch Officer	10th of every month	
Register of Files	Branch Officer	5th of every month	Sr. DAG/ES-II order dtd. 24.09.2018
Register of Pending Cases	Group Officer	1 <sup>st</sup> of every month	PAG's order dtd. 23.07.2019
Absentee Statement	Admin & Bills Section	5th of every month	
High Value Contract Register (PSU)	Branch Officer	5th of every month	
OIOS Implementation Related Details	ITMG अनुभाग	07th of every month	
Monthly Status of EAP Certification	CAR Section	15th of every month	Hqrs letter no.169-PPG/120-2016, dated 30.06.2017 (AMENDED FORMAT)
(IR) Prompt Issue of IRs	AMG I HQ II (for consolidation)	5th of every month	AG's Sect. Guard File Tr. 515 dated 16.03.1990
calender of Returns	QA	10th of every month	Manual of office procedure, No.गुणनिधान/विवरणीडायरी/2012-13 /Tr. No. 325 dated 29.01.2013
Government Resolutions of Industries and Mines Department	Group Officer	15th of every month	As per order of Sr. DAG/ AMG-I
Half yearly progress report of implementation of Integrated Audit Plan	CAR Section	7 <sup>th</sup> of April and October	No. CAR/AP/2014-15/37/187 dt. 16/05/2014 with letter dated 07.10.2014
IR/paras Half Yearly statement of IR / Paras	Head of Departments F&E, A&C, I&M	15th of May & November	W.M (P) O.O. No. 907 dtd. 01.11.96.

Hindi Annual Performance Report	Hindi Section	15 April	हिन्दी अनुभाग का दिनांक 27.05.2016 का पत्र (वरिष्ठ उपमहालेखाकार के आदेश )
Sansadiya Rajbhasha Niriskhan Prashnavalli	Hindi Section	15 April	हिन्दी अनुभाग का दिनांक 27.05.2016 का पत्र (वरिष्ठ उपमहालेखाकारके आदेश )
Material for Audit Report, Mis-appropriation, Losses etc	SFR Section	15 July	O.O. No. 90-91 /735/17 dated 22.03.1991
Annual Audit Plan	QA Section		
Revised system of assessment of Performance of Audit Offices (Ranking)	QA Section	20 July	No.V/2/18/170-PPG II/17/2012 dated 06.06.2012 through QA/CoR/2012-13 Tr. No. 325 dated 28.01.2013
Verification of Correctness of Audit Fee computed by different sections	QA Section	15 March	QA's Circular
Progress Report on Revision/ Updation of Local Manuals by Field Offices	QA Section	10 April	HQs letter 169-PPG/20-2016, dated- 30.06.2017 (revised)
Review of Periodicity of entrustment of Audit of ABS under Sec-19 & 20	CAR Section	10 October	HQ letter 169/PPG-20-2016, dated 30.06.2017
Annual Performance Report of C & AG	QA Section	10 <sup>th</sup> of April, July, October, January	-
Performance Management System / Key Result Areas (KRA)	Admin Section	15th of March every year	

#### AMG I Technical Cell

Name of Returns	To whom due	When due	Authority
Attendance Register	B.O.	Daily	Part 4 of Office procedure Booklet
Inward Register	B.O	Every Monday	Tm-V-6, dt. 11770
Calendar of Returns (Weekly)	B.O.	Every Monday	Tm-V-6 dt. 11.7.70
Weekly Status of Accounts	DAG/Sr.DAG of respective AMGs	During Week	QA/2020-21 Tr. 28 dtd. 18.09.20
Outward registers	B.O	1 <sup>st</sup> and 16 <sup>th</sup>	Tm No. 168 dt. 11.01.82
Duty list Registers	B.O	5 <sup>th</sup> of every month	TM No. dt. 17.12.66
Attendance Register Closing (closing of musters)	B.O	5 <sup>th</sup> of every month	Para 4 of Manual of office Procedure
Calendar of Returns	Sr. DAG	5 <sup>th</sup> of every	3. AM-II COR/91-92 dt.

		month	8.7.92
Dead Stock Register	Co-ordination, AMG-I	15 <sup>th</sup> April, 15 <sup>th</sup> July, 15 <sup>th</sup> Oct, 15 <sup>th</sup> Jan.	
Data Compilation for Chapter 5	Group Officer	15 <sup>th</sup> April, 15 <sup>th</sup> July, 15 <sup>th</sup> Oct, 15 <sup>th</sup> Jan.	Circular no. AMG-I/Hq-I/2022-23/dt.20.01.2023
Information of Staff working in Technical Cell	AMG-I	10 <sup>th</sup>	Estt. (A) 54/301/3720 dated 26.02.76
Officials absent from Hqrs. for a full calendar month	AMG-I	10 <sup>th</sup>	Bills (Au) / Tr. ALL/05-06/ Circular No.4 dt. 11.7.05 (File No. RA. III /TAP. 4/c)
Monthly indent of Stationery articles	GOM	15 <sup>th</sup>	App.II OAD Manual
Monthly Arrears Report of CAG Hq Letters	Sr. DAG ITA Sn.	5 <sup>th</sup>	Letter No. AG-II(BO) TR-279 dt,28-03-89
Monthly Accounts Status	QA	5 <sup>th</sup>	AMG-I/Hq-I/2022-23/dt.20.01.2023
Material for Quarterly Report on progressive use of Hindi	AMG-I	5 <sup>th</sup> April,5 <sup>th</sup> July, 5 <sup>th</sup> Oct, 5 <sup>th</sup> Jan	Hindi Cell 8(4) 21 dated 30.8.78
Monitoring of Arrears of Accounts (Quarterly Return)	GOG/ ROC/ PD	15 <sup>th</sup> April 15 <sup>th</sup> July 15 <sup>th</sup> Oct 15 <sup>th</sup> Jan	Order by PAG
Quarterly Progress Report on SAR	Pr.D, Hq., New Delhi	15 <sup>th</sup> April 15 <sup>th</sup> July 15 <sup>th</sup> Oct 15 <sup>th</sup> Jan	Manual of Instruction for audit of Autonomous bodies March 2010
AAO Note Book	DAG	15 <sup>th</sup> April 15 <sup>th</sup> July 15 <sup>th</sup> Oct 15 <sup>th</sup> Jan	
Half Yearly return on Monitoring of Arrears of Accounts	Hq. New Delhi	15 <sup>th</sup> April & 15 <sup>th</sup> October	
Yearly Report on Dissemination of Important Findings Featured in Peer Review Report	ITA Section	30 <sup>th</sup> June	Sr. DAG (AMG-I) Sectt/164 Dated 15/09/2021
Hindi Annual Progress Report	Sect. to PAG	15 <sup>th</sup> April	Cir. No. -02 dtd. 18.04.2017

