

- 1.front page final.pdf
- 2.Index Final.pdf
- 3.CHAP-I\_FINAL2\_revised Final.pdf
- 4.CHAP-I I\_FINAL2\_revised Final.pdf
- 5.CHAP-I I I\_FINAL2\_revised Final.pdf
- 6.CHAP-I V\_FINAL2\_revised Final.pdf
- 7.CHAP-V Final 2\_revised Final.pdf
- 8.CHAP-V I Final 2\_revised Final.pdf
- 9.CHAP-V I I Final2\_revised Final.pdf
- 9a Annexures.pdf
- 10.Civil audit manual annexures.pdf

Civil Audit Manual  
(General and Social Sector-I Wing)  
(Volume I)



सत्यमेव जयते

(Revised 2015)

भारतीय लेखा तथा लेखा परीक्षा विभाग

कार्यालय- प्रधान महालेखाकार (सामान्य एवं सामाजिक क्षेत्र लेखापरीक्षा), पश्चिम बंगाल

ट्रेजरी बिल्डींगस, 2, गवर्मेन्ट प्लेस (पश्चिम), कोलकाता-700 001

**INDIAN AUDIT AND ACCOUNTS DEPARTMENT**

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (GENERAL & SOCIAL SECTOR  
AUDIT), WEST BENGAL**

**TREASURY BUILDINGS, 2 GOVT. PLACE (WEST), KOLKATA – 700 001**

Preface

The Comptroller and Auditor General of India (CAG), the head of the Supreme Audit Institution (SAI) of India derives his duties and powers mainly from Articles 149 to 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Under the provisions of the Act, the CAG is the sole auditor of the accounts of the Central (Union) Government, the State Governments, and of the Union territories. CAG is also responsible for the audit of Local Bodies (i.e. Panchayati-Raj Institutions and Urban Local Bodies) and also provides technical and administrative guidance for accounting and audit functions in all States as per orders issued by Ministry of Finance, Government of India.


To ensure a high quality audit undertaken in an economic, efficient and effective way as well as in a timely manner, with due care in specifying, gathering and evaluating evidence, and in reporting findings, conclusions and recommendations, the Civil Audit Manual in two volumes (I & II) prescribe the norms, principles and practices, which the Auditors are expected to follow while conducting audit, and provide guidance to the Auditors regarding auditing steps and procedures that should be applied in the Audit. Volume-I of the manual deals with the constitution and function of the General and Social Sector-I Wing as well as the rules, procedures and general principles and processes of audit of the accounts of the civil offices/institutions attracting the provisions of CAG's DPC Act, 1971. Volume-II describes the methods to be followed and the more important points to be looked into in auditing the accounts of particular Government Offices and institutions where transactions as well as registers and records of special nature are maintained.

The Civil Audit Manual of General & Social Sector Wing (Volume I & II) of the Office of the Principal Accountant General (General & Social Sector Audit), West Bengal is based on the auditing standards prescribed by the International Organization of Supreme Audit Institutions (INTOSAI) and which have been suitably adopted after giving due consideration to the Constitution of India, relevant statutes, rules, orders, circulars etc., issued from time to time by the SAI, Government of India and the State Government.

It may be carefully noted that the instructions contained in the manual are not exhaustive, nor should the inspecting staff follow them as a matter of mere routine. Every audit should be conducted intelligently with an eye to all the important financial aspects of the various transactions which come under review.

Suggestions for improvement or amendments are welcome.

Date: 10 December, 2015

  
(Madhumita Basu)  
Principal Accountant General  
(General & Social Sector Audit),  
West Bengal

### Abbreviation used in the Manual

AAG	Assistant Accountant General
AAO	Assistant Audit Officer
AB	Autonomous Bodies
AC Bill	Abstract Contingent Bill
ADA	Additional Dearness Allowance
AG	Accountant General
AG (A&E)	Accountant General (Accounts and Entitlement)
AO	Audit Officer
ASOSAI	Asian Organisation of Supreme Audit Institution
ATN	Action Taken Note
C&AG/CAG	Comptroller & Auditor General of India
CAP	Central Audit Party
CASS	Central Audit Supporting Section
CAAT	Computer Assisted Audit Techniques
CAT	Computerized Auditing Techniques
CCA	Compensatory City Allowance
COPU	Committees of Public Undertakings
CPCB	Central Pollution Control Board
CPU	Central Processing Unit
DA	Dearness Allowance
DC Bill	Detailed Contingent Bill
DCR	Duplicate Carbon Receipt
DDO	Drawing & Disbursing Officer
DPC Act	C & A G's (Duties, Powers and Conditions of Service) Act, 1971
EDP	Electronic Data Processing
EIA	Environmental Impact Assessment
GPF	General Provident Fund
GOI	Government of India
Group Officer (GSS-I)	Senior Deputy Accountant General (GSS-I)/Deputy Accountant General (GSS-I),
HRA	House Rent Allowance
IA&AD	Indian Audit and Accounts Department
G&SSA	General and Social Sector Audit
INTOSAI	International Organization of Supreme Audit Institution
IR	Inspection Report
IT	Information Technology
KDs	Key Documents
LANs	Local Area Networks
LF A/c	Local Fund Account
MSO (Audit)	Manual of Standing orders (Audit)
PAC	Public Accounts Committee
PDP	Prospective Draft Paragraphs
PL Account	Personal Ledger Account
Pr. AG (G&SSA), WB	Principal Accountant General (General & Social Sector Audit), West Bengal
SAR	Separate Audit Report
SD	Security Deposit
SO	Section Officer
SOE	Statement of Expenditure
SPCB	State Pollution Control Board
Sr. AO	Senior Audit Officer
TA	Travelling Allowance
VFM audit	Value of Money Audit
VLC	Voucher Level Computerisation
WAN	Wide Area Networks
WBTR	West Bengal Treasury Rules

**TABLE OF CONTENTS**

**CHAPTER-I**

**CONSTITUTION OF THE GENERAL & SOCIAL SECTOR-I WING**

*(Page 1 to 16)*

<b>Para No.</b>	<b>Particulars</b>	<b>Page No.</b>
<b>1.1</b>	<b>INTRODUCTORY</b>	1
<b>1.2</b>	<b>CONSTITUTION AND FUNCTION</b>	1
<b>1.3</b>	<b>GUIDING PRINCIPLES IN AUDIT</b>	4
1.3.1	<i>Guiding principles in the audit of Public Sector Undertakings</i>	4
1.3.2	<i>Guiding principle of special audit</i>	8
<b>1.4</b>	<b>CONSENT AUDIT</b>	10
<b>1.5</b>	<b>COMPOSITION OF THE GENERAL AND SOCIAL SECTOR-I WING</b>	10
1.5.1	<i>Head Quarters Sections</i>	11
1.5.2	<i>Inspection Parties</i>	12
<b>1.6</b>	<b>INCIDENCE OF THE COST OF THE AUDIT</b>	13
1.6.1	<i>The Rules</i>	13
1.6.2	<i>Audit Fee</i>	13
1.6.3	<i>Audit Fee Register</i>	14
<b>1.7</b>	<b>SPHERE OF DUTY OF THE INPECTION PARTIES</b>	15
<b>1.8</b>	<b>SELECTION OF STAFF TO BE DEPUTED FOR INSPECTION WORK</b>	16

**CHAPTER-II**

**DUTIES AND POWERS**

*(Page 17 to 26)*

<b>Para No.</b>	<b>Particulars</b>	<b>Page No.</b>
<b>2.1</b>	<b>DUTIES AND POWERS OF THE SENIOR DEPUTY ACCOUNTANT GENERAL (GSS-I)/ DEPUTY ACCOUNTANT GENERAL (GSS-I)</b>	17
2.1.1	<i>Duties</i>	17
2.1.2	<i>Powers</i>	20
<b>2.2</b>	<b>DUTIES AND POWERS OF THE ASSISTANT ACCOUNTANT GENERAL/SENIOR AUDIT OFFICER/ AUDIT OFFICER</b>	21
2.2.1	<i>Duties</i>	21
2.2.2	<i>Powers</i>	22
<b>2.3</b>	<b>DUTIES AND POWERS OF INSPECTING SENIOR AUDIT OFFICER/AUDIT OFFICER</b>	23
2.3.1	<i>Duties</i>	23
2.3.2	<i>Powers</i>	25
<b>2.4</b>	<b>WAIVING OF OBJECTION</b>	25
2.4.1	<i>Waiving of the objections relating to the recoveries of the personal claims</i>	26

CHAPTER-III

GENERAL RULES AND PROCEDURE OF FUNCTIONING OF THE GENERAL AND SOCIAL SECTOR-I WING

(Page 27 to 56)

Para No.	Particulars	Page No.
3.1	<b>DISTRIBUTION OF WORKS AMONG THE HEADQUARTERS SECTIONS OF GENERAL &amp; SOCIAL SECTOR-I WING</b>	27
3.1.1	<b>GENERAL &amp; SOCIAL SECTOR-I-HEADQUARTER (TERMED AS G&amp;SS-I(HQ) (GENERAL ADMINISTRATION OF THE WING)</b>	27
1.	<i>Control and co-ordination among the sections and the field parties</i>	27
2.	<i>Maintenance of up to date list of offices of the State Government situated outside the State</i>	27
3.	<i>Keeping up to date list of offices/ non-commercial autonomous bodies/ Government Corporations/ institutions to be inspected by the GSS-I wing and frequency of audit</i>	28
4.	<i>Preparation of Budget estimates and assessment of Staff requirement of GSS-I wing</i>	29
5.	<i>Preparation, updation and maintenance of Electronic data base</i>	29
6.	<i>Preparation of Annual Audit Plan of this wing and Preparation of Integrated Audit Plan for the State as a whole; Set Target of the year and submission of report of achievement thereof</i> (a) <i>Biennial Audit Plan</i> (b) <i>Annual Audit Plan</i> (C) <i>Integrated Audit Plan</i>	29
7.	<i>Preparation of quarterly audit programme for the Inspection parties and Supervising Officers and submission to the Group Officer for approval</i> (A) <i>Programme of Inspection parties</i> (B) <i>Supervising Officers' programmes</i> (C) <i>Supervision by the Group Officer</i> (D) <i>Filing of Audit Programmes</i> (E) <i>Duration of Audit</i>	31
8.	<i>Issue of intimation of the date of audit to the local offices</i>	34
9.	<i>Transfer, posting of staff and other matter relating to staff</i>	35
10.	<i>Maintenance of files for important Rules and Orders</i>	35
11.	<i>Issue and distribution of copies of codes, manuals, Sectional/branch orders, officer orders, circulars and other instruction to the field parties and maintenance of files of the office order/circulars etc.</i>	36
12.	<i>Important points/orders for local investigation and supply to the Inspecting Officers</i>	36
13.	<i>Grant of Travelling Allowance (TA) Advance and checking of the TA advance / TA advance adjustment bills of the staff</i>	37
14.	<i>Examination of the weekly diaries of the field parties</i>	38
15.	<i>Sanction/watching of leave of the staff of GSS-I wing</i> (a) <i>Sanction of leave</i> (b) <i>Watching of Leave taken</i>	39
16.	<i>Preparation and compilation of periodical report and submission of</i>	39

	<i>the same to the appropriate authority</i>	
17.	<i>Preparation of the calendar of Training</i>	40
18.	<i>Attending the complaint cases and DI objections</i>	40
	<i>(a) Letter of complaints</i>	
	<i>(b) Anonymous or pseudonymous letters</i>	
19.	<i>Acceptance of summons and production of official documents to court of law</i>	40
20.	<i>Correction to the Manual</i>	41
21.	<i>Comparing and issue of typed/computerized copies of the IR</i>	41
22.	<i>All other Miscellaneous and Policy matters</i>	41
23.	<i>Receipt of letter/Fax/Telegram etc. and their disposal at Head quarters Sections</i>	42
24.	<i>Distribution of Work and Maintenance of Duty List Register.</i>	43
25.	<i>Preparation of Monthly cut list and submission to Administration Section</i>	43
26.	<i>Submission of materials to the Record Section for inclusion in Audit Bulletin, in each quarter</i>	43
27.	<i>Submission of information/materials to ECPA section for inclusion in the Administrative report of the office</i>	43
28.	<i>Submission of reports/returns/information or materials to any other section/wing or offices as and when called for</i>	43
29.	<i>Supply of information under “THE RIGHT TO INFORMATION ACT, 2005.”</i>	43
30.	<i>PAG’s quarterly meetings</i>	44
<b>3.1.2</b>	<b>G&amp;SS-I (DP CELL)</b>	44
1.	<i>Selection of potential paragraphs form the IRs and record in the Potential Draft Para Register</i>	44
2.	<i>Processing and preparation of Draft Paragraphs, and Synoptic Draft paragraphs</i>	44
3.	<i>Offering comment on departmental replies to Draft Paragraphs/Synoptic paragraphs.</i>	44
4.	<i>Attending Head Quarters’ annotation/queries on the Draft Paragraphs, Synoptic paragraphs.</i>	44
5.	<i>Issue of requisition and reminders for submission of Store and stock accounts and Proforma account to the respective offices</i>	44
6.	<i>Submission of reports regarding serious delays in preparation or non-preparation of proforma accounts</i>	44
7.	<i>Correspondence with the Auditee Unit/Departmental Head</i>	44
8.	<i>Receipt of letters/Fax/Telegram etc. and their disposal</i>	44
9.	<i>Any other works as and when necessary</i>	44
10.	<i>Distribution of work among the auditors, maintenance of Duty List Register</i>	44
11.	<i>Vetting of the Action Taken notes</i>	44
12.	<i>Submission of report/return</i>	44
<b>3.1.3</b>	<b>DATA BANK CUM PLANNING CELL</b>	45
1.	<i>Collection of Background materials and preparation of portfolio file</i>	45
2.	<i>Preparation of detailed guidelines for State level schemes</i>	45
3.	<i>Examination of press reports/paper clippings and forwarding the same to the field parties</i>	45

	4. <i>Obtaining the comments on the paper clipping from the field parties</i>	45
	5. <i>Requisition of “Receipt and Payment Schedules”</i>	45
	6. <i>Collection of literature / guidelines of the schemes and collection of Budget allotment and actual from the head of accounts by AE Office</i>	46
	7. <i>Selection of month(s) for detailed checking</i>	46
	8. <i>Receipt of letters/Fax/Telegram etc. and their disposal</i>	46
	9. <i>Distribution of work and Maintenance of Duty List Register</i>	46
	10. <i>Submission of report/return</i>	46
	11. <i>Vetting and issue of IR on the Information Technology (IT)</i>	46
<b>3.1.4</b>	<b>G&amp;SS-I(IR) (INCLUDING VETTING CELL)</b>	47
	1. <i>Follow-up action of IRs</i>	47
	2. <i>Review of Broad sheet replies on IRs from the auditee unit.</i>	47
	3. <i>Coordinate and conduct of Audit committee Meetings.</i>	47
	4. <i>To vet IRs and also to entrust the work of vetting of IR to Senior AOs/AOs available at IC-Headquarters under order of the Group Officer and submit the vetted IR to the Group Officer (GSS-I) for approval and attend the comments</i>	47
	5. <i>Sending the vetted and approved IR to the type section/EDP section for typing.</i>	47
	6. <i>Issue of Old IR to the field parties</i>	47
	7. <i>To watch the movement of the IRs</i>	47
	8. <i>Issue of reminders to the Auditee Unit / Department for Broad sheet replies on IRs</i>	47
	9. <i>Compilation of sanction received from Departments and submission to the EDP section</i>	47
	10. <i>Preparation of Synoptic Para for audit report</i>	47
	11. <i>To watch the important paragraphs of the IRs through audit note book</i>	47
	12. <i>Distribution of Work and Maintenance of Duty List Register</i>	47
	13. <i>Receipt of letter/Fax message/Telegram etc. and disposal</i>	47
	14. <i>Submission of report/return</i>	47
	15. <i>Review of outstanding paragraphs of previous IRs</i>	47
	16. <i>Maintenance of Objection Book</i>	48
	17. <i>Maintenance of Adjustment Register</i>	48
<b>3.1.5</b>	<b>G&amp;SS-I(AB)</b>	48
	1. <i>Follow-up action of IRs</i>	48
	2. <i>Issue of Old to the field parties</i>	48
	3. <i>To watch the movement of the IRs</i>	48
	4. <i>Issue of reminders to the Auditee unit / Department for Broad sheet replies</i>	48
	5. <i>To watch the important paragraphs of the IRs through audit note book and forwarded to the field parties conducting audit of similar Units.</i>	48
	6. <i>Issue of Audit Certificate on the Statement of expenditure conducted under section 19 and 20 of the C&amp; AG (DPC) Act. 1971</i>	49



	7. <i>Issue of Audit Certificate on Proforma Account</i>	49
	8. <i>Calculation of Audit fees</i>	49
	9. <i>To watch realization and credit of the audit fees to the proper head of account</i>	49
	10. <i>To maintain periodicity register of the Autonomous Bodies for Audit</i>	49
	11. <i>To maintain report and return relating to the World Bank/externally aided projects</i>	49
	12. <i>Compilation of sanction received from Departments and submission to the EDP section for computerization</i>	49
	13. <i>Receipt of letter/Fax message/Telegram etc. and disposal thereof</i>	49
	14. <i>Submission of report/return</i>	49
	15. <i>Issue of D.O. letter to Pr. Secretary, Finance Department regarding grants released by the administrative Department to different bodies/authorities</i>	49
	16. <i>Submission of QPR on SAR</i>	49
	17. <i>Submission of Annual return on completion of audit u/s 14 of the C&amp;AG's (DPC) Act, to HQ</i>	49
	18. <i>Submission of Annual return on completion of audit u/s 19(2), (3)/20(1) of the C&amp;AG's (DPC) Act, 1971</i>	49
	19. <i>Review of periodicity of entrustment of audit u/s 19(2), (3) /20(1) of the C&amp;AG's (DPC), Act.</i>	49
	20. <i>Examining and ensuring the application of Sections 14,15,19 and 20 of the (DPC) Act in the conduct of audit of State autonomous bodies by the different audit wings of this office</i>	49
	21. <i>Correspondences with Headquarters/ State Government regarding application of sections 14,19 and 20 of the C&amp;AG's (DPC) Act in audit of State Autonomous Bodies</i>	50
	22. <i>Scrutinizing annual accounts for identification of applicability of section 14 in superimposed audit of autonomous bodies where independent chartered accountant are primary auditor.</i>	50
	23. <i>Distribution of work and Maintenance of Duty List Register</i>	50
	24. <i>Maintenance of Objection Book and Adjustment Register</i>	50
	25. <i>Review of the outstanding paragraphs of previous IRs</i>	50
	26. <i>Additional Duties and Responsibilities</i>	50
<b>3.2</b>	<b>REGISTERS/RECORDS TO BE MAINTAINED BY THE HEAD QUARTERS SECTIONS</b>	51
	<b>All the five sections</b>	
	a) <i>G&amp;SS-I(HQ) Section</i>	52
	b) <i>G&amp;SS-I(DP Cell)</i>	53
	c) <i>Data Bank-cum-Planning cell</i>	54
	d) <i>G&amp;SS-I(IR) (including Vetting cell)</i>	54
	e) <i>G&amp;SS-I(AB) Section</i>	54
<b>3.3</b>	<b>MAINTENANCE OF RECORDS</b>	55
<b>3.4</b>	<b>FAILURE OF AUDIT</b>	56
<b>3.5</b>	<b>REPORTS AND RETURNS TO BE SUBMITTED BY THE HEAD QUARTER SECTIONS</b>	56

CHAPTER-IV

RULES AND PROCEDURE TO BE FOLLOWED BY THE LOCAL INSPECTING STAFF

(Page 57 to 77)

<b>Para No.</b>	<b>Particulars</b>	<b>Page No.</b>
4.1	<b>GENERAL DUTIES OF INSPECTING STAFF</b>	57
4.2	<b>ATTENDANCE</b>	57
4.3	<b>HOLIDAYS</b>	57
4.4	<b>PLACE OF HALT AND LEAVE</b>	57
4.5	<b>CONDUCT OF FIELD STAFF</b>	58
4.6	<b>ATTITUDE OF FIELD STAFF</b>	58
4.7	<b>INTERVIEW WITH THE HEAD OF THE OFFICE INSPECTED</b>	59
4.8	<b>POWER TO MAKE INDEPENDENT QUERIES</b>	59
4.9	<b>CONDUCT OF AUDIT</b>	60
4.10	<b>MATTERS DEALT WITH BY INSPECTION PARTIES TO BE KEPT CONFIDENTIAL</b>	62
4.11	<b>DISTRIBUTION OF WORK ON INSPECTION</b>	62
4.12	<b>DEMARCATION OF DUTIES</b>	62
4.13	<b>CALLING OF FILES AND RECORDS FOR CHECKING AND PRODUCTION OF SUCH FILES AND RECORDS THEREOF</b>	67
4.14	<b>CONSULTING ACTS, CODES, MANUALS ETC. AND THE PROCESS OF AUDIT</b>	67
4.15	<b>PROCESS OF AUDIT TO BE SUPPLEMENTED WITH REGARD TO OMISSIONS</b>	68
4.16	<b>PERIOD COVERED BY LOCAL AUDIT</b>	68
4.17	<b>REPORTS OF EMBEZZLEMENT OR FRAUD</b>	68
4.18	<b>ISSUE OF AUDIT QUERY STATEMENTS</b>	69
4.19	<b>EXTENSION IN THE ALLOTMENT OF TIME</b>	70
4.20	<b>VARIATION/CHANGE OF APPROVED PROGRAMME</b>	70
4.21	<b>SUBMISSION OF REPORT OF WORK</b>	70
4.22	<b>REVIEW OF WORK DONE BY SR. AUDITORS/AUDITORS</b>	71
4.23	<b>CASES SENT FROM HEADQUARTERS</b>	71
4.24	<b>CONTINGENT CHARGES INCURRED BY THE FIELD PARTIES</b>	71
4.25	<b>DRAWAL OF PAY FROM THE LOCAL TREASURY</b>	71
4.26	<b>SELECTION OF MONTH(S) FOR DETAILED CHECKING</b>	71
4.27	<b>VERIFICATION OF DRAWALS AND REMITTANCES</b>	72
4.28	<b>PAPERS TO BE TAKEN BY FIELD PARTIES</b>	73
4.29	<b>SETTLEMENT OF OUTSTANDING OBJECTIONS/PARAS OF PREVIOUS IRs</b>	74
4.29.1	<i>During local Inspection</i>	74
4.29.2	<i>By the Head quarters Section</i>	75
4.29.3	<i>During Audit Committee Meeting</i>	75
4.29.4	<i>Settlement of objection Based on Action Taken Report</i>	76
4.29.5	<i>Settlement of objections based on Action Taken Reports</i>	76

**CHAPTER V**  
**INSPECTION REPORTS**

(Page 78 to 95)

<b>Para No.</b>	<b>Particulars</b>	<b>Page No.</b>
5.1	<b>RESULT OF AUDIT</b>	78
5.2	<b>PREPARATION OF IRs</b>	79
5.3	<b>DISCUSSION OF THE DRAFT REPORT WITH THE HEAD OF THE OFFICE INSPECTED</b>	82
5.4	<b>SUBMISSION OF DRAFT IR TO IC-HEADQUARTERS</b>	82
5.5	<b>REGISTER FOR WATCHING THE RECEIPT AND ISSUE OF DRAFT IRs AND PROGRESS REGISTER OF SETTLEMENT OF IRs</b>	87
5.6	<b>ISSUE OF IRs</b>	87
5.7	<b>PROCEDURE FOR ISSUING IRs</b>	89
5.8	<b>EDITING OF IRs</b>	90
5.9	<b>AUDIT CONDUCTED ON BEHALF OF OTHER PRINCIPAL ACCOUNTANTS GENERAL/ACCOUNTANT GENERAL</b>	92
5.10	<b>AUDIT NOTE BOOKS</b>	92
5.11	<b>REPLY TO THE IR IN BROAD SHEET FORM</b>	92
5.12	<b>PROCEDURE FOR PREPARING REPLIES IN BROADSHEET FORM</b>	93
5.13	<b>DISPOSAL OF REPLIES TO THE IRs</b>	93
5.14	<b>SCRUTINY OF ORDERS OF GOVERNMENT TO FORGO RECOVERY</b>	94
5.15	<b>FILING OF IRs</b>	94
5.16	<b>REMINDERS FOR BROAD SHEET REPLIES TO IRs</b>	94
5.17	<b>AUDIT COMMITTEES</b>	95

**CHAPTER VI**

**MATERIALS FOR THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

(Page 96 to 107)

<b>Para No.</b>	<b>Particulars</b>	<b>Page No.</b>
<b>6.1</b>	<b>GENERAL</b>	96
6.1.1	<i>Observation on comprehensive reviews of schemes and programme implemented/launched by the State/Central Govt.</i>	97
6.1.2	<i>Important points/irregularities noticed during Local Audit of State Government Offices and Non-Commercial Autonomous Bodies/Authorities Institutions etc.</i>	97
6.1.3	<i>Appropriation audit and control of expenditure</i>	98
6.1.4	<i>Lack of Cash management/Cash control</i>	98
6.1.5	<i>Defalcation/misappropriation/fraud</i>	98
6.1.6	<i>Cases of fraud, malafide and corruption warranting vigilance Investigation.</i>	98
6.1.7	<i>Case of drawal of fund in advance or in excess of requirement</i>	99

	6.1.8	<i>Review of Stores &amp; Stock Accounts</i>	99
	6.1.9	<i>Proforma Accounts</i>	101
	6.1.10	<i>Important cases of Loss writer off and remission of Government dues/Revenue</i>	101
	6.1.11	<i>Lack of responsiveness of Government on IRs</i>	101
	6.1.12	<i>Internal Control System of Selected Department</i>	102
	6.1.13	<i>Other points of interests</i>	102
<b>6.2</b>	<b>CASES FOR INCORPORATION IN REPORT</b>		102
	6.2.1	<i>Cases that may not be considered for inclusion in the report</i>	102
	6.2.2	<i>Cases that may be considered for inclusion in the report</i>	103
<b>6.3</b>	<b>METHODS OF DRAFTING DRAFT PARAGRAPHS/REPORT</b>		104
<b>6.4</b>	<b>PROCESSING OF DRAFT PARAGRAPHS</b>		106
	6.4.1	<i>PDP Register</i>	106
	6.4.2	<i>Processing of DP</i>	106
<b>6.5</b>	<b>TRANSLATION OF REPORT IN REGIONAL LANGUAGE</b>		107
<b>6.6</b>	<b>FURTHER SCRUTINY OF DRAFT PARAGRAPHS</b>		107

## CHAPTER – VII

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

(Page 108-260)

<b>Para No.</b>	<b>Particulars</b>		<b>Page No.</b>
<b>7.1</b>	<b>GENERAL INSTRUCTION</b>		108
	7.1.1	<i>The general principles and method of audit</i>	108
	7.1.2	<i>Paper clippings</i>	108
	7.1.3	<i>Examination of Accounts</i>	108
<b>7.2</b>	<b>AUDIT OF NON-TAX-RECEIPT</b>		109
	7.2.1	<i>Assessment and Accountal of receipt</i>	109
	7.2.2	<i>Demand Register</i>	110
<b>7.3</b>	<b>AUDIT OF CASH/CASH BOOK: (CASH CONTROL SYSTEM)</b>		110
	7.3.1	<i>Physical verification of cash in presence of audit</i>	113
	7.3.2	<i>Scrutiny of the Receipt side of the Cash Book</i>	114
	7.3.3	<i>Audit of Receipts</i>	115
	7.3.4	<i>Receipt Books (DCR/MR)</i>	116
	7.3.5	<i>Bill Register</i>	116
	7.3.6	<i>Register of valuables</i>	117
	7.3.7	<i>Accounting of non-Government Money</i>	117
	7.3.8	<i>Scrutiny of the payment side of the Cash Book</i>	117
	7.3.9	<i>Scrutiny of Treasury Challans</i>	118
	7.3.10	<i>Accounting of Permanent Advances</i>	118
	7.3.11	<i>Rush of Expenditure</i>	119
	7.3.12	<i>Cases of drawals of advance in excess of requirements</i>	119
	7.3.13	<i>Money Order Acknowledgement</i>	120
	7.3.14	<i>Accounts of Securities</i>	120
	7.3.15	<i>Advances to Government Servants for departmental</i>	121

		<i>purposes</i>	
<b>7.4</b>	<b>AUDIT OF EXPENDITURE</b>		121
7.4.1	<i>Audit Objectives</i>		121
7.4.2	<i>General Principles in audit of expenditure</i>		122
7.4.3	<i>Audit against provision of funds</i>		123
7.4.4	<i>Audit against Propriety</i>		124
<b>7.5</b>	<b>AUDIT OF ESTABLISHMENTS</b>		125
7.5.1	<i>Introduction</i>		125
7.5.2	<i>Source Documents</i>		125
7.5.3	<i>Audit of Service Books</i>		125
7.5.4	<i>Extent of audit</i>		128
7.5.5	<i>Quantum of Check</i>		128
7.5.6	<i>Leave Accounts</i>		128
7.5.7	<i>Payment of Cash equivalent of Leave Salary</i>		129
7.5.8	<i>Payment of advance Pay &amp; allowance, TA on tour &amp; transfer and Leave Salary</i>		130
7.5.9	<i>List of Service Books and Leave Account Checked</i>		130
7.5.10	<i>Pay Roll Audit</i>		130
7.5.11	<i>Nominal Audit</i>		131
7.5.12	<i>Check of fixation of pay on revision of pay scales</i>		132
7.5.13	<i>Travelling Allowance Bills:</i>		133
7.5.14	<i>Travelling Allowance Bills for the Journey Abroad:</i>		133
<b>7.6</b>	<b>AUDIT OF CONTINGENT CHARGES</b>		134
7.6.1	<i>Introduction</i>		134
7.6.2	<i>General checks</i>		134
7.6.3	<i>Audit of Contingent Register</i>		136
<b>7.7</b>	<b>AUDIT OF GRANTS IN AID</b>		137
7.7.1	<i>Audit Objective</i>		137
7.7.2	<i>Issue for audit scrutiny</i>		137
7.7.3	<i>Submission of Utilization Certificate</i>		138
7.7.4	<i>Grants to non-government or quasi-government bodies or institutions</i>		139
7.7.5	<i>Grants to Autonomous bodies, non-government organizations, etc</i>		139
7.7.6	<i>Audit of grants towards scholarships</i>		139
7.7.7	<i>Overseas scholarships</i>		139
<b>7.8</b>	<b>AUDIT OF STORES AND STOCKS</b>		140
7.8.1	<i>Introduction</i>		140
7.8.2	<i>Audit of purchase of stores</i>		140
7.8.3	<i>Audit of store records relating to custody and issue</i>		142
7.8.4	<i>Audit of write-off/disposal of stores</i>		143
7.8.5	<i>Audit of stores management:</i>		143
7.8.6	<i>Audit of priced stores records</i>		144
7.8.7	<i>Audit of Dead Stock, Plant &amp; Machinery, Furniture, Fixture, Equipment etc</i>		144
7.8.8	<i>Purchase of stationery and Rubber Stamps</i>		145
7.8.9	<i>Stationery Stock Register</i>		145

	7.8.10	<i>Articles manufactured in Jail</i>	145
	7.8.11	<i>Registers of Immovable Property (Asset Register)</i>	145
	7.8.12	<i>Register of Forms</i>	146
	7.8.13	<i>Physical verification of stocks</i>	146
	7.8.14	<i>Audit of accounts of furniture in residences of High Officials</i>	147
	7.8.15	<i>Audit of materials management</i>	147
<b>7.9</b>	<b>AUDIT OF PRINTING</b>		148
<b>7.10</b>	<b>AUDIT OF LIVERIES</b>		148
<b>7.11</b>	<b>STOCK ACCOUNT OF LIBRARY BOOKS</b>		148
<b>7.12</b>	<b>AUDIT OF TENDER/CONTRACT/AGREEMENTS</b>		149
<b>7.13</b>	<b>CHECK OF POSTAGE STAMP ACCOUNTS</b>		151
<b>7.14</b>	<b>CHECK OF LOG BOOKS OF GOVERNMENT VEHICLES</b>		151
<b>7.15</b>	<b>WORKS EXECUTED BY CIVIL OFFICES</b>		154
<b>7.16</b>	<b>MEASUREMENT BOOKS</b>		155
<b>7.17</b>	<b>MUSTER ROLL</b>		155
<b>7.18</b>	<b>CHECK OF DETAILED ACCOUNTS OF FESTIVAL AND OTHER ADVANCES GRANTED TO GOVERNMENT SERVANTS</b>		155
<b>7.19</b>	<b>AUDIT OF GENERAL PROVIDENT FUND ACCOUNTS OF GROUP “D” EMPLOYEES</b>		155
	a)	Index Register	155
	b)	Nomination of the subscribers	155
	c)	Subscriptions	155
	d)	Withdrawals	155
	e)	Interest	156
	f)	Provident fund ledger	156
	g)	Broad Sheet	156
	h)	Statement of totals of Debit and Credit	157
<b>7.20</b>	<b>AUDIT OF LOAN GIVEN TO AGRICULTURISTS, LOAN SANCTIONED UNDER B.S.A.I. ACT ETC.</b>		157
<b>7.21</b>	<b>CHECK OF LICENCE FEE DEMAND STATEMENT OF GOVERNMENT RESIDENTIAL BUILDINGS</b>		158
<b>7.22</b>	<b>CHECK RELATING TO SUBMISSION OF POSTAL LIFE INSURANCE SCHEDULES</b>		158
<b>7.23</b>	<b>PERFORMANCE AUDIT</b>		159
<b>7.24</b>	<b>AUDIT OF PROFORMA ACCOUNT OF DEPARTMENTAL UNIT ACTIVITIES OF WHICH ARE OF COMMERCIAL/QUASI-COMMERCIAL CHARACTER</b>		174
<b>7.25</b>	<b>AUDIT OF NON-COMMERCIAL AUTONOMOUS BODIES AND NON-GOVERNMENT INSTITUTIONS</b>		177
<b>7.26</b>	<b>AUDIT OF FINANCIAL INVESTMENT OF THE AUTONOMOUS BODIES</b>		191
<b>7.27</b>	<b>INTEGRATED AUDIT OF DEPARTMENTS</b>		192
<b>7.28</b>	<b>APPROPRIATION AUDIT</b>		196
<b>7.29</b>	<b>AUDIT OF EXCESS AND SAVINGS OVER BUDGET PROVISIONS</b>		197
<b>7.30</b>	<b>SYSTEM AUDIT</b>		200
<b>7.31</b>	<b>MANPOWER AUDIT</b>		203

7.32	<b>AUDIT OF ABSTRACT CONTINGENT BILL/DETAILED CONTINGENT BILL</b>	207
7.33	<b>AUDIT OF “NIL” PAYMENT VOUCHERS</b>	208
7.34	<b>AUDIT OF DEPOSITS</b>	209
7.35	<b>AUDIT OF DEPOSIT ACCOUNT/PERSONAL LEDGER (PL) ACCOUNT</b>	211
7.36	<b>SOLATIUM FUND SCHEME 1982</b>	212
7.37	<b>AUDIT OF WORLD BANK AND OTHER EXTERNALLY ASSISTED PROJECTS</b>	214
7.38	<b>FRAUD AND CORRUPTION</b>	220
7.39	<b>ENVIRONMENT AUDIT</b>	227
7.40	<b>AUDIT OF COMPUTERISED SYSTEM</b>	229
7.41	<b>AUDIT OF INTERNAL CONTROL MECHANISM</b>	246
7.42	<b>AUDIT OF BORROWINGS, LOANS, ADVANCES, INVESTMENTS, GUARANTEES AND INTEREST PAYMENT</b>	254

ANNEXURES

(Pages i to xli)

<b>Annexure No.</b>	<b>Subject</b>	<b>Para Ref.</b>
A	Instruction of the State Government (Finance Department) in regard to undertaking Special Audit	1.3.1 (d)
B	Objection book	3.1.4 (16)
C	Adjustment Register	3.1.4 (17)
D	Quarterly Progress Report on SAR	3.1.5 (16)
E	Reports and Returns to be submitted by the IC Section	3.5
F	Demarcation of duties of the personnel of audit parties	4.12
G	Forwarding memo of the IRs	5.4.1 (1)
H	Title sheet to be submitted by field parties	5.4.1 (2)
I (Form-I)	Register for watching the receipt and issue of IRs	5.5
I (Form-II)	Register to watch progress in the settlement of IRs	5.5
I (Form-III)	Statement showing the IR not issued within thirty days from the date of completion of audit.	5.5
J	Certificate of Physical Verification of Cash	7.3.1
K	The additional points to be looked into during audit of Abs and comments included in IR/SAR	7.25.3 (r) (xix)
L	Format of Audit Certificate	7.25.4
M	Procedure to be adopted in Finalisation of SAR	7.25.10
N	Audit Certificate	7.37.8 (b)
O	Audit Evidence	7.38.15(c)
P	Feedback Report	5.4.1 (3)
Q	Survey Questionnaire for IT Applications	5.4.1 (17)

# **CHAPTER-I**

## **CONSTITUTION OF GENERAL AND SOCIAL SECTOR –I WING**

*(Page no. 1 to 16)*



## CHAPTER-I

### 1.1 INTRODUCTORY

The concept and establishment of audit is inherent in public financial Administration as the management of public funds represents a trust. Audit is not an end in itself but an indispensable part of regulatory system whose aim is to reveal deviations from accepted standards and violation of principles of law, efficiency, effectiveness and economy of financial management in order to take corrective action and prevent recurrence of such breaches. The provisions of Manual of Standing Orders (MSO) (Audit) of the Comptroller & Auditor General of India (C&AG) prescribe the norms, principles and practices which the Auditors are expected to follow in conducting of audit. The provisions of MSO (Audit) and Auditing Standards of International Organization of Supreme Audit Institution (INTOSAI) suitably adopted with due consideration to the Constitution of India and relevant statutes/ rules for preparation of the General and Social Sector-I (G&SS-I) Audit Manual which should be kept in view as guidelines for local audit. SAI India has decided, on approval of the CAG, to adopt the fundamental auditing principles (ISSAIs 100-400) as its auditing standards after their adoption by INCOSAI community in November, 2013. All the officers are encouraged to familiarize themselves with these Standards and bring their implementation in regular audit activities.