### RAO GSRTC

Name of Returns	To whom due	When due	Authority
Attendance register	RAO	Monday	
Inward Register	RAO	Monday	

Calendar of Returns	RAO	Monday	
General Outward Register	RAO	1 <sup>st</sup> & 16 <sup>th</sup> of Every Month	
General Transit Register	RAO	1 <sup>st</sup> & 16 <sup>th</sup> of Every Month	
Casual leave Register & Attendance Register	RAO	5 <sup>th</sup> of each month	RAO Order
Position of newly issued IR received from Field parties	AMG I Hq II	2 <sup>nd</sup> of each month	CAD/AW/Letter No.CAD Misc/83-84/140 dt 24.12.83
Register for watching receipt/issue of IR ( Newly Audited)	Sr.DAG	5 <sup>th</sup> of each month	Para19(1) OAD Manual
Register of paras likely to find place in audit report(PDP Register)	RAO Sr.DAG	5 <sup>th</sup> of each month	O.O.A Sn
Register of Paras of interest noticed during local Audit	RAO	5 <sup>th</sup> of each month	O.O No.Ag/126/A II/Tr.355 dt.21-10-93
Monthly Arrear Report	AMG-I/Hqrs-I	5 <sup>th</sup> of each month	Para 28 Of MSO
Regarding of pending cases	RAO	5 <sup>th</sup> of each month	Seat-I
Departmental note	RAO	5 <sup>th</sup> of each month	TM/.29/119/dt.16-12-60
Report on returns delay of COR (calendar of Returns )	AMG-I/Hqrs-I	5 <sup>th</sup> of each month	As per Para 1.15 of CAGs MSO (Admn)Vol-I
Register of duty list	RAO	5 <sup>th</sup> of each month	TM/29/Misc /dt 7-10-60
Reg. of O/S Objection	RAO	5 <sup>th</sup> of each month	RAO Order
Calendar of Returns	DAG	5 <sup>th</sup> of each month	Cir.No.11 Gen-I 5-11-71
Monthly returns showing grievance & allegation & all allegations received up to the end of previous month	Sect to Pr.A.G	5 <sup>th</sup> of each month	O.Ono.AG /Sectt/724 dtd 20-1-89
List of the officials who are absent from Hqrs for a full calendar month due tour	Bills Sn	5 <sup>th</sup> of each month	No. Bills(au) Tr.A II/Cir No.4 Dtd 11-7-05 OW 117 13-7-05
Absentee Statement	Bills Sn	5 <sup>th</sup> of each month	CAD/Sn10-11RAO/gst/107
Register of Depot selection	RAO	20th of each month	P.P.II of OAD Manual
Section officer Note Book	RAO	20th of each month	29/6dt 18-9-61
Regarding of pending cases (minutes)	RAO	25 <sup>th</sup> of each month	P.P.II of OAD Manual
Register of books and periodical	RAO	25 <sup>th</sup> of each month	RAO Order
Party wise Contribution	AMG-I /HQ -	5 <sup>th</sup> of each	परिपत्र -6

Sheet	I	month	
register of High value contracts/purchase contract	DAG	5 <sup>th</sup> of each month	
Auditor Note Book (seat wise)	RAO	5 <sup>th</sup> of each month	Seat-I
Register of cases of theft/ fraud	RAO	5 <sup>th</sup> of each month	व.उ.म.ले./DAG
Quarterly information of IR/paras issued/closed for complaint	AMG-I Hqrs	15 <sup>th</sup> of April/july/Oct Dece	
Auditor Note Book (seat wise)	RAO	15 <sup>th</sup> of April/july/Oct Dece	TM2916 dtd29-6-71
Report regarding outstanding paras of director of inspection	Sr.DAG	15 <sup>th</sup> of April/july/Oct Dece	
Report regarding target and achievements (Audit plan revised format)	AMG-I/Hqrs.I	7 <sup>th</sup> of April/july/Oct Dec	CAD/AP/o8-09/1748 5.12.07
Returns regarding scrutiny of minutes resolution	AMG-II/Hqrs	1 <sup>th</sup> of Apr,july,Oct Dece	Letter dtd 11-10-07
Quarterly Hindi return	P.A.G order's	1 <sup>st</sup> week of Oct & April	
Register of High value contracts/purchase contract	AMG-I/Hqrs.I	1 <sup>st</sup> week of Oct & April	
Yearly return Money value OBG in Audit Report	AMG-I/Hqrs.I		Hqrs instruction
Register of duty list	Sr.DAG	15 <sup>th</sup> Oct & April	(Misc B) dtd 9-10-60
Half yearly statement of objection for more than six months	AMGI/Hqrs	15 <sup>th</sup> April	By ES-I Hqrs Orders
Certificate to the effect that all books were physically verified and found in stock	GOM-I	Cir No.14 dt 22-01-2007	
Ranking of IR performance of the audit offices	AMG-I /Hqrs.I	April every year	No. CAD-III/ Ranking/14 d 18-3-16
Annual Assessment Report regarding Usage of Official language	Hindi Section	15 April	
Inspection Questionnaire Committee of parliament on official language	Hindi Section	15 April	
Key result arrears	Admn.Section	15 March	

#### AMG I Headquarters II

Name of Returns	To whom due	When due	Authority
Attendance Reg.	B.O.	Daily	Office Procedure Manual
Calendar Of Returns	B.O.	Every Monday	O.O.Mo.-II/GM 161 dt.26.566 QA/COR 2012-13 Tr.No. 325
Calendar Of Returns	Sr. DAG	1 <sup>st</sup> Monday of every	O.O.Mo.-II/GM 161 dt.26.566

		month	QA/COR 2012-13 Tr.No. 325
Calendar Of Returns	Q.A.	10 <sup>th</sup> of every month	O.O.Mo.-II/GM 161 dt.26.566 QA/COR 2012-13 Tr.No. 325
Inward Register (Letter)	B.O.	Every Monday	O.O.No. TM 6 dt 11-7-60
Inward Register (IR)	B.O.	Every Monday	O.O.No. TM 6 dt 11-7-60
Outward Register	B.O.	Fortnightly	O.O.No. TM 13 dt 17-3-62
Register showing prompt issue of I.R.	Secy to PAG	7 <sup>th</sup> of every month	AG's Sect.Guard file Tr.515 dt.16.3.90
Auditors Notebook (General Seat)	B.O. DAG	5 <sup>th</sup> of Every month (Quarterly) (Jan, April, July, October)	Para 640 of MSO Tech.Vol-I
Sectional Duty List	Sr DAG	5 <sup>th</sup> of Every month	O.O. No.TM 29 Misc.13 Dt.17.10.60
Register of Files	B.O.	5 <sup>th</sup> of Every month	O.O.TM 2112/72 10.06.67
Monthly Arrear Report	QA Section	5 <sup>th</sup> of Every month	Office procedure Q/cor/2012-2013/Tr.325 (as per Q.A sxn letter cor/march/18-19 dtd 8/10/18)
Closing of Attendance Register	Branch Officer	5 <sup>th</sup> of Every month	Manual of office procedure
C.L. REGISTER	Branch Officer	1 <sup>st</sup> of Every month	Manual of office procedure
Monthly indent for Stationary	GOM Section	15 <sup>th</sup> of Every month	Record Manual
Objection Book	Sr DAG	5 <sup>th</sup> of Every month	आ.क्षे.-II परिपत्र.सं.-07/2014-15
Adjustment Book	Sr DAG	5 <sup>th</sup> of Every month	आ.क्षे.-II परिपत्र.सं.-07/2014-15
वसूली रजिस्टर Recovery Register	Branch Officer	5 <sup>th</sup> of Every month	आ.क्षे.-II परिपत्र.सं.-07/2014-15
Special point Register	Branch Officer	5 <sup>th</sup> of Every month	आ.क्षे.-II परिपत्र.सं.-07/2014-15
Factual Note Register	Branch Officer	5 <sup>th</sup> of Every month	आ.क्षे.-II परिपत्र.सं.-07/2014-15
Men in Position	HQ-1	2 <sup>nd</sup> of Every month	Office Procedure
Misappropriation/Loss/Theft	Branch Officer	3 <sup>rd</sup> of Every month	AMG-I/Hq-1/Mis., Complaint/F. No-104 dated 2/.06.22
Complaint File	Branch Officer	1 <sup>st</sup> of Every month	AMG-I/Hq-1/Mis., Complaint/F. No-104 dated 2/.06.22
Press Clipping	Branch Officer	1 <sup>st</sup> of Every month	AMG-I/Hq-1/Mis., Complaint/F. No-104 dated 2/.06.22
Register showing submission and selection of IRs for PAG	Pr AG	5 <sup>th</sup> May, August November and	AG's Sect.Gurard file Qutr.515/dt.16.03.90

		February	
Quarterly Hindi Return (QHR)	Hindi section	5 <sup>th</sup> April, July, October, January	AG's Sect.Gurard file Qutr.515/dt.16.03.90
Quarterly Progress Report (QPR)	HQ I	15 <sup>th</sup> April, July, October, January	HQ letter.No.254/WR/Cordi/162/2012 dt.12.07.12
Possession of Dead Stock article	GOM Section	5 <sup>th</sup> April, July, October, January	
DG Inspection (QCR)	HQ I	5 <sup>th</sup> April, July, October, January	R&B
Half Yearly statement of IR Paras	R&B Department, GSRDC, P&T Department	15 <sup>th</sup> May and November	W.M(P) O.O.907 dt.1.11.96
Performance Assessment of Field Audit Office	HQ I	5 <sup>th</sup> July	H.Q.Letter.No.v/z/19/170-PAG/II17-2012 DT.6.6.12
Performance Report by IA & AD	HQ I	As directed by CAG's Office	As directed by CAG HQ's QA/COR/12-13/Tr.325 dt.29.1.13
Material for Annual Review of PWD	WM-1 Section	15 <sup>th</sup> December	As per para.4.4.23 of MSO(Audit) 2 <sup>nd</sup> edition 2002
Inspection Questionnaire for Parliamentary Rajbhasha Committee Annual Hindi Performance Report	Hindi Section	15 <sup>th</sup> April	व.उप.महालेखाकार(A) Orders dt.19.5.16

#### **AMG I FAW**

<b>Name of Returns</b>	<b>To whom due</b>	<b>When due</b>	<b>Authority</b>
Attendance Register	B.O.	Daily	Manual of office procedure
Calendar of Returns	B.O.	Every Monday	DO TM/6 Dtd 11.7.60 O., O TM dtd 9/62
Closing of Attendance Register	B.O.	5 <sup>th</sup> of every month	Manual of office procedure
Calendar of Return	G.O/QA	5 <sup>th</sup> of every month	
Monthly Arrear Report	BO/DAG/QA	5 <sup>th</sup> of every month	Manual of office procedure
Monthly indent of stationary	GOM-I	14 <sup>th</sup> of every month	Manual of office procedure
Register of important points noted during audit	G.O.	5 <sup>th</sup> of every month	
Register of Pending/Inquiry cases (Complaint Register)	G.O.	5 <sup>th</sup> of every month	O.O.TM/108 dt. 1.11.66
Sectional duty list	B.O.	5 <sup>th</sup> of every month	O.O TM/29/Misc/13 dt 7.10.60
Register of files	AAO/SO/BO	5 <sup>th</sup> of every month	O.O. No. TM/21 12/72

			dt 10.6.67
Closing C.L. Register	B.O.	1 <sup>st</sup> of Succeeding month	Manual of office procedure
Register of Audit Notes/Special Letters (Progress Register)	G.O.	5 <sup>th</sup> of every month	
Objection Book and Adjustment Register	B.O.	5 <sup>th</sup> of every month	
Register of Tender Agreements	B.O.	5 <sup>th</sup> of every month	
Register of black listing of contractors	B.O.	5 <sup>th</sup> of every month	
Register of Misappropriation/ Theft Cases	G.O.	5 <sup>th</sup> of every month	
VLC Database in Audit	QA Sn.	25 <sup>th</sup> of every month	
Men in Position, Absentee Leave Details	Admn. Sn.	10 <sup>th</sup> every month	
Press clippings collected from newspapers	G.O.	10 <sup>th</sup> every month	
Unit/Vouchers Audited with Audit Completion Certificate	G.O.	10 <sup>th</sup> of the succeeding month to which the accounts related	C&AG's letter No.461 Audit(AU)/48-95 dated 8.6.1995
Information Sheet for Audit Planning (SFR)	B.O.	10 <sup>th</sup> every month	
Review Register	B.O.	10 <sup>th</sup> every month	
Progress Report on Supply of Vouchers	G.O.	10 <sup>th</sup> of the succeeding month to which the accounts related	C&AG's letter No.17 (Audit) MOM 10 2 94 (II) dated 22.6.1995
AAO/Sup Note Book	G.O.	5 <sup>th</sup> of every month	Para of MSO (Audit)
Asstt. Supervisor Note Book	B.O.	5 <sup>th</sup> of every month	Para of MSO (Audit)
Auditors Note Book	B.O.	5 <sup>th</sup> of every month	Para of MSO (Audit)
Special point Register	B.O.		
Auditor/Asst. Supervisor Note Book	G.O.	Months of Jan/April/July and October	Para of MSO (Audit)
Dead Stock	B.O.	5 <sup>th</sup> of Jan/April/July/Oct	
Progress Report on letters received/issued in Hindi and English	Hind Sn	5 <sup>th</sup> of Jan/April/July/Oct	Hindi Cell Cir. No. 60 dt. 25.9.84
Register of Pending/Inquiry cases (Complaint cases)	G.O.	6 <sup>th</sup> of Jan/April/July/Oct	
Compliance report-QCR of DG Insp.	QA Sn.	5 <sup>th</sup> of Jan/April/July/Oct	
Section duty list	G.O.	5 <sup>th</sup> June/December	O.O. No. TM/29/Misc./13 dt.7.10.60
Important and Interesting cases notice during central Audit	G.O./SFR	10 <sup>th</sup> Jan/July	Circular No. APM/Gen/46(16)No.(2) dated 25.3.1996