*[Authority: Letter no. I/B/5/116/PPG/9-2012 dated 14-05-2013 Director General (PPG)]*

### 1.2 CONSTITUTION AND FUNCTION

The G&SS-I Wing is constituted for the purpose of conducting inspections and local audits falling under the following categories:-

- a. Inspection and local audit of transactions of the offices and institutions of the Government of West Bengal for which the C&AG of India is statutorily responsible under Sections 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971 are undertaken with the object of supplementing the Central Audit carried out by the Central Audit Party (CAP) and Central Audit Supporting Section (CASS) of Financial Audit Wing of the office of the Principal Accountant General (G&SSA), West Bengal. The Departmental receipts of these offices are also examined under Section 16 of the Act, *ibid*, excepting those which are done by the office of the Accountant General (Economic and Revenue Sector Audit), West Bengal.
- b. Local audit of trading, manufacturing and profit and loss accounts and balance sheets and other subsidiary accounts kept in any Department of the State (excepting those being done by the Economic Sector Audit erstwhile Commercial Wing) under Section 13 (c) of the Act, *ibid*.
- c. Local Audit of the accounts of stores and stocks of certain Government institutions undertaken under Section 17 of the Act, *ibid*.

- d.** Local Audit of all receipts and expenditures of bodies and authorities of the Government of West Bengal which are substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly, subject to the provisions of any law for the time being in force applicable to the body or authorities, under Section 14 of the Act, *ibid*.
- e.** Scrutiny by local inspection of the procedure by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or any Union Territory having a Legislative Assembly to any authority or body under Section 15 of the Act, *ibid*. For this purpose, audit shall have right of access, after giving reasonable previous notice, to the books and accounts of that authority or body subject to such limitations and conditions detailed in the Section of the Act, *ibid*.
- f.** Section 19 (3) of the Act, *ibid* provides that the Governor of a State or the Administrator of a Union Territory having a legislative assembly may, where he is of the opinion that it is necessary in the public interest so to do, request the C&AG 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 C&AG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such Corporation. The Government of West Bengal entrusted C&AG the audit of West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, West Bengal Minority Development and Finance Corporation, West Bengal Backward Classes Development and Finance Corporation and West Bengal State Warehousing Corporation under Section 19 (3) of the CAG's DPC Act, 1971.
- g.** Local audit of the accounts of bodies or authorities under Section 20 of the Act subject to such limitations and conditions detailed in the relevant Section.
- h.** The audit of institutions falling under sections 14, 19 and 20 and scrutiny of records of the offices of the sanctioning authorities including institutions covered under Section 15 of the DPC Act.

***(Manual of Instruction for audit of Autonomous Bodies)***

- i.** The Section 19(1) of the CAG's (DPC), Act 1971 provides that the audit of the accounts of Government companies shall be performed and exercised in accordance with the provisions of Chapter-X of the Companies Act, 2013. The accounts certified by the Chartered Accountants appointed by the C&AG under Section 139 (5) the Companies Act, 2013 are subjected to supplementary or test audit under Section 143 (6) (a) the Companies Act, 2013 by the CAG of India. The Section 143 (5) of the Companies Act, 1956 empowers the C&AG to issue directions to the Chartered Accountants on the manner in which the Company's accounts shall be audited. The C&AG gives his comments or supplements the report of the Chartered Accountants under Section 143 (6) (b) the Companies Act, 2013.

**j.** The duties and powers of the C&AG with reference to the audit of Government Companies and autonomous bodies flow from statute. However, it is also desirable to persuade the Governments to include in the conditions of grants, loans or investments an enabling clause to the effect that the books and accounts of the recipient institutions shall be made available to the C&AG for his scrutiny or audit wherever and whenever, necessary. It is clarified in this connection that provisions of Section 18 of the Act are applicable to audit under Sections 14, 15, 19 or 20 as they are applicable to audit under Sections 13 and 16 of the Act.

*(CAG's Manual of Instructions for Audit of Autonomous Bodies)*

**k.** Under Section 23 of the Act, the CAG is authorized to make regulations for carrying into effect the provisions of the Act, in so far as they relate to the scope and extent of audit including laying down for the guidance of the Government departments the general principles of Government accounting and the broad principles in regard to audit of receipts and expenditure. The instructions given for audit as contained in MSO (Audit) and other departmental publications issued under the authority of the C&AG are covered under the provisions of this section.

**l.** The CAG is also authorized under Section 24 of the Act, to dispense with, when circumstances so warrant, any part of detailed audit of any account or class of transactions and to apply such limited checks in relation to such accounts or transactions as he may determine. The provisions in the Memorandum of Secret Instructions regarding the Extent of Audit and other circulars issued from time to time under the authority of the C&AG on the quantum and extent of audit derive their authority from this Section of the Act.

*(Manual of Instruction for Audit of Autonomous Bodies)*

**m.** Local audit of the offices of other State Governments situated within the State, undertaken on behalf of other Accountants General under the orders of the C&AG of India

*(HQs. letter No. 9539-TA 1/14 G-80 dated 22<sup>nd</sup> September 1980)*

**n.** Post audit of vouchers of the Pay and Accounts Officer, IA&AD, Port Blair (Andaman and Nicobar Islands).

*(HQs. letter No. 443-Codes I/37-76/Gr. IV, Item 23 of Statement No. IV, dated 28<sup>th</sup> October 1977 and 1652-TAI/168-78 dated 1<sup>st</sup> January 1981)*

**o.** Conducting audit of the offices of the State Government located in Delhi/ New Delhi, if directed by the CAG's office

*(HQs. Office Order No. 122-Audit (AP) 62-86 Vol-IV Dated 2.9.2003)*

### **1.3 GUIDING PRINCIPLES IN AUDIT**

#### **1.3.1 Guiding principles in the audit of Public Sector Undertakings:**

The guiding principle of Public Sector Undertakings (PSU) is “Efficiency cum Performance Audit” rather than verifying regularity of expenditure against sanctions or appropriations. The main object of audit is to see how far the auditee organization has achieved the objectives for which it has been established and whether the operations are being carried on efficiently with due regard to the economy. In this process, audit has to appraise the soundness or otherwise of various decisions of the management, in regard to the construction and operation of undertakings. By its very nature, it is not and cannot be a purely financial audit.

*(CAG's letter No. 626/CA IV/8, dated 25.11.1969)*

The auditee units coming under the audit control of G&SS-I wing have generally an organized financial accounting system. In Government companies as well as in some statutory corporations, the accounts are audited by the statutory auditors. In such undertakings commercial audit wing may not cover the same field as covered by the internal auditors or statutory auditors and may be limited to some percentage of audit checks on various types of transactions.

The routine checks are exercised by the Accounts and Internal Audit wing of the undertakings. However, it has to be seen that internal audit adequately covers the entire field of operations that is functioning effectively, that its reports are properly considered at appropriate level and that necessary action is taken on them. In such cases of routine audit, if it is taken up at all, will be of negligible quantum and the main purpose in such cases would be to see how far internal check operates effectively. Audit in this regard should be confined to efficiency-cum-propriety audit, the broad principles of which have been laid down in Manual of Standing Orders (Audit).

These apart, the statutory auditors are required to submit a special report, on completion of their audit of a Government Company, on the various points, covered by the directions of the CAG issued to them. The report not only gives information on various matters but also secures that the statutory auditors have discharged their functions well and with reasonable degree of efficiency. In view of this, there is no necessity to cover the entire field again particularly on application of routine audit checks.

The annual accounts of these concerns (particularly Balance Sheet, Profit and Loss Accounts and subsidiary schedules) are certified by the statutory auditors. Since the routine check have already been exercised by the internal auditor/statutory auditors, it is not necessary that similar checks should be exercised by our audit. However, while certifying the correctness of annual accounts, certain checks will have to be conducted. It will be necessary to see that annual accounts have been properly drawn up on the basis of records, already checked.

*(CAG's letter No. 216/CA/61-1965, dated 02.02.1966)*

G&SS-I Wing performs its audit functions in harmony with the Auditing Standards promulgated by the CAG, which are consistent with the International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards. CAG's Auditing Standards 4.9 in chapter I (corresponding INTOSAI Auditing Standards 1.0.38) defines the scope of audit as under:

“The term ‘Audit’ includes financial audit, regularity audit and performance audit” It further adds that in pursuance of the constitutional responsibility, the CAG is empowered to decide the nature, scope, extent, and quantum of audit to be conducted by him or on his behalf.

Further, the objectives of audit of accounts or audit of receipts & expenditure of Government Companies/Bodies and authorities under Sections 14, 19 and 20 of the Act are three-folds. The first is to check that transactions comply with relevant laws, rules and regulations, (Compliance Audit), the second is concerned with the certification of annual accounts (Financial Audit), and third is to conduct Performance audit to assess economy, efficiency and effectiveness of various activities/programmes undertaken by these Government Companies/Bodies and authorities (Performance Audit). The scope of audit under all these Sections can cover all these objectives depending on the facts of each case. In practice, however, the certification of annual accounts is undertaken only under the provisions of Sections 19 and 20.

*(C A G's Manual of Instructions for Audit of Autonomous Bodies)*

**a. Supplementary Audit:**

**Duly adopted and audited accounts to be made available to Audit**

The company shall make available the balance sheet and the profit and loss account and any other statements or documents declared under the Companies Act, 1956 to be part of or annexed to the balance sheet and the profit and loss account (called Annual Accounts) duly adopted by the board of directors and audited by the statutory auditor to the PAG within three months after the close of the year of accounts for timely finalisation and issue of comments of the CAG and for consequently holding the annual general meeting of the company within the time stipulated in the Companies Act, 1956.

It is the statutory auditor who is primarily responsible for expressing an opinion on the accounts of the company. Supplementary audit of the accounts by the CAG is, by its very definition, mainly an instrument of quality control of financial audit of accounts that begins with careful selection of the statutory auditor and continues with the ongoing oversight of his work including review of the conclusions drawn in his audit report. The scope of supplementary audit of annual accounts of a Government company and a deemed Government company by the CAG shall include an examination of selected accounting records and a review of the audit report of the statutory auditor including the opinion expressed by him on the annual accounts of the company. The supplementary audit of the Companies and Corporations is conducted mainly by reference to the Accounting

Standards and Auditing & Assurance Standards issued by the Institute of the Chartered Accountants of India. In any area where standards are still to be put out by the Institute of Chartered Accountants of India (ICAI), the International Accounting Standards are adopted as guidelines. Further, if the accounts of the Company certified by the Statutory Auditor, have misrepresented any fact or overlooked any material fact, they are commented upon by CAG's Audit. The supplementary audit is aimed at ensuring that the accounts represent a "true and fair view" of the financial position of the Company and are in conformity with the provisions of the Companies Act. The significant and material observations made in supplementary audit shall be issued as comments of the CAG under the Companies Act, 1956 after due consideration of the views, if any, of the statutory auditor and the management of the company. The comments on the Accounts are required to be placed before the Annual General Meeting of the Company.

*(Regulations on Audit and Accounts, 2007, Chapter 9)*

**b. Certification of accounts of autonomous bodies set up by or under law made by Parliament and Audit of State Corporations and other bodies and authorities entrusted to the CAG:**

Provisions relating to audit of Statutory Corporations, Autonomous Bodies and Authorities are contained in Sections 14, 19(2), 19(3) and 20 of the CAG's DPC Act, 1971. The certification of accounts is "the independent examination of and expression of an opinion on the financial statements of an entity by an appointed auditor in pursuance of the terms of appointment and in compliance with statutory obligation".

**c. Applicable standards and verifications required in audit of accounts:**

Where the CAG is the sole auditor of a corporation, the financial audit is conducted in accordance with the auditing standards issued by the CAG. Audit shall verify whether systems and procedures are in place and implemented to ensure that the accounts:

1. Comply with the requirements of the applicable law(s), rules and administrative instructions;
2. Comply with the accounting standards prescribed by the Institute of Chartered Accountants of India;
3. Contain adequate disclosures in respect of financial transactions; and
4. Present a true and fair view of the corporation's financial position.

On the completion of financial audit the PAG (after approval of the CAG of India) shall send the audit certificate and the separate audit report which will form part of the audit certificate on the accounts of the corporation to the Secretary to Government of the concerned department with a copy to the Chief Executive Officer of the corporation after completion of accounts audit. The separate audit report and audit certificate on the accounts are required to be placed in the Assembly.

*(Regulations on Audit and Accounts, 2007, Chapter 8)*

**d. Transaction Audit: Scope of test audit by the CAG:**

In addition to the supplementary audit of annual accounts of a Government company or a deemed Government company, the CAG may conduct test audits during the year. This audit shall cover transactions entered into by the company with a view to examining their regularity, propriety, probity, economy, efficiency and effectiveness and report on cases of failure of compliance with laws, rules and regulations, waste, mismanagement, other irregularities and frauds and corruption. The scope of test audit may extend to more than one financial year.

*(Regulations on Audit and Accounts, 2007, Regulation 136 of Chapter 9.)*

It covers also audit against Waste and Value for Money (VFM) audit. The audit includes examination of transactions in sales, purchases, contracts, pricing, costing, material management, outstanding dues, inadequacies in control systems, comparison of performance with standards of performance laid down, improper decisions leading to waste, internal audit, productivity, financial and physical performance, attention to environmental problems, energy conservation, capacity utilisation, investment decisions, project implementation etc. Audit is not limited to financial (vouching) or compliance (regularity) audit. The scope and extent of audit is determined by the PAG as per Manual of Standing Orders (Audit) issued by the CAG.

**e. Reporting and Follow Up:**

The Audit Reports (PSUs), Government of West Bengal of the CAG are presented to the Legislative Assembly. Such reports include three Chapters on ‘Overview of State Public Sector’, ‘Performance Audit Reports’ and ‘Compliance Audit’.

The Reports are examined selectively by the Committee on Public Undertakings (COPU), which is a committee of Legislative Assembly. The committee is assisted by the CAG and/or his officers. The committee takes evidences and witnesses from Management and/or Department. It calls for Action Taken Note (ATN) from the Department and/or Management of the Undertaking in addition to or without taking evidence, as it considers necessary. Its findings and recommendation are presented to the Assembly and are generally accepted and acted upon by the Government. The vetted documents of ATN on all the actionable points in the audit report are watched by the G&SS-I Wing, those are examined and accepted if adequate remedial measures have been taken by the Government.

**f. Authority of the CAG to dispense with supplementary audit**

The CAG may, at his discretion, dispense with supplementary audit of the accounts of a company for any particular year.

**g. Preliminary audit compliance**

Before taking up the detailed checking of different items of Balance Sheet and Profit and Loss Account it is to be seen:

- Whether previous year's accounts along with the Auditors' Report and C&AG's comments thereon are adopted by the members in the Annual General Meeting prior to approval and authentication of current year's accounts.
- Whether the accounts are approved by the Board of Directors and authenticated by the directors as required under Section 215 of the Companies Act, 1956.

**1.3.2 Guiding principle for special audit:**

a. The responsibility for initial investigation of losses due to fraud, negligence, financial irregularities, etc., rests primarily with the departmental authorities concerned and the Government. No request for special audits, may, therefore, be entertained until the case presents special features and requires expert scrutiny by the staff of the Indian Audit and Accounts Department (IA&AD). Special Audit is undertaken only at the request of the Government and requires sanction of the PAG (G&SSA), WB. Such an audit usually requires more time than ordinary test audit as a more thorough check has to be exercised in such cases. In the first instance, the department is to investigate against the complaint and report before the question of a special audit could be considered and such audit should only be by way of assisting the administrative authorities in their investigation. This guiding principle should be kept in view in agreeing to undertake a special audit so that this office may not be requested by Government to take up large number of special audits prior to departmental investigation or before a prima-facie case of fraud or embezzlement is made out. When, however, the normal audit of an institution becomes due, there would be no objection, if at the same time a request comes from the State Government for a Special Audit of that institution.

*(HQs. letter No. 3629-Admn1/462-60 dated 22<sup>nd</sup> November 1960)*

b. In cases where special audit of accounts of grantee institutions are proposed by the Government on account of suspected irregularities, the audit should be undertaken with the least possible delay irrespective of whether the accounts are complete or not. An audit of even imperfect records would establish prima facie the nature of the irregularities. On conducting this preliminary scrutiny of accounts, the institution may be permitted to complete their records after which a second and more complete audit may be undertaken.

*(HQs. letter No. 2197-AdmnH/14-60 dated 20 November 1960 read with the Government of India, Ministry of Finance memo No. F II (53)-E II (A)/60 dated 24<sup>th</sup> October 1960)*



c. When a special audit for special reasons i.e. suspected misappropriation or other serious financial irregularity is undertaken at the request of the State Government, it will be in pursuance of the statutory functions of the CAG and the cost thereof falls on the Audit Budget. The question of recovery of cost of audit will arise only when the audit is not the statutory function of the CAG and is undertaken on a consent basis.

*(HQs. letter No. 1615-Admn111/232-60 dated 11<sup>th</sup> August 1960)*

d. No special audit of the accounts of an office or institution under the State Government may be undertaken unless the request for it is received through Finance Department. The instructions of the State Government (Finance Department) regarding undertaking of special audit are given in **Annexure ‘A’**.

e. Sometime the PAG may receive requests from the State Government or Management of the Government companies/corporation to undertake special audit. The following principles may be followed in such cases:

**i. State Government Companies:**

In terms of Section 233A of the Companies Act, 1956 where the Central Government is of opinion (a) that the affairs of the company are not being managed in accordance with sound business principles or prudent commercial practices; or (b) that any company is being managed in a manner likely to cause serious injury or damage to the interest of trade, industry or business to which it pertains; or (c) that the financial position of any company is such as to endanger its solvency; the Central Government at any time by order direct that a special audit of the company's accounts for such period or periods as may be specified in the order, shall be conducted. However, audit in depth of the transactions can be conducted under Section 619 (3) (b) of the Companies Act, 1956. In the course of the audit, it should be possible to cover any particular transaction referred to by respective Government or the management of the company for special audit. Normally request for special audit as such need not be entertained. If such request is received and pressed for, it should be examined on the merits and proposals for conducting audit in depth of the concerned company under section 619 (3)(b) of the Companies Act, be referred to CAG for clearance and approvals.

**ii. Statutory Corporations:**

The position varies from corporation to corporation. In certain corporations, audit by CAG is supplementary to the audit conducted by the statutory auditors, while in others, CAG is the sole auditor. The requests, if any, for special audit relating to corporations are required to be examined with reference to provisions contained in the relevant Acts and after taking into account other relevant factors. In each case, CAG will be approached for prior approval with recommendations of AG.

*(CAG's letter No. 119/CA-IV/Tech/1-80, dt. 25-01-1980)*

**f. Issue of Special Audit Report:** The “Report” of Special audit undertaken on request of the Finance Department, Government of West Bengal on the accounts and records of the office or institution should be sent “Confidentially” under the signature of the Group Officer level with the approval of the PAG (G&SSA), WB, to the Finance Department with a copy to the Head of the concerned Administrative Department and Head of the auditee unit.

**g. Maintenance of records:** The papers being confidential shall not be marked to the section in a routine manner, but retained at Senior Audit Officer/Audit Officer Level.

*(AG’s order dated 16.11.2001)*

#### **1.4 CONSENT AUDIT**

The practice of undertaking audit on consent basis has since been ceased and audit of such nature be done under section of 14, 15, 19 and 20 of the CAG’s (DPC) Act, so as to ensure that there are no interruptions in audit.

*(Para 12 of HQs. letter No. 149-TAI/50-69-Vol. II dated 2nd March 1974  
and No.854-TAI/37-74 dated 10th October 1974)*

#### **1.5 COMPOSITION OF THE GENERAL AND SOCIAL SECTOR-I WING**

The G&SS-I Wing is under the supervisory charge of an officer of the Indian Audit and Accounts Service designated as the Senior Deputy Accountant General (G&SS-I) or Deputy Accountant General (G&SS-I), termed as Group Officer (G&SS-I). He is assisted by an Assistant Accountant General (AAG)/Senior Audit Officer (Sr. AO) /Audit Officer (AO) at the headquarters termed as Branch Officer in attending to the work relating to Administration of the G&SS-I Wing and other routine matters. In the supervision of field work, the Group Officer (G&SS-I) is assisted by a number (as sanctioned by the CAG from time to time) of Sr. AO/ AO termed as Supervising Officer. The G&SS-I Wing consists of **(a)** Outside Audit (OA) Headquarters and **(b)** field parties named as Inspection Parties.

Consequent upon restructuring of Audit arrangements between O/o the PAG (G& SSA) WB and the AG (E&RSA) WB w.e.f. 16.04.2012, audit jurisdiction of Departments falling under General & Social Sector has been vested with this office containing observations arising out of G&SS Department as well as Public Sector Undertakings (PSU) and departmentally managed Commercial undertakings. Inspection Civil Wing was renamed as General & Social Sector-I Wing (G&SS-I) and names of the sections under GSS-I Wing have been renamed as under:

Pre-Restructuring Name	Present Name
IC-I	G&SS-I(HQ)
IC-II	G&SS-I(DP Cell)
IC-III	G&SS-I(IR)
IC-IV	G&SS-I(AB)

*(O.O No. OA/GSS-I(HQ) /OO/2013-14/07 dated 21.10.2013  
& B.O No. OA/GSS-I(HQ) /BO/2012-13/03 dated 18.09.2012)*

On approval of the CAG of India, sectoral restructuring of this office has been effective since 16 April 2012 with the intention to facilitate integration of audit efforts of all state audit offices. Consequent upon restructuring, this office has been divided into three wings viz. GSS-I, SS-II & SS-III. Further, this office is vested with the responsibility of publishing three audit reports viz. State General and Social Sector Report besides forwarding Integrated Audit Plan for the state as a whole.

*(B.O No. OA/GSS-I (HQ)/OO/2013-14/01 dated 10.05.2013)*

**1.5.1 Head Quarter Sections:** GSS-I Wing Headquarter consists of four sections. The strength of the GSS-I Wing headquarters would be determined as per the following scales fixed by the CAG based on the Inspection party required in each year for carrying out the annual audit programme and the number of offices to be locally audited:

(i) Two Sr. Auditors/Auditors for every three parties in the field plus one Sr. Auditor/Auditor for preparation of programmes and other miscellaneous work. Where the number of field parties is more than 20, another Sr. Auditor/Auditor may be given in addition for preparation of programmes, etc.

*(HQs. letter No. 1644-AdmnIII/268-80 dated 12<sup>th</sup> August, 1960)*

(ii) For every seven (7) Sr. Auditors/Auditors in the headquarters there shall be one Assistant Audit Officer (AAO) and one Clerk.

*(HQs. letter No. 1876-BRS/304-784 dated 4<sup>th</sup> May, 1979 filed in Admn. Section)*

(iii) The posts of relieving AAO/Supervisor should be provided at 5 per cent of the total number of inspection parties, subject to availability of qualified AAO.

*(HQs. Circular No. 39-TAI/81 issued under No. 1136-TAI/102-80 dated 28<sup>th</sup> September 1981)*

**Note:** The existing sanctioned strength of relieving AAOs were computed at 10 per cent of the total number of Inspection Parties as per HQs. Circular No. 47-TA.1/80 issued under No. 844-TAI/102-80 dated 23rd August 1980 which had revised under Hqs letter dated 28th September 1981.

(iv) One temporary post of AAO for G&SS-I Wing Headquarters for assisting the Group Officer (GSS-I) in vetting the Inspection Reports (IR) pertaining to GSS-I Wing.

*(HQs. letter No. 2593-BRS/39-70 II dated 29<sup>th</sup> September 1970)*

(v) The norms for Gazetted supervision of GSS-I Headquarters are 0.5 Gazetted Officer for every 15 parties or part thereof.

*(HQs. letter No. 689-0 do M/85-80 dated 27.9.1980 filed in Admn. Section)*

**1.5.2 Inspection Parties:** The strength of Inspection Parties varies from year to year as per the norms fixed by CAG, depending on the number of party days in each year required for carrying out the annual audit programme based on increase/decrease in the number of offices to be locally audited, as also in accordance with the forecast of local audit prepared at the commencement of the year.

(i) Major parties consisting of two (2) AAOs/Supervisors and two (2) Sr. Auditors/Auditors may be allowed for the inspection of Departments of Government and other important offices etc. Addition can be made by the PAG/Sr. DAG/DAG with reference to administrative set up and allocation of functions in different auditable units.

(ii) Minor parties consisting of one (1) AAO/Supervisor and two (2) Sr. Auditors/Auditors may be allowed for inspection of subordinate and district level offices including jails, schools, hospitals and dispensaries, District Courts, etc.

(iii) In case of shortage of qualified AAO, the major parties may have to be converted to minor parties of one (1) AAO/Supervisor and two (2) Sr. Auditors/Auditors in order to cope with the Annual Inspection Programme.

(iv) In the case of audit under Sections 14, 15, 19 & 20 of the CAG's (DPC) Act, 1971, the parties may consist of two (2) AAOs/ Supervisors and two (2) Sr. Auditors/ Auditors.

*(HQs. Circular No. 46-TA.1/80 issued under letter No. 343-TAI/120-80 dated 23<sup>rd</sup> August, 1980, filed 0A-1C/A dmn/80-81/15)*

(v) The quantum of supervision of the GSS-I Inspection Parties has been fixed at 75 per cent.

*(HQs. letter No. 1271-0 & M/7/81-Vol.V dated 24.9.1985)*

## 1.6 INCIDENCE OF THE COST OF THE AUDIT

Audit of the accounts of expenditure and receipts of Government Departments and of the stores and stock in the possession of an officer or of a Department of Government by the IA&AD under Section 13, 16 & 17 of the CAG's (DPCS) Act, 1971 is a Central subject. The cost of local audit and inspection of Government Departments, offices and institutions, is therefore, a charge on the Union Government and debitable to Central Revenues under the head 2016-Audit.

**1.6.1 The Rules:** The rules regulating the incidence of expenditure involved in audit of accounts of bodies and authorities conducted by the IA&AD have been laid down in CAG's circular letter No.64 TAI (A)/33-85 Vol II dated 6.1.69. The cost of audit of bodies and authorities including corporations will be recoverable in which audit is undertaken by the CAG or any officer under him as the sole Auditor. In cases in which the audit of accounts of the body or authority is conducted by another agency and by the CAG or an officer under him represents second or superimposed audit under Section 14, 15 or 19, as the case may be, the cost of such second or superimposed audit need not be recovered from the body or authority concerned. As regards audit under Section 20, the same is required to be undertaken on such terms and conditions as may be agreed upon between the CAG and the concerned Government. One of the terms to be settled in this regard would relate to the recovery of the cost of audit of the body or authority to be entrusted under Section 20 of 1971 Act. The recovery of the cost of audit in these cases will, therefore, be regulated by the agreement that will be arrived at in each case. In respect of smaller institutions which are not involved in manufacturing or trading activities, however, recovery of cost of audit, where CAG is the sole Auditor, need not be effected if the amount is less than Rs. 10,000 per annum in each case. Subject to standard terms and conditions as specified in Manual of Instructions for audit of autonomous Bodies, PAG (G&SSA), WB may undertake audit under Section 19 (3) or 20 (1). No reference to Headquarters' office (CAG) is necessary.

*(HQs. letter Circular No. 13-TA-1/28-73 dated 9<sup>th</sup> January, 1975, 1513 TAI/RGL/7.81 dt. 23.11.1982 & HQs. D.O. No. 649-Audit 11/143-85 dated 28.4.1985)*

### 1.6.2 Audit Fee:

- a. For the audit of Non-Government accounts such as local bodies, etc. undertaken under Sections 14, 15, 19 and 20 of CAG's (DPCS) Act, 1971, Audit Fee is charged in cases where it is chargeable as per **paragraph 1.6.1** of this manual, according to the scale to be approved by the CAG of India from time to time.
- b. The Audit Fee for the recovery of cost of audit of non-Government funds should be calculated in accordance with the instruction contained in the Swamy's Compilation of Government of India order No. 3 below 9 (31) as follows:

- (i) Average cost of each of the staff
- (ii) Allowances such as DA, ADA, HRA, CCA etc. on average cost determined (i) above as direct charges.
- (iii) Indirect charges @ 125% of the total of the Average cost and allowances determined (i) & (ii) above.

*(HQs. letter dated 4.6.85 & 1513-TAI (R110/7-81 dated 23.11.82)*

- (iv) The number of days for working out the daily rates of Audit Fees in a year should be equal to actual number of working days but not less than 220 days in the case where all the Saturdays are holidays.
- (v) In cases where only second Saturday of every month is closed day, the number of days for working out the daily rates should be either the actual number of working days but not less than 260 days in a year.

*(HQs. letter No. 498 Audit-11/62-27 dated 20.09.2000)*

- (vi) As per instructions issued in HQrs. letter dated 06.01.69, the daily rates of Audit Fees are to be worked out and approved by the Head of the Department within two months of revision of rates of Pay & allowances and a copy of approved revised rates to be sent to HQrs. ensuring that there are no wide disparities in the rates approved in different offices. A note is also to be kept in Calendar of Returns. As and when Pay and allowances are revised the rate of daily allowances are also revised.

- c. A paragraph indicating the total amount of Audit Fee of the prior period recoverable from the Authority/Body should be incorporated in the IR.
- d. No Audit Fee is levied in respect of audit of companies conducted under the provisions of the Act and in respect of those statutory corporation where audit by CAG is supplementary (i.e., in addition to that of the statutory auditors).

### **1.6.3 Audit Fee Register:**

- (i) The realization of the Audit Fee is watched through the Register of Audit Fees maintained in Form SY 338 (as detailed below) by G&SS-I (AB) section of the G&SS-I Wing. The Audit Fee assessed, claimed and realized are to be noted in the relevant column of the register.

Sl. No.	Name of the authority audited	Nature of audit	Period of account	Authority for undertaking audit	Dates of audit	No. of days taken	Strength of party with details of leave etc. availed by the party member	Rates of audit fee per day
1	2	3	4	5	6	7	8	9

Authority for fixing audit fees	Cost of audit recoverable	Amount of arrear	Total	No and date of demand note	Amount recovered	No and date of credit intimation	Initials of officials	Remarks
10	11	12	13	14	15	16	17	18

A report of the amounts of Audit Fees outstanding at the end of each month should be prepared on the 5<sup>th</sup> of each month and submitted to the Branch Officer. The register should be submitted to the Group Officer (GSS-I) on 15<sup>th</sup> of April, July, October and January for his information.

(ii) The recovery of Audit Fee (in case of the local bodies or funds which bank with treasuries) is made by the Treasury Officer by book adjustment out of the funds of the bodies concerned on receipt of a requisition to that effect from the Audit Party specifying therein the amount due for recovery. In cases where such bodies or funds do not bank with the Treasuries, the Audit Fees are credited into the Treasury by the Administrator of the fund at the instance of audit.

(iii) The registers are required to be reviewed half-yearly by a nominated officer.

*(HQs. letter No. 720-Inspn./48-53 dated 26<sup>th</sup> November, 1984)*

(iv) As and when Audit Fee is settled, it should be ascertained from the P&AO that they have duly been received and cheque/DD from the bank are posted correctly under the head of account and it should be attested by AAO in charge.

## **1.7 SPHERE OF DUTY OF THE INSPECTION PARTIES**

(i) The Inspection parties have their sphere of duty throughout the State of West Bengal and Port Blair at the Andaman Nicobar Islands for audit of General and Social Sector Offices (including Commercial undertaking) of the Government of West Bengal and of other states with their headquarters at Kolkata.

(ii) However, if otherwise directed by the Head Quarters (CAG) office the audit of the General and Social Sector offices (including Commercial undertaking) of the Government of West Bengal located in New Delhi/Delhi may also be conducted by the GSS-I Wing of the Office of the PAG (G&SSA) West Bengal.

*(Order No. 122-Audit (AP)/62-86 Vol-IV dated 2.9.03)*

## **1.8 SELECTION OF STAFF TO BE DEPUTED FOR INSPECTION WORK**

a. In order to make the inspection work more purposeful and incurred on inspections, the Inspection work should be entrusted to specially trained, competent and intelligent staff who would, in addition to exercising the routine prescribed checks, also examine the accounts and transactions intelligently and pay due regard to the principles of efficiency-cum-performance audit. Special attention should, therefore, be paid to the selection of staff deputed for inspection work, so that it may be ensured that inspections are conducted in really effective manner.

*(HQs. letter No. 539/Admn/3 Rep/49 dated 23<sup>rd</sup> March, 1950)*

b. Although it is left to the discretion of the PAG to select the Inspecting Officers, the CAG considers that junior AAG and experienced Sr. AO/AO should profitably be employed on inspection duty.

c. As a rule, the AAO/Supervisor selected for local audit, should be picked up man, who have special aptitude for the work and have sufficient experience in the Departmental Audit Section.

d. As far as possible, preference should be given to Auditors who have about three years' experience of inspection work.

*(HQs. D.O. No. 5117-EI/53-58 dated 31<sup>st</sup> October, 1958)*



# **CHAPTER-II**

## **DUTIES AND POWERS**

*(Page no. 17 to 26)*

**CHAPTER-II**  
**DUTIES AND POWERS**

**2.1 DUTIES AND POWERS OF THE SENIOR DEPUTY ACCOUNTANT GENERAL (GSS-I)/ DEPUTY ACCOUNTANT GENERAL (GSS-I)**

**2.1.1 Duties:**

The main duties of the Senior Deputy Accountant General / Deputy Accountant General of GSS-I are:

- a. General Administration of the GSS-I Wing including allotment of duties to the Sr. AOs, AOs, AAOs, Supervisors, Senior Auditors, Auditors, and Clerk/ Typists posted to the GSS-I Wing and overall supervision over the functioning and constitution of headquarters section and field Inspection parties.
- b. Scrutiny and approval of Biennial and Annual Audit Plan [Ref **Paragraph 3.1.1 (f)** of this manual] before submission to the PAG (G&SSA) for final approval.
- c. Scrutiny and approval of annual forecast for staff requirements, budget estimates relating to GSS-I Wing, before submission to the PAG.
- d. Approval of the quarterly inspection programmes and subsequent deviation, if any, thereto in respect of field Inspection parties.
- e. Approval of the monthly programmes for supervision of local Inspection by the Sr.AOs/AOs and subsequent deviation, if any.
- f. Scrutiny and approval of all reports on Inspection which were supervised by Sr. AOs/AOs.
- g. Forwarding of the Inspection Report (IR) and Reports of Special Audit (Inspection) to the Government viz., Administrative Department concerned, Finance Department and wherever necessary, under his signature as for PAG.
- h. Selection of paragraphs of IRs (including those of unsupervised reports) for inclusion in the Register of Financial Irregularities (PDP register) [Ref **Paragraph 3.1.2 (1) and 6.4.1**] and review of the register once a month before it is submitted to the PAG, to see that proper action has been taken on the individual cases.

- i. Selection of month(s) for conducting detailed check by the field parties during the quarter, as detailed in **paragraph 3.1.3 (7)** of this manual.
- j. Scrutiny and approval of all notes on Review of paragraphs outstanding in respect of previous IRs submitted by the inspection parties (Ref paragraph 4.29 of this manual).
- k. Disposal of important paragraphs of the broad sheets on IRs as may be submitted to the Group Officer by the Branch Officer.
- l. Disposal of letters and unofficial references from Government or the CAG and other important correspondences relating to rules and procedure of audit, etc. as well as any reference from the inspecting parties or the Supervising Officers.
- m. Scrutiny and approval of the monthly diaries of the Supervising Officers.
- n. To improve the quality of the IRs and to help strengthening and developing the necessary competence and expertise for conducting effective audit, Group Officer (GSS-I) should devote a minimum of seven days in a month to supervision of field audit parties. A quarterly return indicating the time spent on supervision of field parties by Group Officers may be sent by head of the department to their ADAIs/DAIs giving appropriate explanation for significant variations, if any. He should not leave the Headquarter without the permission of the PAG and before starting the tour, a tour programme should be submitted during the last week of the month preceding the month to which it relates to the PAG for approval.

**(Hqs. Circular No. 01-PPG/2013 dated 25.9.2013 and Hqs. letter No. 171-TA 11/120-82 dated 16.02.1983, 99-0 & M/41-70 KW dated 13.4.1971, 4473-GE IP/31-61 dated 19.7.1961 and D.O. No. 5117-GE 1/53-58 dated 31.10.1958 & HQs. Circular No. 4-Audit (AP)/236-95 & 103 — Audit (AP)/235-95 dated 25.6.2007).**

**Note: Average minimum of seven days mentioned in the above paragraph would not be mandatory and could be relaxed by the PAG/AG in respect of Supervisory Officers who hold dual or extra charges or are working under abnormal conditions.**

***(Hqs. Circular letter No. 171-TA 11/120-82 dated 16.02.1983)***

- o. Supervision of the audit teams conducting the review of schemes selected for incorporating in the State Audit Reports(G&SS) / Union Audit Reports and such other items considered important and typical by him, e.g. Accounts Officer (Finance), Development Authorities/ Autonomous Bodies, Collectorates, Big State Hospitals, Superintendents of Police etc.

p. Supervision of the local audit of the accounts of the State Governor's Secretariat, High Court and all observation memos should be issued over his signature to ensure that unimportant and petty observations are avoided.