Local Audit			
Complaint Register (register of pending/enquiry cases)	PAG	April/October	No. AG's Sectt./2016-17 dtd. 26.04.2017
Ranking of Performance Audit offices and CAG's Performance Return	QA Section	30 <sup>th</sup> July	C&AG's letter no. 207 (Audit)/AP dated 22.11.2004
Peer Review	QA Section	30 <sup>th</sup> June	
Updation of Manuals	B.O./G.O./QA	5 <sup>th</sup> of every April	
Annual assessment	Hindi Sn	5 <sup>th</sup> April	
Inspection Questionnaire on Parliamentary Rajbhasha	Hindi Sn	15 <sup>th</sup> May	
Hindi Progress Report Part I and II	Hindi Sn	5 <sup>th</sup> April	

### AMG I Report Section

Name of Returns	To whom due	When due	Authority
Attendance Register	SAO Report	Daily	Para 4 of Manual of Office procedure
Calendar of Returns	SAO Report	Every Monday	TMV / दिनांक 6. 11.7.70 TMV/6 dtd. 11.7.70
Inward Register	SAO Report	Every Monday	O.O.TM/160 एम dtd. 17/7/60 O.O.TM/160 M dtd. 17/7/60
Fortnightly Returns	SAO Report Section Rajkot	1 <sup>st</sup> and 15 <sup>th</sup> of every month	As per DAG (ES-II) order dtd. 11.09.2013
Calendar of Returns	QA	5 <sup>th</sup> of every month	कार्यालय आदेश : क्यूए / COR /2012-13/ Tr. 325 दिनांक 29/01/2013/ No.QA/ COR/2012-13/ Tr. 325 Dt. 29/01/2013
Closing of Attendance Register	SAO Report	5 <sup>th</sup> of every month	गुणनिधान विवरणी डायरी/2012-13/ 325 दिनांक 29.01.2013 QA COR / 2012-13/ 325 dtd.29.01.2013 (Office Procedure Manual)
(FN and PDP Closing Register	DAG	5 <sup>th</sup> of every month	Office procedure manual
Register of files	GOM	5 <sup>th</sup> of every month	Office procedure manual
Indent for Stationery	GOM	5 <sup>th</sup> of every month	Office records manual
Monthly Arrear Report	ITA	5 <sup>th</sup> of every month	गुणनिधान विवरणी डायरी/ 2012-13/ 325 दिनांक 29.01.2013 QA COR / 2012-13/ 325 dtd.29.01.2013
Men - in- Position	AMG I HQ I	5 <sup>th</sup> of every month	उ.म.ले./ (आ.क्षे.-II) आदेशानुसार दिनांक 26.08.2004 As per DAG

			(ES-II) order dtd. 26.08.2004
UOR Received	SAO Report	10 <sup>th</sup> of every month	प्र.म.ले./ आदेशानुसार दिनांक 03.07.2015 As per PAG's order dtd. 03.07.2015
PDP Register	SAO Report	5 <sup>th</sup> of every month	व.ले.प. अ. / आ.क्षे.-IIका आदेश दिनांक 20.11.2019 As per Sr. DAG/ ES-II order dated 20.11.2019
IS Branch Return	AMG I HQ I	5 <sup>th</sup> of every month	परिपत्र सं.1/08-06-2021/आईएस शाखा
Quarterly report on recovery in respect of DPs and Reviews	DAG	15 <sup>th</sup> of every quarter	मुख्यालय/ Circular No.1 of 2007/No.244 – SRA/3(i)/2007 Dated 30.03.2007
Quarterly Progress Report	QA	10 <sup>th</sup> of every quarter	गुणनिधान विवरणी डायरी/ 2012-13/ 325 दिनांक 29.01.2013 QA COR / 2012-13/ 325 dtd.29.01.2013
Hindi usage related quarterly progress report	Hindi section	10 <sup>th</sup> of every quarter	AG's Sectt./ Guard File/ 24 /Tr. 515 dated 16.03.1990
Compliance to the objections raised by DG Inspection	AMG I HQ I	10 <sup>th</sup> of every quarter	ES - II/ परिपत्रसं.03/ 2014-15/ dated 23.12.2014
Compliance to the objections raised by Internal Test Audit	AMG I HQ I	10 <sup>th</sup> of every quarter	ES - II/ परिपत्रसं.03/ 2014-15/ dated 23.12.2014
Qtly . PAC Meeting	SAO Report Rajkot	5 <sup>th</sup> of every quarter	प्र.म.ले./ आदेशानुसार दिनांक 19.08.2013 As per PAG's order dtd. 19.08.2013
Auditor Note Book	SAO Report	15 <sup>th</sup> of every quarter	No. QA/ITA/ES-I/2016-17 & 2017-18/HM No. 4/486 dated 03.01.2019
"C" Performance Audit ) "D" Audit Product	AMG I HQ I	7 <sup>th</sup> of October, April	No. CAR/AP/2014-15/31/ Tr.No.841 dated 07.10.2014
Revised formate of performance Assessment of field Audit Offices	QA	20 July	क्यू.ए. परिपत्रNo.4/2012-13/QA/RP/06 दिनांक 20-6-12 / QA Sn. Circular-04/ 2012-13/ QA/RP/06/20.06.2012
Inspection Questionnaire on Parliamentary Rajbhasha Committee	Hindi	15 April	परिपत्र सं.02/हिंदी अनुभाग/ले.प. दिनांक18.04.2017

**Format of Audit Certificate for World Bank Assisted Projects**

(As per standardized terms of reference)

**Sample Audit Report-Unqualified Opinion<sup>1</sup>**

**Report of the Comptroller and Auditor General of India**

Addresse<sup>2</sup>

**Report on the project financial statement**

We have audited the accompanying financial statements of the \_\_\_\_\_ project financed under world Loan No. \_\_\_\_\_/ IDA, which comprise the statement of sources and applications of funds and the reconciliation of Claims to total applications of funds<sup>3</sup> for the year ended \_\_\_\_\_. These statements are the responsibility of the Project's management. Our responsibility to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the auditing standards promulgated by the comptroller and Auditor General of India. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material mis-statements. Our audit examines, on our test basis evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement present fairly in all material respects, the sources and applications of funds of \_\_\_\_\_ projects for the year ended \_\_\_\_\_. In accordance with Government of India accounting standards<sup>4</sup>.

In addition, in our opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the world bank for reimbursements of expenditures incurred, and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditure are eligible for financing under the loan/credit agreement. During the course of the audit, SOEs (each applications No. and amount to be indicated) and the connected documents were examined and these can be relied upon to support reimbursement under the loan/credit agreement.

This report is issued without prejudice to CAG's right to incorporate the audit observation in the report of CAG of India for being laid before parliament/state or UT legislature.

[Auditor's signature]

[Auditor's address] [date<sup>5</sup>]

- 
- 1 see relevant portion of auditing standards of the comptroller and auditor general of India as applicable from time to time for conditions where unqualified, qualified, adverse or disclaimers of opinion may appropriately be rendered
  - 2 The auditors' report should be addressed to the person stipulated in the underlying loan agreement as responsible for providing audited project financial statements
  - 3 Insert titles of other required statements and schedules included in or annexed to the project financial statements, if any
  - 4 Until the ministry of Finance prescribes adoption of the accounting standards pronounced by GASAB or other body such as IPSAS, the accounting standards followed by the Government of India shall be the cash basis of accounting applied with due regard to the General Financial Rules, PWD codes, treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.
  - 5 The report should be dated as of the date to which the auditor has become aware of and considered the effects of events and transactions. This is generally the final date of fieldwork, as opposed to the date of signing the audit report

**APPENDIX-5.2**

**Format of Audit Certificate for Projects Assisted By Donors Other Than World Bank**

OFFICE OF THE.....  
(in the proper letter head)

Dated

No.

**Audit Certificate**

The Expenditure statement/Financial Statements relating to the project.....(Loan/Credit No.....) for the year.....attached here to have been audited in accordance with the regulations and standards of audit of the comptroller and Auditor General of India and accordingly included such tests of accounting records, internal checks and controls, and other auditing procedures to confirm.

(a) That the expenditure were used for the purpose of the project; and (b) That expenditure statements/financial statements are correct.

During the course of audit referred to above, Statement of Expenditure (Application No.....and amount to be indicated) and the connected documents were examined and these can be relied upon to support reimbursement under the aforesaid Loan/Credit agreement.

Gross amount shown in the above mentioned Statements of Expenditure includes advance paid to contractor(s) ₹....(Rupees.....) which is still pending adjustment\*.

On the basis of the Information and explanations that have been obtained as required and according to the best of our information as a result of the test audit, it is certified that the expenditure statement/Financial Statements read with the observations set out below represent a true and fair view of the implementation (and operation) of the project for the year.....

This certificate is issued without prejudice to CAG's right to incorporate any further/detailed audit observations if and when made in the report of CAG of India for being laid before Parliament/Statement legislature

Signed

(Name & Designation)

## APPENDIX-5.3

### FLOW CHART

Stages through which an annuity project passes from the feasibility stage to the Commercial Development stage project is as under:-

1. Strategic Plan
2. Feasibility Study
3. In principle approval of GoG
4. Detailed Project Report
5. Approval of Project
6. Approval of draft Concession Agreement
7. Request for Proposal
8. RFQ/ Shortlist of Bidders
9. Selection of Concessionaire
10. Signing of the Concession Agreement
11. Shareholders Agreement/ Formation of the Special Purpose Vehicle (SPV)
12. Financial Closure
13. Appointment of IE
14. Clearance of the Forests Department, Railways, Environment and CRZ clearance
15. Providing Right of Way
16. Project Construction
17. Operation Maintenance & Development
18. Monitoring of service during commercial operation
19. Toll Collection arrangement(Not applicable in Annuity project)

#### **Records required to be examined during field visit:-**

At the office of the SE, Gujarat State Highway Project, Gandhinagar

1. Administrative Approval;
2. Sanctioned estimates;
3. Tendering procedure;
4. Award of work;
5. Monitoring during execution;

6. Monitoring during O&M period;
7. Files relating to approval to change in scope;
8. Files relating to Extension of Time limit, if any; and
9. Files relating to claims admitted and proposed for approval, if any.

At the offices of the EE, R&B Divisions

1. Concession Agreement (CA) with addendum;
2. VCD of the construction stage the project;
3. Provisional Certificate of Completion with statement showing punch list items;
4. Sanction, cost and detail of negative and positive scope of work with proposal, IE's recommendation and approval of the Government;
5. Final completion certificate along with statement showing completion of punch list items;
6. First safety audit Report and latest safety audit report;
7. Monthly inspection reports of project development period;
8. Monthly inspection reports during O&M period of the project highway;
9. Bonus claims of the Concessionaire, the IEs recommendation or remarks with compliance of the Concessionaire on it, and voucher with supporting documents (sanction of the Government, if any);
10. Annuity claims of the Concessionaire, the IEs recommendation or remarks with compliance of the Concessionaire on it.
11. Copy of vouchers of annuity claims;
12. Photo of the Medical aid building, traffic aid post with GPS coordinates, if constructed;
13. RC book of medical ambulance, crane, highway patrolling vehicle and vehicle provided to the Department;
14. Documents in support of trained officials deputed by the Concessionaire with the medical ambulance. (Salary slip, qualification and supporting documents that the officials is at pay roll of the Concessionaire);
15. Copy of the complaint register (of last four months);
16. Bill of help line number;
17. Inspection notes of the SE, GSHP and CE (GSHP) with compliance reports;
18. In-principle approval and final approval for forest clearance and compliance to terms and conditions of the approvals by the Concessionaire;
19. Environment Clearance (EC) approval (from GPCB) with compliance to terms and condition of the approval;

20. Avenue plantations;
21. Fund deposited for utility shifting, its accounts/ utilisation by the respective entity;
22. Copy of audited annual accounts;
23. Insurance Coverage during project operation period;
24. Monitoring by the concerned Divisional Forests Office to see whether the Concessionaire has followed terms and condition of the approval of the Forest Clearance; and
25. Any other aspect which may come into notice during field visit.