*(HQs.D.O. No. 734-Rep/73-78-III dated 28<sup>th</sup> May 1979 and his confidential letter No. 939- Admnl/621-56 (II) dated 28<sup>th</sup> April, 1962)*

q. Scrutiny and approval of Draft Paragraphs processed and proposed for inclusion in the State Audit Report (G&SS) before submission to the PAG (G&SSA), West Bengal for final approval.

r. Scrutiny and approval of annotations prepared by the headquarters against the comments and suggestions of the CAG on the Draft Paragraphs and Draft Review reports proposed by the GSS-I Wing before submission to the PAG for final approval.

s. When an inspection reveals an embezzlement, or serious financial irregularity, the Group Officer brings it to the notice of the PAG and may visit the station personally to inspect the account and render necessary guidance to the party concerned in the matter of further investigation. In case it is not possible to visit the station for any reason, he may, if considered necessary, instruct the party about the line of further investigation in the matter in writing or verbally. If necessary, he may also give support to the inspecting staff by increasing its strength or allowing additional time.

t. Controlling of the travelling allowance grant of the wing by watching the progress of expenditure under the head 'Travelling Allowance' by means of the travelling allowance register that gives an estimate of travelling allowance grant to be provided for in the budget.

u. Scrutiny and review of the Progress Register of IRs once a month to see that proper action has duly been taken for the issue and disposal of IRs.

v. Review of the monthly state of work of the wing in details so that the existence of arrears of all kinds may come to his notice and he may take appropriate steps to clear the arrears.

w. Countersigning all travelling allowance bills of Sr. AOs /AOs of the GSS-I wing with reference to the programme of supervision and their diaries etc.

x. To represent the PAG in the Audit Committee Meeting convened by the Department concerned for settlement of outstanding paragraph of the IRs (particularly for more than three years old), as detailed in **paragraph 4.29.3** of this manual.

y. Whenever the Group Officer is relieved either permanently or temporarily of the charge of his office, he will draw up a memorandum showing the general state of work in his wing, arrears, if any and the remedies suggested for any deficiencies or arrears. He should also detail the important cases/issues requiring immediate attention or action. The memorandum should be handed over to the relieving officer and a copy submitted simultaneously to the PAG. It will be the duty of the relieving officer to make a preliminary examination at the time of relief and within the space of three months to satisfy himself about the state of work of the department.

**2.1.2 Powers:** The powers of the Group Officer (GSS-I) are mainly as follows:

a. Sanction of casual leave not exceeding five days at a time to the Sr. AOs/AOs/ staff directly attached to Group Officer and in excess of five days but not exceeding the maximum limit (at present) eight days at a time to other categories of staff (viz. AAOs, Supervisors, Sr. Auditor/Auditor etc.).

b. Sanction of Restricted holidays (limit 2 days) to the Sr. AOs/AOs and staff directly attached to the Sr. DAG/DAG (GSS-I).

c. Sanction of Regular leave (other than Special disability leave, Leave not due) to the Sr. AOs/AOs/AAOs/Supervisors and staff attached to him.

d. Sanction of Regular leave (other than Special. disability leave, Leave not due) to the Gr. 'C' employees beyond 30 (thirty) days.

*(OP Manual Para 3.1.10.1, Para 3.3.4(1) & Para 3.6.2(1,2,3))*

e. Allow extension in the time for local inspection, if found justified.

f. Depute any Sr. AO/ AO/AAO/Auditor to collect any information as may be required for the purpose of Audit Report from any office within the State.

g. Recommend advance of travelling allowance as per existing rules and orders, to Sr. AOs/ AOs and other members of Inspection parties going on tour.

h. Waive objections as per the power delegated as detailed in paragraph 2.4 of this manual.

**2.2 DUTIES AND POWERS OF THE ASSISTANT ACCOUNTANT GENERAL/  
SENIOR AUDIT OFFICER/ AUDIT OFFICER**

**2.2.1 Duties:** The main duties of the Assistant Accountant General (AAG)/Sr. AO/ AO i.e. Branch Officer posted at headquarters are:

- a. Assisting the Group Officer (GSS-I) in performance of his duties.
- b. Undertaking such other items of work as may be entrusted to him by the Group Officer;
- c. General routine supervision of the work done in the headquarters Section;
- d. Keeping watch over the timely submission of all Registers and return including “Calendar of Returns” due for submission to the Pr.AG/Group Officer (GSS-I) and to himself;
- e. Scrutiny and approval of the reports on inspections not supervised by any Supervising Officer (Sr.AO/AO). When the number of such IRs is large, he may, to get the work done quickly, distribute those among the inspecting Sr. AOs/AOs attending headquarters as per approved programme;
- f. Forward the IRs to the Head of the offices to which the inspection relates, Directorate and Department concerned and to other subordinate officers, to whom it is found necessary to send copies of those report;
- g. Certify on all travelling allowance bills of all the staff other than Sr. AOs/AOs of the GSS-I Wing that the details of journeys agree with the programme and diaries;
- h. Entrusting the AAO (Editing) to verify the facts, figures and other allied matters appearing in paragraph of the un-supervised IRs including proper editing of those paragraphs which he and other Sr. AOs/ AOs have approved and considered important for inclusion in the Register of Financial Irregularities with the approval of the Group Officer (GSS-I);
- i. Scrutiny of the Draft Paragraphs/Review processed and prepared at headquarters before submission to the Group Officer (GSS-I), if not, otherwise instructed;
- j. Verification and initialling of five per cent of entries in the Calendar of Returns before submission to the Group Officer (GSS-I) every week;
- k. Bringing to the notice of the Group Officer (GSS-I) such matters relating to Admn. of the GSS-I wing and field inspections which he /she considers most important and urgent;
- l. Allotment of duties to the Multi Tasking staff (MTS) attached to the GSS-I wing;

- m. Scrutiny and approval of weekly diaries of parties, if the work was unsupervised;
- n. All correspondences including disposal of Broad Sheets on IRs received from the heads of offices and departments, if they do not refer to any change of rules and procedure or deal with any other important matter. All important paragraphs of such Broad Sheets should be submitted by him to the Group Officer (GSS-I) with his notes or drafts replies for final approval;
- o. Prepare notes on outstanding paragraphs of different department and attend the audit committee meeting, if authorized by the Group Officer, on behalf of the Pr.AG.
- p. Vetting of the broad sheet replies and replies on the draft paragraphs furnished by the auditee unit or the Administrative Department/Finance Department;
- q. Vetting of the Action Taken notes furnished by the Department on the recommendations of the Public Accounts Committee (PAC) and forwarding the same to the Report Section;
- r. Watching of issue of reminders, where necessary.

**2.2.2 Powers:** The powers of the AAG/ Sr. AOs/AOs at headquarters are mainly as follows:

- a. Sanction of casual leave not exceeding five days at a time to AAO, Supervisor and other staff of the wing.
- b. Sanction of casual leave in excess of five days but not exceeding the maximum limit (at present) eight days at a time to Sr. Auditors/Auditors/Data Entry Operators/Clerks/Typists/Record Keepers and MTS staff other than caretaker and cleaning staff;
- c. Sanction of restricted holidays (limit 2 days) to AAO and Supervisors;
- d. Sanction of Regular leave (other than Special disability leave, Study leave and Leave not due) not exceeding 30 days to Gr. 'C' employees other than Supervisors posted in respective sections of GSS-I wing. However, such leave of the official posted in the field parties would be sanctioned by the Sr.AO/AO attached in GSS-I(HQ) section, duly recommended by the Supervising Officer concerned;
- e. Recommend leave for AAO/Supervisor and in respect of other staff, in excess of 30 days for sanction of Group Officer of GSS-I wing/(Admn);
- f. Sanction (by Sr.AO/AO of GSS-I/HQ) of Regular leave (other than Special disable leave, Study Leave and Leave not due) for MTS employees beyond 30 days.

*[Ref: OP manual 3.1.10.1(2) (3), 3.3.4(2), 3.6.2(2, 3), 3.6.2 (15)]*

## **2.3 DUTIES AND POWERS OF INSPECTING SENIOR AUDIT OFFICER/AUDIT OFFICER**

**2.3.1 Duties:** In addition to the duties of normal supervision of the work of the AAOs and Sr. Auditors/Auditors of the Inspecting party as mentioned in different paragraphs in Chapter IV, the following duties and responsibilities are also entrusted to an Inspecting Supervising Officers (Sr.AO/AO).

- i.** He/ She is expected to **(a)** guide his staff; **(b)** to do a certain amount of original work himself viz. audit of contracts/agreements, budget documents, internal control mechanism etc. and **(c)** to examine personally with reference to the initial documents, all serious and important points raised by the field staff.
- ii.** He should make an intelligent probe into initial records to see whether the defective maintenance or the non-maintenance of records is a camouflage to conceal fraud or misappropriation.
- iii.** He should devote personal attention to important matters, e.g., to review the manner in which **(a)** the contracts are initially negotiated and later executed and **(b)** plans and programmes of various schemes and projects undertaken by the Government are implemented by the local office. The review should be conducted to ascertain how far “wisdom, faithfulness and economy” are observed.
- iv.** He should also personally scrutinize the state of accounts of the office inspected, especially the cash account. He should also conduct general review of all the books of account and connected files and check all important items and some other item at random.
- v.** He is not expected merely to confine himself to the routine audit and inspection work. He should take the opportunity of advising the departmental officers and accountants in the matters affecting accounts, budget or financial regularity of the transactions.
- vi.** He shall, whenever the AAO/Supervisor of the inspection team is not available (absent either on leave or otherwise), exercise all the checks prescribed for them. The check of cash book in such circumstances should not be left solely to the Sr. Auditors/Auditors and he should extend proper help to them in checking the Cash Book.
- vii.** He should report immediately to the Group Officer (GSS-I) anything really serious or really important which comes to light in the course of his inspection without waiting to include it in the IR.



viii. In case of important audits he should ensure that he gets necessary briefing where required from the headquarters well in time with regard to any special points to be examined during such local audit. Like-wise in the case of Special audits he has to ensure that necessary guidelines on which special audit is to be conducted are obtained from the headquarters and the period for which the records are to be examined in details is also ascertained.

ix. Each Inspecting Supervising Officer of the GSS-I wing is required to keep a diary of the inspections and other work done by him. The diary should indicate briefly the particulars of work done by him during the inspection supervised by him in the preceding calendar month and be submitted to the Group Officer (GSS-I) in the first week of next month.

x. Every Inspecting Supervising Officers should send a monthly D.O. addressed to the PAG by tenth (10<sup>th</sup>) of each month indicating therein the inspection/supervision done by him during the preceding month, the position of submission of the IR thereof with reasons for delay in submission, if any, important items of work actually done by the Inspecting Officer in the Offices audited, number of IRs and paragraphs settled on the spot and a brief and precise write up on interesting points, if any, noticed in course of local inspection/supervision by the Inspecting Officers or by members of the parties which are fit for being processed into draft paragraphs. The Inspecting Supervising Officers should make the monthly D.O. purposeful.

*(O.O. No. OA-IC/Admn/T.D/86-87/9 dated 06.3.1987 and No. OA-IC/Admn/T.D./ 87-88/14 dated 20.10.1987 and No. OA/IC/i/2002-03/05 dated 27.5.2002)*

xi. The Inspecting Supervising officer, if present, on the opening day shall distribute the work between the party members and also indicate the item of works that would be done by him personally, as indicated in **paragraph 4.11** of this manual.

xii. Meet the Head of Office of the auditee unit on commencement of audit as detailed in **paragraph 4.7** of this manual. / [**Meeting with officer in charge of the auditable entity at the commencement of audit:** The Inspecting Officer may hold a meeting with the officer in charge as soon as the work of audit commences. In the meeting, the audit objectives and criteria, general state of internal controls and areas of focus, concern or high risk identified by Audit may be discussed.

*[Ref: 183 of General Standard of Chapter 4 General Principle of Auditing Standard, Regulation on Audit Accounts, CAG 2007]*

xiii. Discuss the draft IR with the head of the auditee office as detailed in **paragraph 5.3** of this manual.

xiv. Review the outstanding paragraph of pervious IR(s) as detailed in **paragraph 4.29.1** of this manual and submit a report in this regard with the IR.

xv. Drafting and preparation of IR as detailed in **paragraph 5.1, 5.2 & 5.4** of this manual.

**xvi.** The Inspecting Supervising Officer shall ensure that physical verification of cash of the auditee unit is done by the DDO in presence of audit and include comments, if any, arising from such verification in the IR. A copy of the certificate of “Physical verification of Cash” as indicated in **paragraph 7.3.1** of this manual may also be enclosed with the IR.

*[1A of Annexure to Para 6.1.7 of MSO (A) Manual]*

**xvii.** Consequent upon reorganisation of functioning of IT Audit Wing as intimated by the Headquarters’ Office vide their letter no. IT/Audit/ 04-2013/ITA DB dated 08.04.2013, information regarding IT applications running in the auditee organisations needs to be collected to give a practical shape to the preparation of strategic plan for IT audit. All heads of Audit Parties (Sr. A.O’s/A.Os) are required to submit the soft copy of the IT Survey Questionnaire as per the proforma in **Annexure ‘Q’** along with the Inspection Reports / Separate Audit Report and / or any other report on completion of the audit by email.

*(B.O No. OA/GSS-I (HQ) /BO/2013-14/02 dated 15.05.2013)*

**2.3.2 Powers:** The powers of the Inspecting Supervising Officers in respect of members of Inspection parties under their supervision shall be the same as those of an AAG/Sr.AO/AO at headquarters.

## **2.4 WAIVING OF OBJECTION**

In order to avoid time and trouble over audit objection involving petty sum and of simple and unimportant in character, the officers are delegated with power to waive the objections as follows:

**(Amount in Rupees)**

Nature of objection	Delegation of power of Officers to waive objection involving Money value		
	PAG	Sr. DAG/ DAG	Sr.AO/ AO/ AAO
<b>1.</b> Recovery of irregular expenditure	<b>500</b>	<b>200/150</b>	<b>50</b>
<b>Note:</b> If the irregularity is such that it may likely be repeated, the Government servant responsible should be told that the expenditure was irregular even if no recovery is made.			
<b>2.</b> Objection of the expenditure that cannot be justified by itself because it is not strictly covered by any rule or authority or fool proof vouchers/ sub-vouchers were not produced to audit.	<b>1000</b>	<b>400/200</b>	<b>150</b>
<b>Note:</b> a) The expenditure must not be of recurring in nature b) If the objection is based on insufficiency of the sanction, the audit should be satisfied that the authority empowered to sanction the expenditure would do so, if requested.			

c)Where the objection relates to non-availability of sufficient proof of payment, the Audit must be satisfied that it would be unnecessary troublesome, if submission of complete proof were insisted upon and must also see no reason to doubt that the charge has actually been paid.			
3.Where expenditure under objection has become irrecoverable for any reason	1000	400/300	100

[Para 7.1.16 of MSO (A)]

### 2.4.1 Waiving of the Objections relating to the recoveries of the personal claims:

The following guidelines should be kept in view in dealing with recoveries relating to personal claims of Government servant.

- a. Before insisting on the recovery of irregular or excessive payments of personal items placed under objection after the lapse of more than a year after their actual disbursement, the matter should be referred for the order of Government. If Government decided to waive the recovery and the PAG is satisfied with the decision, then the objection may be withdrawn.
- b. Objection for recovery may be waived by the official indicated below, if they are satisfied that the amount under objection not exceeding the limit mentioned against each was drawn by the Government servant concerned in the reasonable belief that he was entitled to it.

PAG	Rs.800/-
Sr. DAG	Rs.500/-
DAG	Rs.300/-
Other Officers (Sr. AO/AO/AAO)	Rs. 50/-

[Para 7.1.16 of MSO (Audit)]

# **CHAPTER-III**

## **GENERAL RULES, PROCEDURE AND FUNCTIONING OF GENERAL AND SOCIAL SECTOR-I WING**

*(Page no. 27 to 56)*

**CHAPTER-III****GENERAL RULES, PROCEDURE AND FUNCTIONING OF THE G&SS-I****3.1 DISTRIBUTION OF WORKS AMONG THE HEADQUARTERS SECTIONS OF G&SS-I**

G&SS-I Wing Headquarters, through its four sections, exercises overall control over the working of the field inspection parties. The distribution of work among these four sections is indicated below:

**3.1.1 GENERAL AND SOCIAL SECTOR-I WING (GSS-I HQ)**  
**(GENERAL ADMINISTRATION OF THE WING)**

1. **Control and co-ordination among the sections and the field parties of GSS-I Wing.**
2. **Maintenance of up to date list of offices of the State Government situated outside the State:**

There are cases where certain G&SS Departments/ Offices of the State Government have their activities in other states. The audit of the accounts of such offices may, with the prior approval of the C&AG, be entrusted to the PAG/ AG in whose jurisdiction the offices exist. A Register should be maintained for the purpose of keeping the following information:

- Name of the office with the designation of the Head of the Office and Drawing and Disbursing Officer (DDO).
- Name of the State in which situated with full address of the office and date of opening of the office.
- Name of the Office of the PAG/ AG in whose jurisdiction the office is situated.
- No. and date of the letter of C&AG according approval for entrusting audit of the office to the PAG/ AG mentioned in (iii) above.
- Periodicity of audit.
- Period of accounts audited last.
- Date of last audit/ inspection.

The Register should be submitted half-early to the Group Officer (GSS-I) on the 1<sup>st</sup> April and 1<sup>st</sup> October. At the beginning of each calendar year, a list of offices of the State Government situated outside the State with other particulars in respect of such office should be called for to verify whether any new office has been opened in addition to those already kept recorded in the Register. In case of any new office, all formalities for entrusting audit of such office to the Pr.AG/ AG concerned should be taken up with the approval of the C&AG.

*(HQs. letter No. 2255-AdmnIII/466-50 dated 17<sup>th</sup> November 1960 and 959-TAI/149-80 dated 22<sup>nd</sup> September 1980)*

### **3. Keeping up to date list of Offices/ Non-Commercial Autonomous Bodies/ Government Corporations/ Institutions to be inspected by the GSS-I wing and frequency of audit**

(i) Register containing department-wise complete list of units, audit of which is done by the GSS-I wing with their periodicity and party days allotted is maintained. Whenever under orders of competent authority the audit or its periodicity is altered or party days are increased/ decreased, or audit of any new unit is taken up the necessary correction or addition should be made immediately in the Register. The list should be reviewed every year for being kept up to date.

(ii) As subsidiary to the Register of Local audits, a programme Index Register (also called Progress Register of Local audit) should be maintained to show department-wise and district-wise following details:

- Names of offices with nature (i.e., Store accounts, Proforma accounts, Personal Ledger Accounts etc.) of accounts,
- Location with full Postal Address,
- Periodicities of audit,
- Party days allotted,
- Date of last audit with the period of accounts audited and the identification number of the inspection party conducted audit,
- When due,
- Remarks etc.

Separate volumes may be opened for the Register for each category of audit, i.e., Annual, Biennial and Triennial.

The Registers should contain suitable columns to record dates of audit for three years after which it should be revised and prepared afresh. The column (v) in the Register should be filled in against each item of audit recorded in it as soon as any event occurs relating to such audit. Thus, when the audit is included in the programme of inspection, the date fixed for inspection should be entered in pencil in this column, in order that it may be amended in case of a subsequent change and when the date expires and the inspection has been carried out, the date should be inked over. When the Inspection Report (IR) is submitted to headquarters, the period of accounts audited and the number of the inspection party should be filled in from the information given in the IR. Again, if an audit is postponed for a future date as suggested by the local office the facts should be noted in the Register in pencil for future guidance. By maintaining the register in this way it will provide up to date information about the audits done and those remaining to be done during the year and it will then be materially helpful in drawing up the programme of audit of the inspection parties.

**(iii)** An electronic data base of Auditee profile of all the Departments and all the DDOs of the State Government is to be prepared to watch the audit output and follow up of audit observation. This database should also include the Audit Plan of the PAG for financial audit and Value For Money (VFM) audit, its implementation, auditee unit-wise list of audit observation and finally follow up of the objections, i.e., settlement of para through Audit Committees, action taken notes of the department on recommendation of the Public Accounts Committee. However, the database is to be regularly updated and improved as per suggestion of the HQs. (CAG's office).

*(HQs. letter No.213-Report(S)/43-2004 dt. 04.3.04)*

**4. Preparation of Budget estimates and assessment of Staff requirement of the GSS-I wing.**

**5. Preparation, updation and maintenance of Electronic data base:**

An electronic data base of all auditee profile under the jurisdiction of this wing has to be prepared. For this purpose a list should be prepared of all the departments and DDOs under them, objectives and programme of the departments, various Central and State schemes/ projects being implemented by the departments, year-wise expenditure and receipts of past few years, receipt and expenditure under major schemes, important policy decision of the Government on various programmes and other fiscal matters.

**6. Preparation of Annual Audit Plan of this wing and Preparation of Integrated Audit Plan for the State as a whole; Set Target of the year and submission of report of achievement thereof.**

**Biennial Audit Plan:** In order to improve the quality of audit reports a formal audit plan covering a period of two years and comprising a detailed plan for the first of the two years and a broad frame work for the second year is to be prepared and sent to CAG office within January of previous year. The overall objective of the biennial plan would be to (i) provide assurance to the legislature that all audit worthy, significant and auditable entities were considered while deciding the priorities, (ii) provide a framework for identifying the departments, programmes and common functions which are significant and/ or vulnerable to risks and serious irregularities and therefore, need urgent audit attention; (iii) optimize the use of available resources for achieving the long term and short term audit objectives; (iv) minimize redundant audit and ensure proper/ optimum utilization of available manpower & other resources. Above all, the most important output and the main objective of the Audit Plan would be to ensure the comprehensiveness, quality and depth of the conventional Audit Reports.

*[Para 6.1.9 & 6.1.10 of MSO (Audit)]*

**Annual Audit Plan:** Consequent upon restructuring of the Department, Office of the PAG (General & Social Sector Audit), West Bengal has a revised jurisdiction for conducting audit of units under General and Social Sector Services. This Annual Audit Plan to be got approved by PAG

(G&SSA), WB proposing allocation for utilisation of generated party-days for audit of General and Social Sector entities excluding local bodies has to be got approved by PAG.

The main objectives of the Audit Plan should be to:

- i. Derive the optimum mix of available resources for conducting the audit;
- ii. Prioritize the audit assignments to cover the mandatory audit and other high risk areas/ sectors with special emphasis on current issues, people centric issues and thrust areas;
- iii. Pay special attention to new and emerging challenges to audit attributable to changes in the audit environment and develop the necessary information base and skill.

The Annual Audit plan should be forwarded with appreciation note mentioning in brief the topics for Performance audit, theme based audit, CCO based audit (now, working of a department), District Audit, if any, etc. Total Auditee Units vis-à-vis Units proposed to be covered in Audit plan including summary of auditee units under various Sectors, Departments, Sections of CAG's DPC Act and Categories of risk may be sent along with the plan.

The Annual audit plan should be further be split up into quarterly programme for various inspection parties as detailed in paragraph 3.1.1 (g) of this manual. The audit relating to the state government offices will be intimated to the Finance Department and respective administrative department for their remarks, if any, regarding addition or changes to be made in the list.

*[Para 6.1.11 to 6.1.13 of MSO (Audit)]*

**Integrated Audit Plan:** Besides the Annual Audit Plan, an Integrated Audit Plan including the **Additional Information** for the state as a whole is to be prepared and compiled in the prescribed format in respect of the State as a whole.

*{Authority: DG (ER)'s D.O. no. 62-17/ER Restructuring W.B/11-12, dated 02.05.2012 and PD (ER)'s letter no. 1232/ER/Coord/Audit Plan/2014-15/331-2013, 29<sup>th</sup> November 2013}*

The IAP should include the details of the Audit reports which will be prepared during the year. The timeframe, including midterm evaluation, for submission of draft material for the Audit Reports on different sectors is to be prepared and forwarded to CAG office along with IAP.

Before embarking into the process of devising IAP alongwith AAP for the year, a meeting of Audit Planning Group (APG) to be chaired by Pr. AG (G&SSA) is to be conducted in order to identify the focus areas of the ensuing Audit Plan.

*{Ref: Para 2.1.27 of MSO (Audit), 2nd Edition}*

**Submission of Half-yearly Progress Report on Integrated Audit Plan:** Progress Reports on Integrated Audit Plan for the Half-years ended 30th September and 31st March every year is to be submitted to CAG office by 5th October and 5th April respectively

*{Authority: PD (ER)'s letter no. 392/ER/Coord/Audit Plan/ 2014-15/331-2013, 13th May 2014}*



**The local audit programme** may be organized in such a way so as to ensure that audit of all bodies and authorities selected under Section 14 and 15, Corporations audit of which is entrusted under Section 19 of the CAG's (DPC) Act, 1971 and other institutions the audit of which devolves on the CAG under any law made by parliament is completed according to the prescribed schedule. Accordingly, the first charge of audit resources should be to complete the Financial Audit including rendition of Audit Certificates to the Government. The Reviews of Schemes selected, should also be completed with the existing staff. The balance of staff may then be deployed on the normal work and it may be ensured that this is suitably phased so as to complete it with the available staff. For this purpose, it may be necessary to review the existing frequency and duration of inspection of offices coming under the usual local audit programme of this wing with regard to the importance of the audit of particular office/ institution. For example, the institution, the expenditure of which relates mainly to salary and allowances and audit of which is not likely to throw up important points for inclusion in the Audit Report need be given only comparatively low priority in such programme. The intention is that while all institutions should be covered in the local audit programme over a period of time, it is not necessary to adhere to fixed schedule of annual, biannual or triennial local audit in respect of institutions, financial transaction of which are more of a routine nature and which do not generally deal with development programme. Periodicity of audit for each of the auditee units is fixed on the basis of the results of risk analysis done against various parameters (risk indicators) approved by HQs offices.

*(HQs. Letters No. 565-Rep(S)/259-2004, dated 16.05.2005 and 110/E.R./Coord/SMM/120-2015, dated 11.02.2015)*

As great importance is attached by headquarters and Government of India over the timely issue of audit certificates, the local audit of World Bank aided projects should be given priority.

*(HQs. letter No.711-Audit II/93-86 dated 12.05.1987 General Circular No. 11-audit II filed in OA/IC/Admn/83-84/World Bank Project/10 Vol. I)*

**7. Preparation of quarterly audit programme for the Inspection parties and Supervising officers and submission to the group Officer for approval.**

**A. Programme of Inspection parties**

- i. On the basis of the Annual Audit Programme approved by the PAG the detailed audit programmes of Inspection Parties are drawn up for each quarter, the year being divided into four quarters for administrative convenience, viz. April to June, July to September, October to December and January to March.
- ii. The audit programmes of the Inspection parties should indicate the following particulars:-
  - a. Names of the Assistant Audit Officer/ Supervisors and Senior Auditors/ Auditors to the party;

- b.** Names and locations of the offices to be locally audited;
- c.** Particulars regarding periodicity and last audit;
- d.** Duration of audit;
- e.** Date of commencement and termination of audit;
- f.** Particulars regarding transit dates, if any, for period of transit from one station to another;
- g.** Selected month(s) for conducting detailed checking;
  
- h.** Special instructions (regarding collection of last two IRs, DDO Code/ Information/ Paper Clippings/ list of Drawls and Remittances/ AC-DC Bills developed in VLC from DBPC, mailing of soft copy of IR to official e-mail address etc. apart from instructions issued from time to time), if any, in conducting audit and collection of information, if any, from the auditee unit.
  
- iii.** In drawing up the quarterly programmes of audit, the following principles should invariably be observed.
  - a.** Care should be taken to avoid the particular season of the year during which the localities, viz. Darjeeling, Jalpaiguri, Cooch Behar, Bankura, Purulia and some parts of Paschim Midnapore Districts, become unhealthy or unsuitable for visit by the inspection parties.
  - b.** The audit of offices or institutions which enjoy periodical vacations such as Civil Courts, Colleges and Schools, etc. should not be fixed on dates falling within such vacations.
  - c.** Where in any office the store accounts, the proforma or commercial accounts are to be audited, its inspection should not be taken up before the middle of July or beginning of August as such accounts are not generally made ready before that time. Wherever possible, a previous enquiry should be made as to the readiness of these accounts before fixing up the date of inspection of the respective offices. When the store accounts or proforma accounts of an office are to be audited, it should be indicated against the name of the office in the programme.
  - d.** It should be guarded against that the same districts are not visited by a number of audit parties during different parts of the year and one party may not visit the same station more than once in a particular quarter. Where these are unavoidable for some reasons, the position should be specially explained to the Group Officer while putting up the programme for the quarter.
  - e.** To ensure maximum output as also economy in time, transit days for field parties and Supervising Officers should be allowed on Sundays and non-prominent holidays where feasible.

*[Letter No. 14 (4)-E (Co-ord.) 1/67, dated 21 July 1967 from G.I.M.F. Department of Expenditure addressed to all Ministries/ Departments etc.]*

- f. Care should be taken to ensure that Inspection parties are not ordinarily required to stay at particular stations in excess of 30 days.
- g. No Inspection party should remain away from headquarters for more than three months.
- h. The same party may not inspect an office on two successive occasions.
- i. The office of the Controlling Officer should first be taken up for local audit when several of his subordinate offices are also to be visited, unless it involves extra expenditure on TA.
- j. The periodicity of local audit of GPF Accounts of Group ‘D’ employees should synchronize with local audit of the offices concerned, i.e. at the time offices are taken up for normal audit, audit of GPF accounts of respective Group ‘D’ employees should also be conducted.

Areas/ functions that involve cash outflow which were originally with Accountant General but taken over by the State Government later (GPF, Pension, etc.) should *ipso facto* be defined as high risk areas for audit. These areas should invariably be audited in the DDO offices selected for audit. Also, while carrying out CCO based/ Departments centric audits it should be seen what internal control exists within the departments in regard to cash out-flows.

[Refer: - Order No: - I - Audit (AP)/22-2009 Dated 01/01/2010]

- k. The quarterly inspection programme of each audit party should be prepared not later than the 15<sup>th</sup> of the last month of the previous quarter and got approved by the Group Officer (GSS-I). Quarterly programme with deviations, if any, which are inevitable due to non-existence or abolition of offices, requests by local offices for deferment of audit on reasonable ground and other minor unforeseen reasons, may be approved by the Branch Officer. A consolidated list of such deviations with reasons therefor is submitted to the Group Officer (GSS-I) for his post-facto approval. Deviations involving policy decisions etc. are, however, submitted to him forthwith and his orders obtained.
- l. A copy of the approved programme should be supplied to the respective Inspecting AAO/ Supervisor who are to lead the audit team and to the Supervising Sr. AO/AO who would supervise the audit.

#### **B. Supervising Officers’ programme:**

- i. Immediately on drawing up the audit programme of the Inspection Parties, the monthly programme of supervising officers should be prepared before 20<sup>th</sup> of the month for submission to the Group Officer. Such programmes should indicate the name of the auditee unit to be supervised by Officers with number of days allotted for supervision and the party days allowed to the Inspection parties to carry out each such audit.
- ii. While preparing the supervisory programmes the following considerations should be borne in mind.
  - a. All cases of audits and for all other important audits should be provided with supervision where it is obligatory.

- b. All new items of audit taken up by the inspection parties (except the minor and unimportant ones) should be supervised as far as possible.
- c. All important items of audit should be adequately supervised either in one or more spells.
- d. The supervision should be arranged, as far as practicable, towards the close of audit to enable the Supervising officers to discuss the outstanding paragraphs of the previous IRs and the observations made during present/ current audit and settle the outstanding paragraph on the spot, to the extent possible and to discuss the draft IR with the head of the office.
- e. Supervision should be so arranged that the Supervising Officer concerned may be able to supervise all the important audits at a particular station in a single visit in each month.
- f. The programmes of the Supervising Officers are approved by the Group Officer/GSS-I and copies of the approved programme to be supplied to them.

**C. Supervision by the Group Officer:** Group Officer (GSS-I)'s monthly or fortnightly (if that is convenient) supervision programme for local audit both in Kolkata and outside need be prepared and got approved by the PAG. Any deviation in the programme should be brought to the notice of the PAG at the end of the month. If any extensive changes in programme are necessary, these should be got approved by the PAG when the occasion arises.

**D. Filing of Audit Programmes:** The quarterly programmes of the Inspection Parties are kept in the respective party files opened for the year after those are approved by the Group Officer (GSS-I). The monthly programme of the Supervising Officers is kept in one file opened for the year. The copies of the all programme of the Inspection Parties for each quarter and of the programme of all the Supervising officers for each month are to be placed in separate files and made over to Group Officer (GSS-I) for his reference. The AAO/Supervisors of GSS-I (HQ) section should see that Group Officer (GSS-I)'s copies of programme are kept up to date by correcting the programme which have undergone revision subsequently.

**E. Duration of Audit:** Though it is not proposed to lay down the duration of audit for various types of offices, it is very necessary that the existing time allocation should be closely reviewed. A review of the time allocation should, therefore, be made every third year, after taking into account the comment of the field staff, and in consultation with other PAG, wherever necessary, in order to ensure that time allowed for each inspection is not more than required.

*(HQs. letter No. 380-Admn III/517-61 dated 5 March 1962)*

**8. Issue of intimation of the date of audit to the local offices concerned in time.**

- a. An intimation of audit, notifying the date on which the audit will take place, in the printed form should be sent from the GSS-I (HQ) section a minimum period of three weeks before, as far as possible, taking up of audit to all offices concerned.

*(Authority: Regulation 177 of Regulations on Audit & Accounts, 2007)*

- b. When the local audits are relating to audits of receipts and expenditure under Section 14 or 15 or 20 (i) of the CAG (DPCs) Act, 1971, the particular section under which the local audit is to be carried out, the period of accounts to be checked should be indicated in the letter of intimation.
- c. When the store accounts or commercial (Proforma) accounts of an office are to be checked during the local inspection, a sentence should be inserted in the intimation memo requesting that these accounts should be kept ready for submission to the inspection party.
- d. While sending the intimation of audit, the Head of the Office, may be specially requested to be present at his headquarters during the course of local audit.

**9. Transfer, posting of staff among the sections of the GSS-I wing and field parties and other matter relating to staff of the wing.**

- a. A book for obtaining formal orders of the Group Officer (GSS-I) in connection with the posting of Sr. AO/AO/AAO, Senior Auditor and Auditors in the inspection parties, Scheme Review parties and in the Headquarters Section should be maintained in GSS-I (HQ) Section by AAO.
- b. The posting of the MTS employees to the Headquarters Section shall be made by the Sr. AO/AO in charge of the GSS-I (HQ).

**Note:** In the event of necessity for withdrawal of the staff (AAO/Supervisor/Senior Auditor/Auditor/ DEO/Record Keeper/MTS etc.) from any of the Section of GSS-I wing for deployment in the field party or otherwise, Branch Officer concerned of the respective Sections may be consulted beforehand.

- c. Maintenance of records regarding issue, processing and submission of **Annual Performance Appraisal Report** of all categories of staff attached to GSS-I Wing and onward submission to the Admn. (Confidential) Cell.
- d. Submission of report regarding justification of retention/continuance of the Casual temporary posts to Admn. II Section in January each year.

*[Admn II/PAG (A)/1-6/2004-05/334 dt, 1.1.04]*

**10. Maintenance of files for important Rules and Orders**

Four separate files are to be maintained for the following four classes of records and new files on them are started each year: -

- i. Spare copies made of important letters from the Government of India or the CAG of India.
- ii. Spare copies or copies made of important letters from local Government or any subordinate authorities.
- iii. Office orders issued by the PAG / Group Officer (GSS-I) / Group officer concerning the office as a whole.

iv. Sectional orders issued by the Group Officer (GSS-I).

**11. Issue and distribution of copies of codes, manuals, Sectional/Branch orders, Office orders, Circulars and other instruction to the field parties and maintenance of files of the office orders/circulars etc.**

Books which are supplied to the AAOs/ Supervisors at headquarter Sections, inspecting AAOs/Supervisors and Assistants of the wing under paragraph 60 of the CAG's MSO (Admin.)- Vol. I are personal copies. Other books are not personal and should not be removed from the wing. Correction to Books may be obtained from the GSS-I headquarters and it is the duty of the recipients to keep the Books up to date with them.

**12. Important points/orders for local Investigation and supply to the inspecting Supervising Officers/Assistant Audit Officers**

a. While points requiring special investigation locally are received from the CASS along with the statements of objections, the AAO/Supervisor of GSS-I (HQ) should enter those in a register to be maintained at headquarter section for the purpose and arrange sending those to the parties concerned to take appropriate action on the points and objections when visiting the offices for local inspection. The notes of the Inspection Parties on those points and objections after local investigation when received back at headquarters should be sent to the CASS concerned for further action at their end.

The register for this purpose should be maintained in the following form for watching the disposal of the case:

Sl. No.	Name of the Section from which the note is received	Date of receipt	Date of dispatch to the party	No. of the party to which sent with name of the AAO	Date of receipt back of the notes	Date of return to the Section
1	2	3	4	5	6	7

The register should be submitted to the Group Officer on the 25<sup>th</sup> of every month with a certificate that all the points and objections received from the CASS have been entered in the Register:

b. Another Register for including cases or points arising from various other sources, viz. request from Government, Heads of the local offices, complaints about irregularities in accounts, press reports etc. which have been decided to be investigated locally under orders of the Pr.AG or Group Officer should be maintained at headquarters for watching progress of investigation in the following form:

Sl. No	Subject Matter of investigation in brief	Source	Date of orders of PAG/Group Officer for investigation	Date of dispatch of the point to the party	No. of the party to which sent with name of the AAO	Date of receipt of the notes from the party about investigation	Further action taken
1	2	3	4	5	6	7	8

c. This register should also be submitted to the Group Officer on the 25<sup>th</sup> of every month with the certificate that all points decided to be investigated locally under the orders of the PAG / Group Officer have been entered in the register.

d. The AAO/Supervisor GSS-I at headquarters will see that copies or short summaries of all important orders that have been marked by the Group Officer for noting or circulation to all Inspecting AAOs/Supervisors are promptly supplied to them before those are filed.