<b>APPENDIX-5.4</b>					
<b>Important amendment vides Circular No. PRC/10/2017/Cement Consumption/16/C dated 10/05/2017</b>					
<b>EXISTING ITEM</b>			<b>AFTER AMENDMENT</b>		
<b>Item</b>	<b>Unit</b>	<b>Quantity of cement to be used per unit quantity of work in Kg</b>	<b>Item</b>	<b>Unit</b>	<b>Quantity of cement to be used per unit quantity of work in Kg</b>
<b>Building, Road &amp; Bridge Items</b>					
Providing & casting in situ ordinary cement concrete M 75 for PCC work	Cum	160	Providing & casting in situ ordinary cement concrete M 75 for PCC work	Cum	160
Providing & casting in situ ordinary cement concrete M 100 for PCC work	Cum	220	Providing & casting in situ ordinary cement concrete M 100 for PCC work	Cum	220
Providing & casting in situ ordinary cement concrete M 150 for PCC work	Cum	320	Providing & casting in situ ordinary cement concrete M 150 for PCC work	Cum	290
Providing & casting in situ ordinary cement concrete M 200 for PCC work	Cum	400	Providing & casting in situ ordinary cement concrete M 200 for PCC work	Cum	360
Providing & casting in situ ordinary cement concrete M 250 for PCC work	Cum	450	Providing & casting in situ ordinary cement concrete M 250 for PCC work	Cum	380
Providing & casting in situ	Cum	500	Providing & casting in situ	Cum	425

ordinary cement concrete M 350 for PCC work			ordinary cement concrete M 350 for PCC work		
Providing & casting in situ ordinary cement concrete M 400 for PCC work	Cum	525	Providing & casting in situ ordinary cement concrete M 400 for PCC work	Cum	440
Providing & casting in situ ordinary cement concrete M 450 for PCC work	Cum	540	Providing & casting in situ ordinary cement concrete M 450 for PCC work	Cum	450
<b>New item</b>					
			Providing & casting in situ ordinary cement concrete M 300RCC work	Cum	410

**An important amendment vide GR No. TNC-10-2017-01-C dated 11.07.17**

EXISTING CLAUSE	AFTER AMENDMENT
<p><b>Form B1 Clause 14.2</b></p> <p><b>Form B2 Clause 14.2</b></p> <p>Except that when the quantity of any item exceeds the quantity as in the tender by more than 30% the contractor will be paid for the quantity in excess of 30% at the rate entered in the SOR of the year during which the excess in quantity is first executed and for the material consumed in excess quantity the rate for the material to be charged would be basic rate taken into account for fixing the rate for the SOR above instead of the rate stipulated in Schedule – A.</p>	<p><b>Form B1 Clause 14.2</b></p> <p><b>Form B2 Clause 14.2</b></p> <p>Except that when the quantity of any item exceeds the quantity as in the tender by more than 10% the contractor will be paid for the quantity in excess of 10% at the rate entered in the SOR of the year during which the excess in quantity is first executed or tender rate whichever is less.</p>

## Appendix 10.1

### List of Money Value Forms

1. Receipt Books
2. Certificate of Fitness
3. Registration Certificate
4. Certificate of Registration (Diplomatic and Consular officers motor vehicles)
5. International Certificate of motor vehicles
6. Trade Certificates
7. Motor Driving Licenses
8. International Driving Permits
9. L.Con.(Conductor's Licenses)
10. P.Temp.(Temporary Permit)
11. P.Co.P.(Contract Carriage Permit)
12. P.St.S.(stage Carriage Permit)
13. P.Co.S.(Permit in respect of a reserve stage carriage to be used as a contract carriage)
14. P.Pr.S.(Private Service Vehicles Permit)
15. P.Pu.C.(Goods Carriage Permit)
16. P.Tr.V.(Tourist Vehicle Permit)
17. P.Co.Sp.(Special Permit)
18. P.C.S.(Countersignature of the permit)
19. L.Ag.(Agent's License for sale of tickets)
20. Form 3 (Learner's License)
21. Other money value forms

## Appendix-10.2

### List of Registers

1. Stock and Issue register of Motor Vehicles Forms.
2. Motor Vehicles Forms Consumption Register.
3. Register for recording amounts received by insured post, ordinary post etc.
4. Deposit account (receipts)
5. Stock account of receipts books
6. Summary Register
7. Register for refund orders
8. Register of refunds under Motor Vehicles Act
9. Cheque Deposit Register
10. Register of Waived accounts
11. Register of Dishonoured Cheques
12. Cash Book
13. Receipts Books Consumption Register
14. Subsidiary Register for new registrations
15. Subsidiary Register for transfers, duplicate registration certificates, hire purchase endorsements, and information fees
16. Subsidiary Register for fitness certificates and inspection fees
17. Subsidiary Register for motor driving licenses new and renewals
18. Subsidiary Register for permit authorization for public service vehicle, conductor's licenses and badges
19. Subsidiary Register for temporary licenses and test fees
20. Subsidiary Register for trade Certificates
21. Road Check Memo Disposal Register
22. D.A. notice issue Register
23. D.A notice disposal Register
24. Pending prosecution case Register
25. Ex-part orders Register
26. Tax case intimation Register
27. Inspection Register
28. R.M.A. Register
29. New registration Register
30. B.T. Register
31. Registration Suspense Register
32. Accident inspection Register
33. C.F. cancellation Register
34. Driving test Register
35. P.S.V.A. Register
36. F.T. Register
37. L.Con. Register

### Appendix 10.3

#### Sampling Methodology in respect of Transport Department

##### Commissioner of Transport (HOD)

- Assessment of Tax (MVT and Passenger Tax) in respect of Fleet owners (100%)
- Enforcement Activities, if any.
- Counter signature procedure in respect of other states.
- Expenditure Audit any two months (100%)
- Contracts sanctioned during the year. (100%)

##### ARTOs/RTOs

1. Form-20; Registration records of the vehicles registered during the year of the selected one month.
2. Form -20 Special category vehicles (100%), Four wheelers (50% subject of maximum of 200 cases in respect of remaining 11 months)
3. Scrutiny of Tax Collection Registers (Form 24) for selected series in respect of Goods Vehicles/Transport Vehicles/Special Category vehicles; home series and other region.
4. Inspection of Transport Vehicles and Certificate of Fitness in respect of the selected Vehicles as mentioned in 3 above
5. NDC/NOC if any in respect of the selected series.
6. DA Branch (cases to be selected for one month)
7. Records relating to National Permit for selected month.
8. Renewal/License issued in respect of Motor Driving Training schools.
9. Temporary Registration issued in respect of Transport Vehicle.
10. FT Register/ Vehicle Transferred from other states (max. 25%)
11. Mamlatdar Revenue Recovery Branch
12. Tracing of Credit in respect of selected month.

## Appendix 10.4

### Check List for Audit of RTO/ ARTO

#### 1. Registration of Motor Vehicle

Registration of Motor Vehicles as required under Section 39 of Motor Vehicles Act, 1988 is to be done by making suitable entries about the vehicles in this register. Now the registration of Motor vehicles is done in VAHAN Software.

As per Section 39, no person shall drive any motor vehicle or permit the vehicle to be drive in public place unless the vehicle is registered the owner of the vehicle has to apply in Form "E" Form 20 registration of the vehicle.

Points to be seen = Register of Motor Vehicles

Please see whether following items are mentioned:

- (i) Status of owner (Whether individual or other than individual)
- (ii) Classification of vehicle made properly
- (iii) Fuel used = Petrol/diesel
- (iv) Weight of the vehicle for applying appropriate tax rate
- (v) Seating capacity as mentioned in E Form
- (vi) Schedule of rate of tax properly applied
- (vii) Tax levied at correct rates

#### **(Ledger Form 24) (From 01.04.2011 computerized)**

- (i) See that all above entries are made in the ledger against the same vehicle
- (ii) Subsequent payment of tax made properly
- (iii) Any subsequent changes made in registration and affect the tax duly authorized by RTO
- (iv) In case of transfer of vehicles to other region/state, whether the tax has been paid up to the date of transfer
- (v) If status of the vehicle is changed due to transfer of ownership of vehicle and attracts higher rate of tax, whether the same was recovered.
- (vi) If seating capacity is increased/decreased whether the changes have been approved by the authority / whether the higher/lower rates of tax have been recovered.

Whether the tax has been collected correctly in the case of where annual payment of tax is required to be paid and whether the payment of tax is not made within prescribed time the penalty and interest is recovered correctly.

## **1.1 Tax Index Cards/ Tax Registers**

It should be seen that:-

- (1) Tax index cards/tax registers are maintained for each vehicle.
- (2) Entries regarding seating capacity, standing capacity, registered laden weight, unladen weight, annual rate of tax, quarterly rate of tax, taxation class etc. recorded in the T.I.C. tax registers are correctly filled in and that the entries tally with the Registration Register/Certificate.
- (3) Motor vehicle tax recovered/adjusted in respect of a vehicle is recorded from year to year and entries thereof are duly attested.

## **2 Temporary Registration Register:**

Certificate of temporary Registration: Monthly: CTREM

Section 43 of the Motor vehicle Act, 1988 (Temporary Registration)

- (i) Validity only for a period not exceeding one month and shall not be renewable
- (ii) Where the extended period allowed, it may be examined that the certificate in Form 22 A has been obtained from the body builder in proof of confirming the extended period.

## **3. Permit Issue Register:**

Section 66 of the Motor Vehicles Act,1988

Section 80 Procedure

Section 81-82 transfer/removal

Section 70 Stage Carriage Permits/Passengers tax

Section 73 Contract Carriage permits/Composite tax

Section 78 Goods Carriage Permits/ M.V.T

Section 87 Temporary/Casual permits/ as the case may be

### **Points to be seen**

- (i) Whether vehicle is used as per permits granted
- (ii) Whether permit period expired and vehicle is still used as such, No. of such case should be listed out and commented in the LAR. The action taken by the department should be scrutinized. Whether penalty was levied for non renewal within prescribed period.
- (iii) Tax has been paid as per permit issued i.e. Contract Carriage, Goods Carriage, School Buses, Staff Buses etc.
- (iv) Action taken for breach of conditions.
- (v) D.A. cases should be linked for breach of conditions.

#### **4. BT Register**

The Register has been prescribed to note the alternation made to a vehicle. A notice is required to be given by the owner of the vehicle for any alterations proposed to be made to the vehicle. Along with the BTI the owner is required to file an additional declaration within 14 days of alterations in Form: "BT" Under rule 9 of the Gujarat Motor Vehicle Tax/ Rules. In case the alterations made to the vehicles, make him liable to pay additional tax in respect of altered vehicles. The Registering authority after satisfying himself that the particulars in the additional declarations are correct and complete, makes a note of such alteration in this register and in the Registration Register and determined the additional tax payable before issuing a tax token. It may be seen that the procedure has been adhered to and additional tax levied.

#### **5. FT Register**

Register for the assignment of new registration mark on removal of motor vehicles to another state. All applications for assignment of new registration mark are entered in this register. A fees as prescribed under Rule 91 of the Motor Vehicles Act, 1988 for such assignment is collected and collection of fees is also noted in this register. The registering authorities intimates the original registering authority before assigning new registration mark and on receipt of the particulars from the original registering authority, enter the particulars and notes the new registering mark assigned to the vehicle. It may be seen that this procedure has been followed in such cases.

#### **6. Departmental Action Cases**

D.A. fine cases Section 177, 178 and 200 of the Motor Vehicle Act, 1988.

The taxation authority, on detection of any offence made by the vehicle owner/ driver, issue memo to the owner of the vehicle/ driver. Police Department may also issue such memo to the vehicle. On receipt of such memo in R.T.O office, fine as a composition fees as prescribed in the Act is required to be levied.

##### **Pointes to be seen:**

If the Vehicle is under non-use and detected as used on road, whether the tax is levied for the entire period of non-use or not.

(i) If the vehicle is exempted from payment of tax and found as used for other purpose whether the tax exemption is withdrawn tax is levied at appropriate rate.

(ii) If the vehicle is used other than the purpose for which the permit has been granted or there is a change in seating capacity as prescribed in permit, whether tax is levied for extra/additional seats fitted, effective from 1 April or the date of detection whichever is earlier or not?

#### **7. Refund Order Book**

On application of refund of tax amount due to certain reasons, the taxation authority may scrutinize the case and issue refund orders to vehicles owners



- (i) Whether the refund amount is correctly calculated.
- (ii) Whether refund is made to the vehicle owners only. If not, in how many cases irregularity was noticed.
- (iii) Whether the reasons for refund properly mentioned and are in accordance with the Act/Rule. No. of cases where not as per Act/Rules.
- (iv) Whether the signature of the claimant has been obtained. If not in how many cases not done so.
- (v) Whether the refund order are in serial numerical order and whether all the counterfoil of refund vouchers are available. If not in how many cases, not done so.
- (vi) Whether refund order book has been kept in safe custody.
- (vii) Whether original receipt of payment of tax available in proof of payment of refund.

### **8. Non Use Period Register**

If the Vehicle owners desire to keep his vehicle under non use, he is required to file "NT" form stating the reasons of non use, period of non use and place where the vehicle is kept for non use. These details are required to be entered in the register. The facts stated for non use of vehicles are verified physically by the Inspector of Motor Vehicle and report of the same and sent to the taxation authority. Note of this report is entered in the register.

#### **Points to be seen**

- (i) Whether the permission of non use period has been granted by the competent authority in all the Cases.
- (ii) Whether the tax has been recovered in respect of non use period not granted by the competent authority.
- (iii) Whether the tax has been paid from the date on which vehicle kept in use (see AT Form)
- (iv) Whether all AT forms produced.
- (v) Whether the tax has been levied for non use period in case the vehicle was not found at the place where it was required to be kept (As per IMC reports). How many checked done by the department for such vehicles? How many irregularities noticed? Out of, this tax was levied for entire non use period as leviable in how many cases?
- (vi) Whether the tax has been recovered, if it was found used on road (DA fine cases) Whether the tax has been recovered for the entire period of non-use, in addition to levy of penalty.
- (vii) Whether the timely actions have been taken to regularize the non use period by the competent authority.
- (viii) Whether the evidences of non use are enclosed with NT Forms in all the cases if not, please incorporate in how many cases out of total cases not done so.