**13. Grant of Travelling Allowance (TA) Advance and checking of the TA advance /TA advance adjustment bills of the staff including Supervising Officers, with reference to the tour programme /weekly diaries.**

The advance travelling allowance bills of the Inspecting staff (AAOs, Supervisors, Sr. Auditors and Auditors) and Supervising Officers of GSS-I wing are posted in the Advance Travelling Allowance Bill Register maintained for the each official. The Register along with the bills to be submitted to the Group Officer through the Sr. AO/AO of GSS-I for approval. After the Group Officer passes the bills, those are directly submitted to Admn Section through the transit Register. When the final traveling allowance bills are submitted, those are checked with reference to the approved programme and the weekly diaries submitted by the members of the parties and the Supervising Officers. The bills are then entered in the Adjustment Registers maintained separately for each of the inspecting staff and supervising officers and a check should be exercised to ensure that any advances taken previously and standing recorded in the Advance Travelling Allowance Bill Registers have been correctly deducted from the Bills. In such cases, the references to the advance bill should be quoted in the Adjustment Register against the entry of the traveling allowance bill and the adjustment also recorded in the Advance Travelling Allowance Bill Registers. The Travelling Allowance Bills along with the Registers, after scrutiny and recording a certificate to the effect that “the journeys shown in the bill have been verified with reference to the approved programme and the weekly diaries and found correct”, are then submitted to the Sr. AO/AO of GSS-I (HQ) who will initial the entries in the Registers and the recorded certificate at the time of checking the bills. The Travelling Allowance Bills are then made over to the Admn. Section for further check with references to the prescribed rules in vogue and for payment.

**14. Examination of the weekly diaries of the Inspecting Staff and Supervising Officers.**

- a.** The weekly progress reports or diaries in Form S.Y. 324 should be submitted to the headquarters by each member of the Inspection Party indicating therein the following particulars:
- i.** Number of the party;
  - ii.** Name and designation in full;
  - iii.** Date of the week ending day;
  - iv.** Hours of attendance in the local office on each working day;
  - v.** Name of the office/offices inspected;
  - vi.** Sunday, Gazetted and Local holidays (with occasion) falling in the week;
  - vii.** Transit day, if any, during the week;
  - viii.** Casual or regular leave taken during the week with application for such leave;
  - ix.** Work done on each working day in details so that the person who had done the particular item/items of work can be definitely located in future;
  - x.** Certificate regarding spending of holidays and Sundays in camp.
- b.** The AAOs/Supervisors in-charge of the party should examine the diaries of each member of his party and see that all the above particulars have been correctly shown and attest the statement showing the work done by each of the members of his party with reference to the work allotted to him and despatch the same including that of himself on Monday of the following week duly approved by the Supervising Officer when the officer is at the station on that date or on the previous working day. In case the Supervising Officer is absent from the station on Saturday of the week concerned or on Monday of the following week, his signature in token of his verification and supervision of the work done by the members of the party should be obtained on the diaries covering the period of his supervision before his departure from the station. On no account the diaries should be held up for the signature of the Supervising Officer touring some other station.
- c.** In case the party was not supervised by any supervising officer, the diaries should be despatched by the AAO/Supervisor on Monday of the following week for scrutiny to the BO at the Headquarters.
- d.** In order to see that the diaries indicating details of work done by the members of Inspection Party have been received from all Inspecting AAOs/Supervisors, a register in the following form should be maintained at headquarters for scrutinizing. The Register should be submitted to the Group Officer on the 15<sup>th</sup> of each month with a certificate to the effect that the diaries relating to the previous month which were received have been scrutinized with reference to the approved



programme of the parties and reminders have been issued to AAOs/Supervisors concerned from whom the diaries have not been received.

### Check Register for Weekly diaries

No. of the Party	Dairy ending 1 <sup>st</sup> week			Dairy ending 2 <sup>nd</sup> week			Dairy ending 3 <sup>rd</sup> week			Dairy ending 4 <sup>th</sup> week		
	Date on which due	Date on which received	Date of scrutiny	Date on which due	Date on which received	Date of scrutiny	Date on which due	Date on which received	Date of scrutiny	Date on which due	Date on which received	Date of scrutiny

In case of any omission noticed in the diaries received and where any AAO/Supervisor fails to submit the diaries by the due date. The AAO/Supervisor concerned should be reminded to rectify the omissions or to submit the diaries as the case may be.

e. The diaries should be carefully filed for each month serially according to the number of the parties and preserved for the prescribed period for reference.

### 15. Sanction/watching of leave of the staff of GSS-I wing:

a. **Sanction of leave:** The Branch officer shall sanction Casual Leave/Restricted Holidays and Regular Leave (other than Special disability leave, Study Leave and Leave not due) in respect of the staff of GSS-I wing as per power delegated in **Paragraph 2.2.2** of this manual and forward the same to Admn Section.

b. **Watching of Leave taken:** A register to watch the leave (excluding Casual Leave) taken by the personnel of the entire wing should be maintained by the GSS-I (HQ) section. Separate Pages should be kept for each of the personnel indicating the period of leave, date of submission of Leave application, nature of leave, total no. of days (including suffixing and prefixing dates), ground for such leave, leave address, (where necessary), officer by whom approved, date of approval, date of sending the same to Admn section, date of joining and date of sending the joining report to the Admn Section should be recorded therein. They should also provide a contact number for their period of leave, so that they may be contacted during their period of leave as and when required.

*(B.O No. OA/IC-I/BO/2014-15/02 dated 19.06.2014)*

### 16. Preparation and compilation of Monthly/ Quarterly/ Annual Report of the wing as a whole and submission of the same to the appropriate authority.

a. **Return due from the wing:** The due dates and names of the returns issued from the department and the authorities to whom they should be sent, are given in **paragraph 3.5** of this manual. They are noted in the Calendar of Returns which is submitted to the Group Officer on the 4<sup>th</sup> working day of each week.

**b. Monthly report on the state of work:** A monthly report on the state of work of GSS-I wing should be submitted to the Group Officer on the 1<sup>st</sup> of the following month in the prescribed form. The monthly report should contain the information about the internal and external arrear computed in terms of man-days on account of the following items:-

- i. Number of IRs with paragraphs and sub-paragraphs outstanding for more than six months.
- ii. Number of outstanding objections over six months with amounts as per objection books.
- iii. Number of cases pending in the sectional pending registers.
- iv. Number of U.O. Cases, CAG's letters, G.I. letters, Telegrams, D.O. letters received during the month but not disposed of during the month.
- v. Number of outstanding miscellaneous letters.  
(Hqs. letter No. 679-TA II/137-67 dated 23-3-1968)

**17. Preparation of the calendar of Training for GSS-I Wing and nomination of officials for the Training Programme.**

**18. Attending the complaint cases and DI objections.**

**a. Letter of complaints:** The letters addressed to the PAG/Group Officer/ Branch Officers alleging prevalence of some kind of irregularities in any State Government Office/Institution or any local body/ authority and received in the GSS-I (HQ) section shall be submitted direct to the Group Officer after translating into English, if these are in vernacular (along with the original letters). The Group Officer shall use his discretion in dealing with them. The information contained therein shall not be made use of by any member of the office except as directed by the Group Officer.

**b. Anonymous or pseudonymous letters:** No action will be taken on any anonymous or pseudonymous complaints.  
(Para 2.22 of CAG's M.S.O. (Admn), Volume I)

**19. Acceptance of summons and production of official documents to court of law**

**a. Production of official documents in a court of law:** In each case, when a Government servant is summoned to a court to produce official documents for the purpose of giving evidence, the PAG would consider, in the light of the instructions contained in **paragraph 2.41.1** and **Annexure to chapter II of M.S.O. (Admn) Vol. I**, whether the records (original copies, rough memos etc.) asked for by the Court are such that privilege should be claimed. Only in such cases where the PAG is of the opinion that privilege should be claimed, the matter may be referred to the CAG explaining the ground on which it is considered necessary to claim privilege.

(Hqs. letter No. 868-Admn/154 dated 2<sup>nd</sup> April, 1963)

**Note: In this context note below Para 2.41.1 of M.S.O. (Admn) Vol.-I may also be referred to.**

**b. Interrogation of members of the inspecting personnel by police Investigating Officer:** When a Government Servant is summoned by Court of Law, whether criminal or civil or by a Court Martial or by a properly constituted authority holding a departmental enquiry in India or by a Court in Foreign territory, to give evidence regarding facts which came to his knowledge in the discharge of his public duties, the period of absence will be treated as duty.

**c. Acceptance of Summons:** Persons of this wing when summoned by courts or authorities in Sub-Para (b) to give evidence in their office capacity may remain absent from the office for the part of a day or days or whole day or days required only with the previous permission of the Group Officer.

## **20. Correction to the Manual**

**a.** Instructions and decisions of a permanent nature relating to the GSS-I Wing should be incorporated in this Manual with reference to the number and date of the case, etc. Draft correction slips, if it involves mere incorporation of the orders issued by the Government, CAG or the PAG will be finally approved by the Group Officer while in other cases the draft-correction slip should be submitted to the PAG for approval. After approval each correction slip should be pasted in the register of correction slips in serial order of issue. It is the personal responsibility of AAO/ of GSS-I (HQ) to see that this is done regularly and the Manual is kept up to date. The register of correction slips should be submitted to the Group Officer on 15<sup>th</sup> of each month and quarterly to the PAG on 10<sup>th</sup> April, July, October and January each year. The approved correction slips for each quarter should be sent for translation in Hindi and thereafter for printing by the 15<sup>th</sup> of April, July, October and January each year.

**b.** Whenever it is possible or necessary to issue a correction slip, an office order should not be issued, but the copies of the correction slips should be circulated.

**21. Comparing typed/computerized copies of the IRs on receipt from the Type-section/EDP section and sending the same to the auditee unit/ department/ directorate and to the respective section (GSS-I/IR & GSS-I/AB).**

**22. All other Miscellaneous and Policy matters relating to G&SS-I in connection with local audit/inspection.**

**a.** The procedure for submission of cases, maintenance of routine registers e.g. Attendance register, Casual leave register, Inward and Outward register, maintenance of the register of pending cases, disposal of un-official cases, issue of letters, issue of the correspondences over the signature of the PAG, Group Officer and the BOs, issue of reminders, maintenance of reminder register, filing of letters, sending of records to old Record Section and submission of weekly report of outstanding letters, etc. as laid down in the relevant paragraphs of

the Office Procedure Manual (OP Manual) are to be followed excepting in cases where the PAG or the Group Officer gives any additional or special instruction.

**b.** When points arising from IR are referred to Government for orders, mere routine reminders do not often lead to a speedy settlement and some items remain outstanding for a considerable length of time. It has been arranged with the state Government that when reminders are issued by this office to expedite orders of Government on any point in an IR which remains outstanding for a long time, a brief synopsis of the case together with indication of the action called for on it should be supplied to the administrative department of the Government concerned.

### **23. Receipt of letters/Fax/Telegram etc. and their disposal at GSS-I (HQ) Sections**

**a.** Letters intended for GSS-I wing are usually received in the Record Section of the office, which sends those through a transit register to the GSS-I wing. The concern AAO/Supervisor immediately on receipt of that Transit Register should check the total number of letters and the number of enclosures with the entries made by the record section in the transit register. He should then go through the letters and mark the respective letters which should be dealt with by different AAO/Supervisor and/or Senior Auditor/Auditors over his dated initial. While marking the letters, if he considers any letter very important calling for immediate action, he should indicate on such letters the appropriate actions required to be taken by the AAO/Supervisor or Senior Auditor/Auditor concerned. The letters which do not relate to this wing should be returned along with the transit register of record section and the other letters which relate to this wing should be acknowledged in the transit register over the dated initial of AAO/Supervisor concerned. All letters received direct in this wing as well as those through the transit register of record section should then be diarized by the Reference clerk in the inward diary register (Form S. Y. 318 A) and the diary number allotted serially in the Inward diary is noted on each letter. The letters including those received direct should then be submitted to the BO in charge for perusal and return to the reference clerk for distribution to the person concerned. The concerned BO may, if considers necessary, show the important letters/cases to the Group Officer for his perusal and information. The reference clerk should distribute the letters promptly to the persons concerned and obtain their dated initial.

**b.** Every AAO/Supervisor and Senior Auditor/Auditor at headquarters Sections should before leaving office, read the correspondence received by him during the day for disposal, attend to urgent and important cases and take steps to transfer any letters which he considers to have been wrongly sent to this wing.

**c.** When a query is made by the PAG on a reminder, the AAO/Supervisor concerned shall see that it is submitted to him with a note within 48 hours of its receipt in the Section. If necessary, he should take the reminder personally to the BO and ensure that it reaches the PAG within the prescribed time.

- d. Inward Diary Register** of each of the section of the Headquarters should be submitted to the BO once in a week and to the Group Officer of the GSS-I wing on the 1<sup>st</sup> week of every month.
- e. Issue of document in original:** The following documents which are issued in original are numbered in the Docket Book and sent for issue to the despatcher of the Record section who initials in the book on receiving them for despatch:-
- i. Memo of intimation about the local inspection of an office,
  - ii. Papers sent to the Inspecting AAOs/Supervisors,
  - iii. Any other miscellaneous documents usually issued in original.
- 24. Distribution of work among the Sr. Auditors/Auditors and DEO/Clerk/Typists and Maintenance of Duty List Register indicating the allocation of work to each staff of the section.**

The detailed distribution of duties among the Sr. Auditors/Auditors and DEO/Clerk/Typists of Sections will be made by the BO in charge of the headquarters with the approval of Group Officer. The allocation of work should be recorded in a register of duty list and formally communicated to each person concerned. Whenever any change in the distribution of work is made with the approval of the Group Officer such change should be recorded in the register also and communicated to the Auditor and DEO/Clerk/Typists concerned and their initials taken on the register of duty list.

**25. Preparation of Monthly cut list and submission to Admn. Section**

By the 21<sup>st</sup> of each month the AAO/Supervisor of each Section will furnish the Admn Section with their monthly Cut List in the prescribed form covering the period from 21<sup>st</sup> of the preceding month to the 20<sup>th</sup> of the current month.

*(Para 7.66 of OPM)*

- 26. Submission of materials to the Record Section for inclusion in Audit Bulletin, in each quarter.**
- 27. Submission of information/materials to ECPA section for inclusion in the Administrative report of the office.**
- 28. Submission of reports/returns/information or materials to any other section/wing or offices as and when called for.**
- 29. Supply of information under “ The Right to Information Act, 2005”**

While forwarding a copy of the IR, SAR or report of certification on Accounts or approved paragraph laid on the table of Legislature etc. to any applicant under the Right to Information Act, 2005 shall contain the disclaimer statement as follows:

“The report has been prepared on the basis of information furnished and made available by the Auditee unit. The PAG disclaims any responsibility for any misinformation and/or non-information on the part of auditee unit.”

*(HQs letter No. 14-LC/111-2005 dt. 20.1.2006)*

30. To arrange for holding of **quarterly meetings** by PAG with Sr. Audit Officers/Audit Officers of GSS-I Wing.

### 3.1.2 GSS-I (DP Cell)

1. **Selection of potential paragraph from the IR and record in the PDP Register.**
2. **Processing and preparation of Draft Paragraphs, Synoptic draft paragraphs for inclusion in the Appropriation Accounts and Civil Report of the CAG.**
3. **Offering comment(s) on departmental replies to Draft Paragraphs/ Synoptic paragraphs.**
4. **Attending Head Quarters’ annotation/queries on the Draft Paragraphs, Synoptic paragraphs.**
5. **Issue of requisitions and reminders for submission of Store and Stock Accounts and Proforma accounts to the respective offices.**
6. **Submission of reports regarding serious delays in preparation or non-preparation of proforma accounts to Report Section and OA-Com for incorporation in the Audit Report, as indicated in paragraph 6.1.9 of this manual.**
7. **Correspondence with the Auditee Unit/ Departmental Head quarter and other authorities in connection with the Draft Paragraphs/ Synoptic paragraphs.**
8. **Receipt of Email/letters/Fax/Telegram etc. and their disposal as indicated in paragraph 3.1.1 (17) of this manual.**
9. **Any other works as and when necessary and or as directed by the Group Officer/ Higher officer.**
10. **Distribution of work among the auditors and DEO/Clerk/Typists and Maintenance of Duty List Register indicating the allocation of work to each staff of the section [Ref: paragraph 3.1.1 (18)] of this manual.**
11. **Vetting of the Action Taken notes furnished by the Department on the recommendations of the Public Accounts Committee (PAC) and forwarding the same to the Report Section.**
12. **Submission of report/ return to OA/GSS-I (HQ) and or any other section/wing/ office as and when called for.**

### **3.1.3 DATA BANK CUM PLANNING CELL**

**1. After collection of Background materials** in respect of each scheme and programme which is susceptible of performance appraisal, portfolio files should be maintained, which should, inter-alia, contain complete details of the programme, its objectives, financial & physical targets, performance standards, financial ratio between State and Central Government, time schedule for execution of different components of the programme as well the progress of execution of the scheme. This portfolio file should provide the necessary basic data and information for conducting meaningful audit.

*[Paragraph 6.1.15 of MSO (Audit)]*

**2. Preparation of detailed guidelines for State level schemes.**

**3. Examination of press reports/paper clippings and forwarding the same to the field parties for scrutiny, and incorporation of comments, if any, in the IRs.**

**4. Obtaining the comments on the paper clipping from the field parties and forwarding the same to the Group Officer.**

**5. Requisition of “Receipt and Payment Schedules” materials/data from VLC section of the Office of the Accountant General (A&E) West Bengal and arranging supply of vouchers and other records relating to local audit to the field parties.**

**Note:** It has been decided by the CAG that the following procedure for framing of programme of the local Audit Parties, the selection of month (s) for test check of Vouchers, sending vouchers of selected month (s) to field parties and return of the vouchers to the AG (A & E) may be followed in future.

**i.** Inspection programme should be drawn up according to Head of account and Treasury and not separately for each DDO. After the head of account and treasury have been selected, all DDOs (due for audit in the year) drawing funds from the treasury under that head of account should be provided for in the next quarter’s programme. The selection should be made by the Group Officer about two months before the commencement of the quarter. Care should be taken to see that in case DDOs in one department operate more than one head of account, all such heads of accounts are selected simultaneously so that all transactions of DDOs are selected for audit at the same time.

**ii.** For all DDOs drawing funds from a treasury under one head of account, the same month (s) for a particular period should be selected for detailed audit irrespective of the periodicity of the account. While selecting months for detailed check for half yearly, biennial and triennial accounts, etc. the months should be selected out of the months selected for annual audit during the respective periods.

iii. As soon as selection of head of account and treasury is made, the section should place a requisition for the relevant lists of payments along with vouchers from concerned accounting section of office of the AG (A & E). All transactions listed out in the list of payments should be abstracted in a separate compilation sheet listing and totalling all drawals made by each DDO. Then drawals by DDOs may be totalled and agreed with totals of lists of payments.

iv. The Vouchers should then be segregated according to the DDOs and kept in separate folders for sending to Inspection Parties. A covering sheet of all vouchers relating to DDO may be prepared in triplicate and two copies sent to Inspection Parties and one copy kept for record.

v. Register of sending vouchers to parties and its receipt back from them and for return of the vouchers to accounting section of the Office of the AG (A & E) should be kept by unit concerned in the prescribed form. The register may be put up monthly to the concerned BO and quarterly to the Group Officer.

vi. The AO/AAO in charge of the inspection party should furnish a certificate with Audit and Inspection Note, stating that vouchers, etc. were received from Headquarters and subjected to the check as required under Rules. In case vouchers were not received, the A.O/AAO should clearly indicate what kind of voucher audit had been conducted in the absence of original vouchers etc.

vii. One copy of the covering list of vouchers received for audit may also be appended with the Inspection/Audit Note along with a certificate of audit.

*(HQs. Circular No. 16-Audit-11/86 No. 794-Audit II/284-85 dated 21.5.1986 filed in OAI/IC/Vouchers/83-84/18 Bundle)*

**6. Collection of literature/guidelines of the schemes formulated by Govt. and collection of figures of budget allotment and actuals from the sub-head account prepared by A&E office.**

**7. Selection of detail-month(s) for detailed checking by the field parties.**

**8. Receipt of Email/letters/Fax/Telegram etc. and their disposal as indicated in paragraph 3.1.1 (17) of this manual.**

**9. Distribution of work among the auditors and DEO/Clerk/Typists and Maintenance of Duty List Register indicating the allocation of work to each staff of the section [Ref: paragraph 3.1.1 (18)] of this manual.**

**10. Submission of report/return to OA/GSS-I (HQ) and/or any other section/ wing/office as and when called for.**

**11. Vetting of IRs on the Information Technology (IT) and issue of Report to the auditee unit and other works relating to IT audit.**



**3.1.4 GSS-I (IR) (INCLUDING VETTING CELL)**

- 1. Follow-up action of IRs under the control of GSS-I (IR) section.**
- 2. Review of Broad sheet replies from the auditee unit.**
- 3. Coordinate and conduct of Audit Committee Meetings.**
- 4. To vet/scrutinise IRs and also to entrust the work of vetting of IR to Senior AOs/AOs available at GSS-I (HQ) under orders of Group officer and submit the vetted IRs to the Group Officer for approval and attend the comments, if any, of the Group Officer of GSS-I on the draft IR.**
- 5. Sending the vetted and approved IR to the Type Section/EDP section for computerization.**
- 6. Issue of old IRs to the field parties on demand for review of outstanding paras on the spot settlement by the field parties.**
- 7. To watch the movement of the IRs as detailed in paragraph 5.5 of this manual.**
- 8. Issue of reminder to the auditee unit/Department for Broad Sheet replies to the IRs as envisaged in paragraph 5.16 of this manual.**
- 9. Compilation of sanction received from Departments (under GSS-I/IR) and submission to the EDP section for computerization.**
- 10. Preparation of Synoptic Para for audit report.**
- 11. Watching the important paragraphs of the IRs through audit note book of the assistants and submission of the report to the Group Officer. Interesting points, if any, to be forwarded to the field parties conducting audit of similar units.**
- 12. Distribution of work among the auditors and DEO/Clerk/Typists and Maintenance of duty list register indicating the allocation of work to each staff of the section [Ref: Paragraph 3.1.1 (18)] of this manual.**
- 13. Receipt of letter/Fax message/Telegram etc. and disposal thereof as mentioned in Paragraph 3.1.1 (17) of this manual.**
- 14. Submission of report/return to OA/GSS-I (HQ) and/or any other section/wing/office as and when called for.**
- 15. Review of the outstanding paragraph of previous IRs as detailed in Paragraph 4.29.2 of this manual.**

## 16. Maintenance of Objection Book

As envisaged in the **paragraph 7.2.25** of C & A G's MSO (Audit), the objection based on the examination of each voucher or other document audited should be recorded in Objection Book to be maintained in Form 10 of MSO (Audit) as detailed in **Annexure 'B'**. Following categories of objection should be recorded in the register:-

- a. Misappropriation, fraud/ defalcation etc.
- b. Excess payments, loss/shortage of stores etc.
- c. Credit sales, recoveries in respect of which have been pending beyond such reasonable period as may be prescribed by PAG.
- d. Advance pending recovery/adjustment beyond such reasonable period as may be prescribed by PAG/ relevant provision of WBTR/FR.

## 17. Maintenance of Adjustment Register

In continuation of the above the item objected to are adjusted either in whole or in part, the adjustment should be posted in the adjustment Register [in form 12 of MSO (Audit) as detailed in **Annexure 'C'** and also against the original item in the objection Book. When, however, an item placed under objection is adjusted by recovery or write-off or after the objection has been suitably complied with or after such information or documents as were wanting have been made available, the fact of the adjustment should be noted in the Adjustment Register. The mode of adjustment adopted in respect of each item will be indicated in the column "How Adjusted" and AAO/Supervisor will initial each entry in proof of having examined and found correct in all respect.

*[Paragraph 7.2.29 of MSO (Audit)]*

The Objection books and Adjustment Registers after closing should be submitted to Group Officer through the respective Branch officer on the 7<sup>th</sup> of each month.

### 3.1.5 GSS-I (AB)

1. **Follow up action of IRs.**
2. **Issue of old IRs to the field parties on demand.**
3. **To watch the movement of the IRs as detailed in paragraph 5.5 of this manual.**
4. **Issue of reminder to the auditee unit/Department for Broad Sheet replies to the IR.**
5. **Watch the important paragraphs of the IRs through audit note book of the assistants and submission of the report to the Group Officer. Interesting points, if any, to be forwarded to the field parties conducting audit of similar units.**

6. **Issue of Audit Certificate on completion of the audit on the Statement of expenditure conducted under sections 19 and 20 of the C&AG (DPC) Act, 1971.**
7. **Issue of Audit Certificate on Proforma Account of departmental unit activities of which are of commercial/quasi-commercial character.**
8. **Calculation of Audit fees chargeable from the Autonomous bodies, audit of which conducted U/s 19 & 20 of C&AG (DPC) Act, 1971, as per the rate approved by the C&AG from time to time and prefer claim to the concern auditee units. (Ref Paragraph 1.6.2 of this manual.)**
9. **To watch realization and credit of the audit fees to the proper head of account through the Audit fee register as indicated in Paragraph 1.6.3 of this manual.**
10. **To maintain periodicity register of the Autonomous Bodies for Audit under section 14, 15, 19 & 20 of the C&AG (DPC) Act, 1971.**
11. **To maintain report and return relating to the World Bank / externally aided projects.**
12. **Compilation of sanction received from Departments (under GSS-I/AB) and submission to the EDP section for computerization.**
13. **Receipt of Email/letter/Fax message/Telegram etc. and disposal thereof (Ref: Paragraph 17 of 3.1.1 of this manual.)**
14. **Submission of report/return to OA/GSS-I (HQ) and/or any other section/wing/ office as and when called for.**
15. **Issue of D.O. letter to Pr. Secretary, Finance Department regarding grants released by the administrative Department to different bodies/authorities.**
16. **Submission of Quarterly Progress Report (QPR) on SAR as per Annexure-D.**
17. **Submission of Annual return on completion of audit u/s 14 of the C&AG's (DPC) Act, to HQs.**
18. **Submission of Annual return on completion of audit u/s 19(2), (3)/20(1) of the C&AG's (DPC) Act, 1971.**
19. **Review of periodicity of entrustment of audit u/s 19(2),(3)/20(1) of the C&AG's (DPC) Act.**
20. **Examining and ensuring the application of Sections 14,15,19,20,21,23 and 24 of the (DPC) Act in the conduct of audit of State autonomous bodies by the different audit wings of this office.**

21. **Correspondences with Headquarters/State Government regarding application of sections 14,15,19,20,21,23 and 24 of the C&AG (DPC) Act in audit of State autonomous bodies.**
22. **Scrutinizing annual accounts for identification of applicability of section 14 in superimposed audit of autonomous bodies where independent chartered accountants are primary auditor.**  
(Branch Order No. OA/IC/2001-02/15 dated 31.1.2002)
23. **Distribution of work among the Sr. Auditors/Auditors and DEO/Clerk/Typists and Maintenance of Duty List Register indicating the allocation of work to each staff of the section [Ref: Paragraph 3.1.1 (18) of this manual.]**
24. **Maintenance of Objection Book and Adjustment Register as indicated in Paragraph 3.1.4 (16 & 17) of this manual.**
25. **Review of the outstanding paragraph of previous IRs as detailed in paragraph 4.29.2 of this manual.**
26. **Additional Duties and Responsibilities:** This Section is entrusted with the following additional duties and responsibilities which are subject to change according to orders of PAG or Sr. DAG/DAG (G&SS-I):
  - i. Scrutiny of the Memorandum and Articles of Association of newly formed Government Companies and Accounting Manual of Government Commercial Undertakings.
  - ii. Issue of directions of the CAG to the Statutory Auditors (Chartered Accountants) under Section 619(3) (a) of the Companies Act 1956 and to keep a watch over the receipt and disposal of reports after due verification by Field Parties.
  - iii. Submission of reports u/s 619(3) (a) to the Report Section periodically for compilation of comments on deficiencies of internal control/internal audit mechanism for inclusion in audit report.
  - iv. Issue of approved comments/Nil-comments/Non-review certificates in prescribed format to the Management.
  - v. Submission of approved comments on the accounts of PSUs to the Report Section for compilation and inclusion in the Audit Report.
  - vi. To finalize the comments on the annual accounts of Departmentally managed Undertakings and issue certificate with or without comments.
  - vii. Evaluating performance of auditors on the basis of Statutory Auditor's work, information received from Government/Management, Field Parties and others. Arrangement is also made for submission of recommendations of PAG on the performance of Statutory Auditor's to the CAG for taking appropriate action in cases of misconduct.

- viii. Scrutiny of draft Separate Audit Report in respect of corporations where applicable submitted by Field Parties for finalization and onward transmission to Head Quarter's for approval.
- ix. Issue of approved Separate Audit Reports (SARs) to the Government as well as to the Management for laying the same before the Legislative Assembly. The format of revised SAR to be issued to the Autonomous Bodies along with other instructions has been indicated Manual of Instructions for audit of Autonomous bodies.
- x. Scrutinize Agenda Papers and Minutes of the Meeting of the Board of Directors of Government Companies and Statutory Corporation and also outcome of checking of audit team noted in the Board Minutes Register for necessary follow up.
- xi. To furnish necessary material to Report Section for the chapter on Commercial Undertakings (Departmental) including the summarized financial statement for inclusion in the Audit Report.
- xii. As and when new institutions are assigned for audit the names of new units will be entered in the Programme Register.

### **3.2 REGISTERS/ RECORDS TO BE MAINTAINED BY THE HEAD QUARTER SECTIONS**

- A.** For smooth functioning of the GSS-I wing as well as to perform the duties and responsibilities as mentioned in **Paragraphs 3.1.1 to 3.1.5 of this manual**, Registers/ records to be maintained by the Headquarters Sections of the GSS-I Wing are as follows:

All the five sections should maintain the following registers/records

- i. Attendance Register of the staff attached to the section. Besides, one attendance register for Field staff visiting/available at the Headquarters should also be maintained by the GSS-I (HQ).
- ii. Inward diary registers for the followings are to be submitted to Group Officer in the 1<sup>st</sup> week of each month and weekly to BO.
  - a. Ordinary letters
  - b. Confidential letters
  - c. Letter addressed to Sr. DAG/ DAG
  - d. DO letters addressed to PAG/ Sr. DAG /DAG
  - e. Letters from CAG & other PAG/AG offices
  - f. FAX/Telegram/Email etc;

- g. Paper clippings etc;
- iii. Register for pending cases;
- iv. Leave (including Casual Leave) Register of the staff of the respective section - to be submitted to BO on 7<sup>th</sup> of the following month;
- v. Register for reminder received;
- vi. File Index Register- to be submitted to group officer on 15<sup>th</sup> of April, July, October and January each year.
- vii. Duty list register of the staff attached;
- viii. Docket;
- ix. Out-ward diary register for:
  - a. Ordinary letters;
  - b. Confidential letters;
  - c. DO letters of Sr. DAG/ DAG;
  - d. DO letters of PAG;
  - e. Letters to CAG & other PAG/ AG offices;
  - f. Issue of FAX/ Telegram/ Email etc;
  - g. Disposal of Paper clippings etc;
  - x. Calendar of Return - to be submitted on 7<sup>th</sup> day of the month to Group Officer & on 1<sup>st</sup> day of the week to BO;
  - xi. U.O. Cases register - to be submitted to BO on each Monday and to the Group Officer Bi-weekly and Monthly.
- B. In addition to the above, register/records to be maintained by the respective sections are as follows:
  - a. **GSS-I (HQ) SECTION**
    - i. Periodicity Register;
    - ii. Index register;

- iii. Staff Register;
- iv. Register for use of Hindi to be submitted to Hindi Cell 1<sup>st</sup> week of each quarter.
- v. Register to watch the leave of the Staff of the GSS-I wing as a whole as mentioned in **paragraph 3.1.1 (9) (b)** of this manual.
- vi. Register for watching the disposal of notes received from CASS for inspection in Local Audit.
- vii. TA Advance register and Adjustment thereof for all the categories of staff attached to GSS-I wing.
- viii. Register for watching weekly diaries of field staff.
- ix. Register for watching weekly/monthly diaries of the Supervising field staff.
- x. Register for collection of suitable statistics to serve as a fair index of the volume of work done in audit offices.
- xi. Order book of posting.
- xii. Register for watching progress of audit in respect of offices of the other State Government located within audit jurisdiction of GSS-I wing of the office of the PAG.
- xiii. Register for watching progress of audit in respect of office of the Government of West Bengal situated outside the State.
- xiv. Register for important points to be inspected by the field parties during local inspection.
- xv. Register for watching receipt of Draft IRs and issue of IRs to the concerned Departments/Directorates/Auditee units.

**b. GSS-I (DP CELL) SECTION**

- i. Register for Defalcation and Misappropriation cases.
- ii. Register for recording IR paragraph of Serious Financial Irregularities may be considered as Potential Draft Paragraph (PDP Register)
- iii. Register for the DP on AC/DC bill
- iv. Register for long DP on PL/Deposit Accounts
- v. Requisition for submission of store accounts/Proforma accounts
- vi. Auditors' note book to be submitted to B.O. on 1<sup>st</sup> day of each month.

**c. DATA BANK-CUM-PLANNING CELL**

- i. Register for receipt of Paper Clipping and disposal thereof.
- ii. Schematic Register/Port-folio file.
- iii. Register for requisition of receipt and Payment Schedule from AG (A&E) WB and its issue to the field parties.

**d. GSS-I (IR) (INCLUDING VETTING CELL)**

- i. Register for IR receipt and follow-up action for vetting, typing, comparing and issue.
- ii. Register for watching settlement of outstanding paras of IRs - Broad Sheet Registers and Para Settlement Registers for each charge (seat) to be submitted to BO on 1<sup>st</sup> week of each month.
- iii. Index Registers for IRs for each charge (seat)
- iv. Registers for Synoptic Paras.
- v. Registers for Audit Committee Meeting (Department-wise and consolidated).
- vi. Audit Note Book to be submitted to B.O. on 15<sup>th</sup> of each month.
- vii. Objection Book.
- viii. Adjustment Register.
- ix. Register showing cases of drawal of fund in advance or in excess of requirement (**paragraph 6.1.7 of this manual**).
- x. Movement registers of Old IRs (in each charge).
- xi. Reminder register regarding issue of reminder for Broad Sheet replies to IRs to be submitted to Group Officer once in a month and to BO -once in a week.
- xii. Register of Fake appointment/Ghost employees — to be submitted to Group Officer in the 1<sup>st</sup> week of each month.

**e. GSS-I (AB) SECTION**

- i. Register for recording points of investigation during local audit.
- ii. Register for watching settlement of outstanding paras of IRs - Broad Sheet Register and Para Settlement Register for each charge (seat) to be submitted to B.O. on 1<sup>st</sup> week of each month.



- iii. Progress Register of Local Audit, undertaken under section 14, 19, 20, 21, 23 & 24 of CAG's (DPC) Act to be submitted to Gr. Officer in the 1<sup>st</sup> week of each month.
- iv. Register for issue of Audit Certificates
- v. Audit Note Book to be submitted to BO on 15<sup>th</sup> of each month.
- vi. Objection Book.
- vii. Adjustment Register.
- viii. Register showing cases of drawal of fund in advance or in excess of requirement (**paragraph 6.1.7** of this manual).
- ix. Audit Fee Register in Form SY 338 (**Ref 1.6.3.i** of this manual).
- x. Register for watching receipt of SOE and progress of audit.
- xi. Movement registers of Old IRs (in each charge).
- xii. Reminder register regarding issue of reminder for Broad Sheet replies to IRs to be submitted to Group Officer once in a month and to the BO once in a week.
- xiii. Register of Fake appointment/ Ghost employees - to be submitted to Group Officer in the 1<sup>st</sup> week of each month.
- xiv. Register regarding identification of auditee unit - to be submitted to ITA in January each year.

### **3.3 MAINTENANCE OF RECORDS**

a. The records of the wing generally consist of either IR files or cases on important subjects. After the issue of an IR, the draft IR, the Audit Query (AQ) statements and other subsidiary papers together with a spare typed copy of the report are filed in a stiff cover, which forms the nucleons of an IR file. All subsequent correspondences including broadsheet replies and notes in connection with a particular IR should be filed in the relevant IR file.

b. A general case file is to be opened when a letter bearing some important subject, not connected with an IR, is received and all subsequent correspondences and office notes in that connection are filed in that case file. The case files should have relevant file headings indicating the general or broad subject and papers in a case should be paginated separately for notes and correspondences as far as practicable. In constructing cases, it is important that a distinction be maintained between cases relating to matters of short-lived or temporary interest and those dealing with matters of more permanent interest. When a question apparently of

temporary interest develops into one or more permanent interest, the relevant Pages of the temporary case should be removed and incorporated into a case dealing with a matter of more permanent type, a cross reference being kept in the temporary case file. All cases should be given the necessary file order before they are sent to old Record.

c. A Register of files including case files are to be maintained and the serial number and the subject of each case are to be recorded. The case files of each year are numbered in a fresh series in the Register with an indication of the year to which those relate.

d. Individual letters on which there is no subsequent correspondence to form a case but is meant for permanent record should be kept in a separate file opened for the purpose.