## **9. Receipt Book/ Stock Register/ Cash Book**

Receipt book is an important document as it directly deals with cash amounts.

Points to be seen:

- (i) Whether receipts books received are entered in stock register and acknowledged in all cases.
- (ii) Whether each page is machine numbered and no page is missing, counted by and certified by the officer in charge.
- (iii) Whether the accounts of receipt/ issue and closing balance tallies with the physical stock certified by the officer in charge.
- (iv) Whether cancelled receipts crossed out and cancelled properly.
- (v) See each book having 50 copies of receipts.
- (vi) Whether the receipt books issued to the RTO/ ARTO and inspectors of motor Vehicle have been properly recorded in the register and signature of recipients of the receipt books have been properly recorded in the register and signature of recipients of the receipt books has been taken.
- (vii) Whether the RTO/ARTO/Inspectors of Motor vehicles have submitted the accounts of receipt books and amount realized had been credited to the Government account without delay.
- (viii) Whether any departmental actions taken against those officer who had not submitted any account of receipt books non crediting the amount realized by them to Government Account.
- (ix) Whether all receipts are entered in Cash book and the cash book amount is correctly credited in Government account.
- (x) Two months should be selected for detailed checking of remittance into treasury (i.e. Challan verification with treasury/Sub Treasury records)
- (xi) Whether the challans for above two months were actually verified with treasury/Sub Treasury Records, if not, to what extent with reasons thereof.

## **10. Revenue Recovery Certificate Register**

If motor vehicle tax is not paid by the defaulters within 15 days of the demand notice, taxation authority is required to issue RRC to recover tax as arrears of land revenue through the Recovery Mamlatdars.

**Points to be seen**

- (i) Whether the department has explored all sources available to them for recovery of outstanding dues in how many cases.
- (ii) Whether the requisition issued to the Recovery Mamlatdar is proper and contains all required information of the defaulter's address, property etc.
- (iii) Whether the Recovery Mamlatdar has taken action to recover the dues as arrears of land revenue as provided under provisions of BLR Code, 1970 at the beginning of the year.

(iv) Whether the machinery for collection and realization of arrears is adequate.

### **11. Validity of Certificate of Fitness:**

According to rule 62 of CMR,,1989 a fitness certificate granted under the M.V.Act in respect of a newly registered transport vehicle is valid for two years and is required to be renewed thereafter every year on payment of prescribed under Rule 81(1)

### **12. Important Points of National Permit**

The following points may be borne in mind while auditing the office of the Commissioner of Transport, as regards the reciprocal and National Permit Schemes -

(i) Whether the conditions of Agreement are scrupulously followed and observed by each of the reciprocating States as can be traced and Test-checked in their returns:

(ii) Whether the maximum number of vehicles fixed for each State as per agreement is not exceeded by any of the States. For this purpose, the register and case file maintained in Commissioner of Transport Office may be reviewed.

(iii) Whether the demand drafts in respect of the amounts fixed as per agreement are duly received, accounted for and credited to the home state & vice versa.

(iv) Whether the period for which the permits issued/countersigned is according to the provisions of the Act, Rules & the agreements.

(v) Whether all vehicles of other State entering Gujarat, as reported by the check posts in their monthly returns to the Commissioner, are actually covered under the schemes and that no tax is evaded by vehicles of other State not under the coverage of these schemes.

(vi) Wherever fees for counter signature/renewal of permits have been prescribed under the agreements, these are properly realised and accounted for.

### **13. Audit Checks – Fleet Owners**

The nature of audit check is outlined as under: -

#### **13.1. Form of Preliminary Declaration Form-"HT"**

It should be seen that: -

(1) All horizontal columns are filled in and necessary details are given in respect of each vehicle kept in the division.

(2) The annual rate of tax (Based on seating as well as standing accommodation) is assessed correctly.

(3) The date of expiry of tax period is indicated against each vehicle shown therein

(4) the totals of provisional tax assessed in the preliminary declaration is checked by the Taxation Authority and a certificate of provisional assessment under sub-section(2) of Section 10 is issued by the Taxation Authority in form "KT" by the second week of April of the year to which it pertains.

(5) the fundamental data of seating capacity and standing accommodation shown in "IT" form agrees with the data shown in Tax Index Cards and certificate of registration and tax assessed and recovered accordingly.

(6) The preliminary declaration is duly signed by the fleet owners and delivered to the taxation authority by hand delivery or sent by registered post as required in rule 16(2).

### **13.2. Form of Final Declaration Form-IT**

It should be seen that:

(1) The final declaration in respect of Motor Vehicles used or kept for use is submitted Division wise by the fleet owner in the form-IT with all columns duly filled in.

**(2) The period of non-use as shown therein in respect of each vehicle agrees with the 'IT' form received, from the fleet owners as well as the information received in 'NT' form for each 'Non-use' received from him. This may also be checked with the entries of non-use as recorded in FOV register maintained by the Commissionerates**

(3) The totals of final tax worked out for each division are checked by the Commissioner and the amount of additional tax due, if any, as a result of the final assessment is paid by the fleet owner within fifteen days from the date of receipt of the certificate of final assessment by him [Rule 16(5)].

(4) The seating and standing capacity as shown in HT form is correctly taken for the purpose of tax assessment.

(5) The Motor vehicle tax is recovered correctly for those vehicles which are registered during the course of the year and for which no advance tax in HT is paid.

### **13.3. Annexure of Transport Vehicles in use to be maintained by a Fleet Owner in Form 'Jt' (Rule 16(8) of Gujarat Motor Vehicle Tax Rules, 1959)**

It should be seen that: -

(1) Every fleet owner maintains records of his transport vehicles in use in form 'JT'

(2) The entries of non-use are noted in 'JT' as per the non-use intimation received from the fleet owner periodically in respect of such motor vehicles.

(3) The entries in 'JT' tally with the entries in the FOV register maintained by the Commissioner of Transport.

(4) The final tax is assessed correctly in respect of each Motor Vehicle after taking into account the period of non-use of such vehicle and the final tax is realised correctly.

#### **14. Internal Control**

The objective is to assess the efficiency of internal control system of the Department and monitoring mechanism prevalent to watch the classifications of vehicles registration of vehicles, assessments, collection of tax, issue of notices for recovery of dues, etc. through the functional offices (i.e. RTO/ARTO/IMV) economically, effectively and efficiently. It may be seen that whether adequate system adopted for internal control and monitoring the mechanism by the office in charge.