### **3.4 FAILURE OF AUDIT**

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

*[Para 1.23.1 of the CAG's MSO (Admn) Volume I]*

### **3.5 REPORTS AND RETURNS TO BE SUBMITTED BY THE HEAD QUARTER SECTIONS**

Details of the reports and returns to be submitted to different authorities/sections/group or Branch officers are detailed in the **Annexure 'E'** to this manual.

# **CHAPTER-IV**

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

*(Page no. 57 to 77)*

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

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

**4.2 ATTENDANCE :**

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

**4.3 HOLIDAYS :**

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

**4.4 PLACE OF HALT AND LEAVE :**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. As the object of accounts is to present a true financial picture, intelligent and proper audit requires visualising all financial transactions in their proper perspective as a whole and not merely the examination of the details of the transactions which work to the final result. The inspecting staff before taking up the audit of any particular institution should make themselves conversant with account books prescribed, the budget, the relevant codes and manuals, departmental or otherwise and the administration report or any other publication, in order to make their audit both intelligent and useful, instead of allowing it to become merely a routine process of checking registers in a disconnected or mechanical way.

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**B. Assistant Audit Officer/Supervisor**

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

**Notes:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a. As far as practicable, every local audit or inspection should cover transactions from the date up to which the account was last audited to the month preceding the month in which inspection takes place. The cash book should, however, be checked to see whether it is written up-to-date.
- b. In case of accounts in respect of which an Audit Certificate is required to be issued by this office and in case of audits under section 14, 19, 20, 21, 23 and 24 of the C&AG's (DPC) Act, 1971, period of audit would be up to the end of the financial year of the institution.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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



# **CHAPTER-V**

## **INSPECTION REPORT**

*(Page no. 78 to 95)*

**CHAPTER - V**  
**INSPECTION REPORTS**

**5.1 RESULTS OF AUDIT**

The results of local Audit and Inspections should be reported through an Inspection Report which should consist of the following:

**PART-I****1) Introductory:**

The following information should be included in the introductory paragraph of the Inspection Report:

i) Name of the official, period of accounts audited and the time taken for audit/inspection; in the following manner:

A test audit on the accounts of (Name of the Office) for the period from (date to date) was conducted locally between (duration of audit) by an audit team of the office of the Principal Accountant General (G&SSA), West Bengal consisting of following members under the supervision of Shri/Smt Sr. Audit Officer/ Audit Officer:

Forwarded to the (Head of the Office) for perusal please

Sr. Audit Officer/ Audit Officer  
O/o the PR.AG (G&SSA), WB

1. Shri/Smt ....., AAO
2. Shri/Smt ....., AAO
3. Shri/Smt ....., Sr. Auditor
4. Shri/Smt ....., Auditor

**Note:** In case of unsupervised inspection party the i)Name of the official, period of accounts audited and the time taken for audit/inspection; in the following manner:

A test audit on the accounts of (Name of the Office) for the period from (date to date) was conducted locally between (duration of audit) by an audit team of the office of the Principal Accountant General (G&SSA), West Bengal consisting of following members

Forwarded to the (Head of the Office) for perusal please

Assistant Audit Officer  
O/o the PR.AG (G&SSA), WB

1. Shri/Smt ....., AAO
2. Shri/Smt ....., AAO
3. Shri/Smt ....., Sr. Auditor
4. Shri/Smt ....., Auditor

ii) Major Areas of activities of the auditee;

iii) The expenditure incurred by the auditee during the period of audit;

iv) Unit offices under the control of the Drawing and Disbursing Officer (DDO) covered during local audit inspection.

v) Officers held the charge of the office and the officers acted as DDO of the Office mentioning the date of their incumbency during the period of audit. In case, any power has been delegated to the DDO by the Head of the Office that should also be mentioned.

**2) Outstanding objections of previous Inspection Reports:**

This paragraph should be drawn up taking into consideration the settlement of outstanding paragraph<sup>1</sup> of the previous IRs, as detailed in the **paragraph 4.29.1** of this manual.

**3) Schedule of persistent irregularities:**

The objections commented upon in the previous Inspection Reports and found to have been continuing should **invariably** be mentioned under persistent irregularities, bringing out clearly for how many years the irregularities have been persisting despite successive audit comments,

<sup>1</sup> Party should take appropriate initiative for settlement of outstanding paragraphs by convening meeting with the head of the office.

giving reference to previous Inspection Reports, so that in suitable cases the facts may be brought to the notice of PAC through Audit Reports. The earlier paragraphs should either be retained in the old Inspection Report till the irregularity is set right or incorporated in the current Inspection Report with suitable updation. A review has to be made in this regard and if the objections are repeated in the previous reports and in no case similar observation should be repeated.

#### **Para 4 onward**

##### **PART-II-A**

Major and important irregularities involving heavy money value or any special feature i.e. irregularities involving recoveries, question of principle, unavoidable expenditure, infructuous expenditure, irregular purchases, losses etc., which are likely to be developed into draft paras for inclusion in the report of the Comptroller and Auditor General of India would find place in this part.

##### **PART-II-B (i)**

Irregularities which though not major but required to be brought to the notice of higher authorities for obtaining orders of rectification/regularization/write off etc., and followed up by the Pr.AG should appear in this section of the IR. Besides, cases of financial irregularities such as extra expenditure, avoidable expenditure, losses, etc. having significant money value should find place in this Part.

##### **PART-II-B (ii)**

All review type paragraphs on the schemes/programme undertaken by the auditee unit should appear in this section.

##### **PART-III**

The Test Audit Note (TAN) containing minor irregularities should be issued locally under the signature of the Supervising Officer and in his absence, under the signature of the AAO. The procedural irregularities in respect of which the head of the office assured to take corrective measures should be noted in TAN. A copy of the TAN should be placed in the file for necessary verification of corrective measures by next audit.

**Note:** TAN should be drafted in brief quoting the TAN No. and stating the objections/irregularities so that the Administrative Department concerned, when receives the IR, if necessary, could keep watch on the progress of rectification. If at the time of vetting at GSS-I/HQ it is felt that any point included in the TAN is of sufficient importance, the item can be included in Part-II-B of the IR.

*(HQs letter No. 1647-Admn.III/268-60 dated 16.8.60 & No. 2374-TAI/367-63 dated 7.8.65 read with Branch Order No., OA/IC-I/BO/2005-06/5/9 dated 14.11.2005.)*

#### **5.2 PREPARATION OF INSPECTION REPORTS**

The time allotted in the audit programme for each office includes the time required for the drafting of the report. The work of local Audit should, therefore, be so spread out as to allow for the above duties. The primary AQ statement should also be drawn up with sufficient facts and figures so that the drafting of the IR could be done from the office copies of the queries, even if the replies from the local office are not received. As soon as any of the AQ statements issued is received back with replies from the head of the office inspected, suitable draft paragraphs should be prepared for the IR on the important items contained in the AQ statement, each paragraph dealing with one objection only or a group of similar objections. In this manner the draft IR should be prepared as and

when all the AQ statements are received back. While drafting the IR, the following guidelines should be adhered to by the Supervising officer or in his absence AAO.

(a) In cases where inspections are conducted under the supervision of an officer throughout or where the concluding stage of audit is supervised by him, the officer shall write out the report himself and not leave it to his sub-ordinates. This is necessary in order to enable him to apply his mind to everything mentioned in the report. This is also calculated to ensure the facts stated, the cogency of arguments applied and moderation in and preciseness of the language used. It does not necessarily mean that the supervising officer should write report in his own hand. There is no objection to send typed copies of the report to the headquarters. In cases where the supervision closes before the end of an inspection, the supervising officer may draft all the paras that could be finalized by that time and impart proper guidance and instructions to the AAO/Supervisor for completion of the same. In case of an item not supervised by an officer, the IR should be drafted by the AAO/Supervisor or by the senior one of the AAO/Supervisor, if there are two AAOs/Supervisors in the party.

***(HQs letter No. 971-TA 11/131-68 dated 02-5-1968)***

(b) IRs should be clear and as concise as possible and should avoid exaggeration or repetition of the same, and should be clear to make reader friendly. Those should be a detached and dispassionate financial criticism of the accounts couched in courteous and in-offensive language. Care should be taken to see that every paragraph comprises a statement of facts, the money value of the objection or its approximate value as calculated from the available data and the rules and orders infringed together with their brief substance and actual and possible effect of such deviation or the nature of the irregularity, and the action required for removing it. Special attention must be drawn to important matters like wilful and persistent neglect of duty, falsification of accounts, incomplete state of accounts etc., in separate paragraph/paragraphs, if necessary. But reasons for making such inclusion with concrete cases should invariably be given in detail in the report.

(c) Suggestive headlines with the money value should be given above the different paragraphs in indication of the subject matter dealt with in the paragraph so as to encourage the busy officer to go through the paragraph. Mere general heading such as 'Cash Book' or 'Outstanding Revenue' or purchase of store do not indicate anything but headings like 'Omission to enter receipts and payments in the cash book leading to excess/shortage of cash Rs. \_\_\_\_\_' or 'outstanding fees of Rs. \_\_\_\_\_ due from college students' give a definite idea and make one inquisitive to know more about the subject contained in the paragraph.

(d) When statistics are given in the IRs, the current year's figure should be given in addition to the figures for the year of account which is audited. The difficulty of furnishing a proper audit certificate in the absence of any information (which should be detailed) should be noted in the IR.

(e) Use of abbreviations in writing technical terms should be scrupulously avoided when preparing IRs as well as the appendices thereto, as this practice causes much inconvenience to all who deal with the reports.

(f) Details of facts and figures should, as far as practicable, except in serious cases, be shown in separate statements attached as appendices to the report. This makes it more effective and easier to handle. The required numbers of appendices are to be made by the field parties and submitted along with the draft IRs.

- (g) IRs should not be allowed to be of abnormal length by including too many points in it since the difficulty of going through an cumbersome report often takes away much of its value. In case a large number of irregularities are detected, only the more important points should be selected for inclusion in Part-II B of the report and the minor points included in TAN.
- (h) Cross reference (i.e. Page number of the file, AQ number, Page number of the supporting documents) should be made both in AQs and paras incorporated in the IR.
- (i) Page number of Audit Evidences (KDs) in each and every points of the IR paragraph should be invariably indicated.
- (j) **Appendix** relating to IR paragraph should be duly numbered, linked (i.e Appendix should be suitably numbered with reference no. of the Para) and duly authenticated/signed by the concerned Sr. AO/AAO/Sr. Auditor and should be submitted in four copies with the draft IR.
- (k) Pages of the IR files should be duly numbered.  
*[Refer: - Branch No. OA/IC-I/2010-11/05 dated: 18 February 2011]*
- (l) Relevant Audit Evidences (KDs) of each para should be collected and a reference of page no. is to be indicated. Drafting of IRs is to be based on sufficient, relevant and competent evidence/documents.
- (m) Operation of PL A/c, audit of AC/DC bill, Cash Management, audit of 'NIL' Payment voucher should be reviewed and suitably incorporated in the IR to process synoptic para on those aspects. Disposal of unserviceable articles with value, defective/condemned vehicles and opening of Bank A/c and deposit of fund and expenditure there-from should also be reviewed and separate para incorporating the comments thereon may be prepared and highlighted in IR.
- (n) Report should not contain objections of more than 3 to 5 years old.
- (o) Paper clippings/complaint etc. handed over to field party should be investigated thoroughly and findings should be incorporated in the IR  
Note: It is not necessary and not desirable also to refer to the relevant press clippings to the auditee unit. Press clipping is given to the party to use it as a clue for investigation.  
*(BO no. OA/IC-I/2000-01/21 dated. 28.3.2001)*
- (p) Replies to audit queries, if submitted during inspection by the head of the office should be taken into account while finalizing/drafting IR.  
*(BO no. OA/IC-I/1998-99/10 dated 9.7.1998)*
- (q) All trifling matters which can be and have been set right on the spot or are of no consequence to the finances of Government need not be mentioned in the IRs. However, if a number of similar points are noticed it may be desirable to mention the type of error or irregularity with one or more instances so that proper instruction may be issued for future guidance of the government servants concerned. It is desirable that statements and figures in relation to any defects or irregularities discovered should be based on clear documentary evidence. It is not sufficient to quote the rule or the order violated, the actual or possible effect of such deviation on

the financial interests of government should be explained clearly. All observations and objections must be conveyed in courteous and impersonal terms and must be clear and intelligible. It is of utmost importance that any statement of criticism or of irregularity should be accurate, fair, moderately worded, dispassionate and as brief as possible. An illusive or oblique remark is to be forbidden; if a charge cannot be substantiated, there should not be even any hint of it.

*(HQs letter No. 71S-7AI/106-81 dated 20.6.81 and B.O. No. OA/IC-1/2002-03/18 dated 13.11.2002)*

- (r) Drafting of the IR: The Inspection reports should be drafted properly pointing out the major irregularities and conclusion of the comment should be made with proper analysis. Unnecessary narration should be avoided. Emphasis should be given to pinpoint on major irregularities having potentiality for processing as Draft Para.
- (s) The IR paragraph should not be in verbatim to the AQ.
- (t) List of Audit queries should be noted in the inner side of the Folder. In cases where any AQ not considered for incorporation in the Draft IR, justified reason in this regard should be recorded by the supervising officer on the relevant AQ.
- (u) Inspection Report should be drafted by the Supervising officer.

*[Refer: - Branch No. OA/IC-1/2010-11/05 dated: 18 February 2011]*

### **5.3 DISCUSSION OF THE DRAFT REPORT WITH THE HEAD OF THE OFFICE INSPECTED**

It is the imperative duty of the Supervising Officer, if he is present on the concluding day of an inspection or of the AAO/Supervisor to show the head of the office the complete draft IR for perusal. The report should also be discussed with him. The signature of the head of the office inspected should be obtained on the draft report in token of his perusal of the report and the correctness of the fact contained in it.

Draft report should be discussed on the spot with the head of the office inspected or with any other officer subordinate to the head of the office with prior arrangement with him where possible. In no case should it be sent by post. If the head of the office does not remain at the station on the last day of inspection for any reason, the draft report need not be shown to him and the fact should be mentioned in the report.

### **5.4 SUBMISSION OF DRAFT INSPECTION REPORTS TO GSS-I (HQ)**

**5.4.1** The Draft IRs duly drafted as per format detailed in **paragraph 5.1** of this manual and signed by the Supervising Officer and the AAO/Supervisor must be submitted/ despatched to headquarters within 5 days from the date of completion of audit along with the following documents seriatim, from top page of the file to below as detailed under. All heads of the Audit Parties are required to submit the soft copy of IR/SAR/any other report due for vetting within three (03) days of the completion of audit by E-mail. In case of delay or failure to furnish IR in digital format, reasons for the same may be placed on record.

1. **Forwarding Memo** (as per **Annexure ‘G’**) duly filled in with full addresses of the offices to which the IRs is to be issued, should be kept on the top of the Draft IR along with six copies of appendices/annexure to the IR, if any, followed by :-
2. **Title Sheet** (as per **Annexure ‘H’**) duly filled in all respects and signed by the Supervising Sr. AO/AO, and inspecting AAO/Supervisor, along with the following enclosure, from the top to bottom of the correspondence side of the file.
3. One copy of **Feed Back Report (Annexure ‘P’)** duly filled in should be submitted to GSS –I (HQ) for each audit.

**Note:** The figures of allotment and expenditure in the **Title Sheet & Feed Back** should be segregated year wise. A list of schemes undertaken by the unit and fund received with sources from where received should also be submitted with the Title sheet and with Feed Back Report in prescribed form.

*[Refer: - Branch No. OA/IC-I/2010-11/05 dated: 18 February 2011]*

- (4) **Minutes of discussion** with the head of the auditee unit on the outstanding paragraphs of previous IRs as well as on the audit queries issued during the course of present audit.
- (5) The results of **reviews of outstanding paragraphs (Review Note)** on the outstanding paragraph of previous IRs.

**Note:** **Review note** of the outstanding paragraphs should invariably be made. Outstanding paragraphs should be settled on the basis of reply of the management and with proper justification and by verification of relevant records, where necessary, Discussion with the Head of the office in this regard to be recorded and Minutes of the discussion should also be made duly signed by the Head of the office and Supervising Officer and submitted with the Draft IR. Part Number of the outstanding paragraphs to which it belongs should also be mentioned in Para 2 - “Position of outstanding Paragraphs of previous IRs”.

*[Refer: - Branch No. OA/IC-I/2010-11/05 dated: 18 February 2011]*

- (6) Duty list showing the **allotment of work** among the members of the inspection party by the inspecting AAO/Supervisor or by the Supervising Sr. AO/AO duly signed by each of the party member.
- (7) Detailed list of **work done (Audit Note Book)** by each of the party member as distribution of work, duly signed and countersigned by Supervising Officer.
- (8) A list of **drawals and remittances** prepared from the records of the office inspected duly verified from the records of the Treasury/Sub-Treasury. Both the list should be certified by the concerned AAO/Supervisor or and by the Sr. Auditors/Auditors as a token of check exercised by them and authenticated by the inspecting AAO/Supervisor and countersigned by the Supervising Officer.

**Note:** Notes regarding selection of month, locally, for detailed checking in addition to the month(s) selected by the Head quarter should be submitted in the file of the IR.

(9) List of **Service Books** checked along with a Certificate for conducting Nominal Checking and checking of the Pay-fixation cases. A list of Service Books checked in respect of persons who are likely to retire during the next five years. This list of the Service Books should have

been certified by the concerned AAO/Supervisor/Sr. Auditors/Auditors who have prepared the list and exercised nominal as well as the detailed check with reference to the pay acquaintances and the sanctioned strength of the auditee unit. A summary of such checking (as given below) should be furnished at the end of the list duly signed by the concerned Sr. Auditors/Auditors, authenticated by the AAO/Supervisor and countersigned by the Supervising Officer. Any deviation between sanctioned strength and men in position, non-submission of Service Books, discrepancies in leave account, Pay fixation etc. should be brought out and incorporated in the IR.

Group of Category of personnel	No. of personnel as per pay acquaintances	Sanctioned strength	Service Book checked in detail including Leave	Pay fixation checked	Conducting nominal checking	Service Book lying with the concerned Admn. Deptt./ AG Office/ or otherwise	Service Books not produced
Group/ Category of staff							
On Contract							
On Casual							
Total							

(10) **Nominal Audit Certificate** as per following proforma.

**NOMINAL AUDIT CERTIFICATE**

Nominal Audit has been conducted in accordance with the instruction contained in secret circular No. OA/IC/Audit Series/81-82/5 dated 05-01-1982.

**Auditor/Sr. Auditor**

**Asstt. Audit Officer**

**Audit Officer/Sr. Audit Officer**

(11) **Pay-fixation certificate** as per following proforma.

**PAY FIXATION CERTIFICATE**

Certified that pay fixation cases of 8.33% in respect of Group A & B officer have been checked in audit.

**Auditor/Sr. Auditor**

**Asstt. Audit Officer**

**Audit Officer/Sr. Audit Officer**

(12) **Ghost Employee Certificate** as per following proforma.



### GHOST EMPLOYEES

As per data furnished by the local office regarding men-in-position against sanctioned strength and checking of pay acquittance roll for the month of ....., it is certified that no ghost employee exist.

**Asstt. Audit Officer**

**Audit Officer/Sr. Audit Officer**

- (13) List of **accounts and records** maintained by the auditee unit and checked by the party.
- (14) **Vigilance Certificate** as per following proforma.

### VIGILANCE CASES

In course of checking the records of the unit, no occasion has come warranting Vigilance investigation and the matter was also confirmed by the local office vide reply to AQ No 1.

**Asstt. Audit Officer**

**Audit Officer/Sr. Audit Officer**

**Note:** Cases warranting vigilance investigation at the time of conducting field audit to be watched and findings, if any, to be incorporated in the IR. In case no such investigation warranted a 'Nil' report is to be submitted with the IR.

*(BO no. OA/IC-I/2003-04/1 dated 11.4.2003)*

- (15) **Physical Verification of cash Certificate as per Annexure 'J'.**

**Note:** Certificate regarding physical verification of Cash conducted by the auditee unit on the first day of the audit in presence of the Audit team. Discrepancies, if any, found in the physical verification of cash conducted by the officials of the auditee unit in presence of the audit team should be commented upon and incorporated in the IR, as envisaged in the **paragraph 7.3.1** of this manual.

- (16) **Selection of Month:**

In case of period of audit exceeds 36 months, 3(three) months of accounts should then be checked in detail. Therefore, 1(one) month of accounts for detailed checking is to be selected locally along with the other 2 (two) detailed months of accounts which have already been selected by the GSS-I (HQ). Local selection of month should accordingly be submitted for approval.

The following documents should be furnished by the party along with the IR and should be kept on the "Note side" of the file:-

- (17) **Survey questionnaire for IT application (Annexure 'Q')** alongwith one copy of **Feed Back Report.**

- (18) **Information relating to defective/condemned vehicles** of the auditee unit indicating the details of the vehicle viz. Registration No., date and cost of procurement/purchase, total KM run, average consumption of POL, date from which lying defective, estimated cost of repairing, date of estimation, action taken for repairing, and how the service of the driver attached, if any, is being utilized etc., should be mentioned and suitable comments, if any, may be incorporated in the IR.

**(19) Information relating to hired vehicles** indicating the order/approval of the competent authority, rate, total KM run per day on average, etc. with justification for such hiring of the vehicle. Suitable comments, if any, should also be incorporated in the IR.

**(20) Information relating to drawal of AC bills** and adjustment thereof as per the format given below indicating the purposes for which the money was drawn and suitable comments, if any, should also be incorporated in the IR.

Bill No. & date	G.O. No. & date	Purpose	Amount (Rs)	Name of Treasury	Date of drawal	DC bill No. & Date	Amount adjusted	Date of adjustment	Amount spent	How the unspent amount retained, if any

**(21)** A copy of **Test Audit Note** as issued to the office inspected, on the spot.

**(22) Statement of points** furnished by the Headquarters sections for local investigation along with results of such investigation and relevant paragraph, if any, of the IR.

**(23) Statement of paper clipping** furnished for investigation alongwith result of such investigation indicating relevant paragraph, if any, of the IR.

**(24)** A separate note (to be enclosed to draft IR) of all important points detected in the course of local audit which warrant examination of sanctions and connected files in the offices of the heads of departments/administrative departments so that the matter could be referred to Financial Attest Wing.

**(25)** A **list of audit queries**, issued by the audit team during the audit, duly signed by supervising officer or in his absence AAO/ Supervisor in the following format:

AQ No./ date	Subject	Name of the Contributor	Para in which the AQ incorporated	Reasons for not considering for incorporation in IR
1	2	3	4	5

**(26)** The statement of outstanding objections raised in Central Audit furnished by the Headquarter for settlement on the spot along with action taken thereon.

**5.4.2** Before the IR is submitted to headquarters particular care should be taken to see that the accounts audited and their supporting statements/documents e.g, store account, Proforma accounts, etc. are complete in all respects and they have been certified by the Supervising Officer and AAO/Supervisor, wherever required, on the spot. These may be sent, duly completed, along with the IR for necessary action.

**5.4.3** Every paragraph of the draft IR should show in the margin a reference to the relevant item and page of the AQ statement on which it is based. Inspecting AAO/Supervisor should take particular care to see that such references are invariably given. Sometimes the IRs contain references to letters and orders of the local Government or other authorities which are not available in the Audit Office. All such references should invariably be supported by copies of or relevant extracts from the letters or orders concerned taken from local office. The working sheet relating to the paragraphs of the IRs should also be kept in the file, if possible, indicating the related AQ/paragraphs etc.

**5.4.4** All the pages excluding the Draft IR of the file to be duly numbered from the **Bottom to Top** up to the title sheet including the enclosures, and pages of the Draft IR including the Appendix/Annexure should be numbered from **Top to Bottom** up to the last page of the Appendix/Annexure.

**5.4.5** The paragraphs of a draft report which are considered by the Supervising Officer or by the AAO/Supervisor to be important enough and likely to be fit for inclusion in the Report of the CAG should be supported with the relevant Audit Evidences (KDs) on each of the figures/points of observation and comment and the paragraph Number should be indicated on the title sheet of the report.

**5.4.6** Delay in the submission of IR is deplorable. Inordinate delay in the receipt of replies of local offices to AQ statements or non-receipt of their replies should not be considered as any ground for delay in submission of IR. The fact of delay in the receipt of replies or non-receipt of replies may be commented upon suitably in the IR.

## **5.5 REGISTER FOR WATCHING THE RECEIPT AND ISSUE OF DRAFT IRS AND PROGRESS REGISTER OF SETTLEMENT OF IRS**

The GSS-I wing maintains Registers in Forms I(GSS-I/HQ) and II(GSS-I/IR & GSS-I/AB) of **Annexure ‘I’** of this Manual to watch the progress of each Inspection (i) from taking up of the local test check to the issue of the approved IR and (ii) from the issue of each IR to its final disposal respectively. These registers shall be submitted to the Group Officer on the 1<sup>st</sup> working day of every for his review.

The Register in Form II shall be submitted to the Group Officer within 1<sup>st</sup> week of every month for his review. One statement in Form III of **Annexure ‘I’** should be drawn up on the last working day of every month showing the IRs which were not issued in respect of audits completed on or before the last working day of the previous month. This statement alongwith the Monthly Progress Report indicating the status of movement of IRs maintained in Form I should be submitted to the Group Officer on the 1<sup>st</sup> day of each month for his scrutiny and orders.

Note: The stages of disposal of replies should be indicated in the following form:

- 1) Pending in this office for more than one month with brief reasons for delay.
- 2) Pending in this office for one month or less.
- 3) Pending in the Executive Offices for more than six months for which D.O. reminders have been issued to the heads of Departments every month.
- 4) Pending in the Executive Offices for one month or more.

## **5.6 ISSUE OF INSPECTION REPORTS**

**(a)** The IRs should be issued within one month from the date of completion of the local audit. The period of one month for issue of IR from the date of completion of audit has to be computed as under:

- i) 5 (five) working days for the receipt of the draft report from the Audit Party (the draft report is expected to be discussed with the officer-in-charge before the closing days of inspection).
- ii) 5 (five) working days for the section to submit the report.
- iii) 4 (four) working days for the Branch officers to pass the report.

- iv) 10 (ten) working days for typing and issue of the report. Total 24 days (say one month)  
*(HQs Circular No. 19-TAI/83 dated 16.7.83)*
- v) The HQs. office, further desired to reduce the period of one month to less than 3 weeks by strict monitoring of this work at the level of Group Officer.

*[Letter No. 282-Audit-II/83-83 dated 19.02.86 reiterated vide Circular No. 2 (letter No. 135-Inspn./59-88) dated 12/1998]*

- (b) When owing to pressure of work or other reasons, delay beyond the prescribed period is apprehended in any case, the matter should be brought to the notice of the Group Officer for his orders.

(c)(i) The IR on the accounts of the G&SS Offices under the State Government should be sent simultaneously to the Head of the office inspected, next superior officer(s), the Head of the Department. IRs will not ordinarily be sent to the Finance Department of the State Government, but when an embezzlement is detected or inferred from any suspicious circumstances or any serious financial irregularity is discovered, the IR containing such information should be sent to the Finance Department also, and the attention of both the Finance and Administrative Departments to be drawn in the forwarding Memorandum to the relevant paragraph of the report so that they may deal with them as expeditiously as possible.

*(HQs Circular Letter No. 2205 Admn.11/608-Admn.1/58 dated 11-9-1959)*

- (ii) Draft IR in respect of the audit of the **High Court establishment**, containing paragraphs on personal claims of **High Court Judges** to be sent to the Headquarters office (Director, RS) for vetting and clearance for issue. In no case the IR containing paragraphs on personal claims of High Court Judges to be issued without prior approval/ clearance of the Headquarters office.

*(HQs Confidential letter No. 745 Rep(s) Audit Plan/38-98 dt. 29.6.98 and No. 807-Rep(s)/324-2003 dated 6.7.2005)*

- (iii) IRs in respect of audit of **High Court establishment** either sent to the HQs office as Draft for approval/clearance for issue or issued to the Registrar, **High Court** (if not required clearance of the HQs office before issue) to be personally vetted/checked and approved by the Pr. AG, so that un-necessary cross-reference between different offices could be avoided.

- (iv) While forwarding draft IR to HQs office for approval/clearance for issue, it should be ensured that the draft IR was discussed by the Group Officer with the Registrar High Court and the IR was vetted and approved by the Pr. AG personally. A certificate to this effect should be enclosed indicating as to who discussed the draft IR with whom and on what date.

*(HQs Confidential letter No. 276-Rep(s) 1-98-97 dt. 18.2002)*

- (d) The memorandum forwarding the IR to the local office shall state that replies to the different paragraphs of the report should be submitted within three weeks in Broad Sheet form in duplicate through the Superior Officer, if any, to the Head of the Department for transmission by the latter with his remarks to the Pr. AG.

*(Paragraph 3 of Govt. of Bengal, Finance Department Memo No. 1405-F dated 7<sup>th</sup> April, 1930)*

Where the office is directly under the administrative control of Government the replies in Broad Sheet form should be submitted to the Pr. AG through the Administrative Department of the Government concerned.

e) Paras involving major financial irregularities, system failure etc. (placed in Part-II-A) should be brought to the notice of the finance Department and copy of the IR indicating the Serial No. of such paras, should be issued to Finance Secretary.

(f) Paras involving serious financial irregularities, system failure etc. having potentiality of making Draft Paras should be brought to the notice of the Group Officer in advance.

*(B.O. No. OA/IC-1/2002-03/18 dated 13.11.2002)*

(g) At the time of issue of Inspection Report it should be ensured that only serious objections having draft para potential or those requiring recovery or regularization or denote a system failure etc. are included in the Inspection Report while other objections should be incorporated in Test Audit Notes. Further a department wise list of outstanding paras of lesser importance is to be prepared and their expeditious settlement ensured by way of holding Audit committee meetings at frequent intervals so that large number of Inspection Report/Paras long outstanding may be avoided.

*(HQs. letter No. 117-Audit Plg/59-96 dated 26.02.98)*

(h) The responsibility for the prompt issue of IRs after those are approved by the Group Officer /Branch Officers rests primarily with the AAO/Supervisor at the headquarters section who should watch their issue. A spare typed copy of every IR should invariably be kept in the file before the report is issued. This should be borne in mind in deciding the number of fair copies to be made.

(i) Comparing of the soft/edited copies of the IR should be done by the Auditor/Sr. Auditor available at the HQ but not attached to any section. A certificate in respect of the compare works should be attached with the compared type copies of the IR as follows:

Name & Designation of the proof reader	Particulars of IR compared (name of the auditee unit & period of audit)	Word/sentence found illegible in manuscript which needs rectification		
		Para no.	Page no.	Sl. no. of line
1	2	3	4	5

“Certified that I/we have compared the typed copy of the above mentioned IR with the manuscript minutely and words/sentences as mentioned in Col.3 are found illegible to me/us which need rectification.

I recommend/ do not recommend re-typing”.

**Signature of the proof reader**

(j) The fair copies of the IR to be issued to the concerned Administrative Department or Head of the Office inspected, after scrutiny and editing in the headquarters Section should be formally signed by the Group Officer or Branch officer at headquarters, as the case may be.

*(HQs Letter No. 76-Tech. Admn.I/385-65 dated 14-01-1966 and Secret D.O. No. 418-Admn.1/166- 557 dated 09-02-1959)*

## **5.7 PROCEDURE FOR DESPATCHING INSPECTION REPORTS**

The passed IRs are to be numbered in Outward Diary Register of IRs and issued through Record Section.

## **5.8 EDITING OF INSPECTION REPORTS**

(a) Sr. AOs/AOs supervising the local audit/inspection are to draft the IR themselves. Since, scrutiny and vetting of these IRs at GSS-I Headquarters by another Sr. AO/AO may lessen their initiative and responsibility in careful drafting as well as proper submission of the reports, these reports should be vetted by Group Officer with the assistance of Vetting Cell.

Branch officer at headquarters should be entrusted with the work of vetting the reports of local audits/inspections conducted by the AAO/Supervisor and finalizing and issuing at their levels unless there are important points to be brought to the notice of the Group Officer.

*(HQs letter No. 76-Tech-Admn.1/385-65 dated 14-01-1966)*

(b) In order to effect a distinct improvement in the quality and promptness of the issue of the IRs, the CAG of India has desired that these reports should be subjected to a systematic scrutiny by experienced AAOs. These additional AAOs should be entrusted with the responsibilities of going through all IRs received in the headquarters of GSS-I Wing from the field parties, examining the correctness and completeness of the objections raised and suggesting whether any further materials should be collected in the matter. The scrutiny should particularly be done in case of paragraphs in IRs which may result in mention of the cases in the Audit Report. These AAOs should also be entrusted with the responsibility of briefing the Inspection parties on the important points in the previous IRs which need further scrutiny. Needless to say that the AAO to be posted for this work should be persons with considerable experience in the field.

*(HQs D.O. letter No. 273-TA-I/41-78 dated 13-4-1978)*

(c) One AAO (post created during September 1970) is to assist the Group Officer in vetting the IRs and should be entrusted with the following specific duties.

(1) To scrutinize the draft IRs from the Title Sheets to the Appendices and to point out any omissions and commissions. To see that all the information against the respective serial numbers have been duly furnished in the Title Sheets by the Inspecting AAO/ Supervising Sr. A.O/AO in the portion marked to each.

(2) To see that the Title Sheet is signed with date by both the Inspecting AAO, when a partial inspection is conducted by a party having two AAOs.

(3) To see particularly that the file of the draft IRs contains all the documents/enclosures as mentioned in **paragraph 5.4** of this manual and the title sheet has been duly filled in containing all the information.

(4) To see that full addresses of the offices locally audited are indicated on the forwarding memo.

(5) To see whether the report was discussed by the Inspecting Supervising Officer or by the Inspecting AAO in the absence of Supervising Officer. If a particular report appears to have not been discussed by the Supervising Officers, but by the Inspecting AAO, the reason should be enquired into and the programme of the Sr. A.O/AO concerned should be verified to see whether there was actual supervision on the date of closing the audit and/or instruction contained in the **paragraph 5.3** of this Manual is strictly followed.

- (6) a) To see that there is a separate report on the G. P. Fund Accounts of Group 'D' Staff in each case.
- b) To see whether the GPF account of Gr. D staff has been checked by the party and suitable comments have been incorporated in IR paragraph/Audit Note Book, if necessary.
- (7) To see that the Audit Note Book has been properly written by the Inspecting AAO and the Sr. Auditors/Auditors in each case and the same duly countersigned by the supervising Sr. AO/AO. Also, to see that the Audit Note Book contains a list of Service Books checked by the party. The list will act as a guide to the subsequent audit party.
- (8) Paragraph 2 (Position of outstanding IRs) of the IR should be carefully examined to see that it has been properly drafted to indicate the actual position. The position shown may be verified with reference to the relevant register of IRs.
- (9) To verify the facts indicated in the IR.
- (10) To verify the Rules, Orders etc. quoted in the IRs.
- (11) Where a paragraph in an IR is unusually lengthy, it should be suitably briefed. Objections on minor matters may be dropped or included in Test Audit Note. Where there are repetitions of objections in the same IRs, they should be suitably consolidated in a single paragraph.
- (12) To examine very carefully all those paragraphs in an IR which have been recommended by the Supervising Officer for consideration of the Audit Report. Orders of Group Officer should be obtained at this stage as to whether the paragraphs recommended for inclusion in the Register of financial irregularities are suitable for the purpose and are to be marked for inclusion in that register. An IR should not be issued unless and until the paragraphs marked for inclusion in the said Register have been noted in that register in order that points may further be pursued with the Government for eventual inclusion in the Audit Report. It should be seen that no important information is wanting, that the money-value of the objection raised is given and the paragraph is duly supported by audit queries with replies of the local office and relevant Audit Evidences.
- (13) To help the headquarters section in bringing out a consolidated position in respect of a particular objection pointed out in a number of IRs.
- (14) After examination of each draft IR, the AAO vetting the IR should submit the same together with his observations thereon to Group Officer and obtain his orders. The orders of the Group Officer should be communicated to the Inspecting AAOs and the Supervising Officers.
- (15) To expedite disposal of draft IRs, AAO vetting the IRs may correspond with the Inspecting AAO /Supervising Sr. A.O/AO directly on routine matters.
- (16) A progress Register should be maintained showing therein the number of IRs examined during a week. The Register should also show the number of draft IRs pending at the end of the week. The Register should be submitted to the Group Officer on every Monday.
- (17) Besides, draft IR of important nature, for which supervision could not be provided due to non-availability of Supervising Officers at particular station at the particular time, may be examined. Such unsupervised IR may be approved by the Branch Officer of GSS-I wing.

(18) While vetting/editing the IR, para relating to suspected fraud, malafide and corruption warranting vigilance investigation, if any, is identified, the matter may be brought to the notice of the Group Officer for taking up necessary action as detailed in **paragraph 6.1.6** of this manual.

### **5.9 AUDIT CONDUCTED ON BEHALF OF OTHER PRINCIPAL ACCOUNTANTS GENERAL/ACCOUNTANTS GENERAL**

(a) In the case of local audit of Government Departments conducted by Sr. AOs/AOs acting as agents on behalf of other Pr. AG/AG (Main Audit Officers), the Sr. AO/AO acting as agent after conducting the local audit entrusted to him should forward the audit report and audit comments, etc. to the Main Audit Officer and the latter will issue the report and pursue the same. This procedure would not be applicable in cases where a different procedure has been specifically authorized.

*(HQs Letter No. 1836-Admn I/Admn III-138/62 dated 28<sup>th</sup> July, 1962)*

(b) Copies of the IRs/Preliminary Objection Memos in respect of offices/units which are inspected by this office on behalf of other Pr. AG/AG may invariably be retained in this office.

*(HQs letter No. 1463-TAI/149-80 dated 4<sup>th</sup> December, 1980)*

### **5.10 AUDIT NOTE BOOKS**

(a) Every AAOs/Supervisors, Sr. Auditor and Auditor, excepting clerks employed on purely routine duties such as diarizing, referencing, despatching etc., should maintain a note book in which he should keep a record of the points he has to watch but which are not required to be noted in any one of the prescribed registers.

(b) A separate note book should be kept for each unit of audit. The quantum and frequency of audit, the items checked in course of audit and all important information, rules and orders in respect of a particular unit of audit should be recorded therein. The Note Book should be submitted to the Supervising Sr. AO/AO, if any, for check and signature and forwarded to the headquarters along with the draft IR for submission to the Group Officer.

*(HQs letter No. 3010 Admn I/463-60 dated 22<sup>nd</sup> January 1962)*

### **5.11 REPLY TO THE IR-IN BROAD SHEET FORM**

(a) Within three weeks of the receipt of an IR, the Head of the Office concerned will as directed in the memorandum forwarding the IR, furnish his replies etc. in Broad Sheet form in duplicate through his Superior Officer (if any) to the Head of the Department. The Head of the Department will transmit such replies with his own comments or orders in the duplicate Broad Sheets to this office within two months from the date of receipt of the local officer's explanations in the Broad Sheet forms.

*(Government of Bengal, Finance Department Memo No. 1405-F, dated the 7<sup>th</sup> April, 1930, No. 7107-F dated 22-11-1933 and No. 4077-F dated 30-4-1938)*

(b) Unusual delay in submitting Broad Sheet replies should be taken up by the Sr. Auditor/Auditor maintaining the progress Register and brought to the notice of the next higher authorities.

(c) Comments of the Head of the Department on various points raised in an IR of his own office should likewise for the sake of quick disposals, be sent to this office for further remarks before submission to Government.



### **5.12 PROCEDURE FOR PREPARING REPLIES IN BROADSHEET FORM**

Replies and Comments in the Broad Sheet form should be furnished according to the procedure explained below:

Each paragraph or sub-paragraph on an item of an IR should be pasted at the top of a separate sheet of foolscap paper.

The different officers should then record there-under their replies and remarks seriatim attaching as many sheets as may be necessary to dispose of each paragraph or sub-paragraph or item thereof. Such remarks below each paragraph will follow in the order and under the headings shown below:

- 1) Replies of the Head of the Office.
- 2) Remarks of the Superior Officer (if any).
- 3) Orders of the Head of the Department.
- 4) Dy. AG's final remarks.
- 5) Orders of the Government on those paragraphs only which are reported to Government.

**Note :** The Deputy Director of Health Services (Accounts Audit and Verification), West Bengal has been authorized by Government to sign the Broad Sheet replies to IRs for the Director of Health Services, West Bengal, except where a particular paragraph of an audit report is considered to be so important as to require the personal attention of the Head of the Department in which case the Broad Sheet replies in such paragraphs should be signed by the Director of Health Services, West Bengal himself.

*(Government of West Bengal, Medl. & P.H.D. Letter No. Medl. 1438/DHS/TA-30/49 dated 02-6-1950)*

### **5.13 DISPOSAL OF REPLIES TO THE IRs**

(a) On receipt of the replies to the IR from the Head of the Office and the comments of the Head of the Department thereon, the Headquarters Office of GSS-I wing, will dispose of points not requiring the attention of the Government and return one copy to the Head of the Department with further remarks of Group Officer. Necessary remarks in the Broad Sheet, should be indicated in the letter with which the Broad Sheet is returned to the Head of the Department as regards to the particular paragraphs of the IR which could not be finally settled in the light of the replies in the Broad Sheet from of the local office and on which further explanation or action is called for.

(b) Copy of such letter should also be forwarded to the Administrative Department of the Government. The office copy of the Broad Sheet should be filed with the IR.

(c) Any item of important financial irregularity noticed during the course of disposal of the IR should at once be noted in the Register of Financial Irregularities under orders of the Group Officer so that the same may be considered for being developed to the stage of draft paragraph for incorporation in the Audit Report.

(d) The time limit for disposing the replies to an IR is three weeks from the time of receipt of the Broad Sheet in this office.

(e) Outstanding Paragraph of the IR which could not be settled from the replies in the Broad Sheet are to be settled through correspondence or by other means as indicated in **paragraph 4.29** of this manual.

(f) The Finance Department of the Government should be informed of the final disposal of paragraphs of IRs which have been brought to its notice.

(g) In the matter of disposal of the IRs it sometimes happens that the replies of the Departmental Officers to some of the paragraphs cannot be accepted forthwith but have to be kept pending until further examination with reference to the local records. While dealing with such cases in Headquarters the dealing Auditor should under orders of the Group Officer note against the relevant paragraphs the remarks 'Next Audit to see' and should invariably enter them in the Audit Note Book so that they may not escape notice at the time of subsequent inspection.

#### **5.14 SCRUTINY OF ORDERS OF GOVERNMENT TO FORGO RECOVERY**

All orders issued by Government or any lower authority, forgoing or waiving recovery of amounts or writing off losses or deficiencies in cash or store mentioned in IR with the remarks of this wing, should be scrutinized in the light of the rules, the powers delegated etc. and such orders should be accepted in audit by the Sr. AO/AO in-Charge. Orders which cannot be accepted owing to certain information being not forthcoming or which require further correspondence, should be recorded in the relevant audit note book so that the same may be verified by the inspecting party in subsequent audit.

*(AG's Order dated 16-4-1987 in file OA-I/RM/PD of REC/46)*

#### **5.15 FILING OF INSPECTION REPORTS**

IRs should be preserved according to the following scale: -

Reports of Offices - Annual item for inspection	5 Years
Others	10 Years

When finally disposed of, these reports should, therefore, be marked for destruction accordingly.

Further, the old IRs may be preserved for a period of one year after the objections are settled finally.

*(AG's Order dated 16-4-1987 in file OA-I/RM/PD of REC/46)*

#### **5.16 REMINDERS FOR BROAD SHEET REPLIES**

(a) The following procedure should be adopted for issuing reminders in the case of non-receipt of Broad Sheet replies to IRs:

- 1) First reminder                      After three months from the date of issue of the Inspection Report.
- 2) Second reminder                    After four months from the date of issue of the Inspection Report with a copy to the Head of the Department.
- 3) Third reminder                      Demi-officially after five months from the date of issue of the IR, to the Head of the Department with a copy to Government. Thereafter, demi-official reminders at intervals of one month.
- 4) Delays over six months should be reported to Government demi-officially.

(b) The following procedure should be adopted for issuing reminders in case of non-receipt of replies to further comments of audit:

- 1) First reminder After one month from the date of issue of further comments.
- 2) Second reminder After two months from the date of issue of further remarks.
- 3) Third reminder Demi-officially after four months from the date of issue of further remarks to the Head of the Department.
- 4) Demi-official reminders should be issued at intervals of one month. Delays over six months should be reported to Government demi-officially.

### **5.17 AUDIT COMMITTEES**

For prompt settlement of outstanding IRs (for more than three years old) discussions should be held periodically across the table among senior officers of the concerned Administrative Department, the Finance Department and a representative of the Office of the Pr. AG. For this purpose, meetings of the Audit Committees consisting of the Secretary of the Administrative Department concerned, a senior officer of the concerned Group of the Finance Department not below the rank of Joint Secretary and Sr. Dy. Accountant General/Dy. Accountant General (GSS-I) of the Office of the Pr. AG should be convened by the Administrative Department concerned at least once in three months.

On receipt of intimation of the dates of meetings, an up-to-date list of outstanding objections pointing out the cases whether first replies have not been received is to be sent to the concerned department.

Based on the outstanding list, the department is to be requested to insist upon the Directorates/District Offices by fixing a target date by which they should submit replies to the observations to audit after taking remedial measures. The Broad Sheet replies so received should be checked in the concerned section of the GSS-I wing and action taken for settlement or otherwise should be reported to the Government. Paragraphs of IRs where replies were not satisfactory for settlement should be discussed in the next meeting across the table and considering the merit and opinion of the Department, action should be taken to drop the paragraphs or to pursue further as considered necessary.

Concerned section of the GSS-I wing should keep a close watch to ensure that Audit Committee meetings of each of the Departments are convened at least once in three months.

**(Copy of the Shri S. V. Krishnan, Chief Secretary, Government of West Bengal D.O. No. 3114 (33) F.B. dated 12-8-1985 to the Secretaries of all Departments endorsed to the Accountant General II, West Bengal under No. 3114/1 (1) F.B. dated 12-8-1985)**

# **CHAPTER-VI**

## **MATERIALS FOR THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

*(Page no. 96 to 107)*

**CHAPTER-VI**  
**MATERIALS FOR THE REPORT OF THE COMPTROLLER AND**  
**AUDITOR GENERAL OF INDIA**

**6.1 GENERAL**

(a) In terms of Article 151 (2) of the Constitution, the C&AG of India shall submit a report termed as Audit Report relating to the accounts of the State Government, to the Governor of the respective State who shall cause them to be laid before the State Legislature. The Audit Report enables the Legislature as well as the general people to be aware of the State's financial position, irregularities, extravagant and wasteful expenditure of public money and also to evaluate the regularity and propriety of the Government expenditure. Thus, the Audit Report is not only important instrument in ensuring accountability of the executive to the Legislature in the matters concerning financial management but also indicates the quality of work, knowledge and efficiency of the Audit organization. It is, therefore, most important that cases of serious financial irregularities, appreciable loss/extravagant/wasteful/ nugatory expenditure of public money owing to negligence or injudicious decision of the executive or failure of the Government to implement the social/rural development programme/scheme etc., which merit for inclusion in the report should be segregated right from the time it come to notice of audit and their processing started forthwith and completed in the minimum time.

(b) GSS-I wing is required to furnish the under mentioned materials for inclusion in the Audit Report to the Report Section on the due dates prescribed by that Section from time to time.

- i) Observation on Comprehensive review of schemes and programme, implemented/launched by the State/Central Government;
- ii) Important points/irregularities noticed during Local Audit of different Department/Directorate or its subordinate offices of the State Government and non-commercial autonomous bodies/ authorities/ institutions etc;
- iii) Appropriation audit and control of expenditure;
- iv) Lack of Cash management/Cash control;
- v) Defalcation/misappropriation/fraud;
- vi) Cases of fraud and corruption warranting vigilance investigation;
- vii) Concrete case of drawal of fund in advance or in excess of requirement;
- viii) Review of Stores & Stock Accounts;
- ix) Non-submission of Proforma Accounts;
- x) Important cases of Loss and write off of Government dues and of wasteful or nugatory expenditure;
- xi) Lack of responsiveness of Government on Inspection Reports;
- xii) Internal Control System of Selected Department;

**(Paragraph 7.3.2 of MSO (Audit) & Old Manual)**

### **6.1.1 Observation on Comprehensive reviews of schemes and programme, implemented/ launched by the State/Central Government.**

In addition to the normal expenditure audit including scrutiny of individual transactions in order to detect cases of improper, extravagant, wasteful or uneconomical expenditure, Voucher Level Computerisation audit/Efficiency-cum-Performance audit is also conducted with a view to examining how far the agency or authority whose transactions are under audit is adequately discharging its financial responsibilities in implementation of the schemes/programme undertaken by it.

Important findings are brought to the notice of the Legislature in the shape of reviews incorporated in the Audit Report. After the approval of the review by the Group Officer and Pr. AG, a copy of it is sent to Report Section for incorporation in the Audit Report.

**Note:** *Review of scheme/programme should be conducted pertaining to the period of five years, if otherwise not directed by the C&AG office.*

### **6.1.2 Important points/irregularities noticed during Local Audit of different Department/ Directorate or its subordinate offices of the State Government and Non-Commercial Autonomous Bodies/Authorities Institutions etc.**

(a) Cases of appreciable loss, extravagant/wasteful/nugatory expenditure of public money, unauthorized payment, drawal or parking of fund, misuse of Government property, fraud, embezzlement, failure of the Government to implement the social/rural development programme/scheme or any other interesting cases of financial irregularities occurred owing to negligence or injudicious decision of the Government detected/noticed during local audit of different Government Departments/Directorates should find place in the Audit Report.

(b) Serious irregularities and lapses noticed in the accounts of bodies/authorities and sanctioning authorities audit of which is conducted under Sections 14, 15, 19 and 20 of the C&AG's (DPC) Act, 1971 have to be grouped section-wise after drafting paragraphs with details of grant/loan received, expenditure incurred, the Section of the Act under which the Audit was undertaken etc. for incorporation in the Audit Report.

(c) Review of the accounts of the Co-operative Societies, wherein Government have made substantial investments in the form of share capital, loan, grant etc. may be conducted annually. The office of the Registrar of Co-operative Societies and allied offices may be visited for the purpose. Pr. AG may include appropriate comments in the Audit Report as a result of scrutiny of these records in the offices of the sanctioning authorities. Necessary action for such examination may be undertaken and the feasibility of reporting results of such examinations given due consideration. The relevant materials in this regard (including the statistical information on such investments in Co-operative societies) may be proposed for inclusion in the Chapter on 'Financial Assistance to Local Bodies'.

**(HQs. letter No. I245-TAI/25-74, Vol-I dated 29-12-75)**

### **6.1.3 Appropriation audit and control of expenditure:**

Important comments arising as a result of appropriation audit and from a study of the Appropriation Account would find place in the Audit Report under Chapter II. When

possible, comments on physical progress of project/schemes/programme in relation to the targets and actual expenditure may be included in the report. Any other points establishing linkage between the budget and accounts in terms of policies and their effect may also be commented upon. **[Annexure 1 of paragraph 7.3.8 of C& AG's MSO (Audit)]**

### **6.1.4 Lack of Cash management/Cash control:**

Cases of unauthorized expenditure incurred by the auditee unit from the un-disbursed liquid cash, retention of Government revenue instead of depositing to the Government account and incurring expenditure there from, failure on the part of the management in proper maintenance of the cash book which could lead to fraud, defalcation/ embezzlement of cash may be incorporated in the Audit Report either individually or in consolidated manner.

### **6.1.5 Defalcation/misappropriation/fraud:**

Cases of defalcation, misappropriation, fraud etc. which are detected by the field parties during the course of local audit or Special Audit on the basis of reports on such matters received from the Heads of Offices/ Departments/ Finance Department should be entered in the "Register of Defalcations, Misappropriations, Fraud" etc. with the approval of the Group Officer. Cases which appear glaring and considered fit for inclusion in the Audit Report should be processed in details and developed into individual or consolidated (i.e. clubbing of similar cases into one) draft paragraphs and submitted to the Group Officer for approval. A synoptic statement of up to date outstanding cases of defalcations, misappropriations, frauds, etc. detected in local audit should be prepared from this register for transmission to Report Section for inclusion in the Audit Report. All subsequent developments on such cases of defalcations, misappropriations, fraud etc. should also be mentioned in the statement. Final settlement of the cases should be watched through this register. The cases which have been finally incorporated in the Audit Report as individual or consolidated paragraphs should not be cleared from the Register until the cases are finally settled though the same may be deleted from the IR. Suspected cases of defalcations, etc. may not be entered in the Register of Financial Irregularities. The Register should be submitted to the Group Officer on the 7<sup>th</sup> of each month indicating the latest action taken on each case.

**Note:** *According to the recommendations of the State Public Accounts Committee, an enquiry should in every case of fraud be specifically made by the Head of the Department as to whether the question of prosecuting the guilty person was considered. The result of the enquiry should be embodied, if necessary, in the draft paragraph prepared for the Report of the C&AG for the information of the Public Accounts Committee.*

### **6.1.6 Cases of fraud, malafide and corruption warranting Vigilance Investigation:**

While approving the IRs, the Group Officer may identify the cases of suspected fraud, malafide and corruptions warranting vigilance investigation and submit to the Pr. AG alongwith an extract of the IR para. The Pr. AG on examining the case may take up the matter with the

Administrative Secretaries of the Department demi-officially highlighting the need of making vigilance investigation under intimation to the ADAI. Meanwhile, the matter may be proposed for in the Audit Report and the fact of having intimated the State Government for taking urgent action on the matter may also be mentioned in the Audit Para.

(HQs. Confidential D.O. No. 1149-Reo(S)/187-2003 dated 28.8.2003)

### 6.1.7 Concrete case of drawal of fund in advance or in excess of requirement

(a) A paragraph showing cases of drawal of funds in advance of requirements detected during the course of local inspection should be prepared by Headquarters for inclusion in the Report of the C&AG. As soon as a case of drawal of fund in advance of requirement is noticed from an IR, the details of the same should be entered serially in a Register namely “Register showing cases of drawals of funds in advance of requirements” in the pro-forma given below:

Sl. No.	Department	Designation of the Drawing Officer	IR Para reference	G.O. No. date and amount sanctioned	No. and date of Bill	Date of encashment
1	2	3	4	5	6	7

Amount drawn	Purpose	Reasons for drawal in advance of requirement	Reasons for remaining un-disbursed	Explanation of the Head of the Deptt./ Government	Dates of disbursement	Amounts disbursed
1	2	3	4	5	6	7

(b) The matter should immediately be taken up with the Head of the Department/Government and pursued vigorously and intelligently. If the explanations given by the Head of the Department/Government are not satisfactory and if the entire amount or a substantial part of it is lying unspent for a considerable period, a paragraph on such amount should be processed for inclusion in the Audit Report. The Register would be submitted to the concerned Branch Officer on the first day of each month, to the Group Officer on the 1<sup>st</sup> day of January, April, July and October and to the Pr. AG on the 1<sup>st</sup> day of January and October.

### 6.1.8 Review of Stores & Stock Accounts:

(a) The C&AG shall have authority to audit and report on the accounts of stores and stock kept in any office or department of the State Government. A synoptic paragraph on the Stores and Stock Accounts maintained by the departmental offices together with the points of observations noticed in the audit of Store and Stock as envisaged in **paragraph 7.8** of this manual is to be included in the Audit Report.

(b) The stores and stock accounts of the following Departments are required to be submitted to audit by the 5<sup>th</sup> September each year:



Sl. No.	Departments	Details of Accounts	
1	School Education	i)	Scheme for supply of text books
2	Health and Family Welfare	i)	Consolidated stores account of Principal, State Hospitals
		ii)	Central Medical Stores
		iii)	Infectious Diseases Hospital
		iv)	Central Family Welfare Store, State Family Welfare Bureau, Directorate of Health Services
		v)	Central medical Stores of Employees State Insurance (Medical Benefit)
3	Correctional Home	i)	Jail Depot, Calcutta
		ii)	Alipore Central Jail Press
		iii)	Consolidated stores account of Presidency and Central Jails
4	Information and Cultural Affairs	i)	Consolidated stores accounts (other than Distribution Section)

(c) The GSS-I Wing may, therefore, call for the Stores Accounts of the above institutions by the 31<sup>st</sup> May each year from the respective department in consolidated form duly certified to its correctness, mentioning the name of the officer conducted the physical verification and indicating that the balances are not in excess of requirement, and reasons for holding excess stock, if any. A synoptic statement should be prepared in the following form with explanatory notes and comments regarding stores verification, action taken for adjustment of shortages and excess, if any, unnecessary accumulation of stock, unserviceable stores, etc. The draft report together with the statement duly approved by the Group Officer should be forwarded to the Report section for scrutiny and approval of the Pr. AG for incorporation in the Audit Report.

Sl. No.	Department	Description	In Rupees (₹)				
			Opening Balance	Receipts	Issues	Closing Balance	Value
1	2	3	4	5	6	7	8

**Note 1:** *The Store Accounts should bear the signature and designation of the officer in immediate charge of the stores and also of the Accountant responsible for the preparation of the accounts. The inspection party should see that the above provision has been satisfied when checking the Store accounts.*

**Note 2:** *Where there is a definite policy of writing down the values of stores by depreciation, such depreciation should be shown as an item in the stores accounts as per the rate prescribed by the Government. Where there is no such policy, only actual write-off of surplus and unserviceable or lost stores should be shown, or losses on revaluation.*

**Note 3:** *The Group Officer will furnish audit certificates on all the store accounts so supplied. If the accounts have not come under local audit, the fact should be stated on the face of the accounts and the audit certificates suitably modified. In such cases, the accounts should be checked in subsequent local audit and the results reported in the next Report of the C&AG.*

### 6.1.9 Proforma Accounts

The operation of some departments of Government includes undertakings of a quasi-commercial character. Even though these are maintained almost entirely for the benefit of the department, it is necessary that the financial results of the undertaking may be known and kept on a proforma basis. Serious delays in preparation or non-preparation of Proforma accounts and important conclusions based on the records made available to audit during local inspections of the offices should be mentioned in the Audit Report.

**(Ref. Chapter 49 of section VI of Commercial Audit Manual Pt. II)**

Draft paragraph on wanting Proforma Accounts incorporating the position as on the 31<sup>st</sup> August should be prepared by the 10<sup>th</sup> September or by the date fixed by the Pr. AG.

### 6.1.10 Important cases of Loss, write off and remission of Government: Dues/Revenue

A statement of the number of cases relating to remission and write off of Government dues and revenue and the amount involved should be prepared indicating the broad reasons for the write-off or waiver and action for realization or institution of certificate cases before writing off or waiver. The cases may be categorized as follows:

- a) Whereabouts of defaulter not known;
- b) Defaulter did not own any property;
- c) Defaulter declared insolvent;
- d) Records not traceable;

Departmental files relating to cases involving large amount should be examined and serious irregularities, if any, brought out for incorporation in report.

**[Ref. Paragraph 7.3.21 (viii) of MSO (Audit)]**

### 6.1.11 Lack of responsiveness of Government on IRs:

Pr. AG arranges periodical inspection of Government departments to conduct test check of the transaction and verify the maintenance of important accounts and other records as per prescribed rules and procedure. Important irregularities, detected during inspection, if not settled on the spot, find place in the IR which are issued to the head of offices inspected with a copy to the next higher authorities. Government of West Bengal, Finance Department order No. 5703 (72)/FB dated 29.8/72 provides for prompt response by the Executive to the IRs to ensure rectificatory action in compliance of the prescribed Rules and Procedure and secure accountability for the deficiencies, lapses etc., noticed during audit. The head of offices and next higher authorities require rectification of the defects and omission promptly and report their compliances to Pr. AG. A half yearly report is sent to Principal Secretary/Secretary of the Department in respect of pending IRs/ Paragraphs to facilitate monitoring of the audit observations in the pending IRs. Non-receipt of replies to the pending IR paragraphs from the Head of the offices as well as from the Head of the Departments indicated their failure to initiate action in regard to the defects, omission and irregularities pointed out in IRs. Such inaction on the part of the executive to initiate action on the audit observation communicated through IRs should find a place in the Audit Report. Accordingly, a statement indicating the Department-wise breaks up as well as total number of IRs & Paragraphs and type of irregularities with money value should be prepared and sent to the report section for incorporation in the Report.

**Audit Report-2002**

### **6.1.12 Internal Control System of Selected Department**

In order to highlight effectiveness as well as interesting features relating to the internal audit and internal control system of the auditee organization the following points, inter-alia, may be mentioned in the Audit Report.

- a) Analysis of the Year-wise objection raised in internal audit, those settled and those outstanding indicating revenue implications.
- b) Serious irregularities noticed in statutory audit in cases initially scrutinized in internal audit.
- c) Department in which machinery for internal control system has not been established.

**[Ref. Paragraph 7.3.21 (xi) of MSO (Audit)]**

### **6.1.13 Other points of interests:**

In addition to above, any serious irregularities on the following points may be incorporated in Audit Report.

- i) Exemption given without any valid rules/regulations.
- ii) Extra-legal concessions or refund of revenue.
- iii) Reduction of revenue demands or waiver of revenue dues etc.

**[Ref. Paragraph 7.3.22 of MSO (Audit)]**

## **6.2 Cases for Incorporation in Audit Report :**

It is difficult to lay down any hard and fast rule in regard to the nature of cases for inclusion in the Audit Report. However, following guidelines/ principles in selection of the cases for incorporation in the Audit Report may be taken into consideration.

**[Ref. Paragraph 7.3.22 (b) of MSO (Audit)]**

### **6.2.1 Cases that may not be considered for inclusion in the report:**

Following types of cases may not be considered for inclusion in the Audit Report:

- i) Very old cases, where it is naturally very difficult to take any effective action or even to reconstruct the facts and circumstances in which the alleged irregularities took place.
- ii) Cases in respect of which Government is taking or has promised to take remedial measures including suitable disciplinary action, where necessary, to prevent recurrence of such irregularities in future.
- iii) Minor cases where malafide or deliberate intentions to circumvent procedure are not involved.
- iv) Cases which are sub-judice, or have been referred to arbitration should not be mentioned in such a way as to prejudice the claim or their defence in the court of law or arbitrator. No useful purpose is served normally by inclusion of such cases in the report.

**Note:** *Cases of habitual and important irregularities against rules and procedure, etc., noticed in the accounts of the various Departments from year to year, the continuance of which is likely to lead to losses, frauds, etc. should, however, be mentioned in the Audit Report.*

### **6.2.2 Cases that may be considered for inclusion in the report:**

Followings are the illustrative list of irregularities that would generally merit inclusion in the Audit Report.

- i) Any negligence or manipulation in accounts and fraud in a monetary transaction or in the disposal of stores, etc.
- ii) Any appreciable loss of Government money or property.
- iii) Any serious irregularity connected with a contract or heavy purchase.
- iv) Any extraordinarily infructuous or apparently unnecessary expenditure such as:
  - a) Payments made as act of grace,
  - b) Unnecessary payment of demurrage, rent or compensation consequent upon some executive failure,
  - c) Payments of heavy amounts due to failure to enforce contractual terms and agreement,
  - d) Irrecoverable advance etc.
- v) Large claim which is outstanding for a long time from foreign Government, Local bodies or outside parties.
- vi) Unsatisfactory working of a Government Scheme.
- vii) Absence of administrative regulation or procedure to secure a proper and effective check upon monetary transactions.
- viii) Any irregularity connected with grant-in-aid, such as, neglect (a) by the sanctioning authority, of the conditions precedent to the grant (b) by the grantee of the conditions attached to the grant by the sanctioning authority.
- ix) Any important irregularity in the realization of revenue.
- x) Sanction to write-off of an item of avoidable expenditure.
- xi) Uneconomical/wasteful expenditure attributable to (a) execution of a scheme without investigation of its utility/feasibility, (b) Unsatisfactory execution of work without any plan estimate, requirement and by the agency lacking required infrastructure.
- xii) Any irregularity in connection with the withdrawal and disbursement of money designed to bring about a closure accord between expenditure and allotment.
- xiii) Inadequacy of rules or absence of administrative regulations sufficient to secure a proper and effective check-up on monetary transaction.

**Note 1: In reporting cases of financial irregularities, the actual amount involved should invariably be stated, as far as possible.**

**Note 2: Individual cases of irregularity should be mentioned in the Audit Report only when they are really important as involving any serious transgression of rules or orders leading or likely to lead, to loss of public money or serious breaches of audit procedure or safeguards. Petty cases should not ordinarily be reported unless they reveal any serious defect in rules or system. If there are a number of cases of financial irregularities of the same nature occurring in the same department not exceeding the money limit fixed from time to time,**

**which may produce an appreciable cumulative effect, they may be mentioned in a single paragraph of the Report.**

**Note 3: The State Public Accounts Committee desire that all cases of financial irregularities, however, small the sum involved, which entail a question of principle, should be mentioned in the Audit Report. Orders of the PAG should be obtained before preparing draft paragraphs on any such case for the Report.**

**Note 4: When a case predominantly administrative or technical in character is thought to be of sufficient importance, require mentioning in the Audit Report, a paragraph may be drafted after discussion with the administrative department of Government classifying the issues and eliminating the point of controversy as far as possible.**

**Note 5: Though the Report of the CAG will deal with transactions brought to account up to the end of the financial year to which the accounts relate, it will be permissible to include in the Report for a particular year, rare cases of exceptional importance which ought to be brought to notice urgently, even though they may relate to a later year. The latest information received in a later year may also be included in a case belonging to the earlier year of accounts.**

### **6.3 METHODS OF DRAFTING DRAFT PARAGRAPH/REPORT**

In drafting a Draft paragraph and review Report for inclusion in the Audit Report of CAG, following principles should be observed:

- i) The drafting of paragraph/report should be well, lucid, accurate and brief without compromising on essential details. The language used should be capable of being easily understood and use of parentheses should, generally, be avoided.
- ii) It is essential that a detached, dispassionate and an objective attitude is maintained and that expressions suggestive of a political opinion or bias are avoided.
- iii) It should be ensured that the facts are mentioned in the report after careful verification.
- iv) Audit paragraph should clearly focus wrong decisions taken by Government officials leading to loss to the Government.
- v) As the Audit Reports are intended for Parliamentarians, Legislators, the press and the people, the language used should be intelligible to an ordinary citizen, so that a person not versed in the intricacies of accounts and audit may be able to understand the financial implications without having to wade through a mass of statistical data or factual narration.
- vi) Accuracy, brevity, clarity and purposeful focus should be indicated in the reports. The Audit findings should be significant. Efforts should be made to reduce the use of passive voice and complex sentences, and to avoid verbosity, parenthetical clauses, foreign phrases, scientific and jargon words and inclusion of information extraneous to the comments and strictly not relevant. The thrust of the paragraphs and reviews should come out clearly. Inclusion of statistical data those are not quite relevant and not necessary for a clear presentation of the issues should be avoided.
- vii) If a table is included in a review/paragraph, it should be followed by a clear analysis of the information contained therein.
- viii) Technical expressions, clichés and slang should be avoided; if, however, their use is unavoidable, they should be adequately explained. Dates should be mentioned when necessary

for a clear presentation of the case and where the time sequence is relevant to the effectiveness of audit comments.

- ix) In dealing with cases of irregular, excessive or wasteful expenditure and losses, efforts should be made to quantify their extent.
- x) Draft Paragraphs and, more particularly, reviews should be supported, where desirable, by graphs, charts, photographs, diagrams, sketches, etc. in order to improve the visual impact. It should, however, be kept in view that clearances may be necessary from the authorities concerned before maps and other sensitive visuals are printed in the reports.
- xi) In case of reviews the highlights should be in bold letters and the highlight should not contain any point that has not been included in the review. The highlight should be linked with the relevant sub-paragraph.
- xii) Audit Paragraphs included in reports should clearly bring out defects in systems and procedures that led to the irregularity and the remedial or preventive measures, if any, adopted.
- xiii) Care should be taken to avoid asperity in comments. The use of words such as “fraud” or “embezzlement” that denote criminal intent should be avoided unless the criminal act itself has been conclusively established. It would generally be sufficient to use some ordinary word, such as “loss”, in such cases.
- xiv) The names of the departments, organizations and parties concerned with the irregularities, designation of the official(s) and the place of occurrence of the case may be mentioned unless in any case this may not be considered desirable by the Government. However the name(s) of the officials personally responsible for any loss, irregularities should not be mentioned.
- xv) It may also be desirable to maintain some degree of anonymity in reporting cases of misappropriation or loss when departmental action against officials held responsible is already in progress or criminal proceedings have been or are likely to be instituted.
- xvi) There is no objection to names of private firms, including firms of contractors, being mentioned in the Report wherever this is considered desirable to bring out the importance of a case. Such mention will, however, not be made where the facts of the case are, or are likely, to be the subject matter of litigation, arbitration, etc.
- xvii) In drafting comments based on a study of the Finance Accounts, care should be taken to avoid general expressions conveying praise or blame with reference to the standard of financial administration achieved by Government. The Report should also avoid references to estimates and prospects for future years.
- xviii) The audit observations should have been referred to the Ministry/Department concern and if, no reply is received, that should be indicated along-with the number of reminder sent. Instances of receipt of only interim replies should also be suitably mentioned in the respective Reviews/Paragraphs.
- xix) The comments in the Draft Paragraph/Reviews to be supported with key document and the key documents, wherever possible, should be got authenticated from the Department concerned.
- xx) Appropriate currency units should be used. Such as, for amounts more than Rs. 100 lakh, crore should be used. The words lakh and crore should be used as a unit and not in plural.
- xxi) The emphasis should be on quality rather than on quantity and on analysis rather than on mere narration. The thrust of the paragraphs and reviews should come out clearly.

**[Ref. PD (RS) Letter no. 387-Rep(s) dt, 31.3.97 and Chapter 3 of Section 7 of MSO (Audit)]**

xxii) In addition to the above stated methods the instructions contained in “Style Guide” issued by the C & A.G. should be followed.

[Letter No. 70-Audit (AP)/6-2003 dated 16-5-2006]

## **6.4 PROCESSING OF DRAFT PARAGRAPH**

### **6.4.1 PDP Register:**

All important paragraph of the IR relating to financial irregularities or any other matter, if found potential for development into Draft Paragraph either individually or in consolidated form of similar nature of cases depending on money value as prescribed by CAG from time to time (at present Rs. One Crore for each paragraph) should be forwarded to the GSS-I/DP section by the Supervising Officer or by the inspecting AAO/Supervisor or by the concerned sections (GSS-I/IR & GSS-I/AB) along with all the supporting key documents with the approval of the Group Officer . On receipt of the IR paragraph, the GSS-I/DP Section should record the same in the “Register of Financial Irregularities” termed as “Potential Draft Paragraph (PDP) Register”. All information viz. Period of IR, name of the auditee unit, name of the Department, subject matter, name and designation of the personnel responsible for such irregularities, money value, the name and designation of the contributing official etc. should be recorded in the Register. The Register should be reviewed and put up to Group Officer through concerned Branch Officer on 7<sup>th</sup> of each month.

**(HQs’ circular no. 40/Audit Procedure/2004-99 dated 18.10.2002 BO No. A/IC-II/2001-02/3 dt. 29.5.01)**

### **6.4.2 Processing of Draft Paragraph:**

a) The GSS-I/DP section, on examination of the IR Paragraph with the supporting documents, reply of the auditee unit, and comment of the department, if found fit for inclusion in the Report, should process the IR Paragraph for development into a Draft Paragraph and submit to the Group Officer for approval. On approval by the Group Officer it should forward to the Report section with all the relevant key documents, for further action and obtaining approval of the PAG and for forwarding the same to the respective department of the Government and CAG’s office as per the procedure indicated in MSO (Audit).

b) The cases which are neither settled nor found matured for developing into a Draft Paragraph for want of information, Government reply, etc, but considered fit for inclusion in the Report subsequently on further processing, should, with the approval of the Group Officer be retained in the Register indicating there against the latest action taken.

c) The Supervising Officer should when it contains important financial irregularities, draw up himself a Draft Paragraph for inclusion in the Audit Report in accordance with the detailed instructions contained in **paragraphs 6.3** of this manual. He will also arrange key documents thereto showing the designation of the persons responsible for the irregularity mentioned in the Draft Paragraph. The Draft Paragraph and the key documents should be attached to the IR and sent to GSS-I headquarters for further action as indicated in the **paragraph 6.4.2** of this manual.

**6.5 TRANSLATION OF REPORT IN REGIONAL LANGUAGE**

Audit Report in Regional language version was to be prepared for placing in State Legislature to facilitate wider dissemination of Audit Report findings and for the benefit of easy comprehension of the audit view point. The translation of the paras/reviews should be taken in-house. And as the press uses earthy language and expression as aid to easy comprehension of complex issues and facts presented in the report having better readability, the same practice may be emulated for translation in Regional Language

**(CS No. 22 of 2002 of Report Manual)**

**6.6 FURTHER SCRUTINY OF DRAFT PARAGRAPHS**

All the draft paragraphs passed by the PAG should be pursued by Report Section. The GSS-I Wing will hand over the files with copies of relevant paragraphs of the IR, departmental replies to the paragraph, if any, the relevant audit query statements, Government orders thereon, etc., to the Report Section along with the draft para. These files will be retained by Report Section, which will forward the Draft Paragraph to Government for comments. A copy of the Draft Paragraph will simultaneously be sent to the GSS-I Wing. Replies when received will be scrutinized in Report Section in consultation with the GSS-I Wing. The key documents of the Draft Paragraph should be marked 'confidential'. Annotations to the queries on the draft paras made by the CAG will also be prepared by the Report Section, in consultation with the GSS-I Wing, if necessary. Further information, if any required, in connection with any Draft Paragraph or Report on Review of scheme/programme should be collected from the concern auditee unit/department. Officials from GSS-I Wing may be deputed for this purpose.



# **CHAPTER-VII**

## **PRINCIPLES AND PROCESS OF AUDIT OF THE ACCOUNTS OF GENERAL AND SOCIAL SECTOR–I OFFICES**

*(Page no.108 to 260)*

**CHAPTER-VII**  
**PRINCIPLES AND PROCESS OF AUDIT OF THE ACCOUNTS**  
**OF GENERAL AND SOCIAL SECTOR OFFICES**

**7.1 GENERAL INSTRUCTION:**

**7.1.1 The general principles and method of audit:**

The general principles and method of audit of the initial accounts of General and Social Sector offices are set forth in the following paragraphs. They are explanatory of or, supplementary to, the rules and instructions contained in the CAG's MSO (Audit) and other appropriate codes issued by the CAG of India. It must be clearly understood that these instructions represent the minimum that is expected of an intelligent auditor and should never be construed as limiting the auditor's duties.

**7.1.2 Paper clippings:**

Field parties in course of verifying the records should take into consideration the paper clippings as source of information for detailed investigation and not merely for verification of facts.

**(B.O. OA/IC-I/2000-2001/21 dt 28.03.2001)**

**7.1.3 Examination of Accounts:**

**a)** Immediately on taking up of an audit all accounts registers and records i.e. the assessments and collection of receipts, stores, cash, measurement book, muster rolls, vouchers etc., for the entire period covered by audit should be generally inspected and examined with a view to seeing that (1) they are written up to date, complete in all respects and susceptible to audit, (2) they are maintained and checked in accordance with prescribed rules and (3) the writings do not indicate any attempt to tamper with the records or to evade the requirements of rules. The recorded transactions should be surveyed intelligently and if necessary, doubtful and abnormal items examined closely. The general examination should be conducted by the supervising officer or the AAO/Supervisor. Where subsidiary registers of cash and stores accounts are kept, it should be verified that they are properly maintained and the totals and balances are correctly taken over to the main registers.

**b)** In examining the various registers, etc. in general it should be seen that:

- i) the registers under scrutiny are maintained in the prescribed form;
- ii) the registers are page numbered and a certificate of page counting is recorded by a responsible officer on the first page;
- iii) all the columns provided therein are correctly filled in;
- iv) the transactions recorded therein are entered in chronological order;
- v) there is no evidence of tampering with the entries or pages of the registers;
- vi) there are no overwriting, use of erasures etc. and all corrections are made by drawing a line through the erroneous entries and inserting fresh entries under proper attestation by the competent authority;
- vii) each register is kept up to date and contains records showing review made by the competent authority at regular intervals as provided in the rules;
- viii) the recorded transactions should be scrutinized intelligently and abnormal items should be examined closely.

## **7.2 AUDIT OF NON-TAX-RECEIPTS:**

### **7.2.1 Assessment and Accountal of Receipts:**

Non-tax receipts (Departmental receipts) of the Government are generally in the nature of receipts for services rendered or supplies made, issue of licence fees, bed rents and other charges in Hospitals, seat rents in Government Hostels and receipts of miscellaneous nature like, sale proceeds of condemned articles, dead stock, sales proceeds of seeds, water rates realized etc., While auditing such receipts emphasis should be given to proper assessment of dues rather than mere accountal of such receipts. It should, inter-alia, be seen that:

1. the amount collected as services fees, licence fees, etc. are in accordance with the provision of acts and rules framed there under;
2. the procedure prescribed by the government or any other authority specified in the act has been followed ;
3. adequate regulations and procedures have been framed to secure an effective check on the determination of revenue realizable for the services rendered etc., at the rates, if any, prescribed and their collection and the proper allocation of revenue so collected and to see that such regulations and procedures are observed;
4. where any financial rule or orders prescribes the scales and /or periodicity of recoveries, there is no deviation, without proper authority, from such scale or periodicity :
5. a register for recording of all recurring and non-recurring demands is kept in accordance with rules and the collections are watched against those;
6. sums due are regularly recovered and checked against demands ;

**(hqs. circular no.3-letter no.1320-rev-a/8-78 dated 5.3.73).**

7. arrangements for collection are satisfactory and there are no outstanding requiring special attention :
8. payees are invariably granted machine numbered receipt in prescribed form, a proper stock of such receipts is maintained and periodically verified and a certificate of count of receipt forms is recorded in the book over the dated signature of the government officer in charge of the book before a receipt book is issued from stock and brought to use;
9. moneys received are brought to account immediately and ordinarily, there is no undue delay in their remittances to the treasury ;
10. the return of the counter foils of used receipt books is properly watched and the counterfoils are recorded after check to ensure that there was no delay or omission in bringing the receipts to accounts ;
11. there is a system of internal check and the responsibility of conducting the internal checks is entrusted to some responsible official and there is recorded evidence that he exercises these checks;
12. adequate control and monitoring mechanism have been devised to prevent loss or leakage of revenue;
13. the receipts are not directly appropriated for departmental expenditure, except to the extent provided in the rules;

14. the cases pending in courts of law or before appellate authorities have been pursued adequately and appeals wherever justified or considered necessary, have been filed within the period of limitation;
15. any remissions granted are duly supported with the sanctions of the competent authority & there are adequate machinery for detection of cases of evasion;
16. the amount realized on a receipt has been clearly written both in words and figures. any indistinct and doubtful entry, should be viewed with suspicion and further proof regarding the amount actually realized should be demanded from the office inspected;
17. the amount realized as per receipt has been correctly noted in the demand register,
18. the receipt has been duly signed by the head of the office or any other officer sub-ordinate to him, whether gazetted or non-gazetted who has been authorized by the head of the office to sign the receipts on his behalf; and
19. the estimates of revenue have been realized at the end of the financial year.

**[Paragraph 2.3.13 of MSO (Audit)]**

### **7.2.2 Demand Register:**

To watch over the realization of the non-tax revenue the Demand Register maintained by the auditee unit should be examined to see whether the mimes of all persons from whom taxes, fees or other revenue are due have been entered in the Demand Register. The register should, therefore, be checked with any other register, roll or other records maintained showing their names to ensure correctness of entries made therein. It should further be seen that the closing balances of the previous demands have been correctly brought forward.

### **7.3 AUDIT OF CASH/CASH BOOK: (CASH CONTROL SYSTEM)**

Each and every Drawing and Disbursing Officer (DDO) is required to maintain a Cash Book (in WB TR form No.4 or such other forms prescribed for offices in particular), to record all monetary transaction of the auditee organisation as soon as it occurs. In course of audit, following guiding principles should be observed to ensure that the Head of Office/DDO have exercised effective control in cash management of the Organization.

1. Only one Cash Book for each office is maintained in a bound register with Pages machine numbered and a certificate of counting of the Pages recorded under the signature of the Head of the Office/DDO, before bringing the same in use.
2. The Cash Book is neatly maintained in good hand writing.
3. There is no use of eraser/erezex (white fluid) or overwriting of an entry made in the cash book. If a mistake is discovered, it is corrected by drawing the pen through the incorrect entry and inserting the correct one in red ink between the lines. The Head of the Office/DDO should invariably put dated initial on each and every correction made in the Cash Book.
4. All monetary transactions i.e. receipts and payments are correctly recorded in the Cash Book in the order of occurrence and on the dates they actually take place and the entries of the Cash Book are attested by the Head of the Office/DDO in token of check.

5. The Cash Book is closed and balanced each day and completely checked. The head of the office verifies the totalling of the cash book or gets this done by some responsible subordinate other than the writer of the Cash Book and initials it in token of verification.
6. The balance is written in figure and words. The DDO may write the balance in his own hand writing in words.
7. Bill-wise analysis of the balance with dates of encashment shall be recorded in the Cash Book at the end of each day/month and agreed with the closing cash balance.
8. Full details of the money held in cash is also worked out and recorded in the Cash Book whenever the cash book has been closed. At the end of each month, the cash in chest is to be physically verified by the Head of Office/DDO and a certificate in his own handwriting is to be recorded over his dated signatures in the Cash Book about the amount of cash actually found at the time verification and whether the same tallies with the balances appearing in the Cash Book. Moneys kept in deposit with banks, Personal Ledger Accounts (PL Account), Local Fund Account (LF Account) or otherwise are not shown as payments. The analysis of cash balance is to show separately as cash in hand, cash with bank, cash in P.L. Account, Deposit Account, Bank Account, in cheque, etc.
9. A number of Subsidiary Cash Book may be maintained in an office to identify the transactions distinctly from others. A subsidiary Cash Book to record the transaction in respect of Personal Ledger Account or Account opened with a bank may be maintained. Permanent advance may be accounted for in a separate subsidiary Cash Book. But in all cases, the Main Cash Book shall show the summary of the transactions of the Subsidiary Cash Book(s) either in a memorandum column or in the body of the Cash Book. The daily closing balance of the Main Cash book should reflect the balances of the Subsidiary Cash Book(s).
10. Adequate security as envisaged in Rule 22 of W.B.F.R Vol-I in respect of the persons who are entrusted with the custody of cash and stores has been obtained and accepted by competent authority and relevant documents kept in the safe custody of the department.
11. There is no tendency to keep unduly large cash balance in hand and that cash in hands of cashiers, etc. does not exceed the amount of security taken from them.
12. A complete account of the permanent advance held, if any, is available in the cash book, full details of the cash in hand and un-recouped vouchers are being worked out and clearly recorded whenever the Cash Book has been closed.
13. The expenditure shown as met from the permanent advance has not been incurred in excess of the amount of permanent advance sanctioned, by spending regularly from departmental receipts or other un-disbursed balances or amounts drawn from the Treasury on different specific purposes.
14. No item of un-disbursed pay and allowances is held in hand for more than three months.
15. The permanent advance is fully recouped when the Cash Book is closed at the end of the financial year.
16. The arrangements for obtaining cash from treasuries and of realization from other sources and for custody, payments and accounting thereof are in conformity with the rules.

17. No money required for immediate disbursement is drawn from the treasury in anticipation of demands or to prevent lapse of budget grants or that charges incurred in the year have not been met from the budget allotment of the next year.
18. Public money in the custody of the department is kept in strong embedded treasure chests and secured by two locks of different patterns. In the absence of any precise orders from Governments the officer in charge of the chest makes such arrangement for the custody of the key and proper disbursement of all money as he considers fit. Duplicate keys of all locks and original key of one lock in use are kept apart from the original key of the other lock and in a different person's custody, when practicable. The chest is never opened without both custodians being present in cases where the keys of the two locks are kept in the custody to different persons. Whenever a cashier is attached to an office, the key of one of the locks of the treasure chest remains in his possession.
19. Advance paid for departmental purposes do not remain unadjusted for unduly long periods for want of accounts supported by vouchers or refund of unspent balance.
20. Private cash is not mixed up with the regular cash balance of Government.
21. Accounts of imprest and temporary advances, if any, are regularly closed and rendered punctually every month and they are properly examined by the recouping Officer, before recoupment.
22. Moneys received from another DDO by endorsement of bills in cash or otherwise to make payments on his behalf for specific purpose or purposes are disbursed without undue delay in accordance with rules or orders and the adjustment vouchers along with unspent amount, if any are sent to the DDO without undue delay.
23. Apart from checking of the totals of the months as per quantum fix by the CAG, it should include checking of the opening balance for proper carry forward from the closing balance of the previous month and that of the closing balance of the months selected for scrutiny to the next month.

**[Govt. of W.B. Fin. Dep. Memo No. 12155-F dt 04.12.1990 and HQs D.O. No.770-TA-1/117-4 dated 7.9.74]**

**7.3 (A) Following points should be carefully verified while checking Cash Book of Corporation/Company:-**

- (i) It should be seen that instructions issued by the Corporation/Company for writing Cash Book are strictly followed.
- (ii) That the cash held by sub-ordinate officers is checked at least once in two months by the Controlling Officer.
- (iii) All entries regarding receipts of cash as shown in the counterfoils of receipt Books as well as cash drawn from banks duly certified under proper dates and with correct particulars.
- (iv) That there is no tendency to keep unduly large balance in hand.
- (v) That the chest has been adequately insured so that actual holding of cash should not exceed the limit covered by insurance.
- (vi) Whether there was any withdrawal from bank for payment despite having adequate balance in cash.
- (vii) Withdrawal of money through "self cheques" should be discouraged as far as possible.

### **Cheque Books**

Cheque Books required by disbursing officers are obtained by them from the respective banks. It should be scrutinized:

- (i) That the Cheque Books on receipt are carefully examined by the disbursing officer who should count the number of cheques contained in each and record a certificate of count on the fly leaf.
  - (ii) That the Cheques Books must be kept under lock and key in the personal custody of the disbursing officer. Counter foils of the used cheque books should be carefully preserved.
  - (iii) That the disbursing officer draws cheques for the minimum of cash actually required to meet current disbursement only.
  - (iv) That in case of expiry of the currency of Cheque due to non-presentation within three months after the month of issue, it may be received back by the drawer who should then destroy it and draw fresh cheques in lieu of it. The fact of destruction and the number and date of new cheque and old cheque are required to be recorded in the counter foils of old and new cheques and that necessary entries are recorded in the Cash Books.
  - (v) That on receipt of a cheque being lost the drawing officer shall obtain a certificate from the bank to the effect that the relevant cheque has not been paid and will not be paid in future on presentation.
  - (vi) That when a cheque is required to be cancelled the fact of cancellation should be recorded in the counter foil and the cheque, if in the possession of drawer should be destroyed. If the cheque is not in the possession of drawer, he should promptly request the bank to stop payment of the cheque and on receipt of confirmation from the bank written back entry is to be passed in the books of accounts. A cheque remaining unpaid for six months after the month of issue should be cancelled and written back.
  - (vii) That a register of cheque book is maintained in the form prescribed by the Corporation/Company.
- Counter foils of paid cheque: The monetary limits prescribed by the Corporation/Company from time to time for signing of cheques on behalf of the Corporation/Company are duly observed and initials of concerned officer/officers are recorded in the counter foils.

#### **7.3.1 Physical verification of cash in presence of audit**

(a) Physical verification of Cash of the auditee organization is to be conducted by the DDO/Head of the Office, in presence of audit on the first day of the inspection and a report indicating clearly the result of such verification along with the denomination-wise details of cash found on verification, details of cheque(s) including stale/time barred cheque(s), Page no. of the cash book where the figures appeared, discrepancies, if any between the book balance and physical balance should be prepared and submitted to the GSS-I Headquarters section along with IR. A detailed list of the vouchers/sub-vouchers if any, found in lieu of cash indicating the date, purpose and amount of cash-vouchers, authority under which the expenditure was incurred, should also be prepared and submitted along with the Report of Physical verification of cash as per the format given in **Annexure 'J'**.

(b) Following to be looked into by audit during Physical verification of Cash by DDO on the 1<sup>st</sup> day of audit:

1. Whenever cash is verified, it should be seen that the Cash Book is written up to date and all entries are to the date of verification.
2. If any voucher/sub-voucher were considered as part and parcel of the Cash Balance the details of vouchers as well as the Xerox copies of all the vouchers and the authority by whom the pay order was given should be collected and commented suitably in the IR.
3. Refusal to conduct physical verification of cash by the DDO/Head of Office, in presence of audit Team should immediately be brought to notice of the Group Officer.
4. It should also be seen in audit that the Government safe contains nothing but Government money and Government Valuables.

**(BO No.0A/IC-1/97-98/14 dt. 10.3.98, Government of West Bengal Finance Department order no. 4889-F dated 30.5.1997)**

### 7.3.2 Detailed scrutiny of the Receipt side of the Cash Book

Detailed scrutiny of the Receipt side of the Cash Book should be conducted in the manner stated below

1. Moneys received from the treasury as shown in the Bill Register should be entered into the Cash Book;
2. Whether there has been any temporary misappropriation. With a view to achieving this, the paid vouchers should be checked with the Bill register to see that they have been properly entered in the Register and that the dates of encashment shown in the Register agree with the actual dates of encashment of the bills. While verifying the Bill Register with the Cash Book, it should be specially seen that the dates of encashment shown in the Bill Register agree with the dates of receipts shown in the Cash book;
3. In cases where the impressions of the 'Paid' stamps on the vouchers are not distinct enough to indicate the exact date of payments, the actual date should be found out by a reference to the relevant schedule of payments. In such cases if the schedule of payments and vouchers do not reach in time or have not been received at all or have been received in part, a list of paid vouchers under all heads of accounts drawn by local office should be prepared from the records of Treasury/Sub-Treasury irrespective of the distance between Treasury/Sub-Treasury and local office and checked with Bill Register and Cash Book;
4. If any discrepancy is noticed in course of verifying the drawals made by local office with reference to concerned Treasury/Sub-Treasury records, as indicated in **paragraph 4.27** of this manual a statement of discrepancies so noticed is to be prepared in triplicate. One copy should be forwarded to the Treasury/ Sub-Treasury Officer concerned with the request for verification and to return the list to the headquarters of this office. The remaining two copies may be sent to Headquarters along with IR for taking up the matter with the A.G (A&E) and for verification and immediate return;



5. In cases where it is found that the Bill Register has not been maintained or maintained perfunctorily the paid vouchers or drawals listed from the records of the Treasury/Sub-Treasury should be traced directly in the Cash Book without the intermediary of the Bill Register;
6. Cash received from different persons and agencies through receipts should be traced in the Cash Book from the counterfoils of such receipts;
7. The amount appearing in the Register of valuables should be traced in the Cash Book on the dates of their encashment;
8. The amounts received from other DDOs by endorsement of bills, in Cash or otherwise should be traced in the Cash Book. It should also be seen that proper system of checking exists in the local office to ensure that all the sums received have been brought to accounts and proper accounts have been rendered to the relevant DDOs without undue delay;
9. The moneys received through Postal money orders are brought to accounts immediately and that proper system exists to ensure that all the sums received through money orders have been entered in the Cash Book;
10. The payments made through Postal money orders or payments made by cheques, if not received by the payees and returned are immediately brought to account and that no money is left out of account. The system by which the DDO is satisfied that all such amounts are brought to account should also be checked to ensure its adequacy.
11. The unspent amount returned by the Government Servant out of advance made to him for departmental purposes is taken in Cash Book on the date of its receipt.

### 7.3.3 Audit of Receipts:

1. The receipt side of the Cash Book should be checked with counterfoils of receipts, licenses etc. and the credits of remittances to the treasury entered on the payment side should be verified direct from the books of the treasury.

**(HQs. confidential letter No.986-Admn I/425-52 dated 23.7.53)**

2. When the number of payments made in a month is more than **ten** and /or the total amount involved in such payments exceeds Rs.1,000.00 the Officer in charge of cash should, as soon as possible, after the end of the month, obtain from the treasury a consolidated statement of receipts for all remittances made during the month which should be compared with the postings of the Cash Book.
3. The field party should make a list of remittances to Treasury/Sub-Treasury from the records of the office inspected and check the same with the records of the Treasury/Sub-Treasury concerned irrespective of the distance of the Treasury/Sub-Treasury from the office inspected.

***Note 1: The quantum of checking of receipts as laid down by the CAG may be increased suitably where the standard of departmental control appears to be poor or the prescribed checks disclose any serious lapse, fraud or embezzlement.***

**(HQs. letter No. 4120 TA-I/656-68 dated 10.10.68)**

***Note 2: The instructions referred to in Note 1 above are intended to be applied in the local audit of Departmental offices where there is no internal check organization set up for the purpose. In the***

*case of an office where an effective internal check organization is functioning the checks may be confined to the quantum fixed by the CAG. (HQs. Letter No. 785-TA-I/656-68 dated 29.4.70)*

4. Any return of receipts submitted by the head of the office to higher authorities should be checked with the Cash book or other subsidiary receipt registers.

### **7.3.4 Receipt Books (Duplicate Carbon Receipt/Money Receipt)**

The stock account of “Duplicate Carbon Receipt” (DCR) or “Counter-foil Money Receipt” books should be examined to see that:

1. the stock entry of the number of blank Receipt Books received agrees with the indent or requisition sent to the Press, Forms Department, Treasury or other authorities through the Indent Register numbered serially and kept under lock and key in the personal custody of the Officer authorized to sign the receipt on behalf of the Government;
2. only one book is issued to an individual officer on return of the previous used book and the issues are in chronological order;
3. the issue of a Receipt book and the return of a used book are duly acknowledged, and recorded in the stock register;
4. for cancelled receipts, both the original and the duplicate are preserved;
5. counterfoils of used receipt books are kept in the personal custody of the Government Officer in charge of the books, and
6. the closing balance in the stock account is verified by the head of the office by actually counting the number of Receipt Books in hand at the end of each month and a certificate to that effect is recorded in the stock account.

### **7.3.5 Bill Register**

The Bill Register is to be checked to see that:

1. it is maintained in the prescribed form and all the columns provided therein are properly filed in ;
2. all bills drawn are entered in the bill register date wise with the entries duly attested by the drawing officer in each case under his dated signature;
3. in case of bills endorsed to parties, that they are entered in the register and a note to this effect is made therein;
4. token number /voucher numbers of treasury and dates are noted in all cases;
5. in case of cancelled bills, a note to that effect is made in the register duly attested by the drawing officer under his dated signature. (Both the office copy and original copy of the cancelled bill should be checked in audit).
6. all bills shown as cashed are properly accounted for in the cash book as well as in other subsidiary registers :

7. bills are presented to the treasury through the Bill Transit Register and dated acknowledgement obtained against each bill; and
8. the register is reviewed monthly by the Supervising Officer in charge of the auditee unit and the result of the review recorded therein.

### **7.3.6 Register of valuables**

In the case of Offices/Departments which receive a sufficient number of valuables such as bank drafts, cheques other than those issued by the Treasury in payment of bills presented at the treasury, postal orders, etc. it should be seen that all these valuables are noted in a valuable register maintained for the purpose. The register should be examined see that

1. each valuable received is entered in register on the day of its actual receipt and signed by the officer in charge as a token of check;
2. full particulars of each valuable i.e. nature of valuable, its number and date, the name of person and office from whom received, the name of the bankers, if any, on whom draft drawn, the amount, the purpose of deposit and the reference to the authority under which each valuable has been received are invariably recorded in this register;
3. proper and complete reference to remittance is shown against each valuable ; and
4. there has been no undue delay in remittances of valuables to Treasury for credit to Government Account.

### **7.3.7 Accounting of non-Government Money**

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

It should, therefore, be seen in audit that the accounts of non-Government money have been maintained in a set of books separate from the Government Accounts and that the Government money has not been mixed with but kept separate from non-government money.

### **7.3.8 Scrutiny of the payment side of the Cash Book**

In addition to the principle of audit of expenditure as envisaged in the **paragraph 7.4, 7.5, 7.6, 7.7** etc. of this manual (Audit of Expenditure, Audit of Establishment Expenditure, Audit of Contingent Expenditure, Audit of Grants-in-Aid Expenditure etc.) of this Manual, the following should also be taken into consideration for conducting detailed scrutiny of the payment side of the Cash Book:

1. Trace the disbursements in respect of establishment bills, travelling allowance bills, G.P. Fund bills, pension and gratuity payment bills and other payments made to Government servant in the cash book on which they have been shown as actually made.
2. Trace the remittances made as recorded in the cashbook from the dates shown by the banks or treasury on the challans.
3. Check the payments relating to contingent charges with the dates of disbursements recorded in the voucher and contingent register.

4. Check the advances made to Government servants for departmental purposes from the dates of disbursements shown in the register maintained for the purpose and also from the acquaintance of the Government servant.
5. Cash memoranda and value payable covers
  - (a) Cash memoranda will not be regarded as sub-voucher in audit unless they contain an acknowledgement of the receipt of money from the persons named therein with Revenue Stamp where necessary.
  - (b) Value payable covers may be accepted in audit as a voucher in lieu of receipts from actual payees for amount paid on account of articles received through the post office per value payable post. The fact of payment should, however, be supported by a bill or invoice of the payee (firm sending the articles) and payment endorsed on the covers by the disbursing officer.

### **7.3.9 Scrutiny of Treasury Challans**

Treasury challans should be examined to see:

1. that they are presented to the Treasury in the prescribed form and are prepared in accordance with instructions contained in T.R. 3.06 of the W.B.T.R. indicating full particulars of remittances ;
2. that the authorized official of the treasury or the bank has given a legible receipt if the amount received over his official stamp and that it tallies with the amount both in words and figures for which the challan was prepared. It should also be seen that the Treasury Challans have been signed in full as required under Treasury rules;
3. that the challan by its appearance does not suggest any tampering in the entry of the amount deposited and that due precautions are taken in writing the amount both in words and figures to exclude the possibility of a fraudulent interpolation; and
4. that wherever practicable the signatures of the bank or treasury official signing the receipt on the challans should be compared with those on other challans to see that those are similar and in case of any doubt the genuineness thereof got confirmed from the bank or treasury.

### **7.3.10 Accounting of Permanent Advances**

The accounts of permanent advances should be examined to see that

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

- v) the permanent advance is not utilized for purposes other than those mentioned in financial rules;
- vi) all bills shown as cashed are promptly accounted for in the cash book as well as other subsidiary registers;
- vii) all cashed bills and recoupment of permanent advances bear voucher numbers and dates;
- viii) in case of cancelled bills a note to the effect is made in the contingent register.

**[HQs. letter No.4792-TA 1(OVN)/74365 dated 9.12.65]**

- ix) the permanent advance is recouped whenever it is running short and in any case at the end of each month and that only petty contingent expenditure is met out of it ; and
- x) in April each year an acknowledgement of permanent advance held by each disbursing Officer is to be submitted to the AG (A& E) by the Officer concerned.

### **7.3.11 Rush of Expenditure**

Extensive scrutiny of transaction for the month of March (without considering whether the month of March is selected for detailed check or not) of the DDO is to be conducted to ascertain the internal control of the Department/auditee unit, and possibilities of drawing fund for exhausting the budget are resorted to by the concern DDO. While conducting audit it should be seen that:

- i) the charges against the appropriation of the year as brought to account are regular;
- ii) the liabilities of one year are not brought to account in another year, and
- iii) irregular methods of dealing with assets and liabilities of the year have not been resorted to, which might either lead to or have caused actual loss or extra expenses or be otherwise not conducive of financial efficiency.
- iv) payments charged off in the accounts but not actually made to the parties concerned at the time.
- v) payments made before the work or service representing the payment is performed.

**[HQ Circular No. 659-Rep(s) 112-99 dt. 8.5.2000 BO No. OA/IC/99-2000/3 dt. 28.6.2000]**

### **7.3.12 Concrete cases of drawal of funds in advance in excess of requirements**

Concrete cases of drawal of funds in excess of requirements or to prevent lapse of budget grants noticed during local audit are to be mentioned in the IR and an advance copy of the relevant paragraph is to be sent to headquarters. The following information should be collected from the records of the local office and incorporated in the Report along with the Comments of the head of the office.

- i) orders of the competent authority authorizing the expenditure and the amount sanctioned
- ii) purpose of the expenditure
- iii) number and date of the bill, amount drawn and date of encashment
- iv) amount spent up to the date of audit
- v) amount of unspent balance remaining in hand/bank/P.L. Accounts

- vi) number and dates of the orders of the competent authority authorizing to keep the unspent amount in bank or P.L. Accounts.
- vii) reasons for drawal of the amounts in advance of requirements.
- viii) the circumstances in which the amount drawn could not be expended.
- ix) the approximate date by which the expenditure is likely to be incurred.
- x) any other information in this connection which may be deemed necessary.

### **7.3.13 Money Order Acknowledgement**

Money order acknowledgement may be accepted in audit as voucher in support of payment. The purpose of the money order must be stated on the acknowledgement portion of money order form in continuation of the entry 'Received the sum specified on the reverse on \_\_ (date) \_\_' thus made for the signature or thumb impression of the payee.

### **7.3.14 Accounts of Securities**

It should be seen that:

- i) security is taken as required under the rules from persons entrusted with the custody of cash or stores (Rule 22 of WBFR Volume I and GO No. 2215(62)F dated 6.5.72) and from contractors (Rules 24 of WBFR, Volume I) for supplies and works and is in the form prescribed by the Government;
- ii) security deposits are covered by a properly executed bond or agreement setting forth the conditions under which the security is held;
- iii) a register in FR form No. 2A (Register of security deposits) is maintained in all institutions and offices to watch the receipt and disposal of security deposit including interest bearing securities;
- iv) the register and index are kept in the charge of the Head of the office or institution and certified by him each year in proper form that the register is complete and the name of every officer required to furnish security has been entered with the information, whether he has furnished security or not;
- v) when filling in the certificate the head of office of institution has initiated and dated the last entry in part I of the index;
- vi) that either securities or the acknowledgement of their authorized custodian (vide Government securities manual) are 'produced for inspection';
- vii) in the case of Post Office Saving Bank Pass Books, they are hypothecated to the head of the office for the full amount of security required and are kept in his custody;
- viii) in the case of recovery of security deposits from the subordinates in monthly instalments, the instalments are regularly recovered, correctly accounted for in Government accounts, promptly deposited in the Post Office Saving Bank and the prescribed registers are maintained correctly;
- ix) securities and security bonds are kept in safe custody according to the rules in this regard and are not released without specific orders of the competent authority.

### **7.3.15 Advances made to Government Servants for departmental purposes**

It should be seen that:

- i) the advances made have been duly sanctioned by the competent authority;
- ii) the government servant has furnished an acknowledgement or proper acquittance for the receipt of the money;
- iii) the expenditure has been incurred by the government servant with due regard to financial rules and all documents in support have been submitted to the sanctioning authority against such advances;
- iv) the sanctioning authority has checked and accepted the vouchers and other formalities have been observed by him;
- v) the submission of detailed account supported by vouchers along with unspent balance, if any, has not been delayed unnecessarily;
- vi) the officer sanctioning the advances exercises check to see that the adjustments are received without any undue delay;
- vii) a second advance for the same purpose without obtaining the detailed accounts of the first advance has not been made;
- viii) the advance made and their adjustments are watched through a register with suitable columns provided therein and the entries of advances made and the adjustments received are initiated by the officer sanctioning the advances and receiving the adjustment vouchers;
- xi) the register is reviewed by the head of the office monthly to see that the adjustments of the advances are made regularly;

## **7.4 AUDIT OF EXPENDITURE**

**7.4.1 Audit Objectives:** The primary objectives of audit of expenditure are to check whether:

- i) funds have been authorized by the competent authority prescribing the limits within which expenditure can be incurred;
- ii) the expenditure conforms to the relevant provisions of the act and the constitution and of the laws made there-under and is also in accordance with the financial rules and regulations framed by the competent authority;
- iii) either a special or general sanction of the competent authority authorizing the expenditure is available; and
- iv) all financial transactions have been correctly recorded in the accounts under examination and have been allocated to the appropriate heads of account.

This provision of the Act implies the condition that the expenditure should be incurred with due regard to the broad and general principles of financial propriety. Breach of these principles resulting in improper or waste of public money should be treated by Audit in the same manner as cases of irregular or unauthorised expenditure.

#### 7.4.2 General Principles in audit of expenditure:

The general principles in the audit of expenditure are given below:

- i) It is to be seen that there is a proper voucher complete in all respects and in the proper form, (where the prescribed one exists), in support of every item of expenditure and bears evidence of due scrutiny of the claim;
- ii) Full detail of each item of expenditure is either recorded on the voucher itself or is available in a reliable and recognized subsidiary record;
- iii) The expenditure incurred does not contravene any financial rule and procedure laid down by the Government and all pre-requisites to the incurring of such expenditure have been complied with;
- iv) The sub-vouchers have been so defaced and mutilated after payment that they cannot be used again to prefer a second claim and that they have been stamped paid and filed and retained carefully in the office concerned as important documents;
- v) Payees receipts should be retained by the DDOs and not sent to the Accountant General. A test check may be carried out at the time of local inspection;
- vi) Bills, Sub-vouchers in respect of Detailed Contingent (DC) bills against adjustment of Abstract Contingent (AC) bills may be retained by the DDOs, and should be checked at the time of local audit.
- vii) The payment has actually been made to the proper person and properly acknowledged and recorded in connected records; the vouchers and sub-vouchers are stamped 'PAID and CANCELLED' to prevent a second claim being preferred against the Government on the same score and a doubled payment on the same account is rendered impossible;
- viii) The entries of payments are properly vouched;
- ix) All materials and stores billed for are brought on the respective stock register;
- x) The articles or materials billed for have been purchased on the tender system, as prescribed in the financial rules of the Government; and that in case of non-acceptance of the lowest tender, the reasons for such non-acceptance have been recorded in writing and contract agreements for the supply have been executed by the authorities competent to enter into contracts;
- xi) The quality and quantity of stores are certified before payment and that no payment is made to the supplies in anticipation of actual receipt of stores;
- xii) The rates paid for works done or supplies made are not in excess of the accepted and market rates and do not exceed any rates or scales fixed under the rules or orders issued by the competent authority;
- xiii) The details work up to the totals shown in the vouchers and the totals are in words as well as in figures;
- xiv) There are no erasures and that all alterations in the figures are attested by the drawing officer and the amount of the bills tally with the actual payee's receipts.
- xv) The expenditure has been incurred with due regard to financial rules and in conformity with the canons of financial propriety e.g., supplies in excess of at reasonable prices and that the expenditure has been incurred only on legitimate objects etc;



- xvi) Expenditure has been recorded under correct heads in the original accounts;
- xvii) The register of retrenchment is maintained;
- xviii) There is no case of wasteful expenditure;
- xix) The monthly expenditure statements and stores and stock accounts are dispatched in time wherever necessary;
- xx) Every voucher bears a pay order signed or initiated by the disbursing officer specifying the amounts payable both in words and in figures and that they have been duly cancelled or defaced in after payment;
- xxi) Revenue stamps are affixed to the payees' receipts on all vouchers and are defaced after payment;
- xxii) The payment of bills for telephone calls is according to the orders issued by the Government;
- xxiii) The expenditure sanctioned for a limited period is not incurred beyond that period;
- xxiv) The rules regularizing the method of payment have duly been observed by the disbursing officer;
- xxv) The charge has been correctly classified and that if a charge is debit to the personal account of an employee, contractor or other individual or is recoverable from him under any rule or order, it is recorded as such in the prescribed account; and
- xxvi) The flow of expenditure is even and that if expenditure is unusually heavy in March, it does not lead to financial irregularities.

The proper discharge of duties by audit officials in this field is a very delicate matter and requires much discretion and tact. Audit observations against expenditure should not be expressed as based on "canons of financial propriety" but as transgressing a universally accepted standard of official conduct or financial administration.

**[Chapter 2 of Section 2 of MSO (Audit) & old manual]**

#### **7.4.3 Audit against provision of funds:**

- a) No moneys out of the Consolidated Fund of India or of the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution.
- b) Under the provisions of the Constitution no expenditure can be met from the respective Consolidated Fund on or after 1st April of a financial year unless an Annual Budget (Annual Financial Statement of Estimated Receipts and Expenditure) is prepared and an Appropriation Act authorizing withdrawal of funds from the Consolidated Fund to the extent of provisions in the Annual Budget is passed. All disbursements from the Consolidated Fund during a financial year, which are not within the sums authorized by an Appropriation Act., passed by the appropriate Legislature before the close of the year, will, therefore, be challenged by Audit as unauthorized expenditure under the provisions of the CAGs (DPC) Act. However, advances from Contingency Fund of India or of a State can be drawn for meeting unforeseen expenditure pending authorization of such expenditure by the Parliament/Legislature concerned. On such authorization the advances drawn will be recouped to the Contingency Fund.

- c) Systems in force for budget formulation and expenditure control are required to be audited so as to ensure that the estimates presented to the Parliament/Legislature are prepared in accordance with established procedure and to monitor expenditure vis-a-vis the budget to ensure that Grants and Appropriations are not exceeded. Audit scrutiny would be specially focused on the following aspects:
- i) Existence of proper and adequate systems in the ministries and departments for budgetary control with duly defined accountability centres for securing the preparation of realistic estimates of both receipts and expenditure.
  - ii) Availability of a Budget Manual describing the rules and regulations governing budget formulation and the processes relating to preparation of receipts and expenditure estimates, their examination by the Heads of Departments and the controlling officers and provisions of all relevant and of essential information and explanations.
  - iii) Adherence to all procedures prescribed in the Budget Manuals of the respective governments.
  - iv) Extent of association and involvement of functionaries at all levels from the DDOs to the heads of the departments with the formulation of budget estimates.
  - v) Adequacy of monitoring mechanism to safeguard against excesses over allotments to DDOs and over the overall grants and appropriations.
- d) Audit should satisfy that the expenditure which is being audited falls within the scope of a Grant or an Appropriation Act and that it is within that Grant or Appropriation. Expenditure in excess of a Grant or Appropriation as well as expenditure not falling within its scope or intention as specified in the Schedule to an Appropriation Act, unless regularized by an Appropriation Act should be treated as unauthorized expenditure.

[Paragraph 2.2.13 of MSO (Audit)]

#### 7.4.4 Audit against Propriety:

- a) It is an essential and inherent function of Audit to bring to light not only clear and obvious irregularities but also every matter which, in its judgment, appears to involve improper expenditure or waste of public moneys or stores even though the accounts themselves may be in order and no obvious irregularity has been committed.
- b) No precise rules can, however, be laid down for regulating the course of audit against propriety. Its objective is to support a reasonably high standard of public financial morality and sound financial administration and devotion to Government's financial interests. In any case, Sr.AOs /AOs in the performance of their duties should apply the following general principles that have long been recognized as standards of financial propriety:
  - i) The expenditure should not prima-facie be more than what the occasion demands. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
  - ii) No authority should exercise its powers of sanctioning expenditure to pass an order that will be, directly or indirectly, to its own advantage.
  - iii) Public money should not be utilized for the benefit of a particular individual or section of the community unless:

- I) The expenditure involved is insignificant; or
  - II) A claim for the amount could be enforced in a court of law; or
  - III) The expenditure is in pursuance of a recognized policy custom.
- iv) The amount of allowances, such as travelling allowances granted meet expenditure of a particular type, should be so regulated that the allowances are not, on the whole, sources of profit to the recipients.

[Paragraph 2.2.2, 2.2.13 & 2.2.46 of MSO (Audit)]

## **7.5 AUDIT OF ESTABLISHMENTS**

### **7.5.1 Introduction:**

The system of establishment audit consists essentially of the following components:

- i) Audit of sanctions to establishment, classification of expenditure of such establishment (to be conducted by central audit).
- ii) Audit of expenditure towards Pay and Allowances, Leave Encashment, Leave Salary and Travelling Allowances, Overtime etc.
- iii) Audit of Service Books, checking of Sanctioned Strength of the establishment and
- iv) Conducting nominal check of correctness of pay and allowances drawn.

[Paragraph 3.3.1 to 12 of MSO (Audit)]

### **7.5.2 Source Documents:**

The important source documents to be checked in audit are:

- i) Cash Books.
- ii) Office copies of establishment bills.
- iii) Acquittance Rolls.
- iv) Bill Register/Bill Transit Register.
- v) Service Books.
- vi) Leave Accounts.
- vii) Establishment vouchers.
- viii) Sanctions in respect of various allowances.
- ix) Employee module data contained in the VLC package.
- x) Government orders regarding sanction of Manpower.

[Paragraph 3.3.3 of MSO (Audit)]

### **7.5.3 Audit of Service Books:**

(a) A Service Book in the form prescribed in the Service Rules is to be maintained by the Head of office for every government servant for whom it is prescribed under the orders of the Government concerned and kept in his custody. For this purpose, a Register of Service Books should be maintained in which every entry should be made when new Service Book is opened or the

Government servant is transferred from/to another office. Every event in the government servant's official life should be recorded in this book and the superior officer prescribed by the Government should attest each entry.

**(b)** The Service Books of government servants should be checked in local audit to ensure that they are maintained in a satisfactory manner. While checking the Service Books, it should be verified that:

- 1) they are complete in all respects;
- 2) a service book is maintained for every government servant from the date of his appointment and is kept up to date;
- 3) entries of all events in the official career of a government servant are made in the service book and attested by competent authority ;
- 4) no alteration is made in the date of birth recorded initially without the sanction of competent authority;
- 5) the date of birth has been written both in figures and in words with reference to the valid document and there is no evidence of interpolation or use of erasure in recording it;
- 6) entries in the first page are re-attested every five years;
- 7) the controlling authority has recorded the prescribed certificate relating to the periodical verification of the service rendered by the government servant with the pay bills or other documents;
- 8) by a comparison of a few entries of pay and allowances in the service book with those in the bills, they are found to agree with each other;
- 9) in all cases where special pay granted to a government servant is allowed to count for pension, a note to that effect is recorded in the service book of the employee concerned;
- 10) all leave sanctioned is recorded and wherever the period of leave is counted for purpose of increment in the officiating post of the government servant, the certificate as required under rule 48 (bb) of West Bengal Service Rules-Part I regarding the Government servant's continuity in office but for leave is recorded in the service book;
- 11) the fixation of pay and increments allowed to individual from time to time for the period to which the check of service book relates are correct since service book forms the basic document for verification of service for pensions;  
**(HQs confidential letter no. 417-tai/785-68 dated 21.3.69)**
- 12) there are clear and unambiguous entries duly citing orders of competent authorities in the service book in respect of the government servant's date and nature of appointment/promotions, suspension/reinstatement, reduction to lower stage of the time scale/restoration, stoppage of increments with or without cumulative effect, commencement, extension and completion of probation, confirmation and that there are no mutual inconsistencies between one entry and another;
- 13) entries in respect of enjoying vacation fully or otherwise are recorded;
- 14) specific orders are found recorded regarding counting/not-counting of the period of suspension/extraordinary leave for pension;

- 15) entries regarding transfer from non-qualifying service to qualifying service are based on proper authority;
- 16) extinction of liability towards services rendered under local bodies etc. by payment of gratuity, bonus etc. to the government servant are clearly noted;
- 17) in respect of foreign service/deputations, entries regarding recovery of leave salary/pension contributions are recorded;
- 18) no pay and allowances have been paid to a government servant beyond the date of attaining the age of superannuation or the date of expiry of a term of extension of service sanctioned by the competent authority;
- 19) increments have been granted correctly after excluding periods not counted towards increment and where efficiency bar is prescribed in a time scale of pay the next increment is not granted without obtaining a certificate of fitness to cross the efficiency bar granted by a competent authority;
- 20) nominations in respect of death-cum-retirement gratuity, provident fund, etc. have been made and are available;
- 21) the official concerned has signed his name in the relevant column of the service book in token of scrutiny and acceptance of entries made in his service book.

**(hqs letter no. 928-admnii/349-61 dated 26.6.62 and 1290-admnii/3/69-61 dated 20.8.62)**

- (c)** Entries relating to the following should also be checked:
- 1) Relaxation, if any, of age and/or educational qualifications.
  - 2) Declaration in regard to marital status.
  - 3) Declaration of home town and acceptance thereof.
  - 4) Nominations for death-cum-retirement gratuity and provident fund.
  - 5) Details of family.
  - 6) Options exercised in respect of service matters.
  - 7) Condonation of breaks in service, if any.
  - 8) Orders, if any, in regard to change in date of birth.
  - 9) Collateral evidence in respect of past service.
  - 10) Change in name.

### **7.5.3(A) HUMAN RESOURCE DEVELOPMENT (HRD)**

In corporate office HRD Department is headed by Director (HRD)/Manager. The main functions of HRD Department are as under:-

- (i) To deal with recruitment, transfer and posting of all employees.
- (ii) To deal with confidential and disciplinary issues.
- (iii) Assessing the requirement of fund for welfare activities.

The following may be examined in audit:-

- (i) Scrutiny of records relating to appointment-whether procedure adopted for recruitment is as per Corporation's/Company's directives and whether the appointment is within the sanctioned strength.
- (ii) Detailed examination regarding justification for appointment of casual labourers.
- (iii) Confidential/Disciplinary matters should be verified. Whether any disciplinary action, recommended against any employee by competent authority, has been strictly adhered to; if not, the fact should be highlighted.

#### 7.5.4 Extent of Audit:

The service books and leave accounts selected for check should include cases of all those Government servants who are likely to retire before the next five years/ before the next inspection or who are likely to complete 30 years of qualifying service before the next five years. The list of retiring government servants should be checked with the Register of service books maintained in the office locally audited.

#### 7.5.5 Quantum of Check:

The check of service books of all members of staff of an office should be completed in a cycle of four years, as far as possible. If any of the offices are not audited annually but once in two or three years only, the percentage of check in their cases may be suitably increased to attain the objective. With the object in view, the following quantum of check is prescribed for conducting test check of service books in local audit:

Periodicity of audit	Quantum of check to be done
Offices which are audited annually	25 per cent
Offices which are audited biennially	50 per cent
Offices which are audited triennially or quadrennially	100 per cent

The total number of employees in the office under local audit should be ascertained with reference to the gradation list, establishment bills or other records.

(HQs. letter. No.2056-TA II/349-61 dated 7.10.65)

*Note: The selection of 25% or 50 % should be made judiciously so as to cover all cases of Government servants who are due to retire within five years and as many cases, as possible, of Government servants who have put in more than twenty years of service.*

#### 7.5.6 Leave Accounts:

a) The office in which the leave accounts of Government servants are to be kept, the form in which they are to be maintained and the persons by whom the entries therein are to be attested are prescribed by Government. Before leave is sanctioned to a Government servant, the authority sanctioning the leave should consult the leave account and satisfy himself that the leave is admissible.

[Paragraph 3.3.8 of MSO (Audit)]

- b) A minimum of 25 per cent of the leave accounts should be checked in each office and should include Government servants who are likely to retire before the next inspection and if the number of the latter class of leave accounts exceeds 25 per cent, all such leave accounts should be checked.
- c) the check of leave accounts should be conducted so as to see that;
- i) leave accounts are opened in all cases, wherever necessary;
  - ii) each and every leave as sanctioned are recorded in the service book and entered in the leave accounts and are worked out correctly;
  - iii) the subsidiary leave accounts are opened wherever necessary and correctly maintained;
  - iv) leave is granted according to rules and the period of leave duly noted in the service book and attested by the competent authority;
  - v) excess leave granted or excess leave salary drawn, if any, is regularized early, especially in the case of persons who are likely to retire from service before the next local audit; and
  - vi) leave accounts have been revised with reference to orders regarding completion of probation, confirmation etc.

*Note: The leave account should be checked in the presence of the establishment clerk so that he may pick up useful knowledge of leave accounts and also explain any entries in them which appear to be irregular and ambiguous. Each leave account should be signed in full and dated (giving the year) by the person checking it.*

### **7.5.7 Payment of Cash equivalent of Leave Salary:**

The vouchers, relating to months selected for test audit towards payment of cash equivalent of leave salary to the Government servant at the time of retirement or to the family of the Government servant who dies in harness may be checked in local audit. In addition, 20 per cent of the cases of drawal and disbursement of leave encashment during the period covered by local audit may also be checked. For this purpose the local audit parties may obtain a list of cases of leave encashment made during the period covered by local audit from the departmental authorities.

**(HQs letter No. 102-O&C/I45.79 II dated 20.3.80 and 867-TAI/126-80 dated 4.9.80 and d1647-TAI/226-80 dated 5.1.81)**

In the audit of leave salary payments, it should be verified whether:

- i) The leave salary of the Government servant is drawn over the signature of the head of his office, who is responsible for any over charge; and
- ii) The drawing officer has recorded, a certificate on the leave salary bill to the effect that he/she was not re-employed under Government, any local fund or a private employer during the period for which leave salary is drawn, such certificate being furnished after obtaining a declaration from the concerned Government servant.
- iii) Payment of Leave salary was in corroboration to the Leave account and the calculation was correct.

**7.5.8 Payment of advance Pay & allowance, TA on tour & transfer and Leave Salary:**

All advances mentioned above which remain outstanding for over two years should be segregated during local audit and specifically commented upon in the IRs as distinct item so that these items could be pursued through the objection books and their recoveries watched till finality.

(HQs letter No. 2063-TAI/26 O&M 179 dated 20.12.79)

**7.5.9 List of Service Books and Leave Account Checked:**

On completion of the check of service books and leave accounts the AAO/Supervisor should prepare a list of service books and leave accounts checked keep it in the **IR** file indicating the following:-

- a) Name, designation and Basic Pay of the month on which payment was made taking the month selected for detailed checking into consideration.
- b) Category-wise total strength of the office
- c) Number of persons who are likely to retire before the next inspection.
- d) Name of the government servant attached with the establishment.
- e) The number of service books and leave accounts to be checked.
- f) The number of service books and leave accounts actually checked.
- g) Remarks.
- h) Signature with date of the Senior Auditor who has actually conducted the check countersigned by AAO/Supervisor.

**7.5.10 Pay Roll Audit:**

While conducting the audit of the establishment pay bill, the following points are to be looked into:

1. a) Total number of employees' category- wise.  
b) Total amount of expenditure on each category of staff.  
c) Number of pay scales in each category.  
d) Number of employees in the starting of pay scales in each category.
2. Men-in-position in each category with reference to the sanctioned strength of the establishment.
3. Whether any approved staffing pattern was in existence and if so, whether there is any inconformity with approved staffing pattern.
4. Vouchers for pay, over-timer etc. with reference to approved sampling method may be seen.
5. Comparison of non-salary components with reference to salary to elicit comments like abnormal expenditure on non-salary components.
6. Absence/ laxity of control in personnel policy or its weakness may be examined and suitably commented upon.
7. Whether any work study/work measurement was carried out for the staff.
8. Whether any name of the employee was repeatedly appearing in the pay bills of one DDO or of other DDO(s) from the analysis of such instances will lead to detecting double payments due to existence of ghost employees.



9. Whether over time allowance was paid and if so, whether it was as per budget provisions made.
10. Pay drawn for large number of employees by any DDO may be subjected to detailed scrutiny to see the requirement of staff, surplus staff, non-existent staff etc.
11. Pay drawn in excess of maximum of time scale or not as per the slab of the scale, if any, may be suitably analysed to see whether the same was admissible, whether there was any over payment and whether there was any irregularity in pay fixation etc.
12. It may be seen whether the employees who were due to retire but continued beyond retirement and, if so, the same may be analyzed for possible comments, if any.
13. The totalling of pay bills may be checked to ascertain the correctness and for detecting any totalling mistakes/fraud.
14. The details in the Absentee statement were correctly shown with reference to the Service Books, Leave Account and other records.
15. An account of undisbursed pay and allowances is kept in a register and amount remaining undisbursed for three months are refunded either in cash or by short drawal from subsequent bills.
16. Arrear of pay & allowances and leave salary are not drawn through regular monthly pay bills but are drawn in separate bills and a note of arrears in the office copies of the bills for the period to which the claim pertains is being made.
17. There is a proper and legally valid acquittance from the actual payee on the revenue stamp for each amount disbursed where necessary and the revenue stamp duly defaced.
18. In addition to above, there should also be receipt of the person drawing the amount on the basis of letter of authority from the actual payee duly certified by any of the employee of the auditee unit as “Known to me” and “PAY” order was given by the Head of the Office/DDO.
19. Disbursement was recorded in the Cash Book on the date on which they are actually made.

**(Manual & B.O OA/IC-1/1997-98/15 dt 10.03.98)**

#### **7.5.11 Nominal Audit:**

The nominal should be conducted during local audit in the manner and to the extent indicated below:

- a) The nominal audit during local inspection will be conducted in respect of pay bills of establishment for the month/months selected for test audit.
- b) Nominal audit of pay and allowances drawn for individuals should be conducted with reference to the service rules and general and special orders of Government governing appointments, transfers, joining time, suspension, retirement, pay scales, different types of special pay and compensatory allowances and also with reference to the initial and primary records such as service books, increment certificates, orders of appointment/promotion/ reversion, sanction of leave, orders of suspension and the subsistence allowance admissible, etc. Apart from comparing the pay and allowances drawn by each government servant in the pay bills of the month(s) selected for test audit with the corresponding entries in the service books, and checking the acquittance rolls to ensure that the pay and allowances drawn have been disbursed to the proper person and proper acquittance obtained, the admissibility of Pay & allowances drawn for each individual government servant in these pay bills should be checked completely.

- i) The above checks should be integrated with the check of service books and when service books are not made available they should be checked independently with reference to the initial and primary records available.
- ii) In addition to the audit of pay and allowances drawn in the pay bills of the months selected for detailed check in the manner prescribed above, 20 per cent of (i) cases of increments sanctioned to the members of the establishment of the office under inspection and (ii) cases of fixation of pay on promotion or reversion during the period covered by local audit should also be checked.
- iii) The supplementary and arrear claims should be generally reviewed during local inspection to ensure that the cases are not pending unnecessarily and there are valid reasons for claiming them in arrears or in supplementary claims these should be subjected to detailed check in respect of claims arising in the months selected for detailed check.
- iv) The inspecting officer should include in a separate para of the IR either in part II (A) or (B) or in Test Audit Note (TAN) as the case may be, the results of local audit of establishment, service books and leave accounts. The covering memo (title sheet) to the IR should indicate clearly the checks exercised and include a certificate to that effect, in respect of nominal audit, audit of increment certificates, pay fixation on promotion/reversion, check of service books and leave accounts, check of office copies of bills and acquittance rolls.
- v) The nominal checks of vouchers wherein pay and allowances of gazetted officers are drawn on establishment pay bills will have to be done locally.

(HQs letter No. 538-TAI/45-82 dated 24.4.82)

*Note:- While conducting nominal audit, names of officials and their details should be cross-checked between the service book and the original appointment letter on a sample basis, particularly if the names appear to be similar. All cases of transferred officials should be scrutinized in detail with reference to the transfer order issued by the controlling officer as the service book of these officers should also come to the new office from the old office once a person is transferred.*

(B.O. No. OA/IC-I/98-99/6 dated 6.7.98)

#### **7.5.12 Check of fixation of pay on revision of pay scales:**

When there is a general revision of pay, the administrative department should arrange for fixing the initial pay by an officer appointed for the purpose or by any other suitable means as may be deemed expedient. Fixation of pay in such circumstances should be test checked during local audit by the PAG with reference to service books. In addition to normal checking of the Service Books, the field parties are requested to check  $8\frac{1}{3}$  per cent of pay fixation cases in respect of Group 'A' & officers attached to the auditee units concerned, and over payment and other irregularities, if any, should be incorporated in the IR.

A list showing total number of officers in the cadre of Group 'A' & 'B' (mentioning their names and designation) in the auditee unit and number of pay fixation cases checked should be kept in the IR duly signed by Supervising Officer or AAO/Supervisor in absence of Supervising Officer.

(B.O. No. OA/IC-I/2004-05/1 dated 22.4.2004 HQs Circular No. 01-2003 No. 352-Audit/M&C/227-2003 dated 31.12.2003)

**7.5.13 Travelling Allowance Bills:**

The following should be looked into by Audit in the audit of travelling allowance bills:

- i) The journey was necessary and authorized by general or special orders of the competent authority and in the interest of the public service;
- ii) The journey was actually performed and was done as expeditiously as possible;
- iii) No claim in respect of the journey had been submitted previously;
- iv) The amount had been correctly drawn with reference to the rates and general conditions in force;
- v) TA bill not preferred within one year from the date on which they become due are not entertained and TA advance granted for the journey are recovered in full;
- vi) Legally valid acquaintance of the person entitled to receive the payment, with revenue stamp, where necessary, has been obtained;
- vii) Tour Diary has been submitted and the bill claimed is in conformity with the Diary;
- viii) Disbursement certificate was furnished by DDO on payment to the actual payee, indicating the amount paid and date of payment;
- ix) Payment was recorded in the Cash book on the date of payment;
- x) Whether the advance drawn has been adjusted and excess amount, if any, has been deposited in Government A/c or recovered from the person concerned;
- xi) Where the mode of travel, class of accommodation, rates of daily allowance, etc. are determined on the basis of the pay of the government servant, particulars thereof shown in the bill should be checked, during audit, with reference to tie pay bills. The daily allowance, mileage allowance, etc. claimed in the bill should be admitted based on the rates prescribed in the rules; fares claimed in respect of different modes of travel should be similarly checked with reference to the applicable fare tables of the agencies concerned.

The responsibilities for the scrutiny of travelling allowance bills are shared between the Controlling Officers and the Sr. AO/AO because some of the checks prescribed above cannot be independently exercised by the Audit officials. Audit should ensure that the Controlling Officer had properly exercised the scrutiny entrusted to them under the rules of the Government in relation to these bills.

**7.5.14 Travelling Allowance Bills for the Journey Abroad:**

While checking the travelling allowance Bills for the Journey conducted by any Government official, abroad, following checking should be exercised:

1. Whether the journey was conducted for official purpose and for the interest of the State;
2. Whether any administrative approval and financial sanction for the journey was accorded by Government;
3. Whether the foreign tour and the period of stay in the foreign country including the transit period was approved by the Ministry of External Affairs. Government of India (GOI) and approval for overstay, if any, was accorded by GOI.
4. Whether advance for the journey was drawn and, if so, whether the same was adjusted within the period as per rules.

5. Whether GOI, Ministry of Finance has agreed to release foreign exchange for the tour.
6. Whether GOI, Ministry of Home Affairs has granted permission for acceptance of foreign hospitality and if so, to what extent;
7. Whether the journey to foreign country was sponsored by Government/Institution/Agency/National or International organization/ authority etc. If so, reasons and term and conditions for such sponsorship are to be looked into;
8. Whether the journey was conducted in the entitled class and through the shortest route;
9. Whether any Hotel accommodation charges/Travelling Allowance/Daily Allowance/Contingencies were drawn by the official from/or paid by the Indian Embassy concerned, as per prescribed scale, and approval of the Ministry of External Affairs;
10. Detailed Tour diary submitted;
11. Detailed TA bill submitted in adjustment of Advance and adjustment of TA/DA etc. drawn from/paid by the concerned Indian Embassy.

## **7.6 AUDIT OF CONTINGENT CHARGES**

### **7.6.1 Introduction:**

There are five categories of contingencies viz., (i) Contract contingencies; (ii) Scale regulated contingencies, (iii) Countersigned contingencies, (iv) Fully vouched contingencies and (v) Special contingencies. The responsibility for the effective control of contingent expenditure rests primarily upon the heads of Offices/ Departments. The Audit office merely examines the, fulfilment of that responsibility by auditing such expenditure, the extent of which varies greatly with the different categories of contingent charges.

### **7.6.2 General checks:**

In addition to points mentioned in **paragraph 7.4** (Audit of Expenditure) of this manual the following further checks are to be exercised in respect of audit of all contingent bills. It is to be seen

- i) that each class of expenditure:
  - a) is properly charged against the Grant or Appropriation concerned;
  - b) has received such sanction as is necessary and
  - c) is incurred by a Government servant competent to incur it;
- ii) every payment is supported by a payment order signed by the head of the office or disbursing officer serving under him, and duly authorised. The payment order should specify the amount payable both in words and figures and that all pay orders are signed by hand and in ink. Every payment should be acknowledged by the payee and dated. When the acknowledgement on a voucher is given by a mark or seal or thumb impression it should be seen that it has been attested by, a responsible officer;
- iii) the vouchers as are required by audit have been submitted;
- iv) the details given in the sub-vouchers agree with the entries in other supporting registers or records maintained in the office,

- v) that any certificates required under the financial rules of the Government concerned have been provided;
- vi) that the rates are apparently not extravagant and that standards of financial propriety have been properly observed;
- vii) that the bill is in proper form and the classification is correctly recorded thereon;
- viii) that stores not immediately required or in excess of requirement have not been procured merely to avoid lapse of budget grant and remain unutilized;
- ix) where acknowledgements of payments are received in advance and the actual payments are made subsequently, separate acknowledgements of payees are obtained at the time of payment. Such subsequent acknowledgements need not be stamped, if the acknowledgements obtained in advance are already stamped, where necessary;
- x) where a single stamped receipt is obtained from a payee in acknowledgement of payment against more than one voucher at a time, a reference is given on all concerned vouchers and the total amount of such vouchers agrees with the amount for which acquittance is obtained;
- xi) all vouchers for purchase of stores bear certificate by the competent officer regarding entry of stores in the relevant stock register indicating the Page number of the stock register and that such vouchers also bear certificate of competent authority to the effect that the quantities of stores received are correct, their quality is good and they are according to the approved specifications, where prescribed;
- xii) where sales tax has been paid, it was payable on the stores purchased under the specific provision of sales tax act and the amount paid was correct;
- xiii) if any sub-vouchers or vouchers, which under the rules, should have been sent to the AG (A&E) WB are found to have been retained, the reasons for their retention should be enquired and their submission insisted upon;
- xiv) all charges incurred are paid and drawn at once and under no circumstances they have been allowed to stand over to be paid from the grant of another year;
- xv) the charges which are inadmissible or in excess of the sanctioned scale have not been sought to be concealed by showing them under contract contingencies or by splitting them into two or more different bills or classes;
- xvi)** the under-mentioned items of contingent expenditure have been incurred in accordance with the rules, orders, conditions scales and any other restrictions laid down by the State Government.
  - a. Conveyance hire charges
  - b. Hire of office furniture, electric fans, etc.
  - c. Rent for accommodation for office or residential purposes.
  - d. Staff paid from contingencies.
  - e. Purchase of Stationery articles.
  - f. Entertainment/light refreshment.

- g. Purchase of petrol/diesel.
- h. Movement of vehicles outside the district.
- i. Printing of standard/non-standard forms.
- j. Electricity charges for residences.

Further, Audit is to see that

1. Whether in case of Contract contingencies, the expenditure was in excess of the contract grant and the excess is regularized by sanction of the competent authority.
2. In case of Scale regulated contingencies the charges incurred are in accordance with the scale governing them.
3. In case of audit of Special Contingencies the arrangements exist in the drawing and countersigning offices to watch the progressive outlay against the sanction of fund for the contingent expenditure of special nature.
4. In the case of countersigned contingency bills the authorized officer has drawn the bill, the necessary grant or appropriation is available, prescribed certificates have been furnished, the summations are correct and that the bills contain no extraordinary or unusual features.
5. Where payments of Fully Vouched Contingencies are made the amounts drawn on bills are countersigned before payment. Further, the test check of the paid muster rolls, acquittance rolls and payees' receipts should be undertaken where coolies on daily or monthly wages are employed regularly.

**[Paragraph 3.4.7 of MSO (Audit)]**

### **7.6.3 Audit of Contingent Register:**

The entries in the contingent register should be checked with sub-vouchers and propriety of expenditure scrutinized with reference to T.R. 4.123 to 4.128 of WBTR-2005. It should further be seen that:

- i) the register is maintained in the prescribed form;
- ii) entries are invariably made on the date of payment, indicating the name of payee and the number of sub-vouchers, the amount in the proper column duly authenticated by the Head of the Office or Gazetted officer-in-charge;
- iii) monthly as well as progressive total was worked out by the drawing officer to watch the progress of expenditure under each detailed head;
- iv) the entries are correctly entered in the column having as heading the classification under which the expenditure falls;
- v) the total of the entries of the sub-vouchers agrees with the total of the contingent bills drawn;
- vi) the total expenditure during the year under each head of classification does not exceed the total allotment/sanction which is to be noted at the top of the respective column;
- vii) appropriation for each head of contingent charges has been noted at the top of the column allotted to it;

- viii) the details of stores and other articles purchased, as entered in the register, for which no sub-voucher are available, agree with these shown in the stock books or other registers or records in the local office and the total of the bills drawn in the contingent register are also checked.
- ix) regarding audit of special charges and periodical charges incurred by the departmental offices it should be seen in local audit that the existing control system in the drawing and countersigning offices is adequate to ensure prevention of more than one drawal against a single sanction or a double payment of a recurring charge.

[HQs. letter No.542-TAI/45-82 dated 24.4.82 & 180-Rep (s) 20-96 dt. 23.2.96]

*Note: While generally reviewing the contingent register particular attention should be paid to bills of heavy amounts which should be intelligently and carefully examined in detail after linking with other bills for similar items of expenditure.*

## **7.7 AUDIT OF GRANTS IN AID**

### **7.7.1 Audit objective:**

The main aim of audit of grants-in-aid is to ensure that the grants are utilized for the purposes for which these are given and that sound economical financial management practices are duly followed while incurring expenditure out of such grants.

### **7.7.2 Issues for audit scrutiny:**

- a)** The audit of the grants itself is to be conducted according to the general principles and rules laid down for the audit of expenditure from the Consolidated Fund with particular emphasis on the following aspects.
  - i) the expenditure is covered by a sanction, either general or special;
  - ii) the authority sanctioning it is competent to do so by virtue of the powers vested in it by the provisions of the Constitution and of the laws, rules or orders made there-under or by the rules of delegation of financial authority framed by the competent authority;
  - iii) the sanction conforms to the pattern of assistance or rules governing such grants-in-aid as approved by the Finance Ministry;
  - iv) the suitability of the institutions seeking the grant has been assessed by the sanctioning authority;
  - v) every order sanctioning a grant indicates whether it is recurring or nonrecurring in nature and clearly specifies the general and special conditions, if any, attached to the grant; and
  - vi) a provision to the effect that the accounts of the grantee institutions shall be open to inspection by the sanctioning authority/Audit.
- b)** On the question of regulation of the quantum of the grants-in-aid to State Governments for developmental schemes after taking into account the miscellaneous receipts accruing from such schemes, the GOI has decided as follows:
  - i) Where recurring grants-in-aid are given, the quantum of such grants should be based on the net expenditure arrived at by deducting the estimated receipts from the gross expenditure.

- ii) In respect of grant-in-aid of a capital nature (e.g. non-recurring grant for the construction of building or acquisition of a machinery), not only the elements of possible receipts that would accrue to the State Government, it should be taken into account in determining the quantum of the grants, but any receipts from the disposal of property constructed or acquired by utilizing the grant relating to schemes which were closed or abandoned should also be reckoned proportionately.
  - iii) Governments often stipulate that before a grant is paid, the sanctioning authorities under its control should as far as possible, obtain audited statements of the accounts of the grantee institutions in order to establish that the grant is justified by their financial position and also to ensure that any previous grant was spent for the purpose for which it was intended. Audit should verify that the sanctioning authorities duly adhere to the stipulation.
  - iv) Audit should ordinarily accept statements made by the responsible technical officers on purely technical matters.
- c) It should be watched that, except in special circumstances, grants are not paid in excess of actual requirements of the grantee for the financial year.
- d) When recurring grants-in-aid are made to an institution, Audit will verify, as far as possible, that the institution continues to function as intended and that the circumstances in recognition of which the grant was sanctioned still continue to exist.
- e) The extent of audit of the expenditure incurred from a grant by the grantee depends on whether the grant is conditional or unconditional. Where no condition was attached to a grant, audit is in no way concerned with the manner in which the grant is utilized by the grantee. But where conditions are attached to the grant, audit must see that:
- i) The sanctioning authority is required to furnish to the AG (A&E), WB a formal certificate confirming the proper utilization of the grant from the administrative, technical and financial points of view. Audit should watch the compliance of this requirement.
  - ii) Where the audit of local authorities and public or quasi-public bodies is conducted by an officer not subordinate to the CAG, a certificate, based on that Sr. AO/AO, to the effect that the grants have been utilized for the purpose for which they were sanctioned and in accordance with the conditions attached to them, may be accepted from the administrative authority concerned.
  - iii) In cases not falling under any of the above, the utilization certificates furnished by the authorities of the administrative Government to the AG (A&E), WB may be accepted in audit. However, a test check should be applied, where possible.

### **7.7.3 Submission of Utilization Certificate:**

- a) Ministries and Departments of the GOI are not required to furnish utilization certificates.
- b) State Government directly incurring expenditure out of Central grants are also not required to furnish utilization certificates. If, however, such expenditure is incurred through local bodies or private institutions, the State Governments concerned should furnish the necessary utilization certificates.
- c) In view of large amounts disbursed as grants-in-aid in connection with developmental schemes by the Central as well as State Governments to Co-operative Societies, private institutions etc., it has become an important function of Audit to watch



- i) that there is no tendency on the part of Government to continue disbursing fresh grants to a grantee when substantial amounts out of the earlier grants remain unutilized.
- ii) that an adequate machinery is available with the executive authorities to maintain a constant watch over the progress of expenditure from the grant, the continued solvency of the grantee and the safety of the funds provided,
- iii) whether the intended developmental schemes are being implemented economically and efficiently and producing the results expected of them,
- iv) the extent to which the agency or authority being audited is discharging its financial responsibilities in relation to the schemes being implemented and
- v) whether there are instances of overpayment, loss, extravagance, avoidable excess or infructuous expenditure attributable to improper planning, incorrect sequencing of activities, delays in completion, etc.;
- vi) whether the grants were spent on the specific object within the prescribed period or within the reasonable time normally a period of one year from the date of issue of sanction.

#### **7.7.4 Grants to non-government or quasi-government bodies or institutions:**

The GOI has decided that where assets are to be acquired wholly or substantially out of Government grants paid to non-government or quasi-government bodies or institutions, it should be laid down that the assets should not, without the Government's prior sanction, be disposed or utilized for purposes other than those for which the grants were sanctioned. Audit has to watch compliance with this requirement or any other similar stipulation made by the State Government in this behalf.

#### **7.7.5 Grants to Autonomous bodies, non-government organizations etc.:**

Grants provided by the department to various autonomous institutions, non-government organizations, etc. should be examined with a view to ascertaining whether:

- i) the department has evolved systems and procedures to regulate the release of funds and to monitor their utilisation and these are adequate to safeguard against misutilisation and other irregularities and
- ii) the systems and procedures are appropriate and adequate for the achievement of the department's objectives.

[Paragraph 3.9.14 of MSO (Audit)]

#### **7.7.6 Audit of grants towards scholarships:**

Scholarship and stipend vouchers should be test checked during local audit of the concerned offices. It should be ensured that a proper system exists in these offices for maintaining a continuous record of all such payment and the acquaintances have been received and filed.

#### **7.7.7 Overseas scholarships:**

In any other category of scholarship/stipend for which nominal audit is considered necessary by the Pr. AG on any special considerations, audit should be conducted to ensure that

- i) the sanctioned scale is not exceeded,
- ii) the total amount sanctioned for the scholarship/stipend had not exceeded,
- iii) scholarship/stipend are drawn only for the period for which they are admissible in terms of the sanction,
- iv) the bills for educational scholarships and stipends have been drawn in accordance with the procedures prescribed in the relevant rules, and
- v) necessary certificates vouchsafing fulfilment of the prescribed conditions have been furnished.
- vi) the accuracy and veracity of these certificates should be verified by a test check of the detailed records maintained by the executive authorities.

**[Paragraph 3.5.25 of MSO (Audit)]**

## **7.8 AUDIT OF STORES AND STOCKS**

### **7.8.1 Introduction:**

Audit of stores and stock accounts kept by the offices or Departments, is conducted in pursuance of provision contained in Section 17 of the CAG's (DPC) Act, 1971, and is directed to ascertaining that the departmental regulations governing purchases, receipts, issue, custody, condemnation, sale and stock taking of stores are well devised and properly carried out. Important deficiencies in quantities of stores held or any grave defects in the system of control, if any, is detected in audit are brought to the notice of the Government through IR.

### **7.8.2 Audit of purchase of stores:**

The following aspects relating to purchases of stores should be examined in audit:

1. Purchase should have been properly sanctioned and made in the most economical manner in accordance with the rules, regulations and orders issued by the Government.
2. Audit must see that the requirements have been assessed on a realistic basis and funds are available for the procurement.
3. The stores procured are of approved quality and specifications. Stores of the required specifications should have been purchased only under rate contracts entered into by the Directorate General of Supplies and Disposals (DGS&D) or any other approved rate contract.
4. The rates paid should correspond to those agreed to in the relevant contracts or agreements.
5. The Government servants responsible for approving and receiving purchase should furnish certificates of quality and quantity before payments are made, except where the contrary is permitted by the rules of Government regulating purchase of stores.
6. Purchase orders should not have been split up so as to avoid the necessity for obtaining the requisite sanction of higher authorities.
7. The stipulated terms and conditions should conform to various codal provisions and orders issued from time to time by the Government.
8. Necessary precautions should have been taken to safeguard Governments' interests in cases involving advance payments for supply of stores in terms of the contract

provisions or Government orders. The stores should also have been received within the stipulated period and the advance payments adjusted.

9. Where scales of consumption or limits of stores had been laid down by competent authority, the officer ordering the supply had certified on the purchase order that the prescribed scales or limits were not exceeded.
10. All materials received have been examined, counted, measured or weighed, as the case may be, when delivery was taken and they had been taken charge of by a responsible Government officer who had seen that the quantities were correct, the qualities were good and recorded a certificate to that effect. The officer receiving the steles had certified that he had actually received the materials and recorded them in appropriate stock register.
11. In selecting the tender to be accepted the financial status of the individuals and firms tendering were taken into consideration in addition to all relevant factors.
12. Widest possible publicity had been given for calling tenders and due period of notice allowed consistent with the magnitude of the purchase.
13. All tenders had the dated initials of the officer opening them.
14. The tenders were received on the prescribed forms in sealed covers.
15. The rates quoted by the tenderers were not over written or changed without attestation by the tenderers and were correctly transcribed into the comparative statement.
16. The lowest tenderer was determined by working out the cost of all items of work or supplies on the basis of an estimated quantity of work to be done or supplies to be made and not merely by visual comparison of the tendered rates without reference to the cost of work or supplies involved.
17. The comparative statements were duly checked and approved by the head of the office and contained his orders about the tender accepted.
18. In case purchases had been made by single tender or negotiation whether sanction of the competent authority had been obtained and reasons recorded for resorting to the method of purchase.
19. The successful tenderer had not indirectly derived an advantage over other tenderers by the insertion of special conditions which had the effect of raising the rate quoted by him.
20. Suitable security as also sanction of the competent authority had been obtained.
21. The specifications indicated in the quotations agreed with those shown in the notice inviting tenders/quotations.
22. No stores of defective and inferior nature were accepted and certified to be satisfactory in quality.
23. A complete and regular stock account of receipt and consumption of blank tender forms had been kept.
24. The sale proceeds of tender forms had been correctly accounted for in the books and promptly credited to Government Account.

**7.8.3 Audit of store records relating to custody and issue:**

As regards custody and issue of stores, it has to be seen in audit whether:

1. a particular official has been responsible for the custody of stores for prolonged periods and if so, whether the stores have been physically verified regularly to guard against any loss, pilferage, etc.;
2. discrepancies, if any, between the book balances and the ground balances have been reconciled promptly;
3. appropriate and effective follow-up action has been taken on reports of physical verification of stores to make good, any losses, shortage., etc. and to fix responsibility therefor;
4. adequate precautionary measures have been taken to prevent misuse of materials issued to contractors for use in works;
5. adequate storage facilities are available and precautionary measures have been taken to protect stores from damage and undue deterioration;
6. efforts have been made to transfer surplus stores where these could be utilized;
7. a report on surplus stores that could not be so transferred as well as on obsolete and unserviceable stores, specifying the reasons for so declaring them, has been promptly sent to the competent authority for facilitating their disposal;
8. all issues of stores are supported by proper indents and have been approved by the competent authority and acknowledged by the intended recipients;
9. Officers entrusted with custody of stores or holding charge of stores have furnished the security prescribed in terms of the instructions issued from time to time by the competent authority.
10. that entries of all receipts of stores purchased or otherwise obtained and of their issues are made in them as transactions actually occur;
11. that an accurate and detailed account of consumption of consumable stores is maintained by the indentors to whom these stores are issued;
12. that some official is held responsible for checking and ensuring that this is done properly and for seeing that balances are worked out correctly;
13. that the accounts of balances which were audited in the previous inspection have been produced in all respects and that no entries in them have been tampered with;
14. that all transactions and balances in the stock registers, ledgers have been attested by a responsible officer;
15. Whether the consumption of stores in a particular year shows that the requirement of the year could have been met from the existing balances of stores. If so, the reasons for making fresh purchases, if any, have to be ascertained in details;
16. all stores were examined, on receipt and while accepting delivery, to determine their condition and to ensure that they were of the approved quality, make and specifications and the quantities conformed to those agreed upon;
17. the stores have been taken on stock and entered in the Goods Received Sheets/Bin Cards;

18. the previous stock balances have been correctly worked out, carried forward and authenticated by a responsible officer;
19. bin cards have been maintained chronologically based on receipts and issues; and
20. Price Stores Ledgers containing the value account of stores have been maintained.

#### **7.8.4 Audit of write-off/disposal of stores:**

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

- i) The competent authority should have accorded sanctions for write-off of stores. Any deficiencies in the systems requiring attention should be brought to Government's notice.
- ii) Stores are generally procured by departments/divisions for their own use and not for sale. However, when it becomes necessary to sell some surplus stores, this is generally done on receipt of payments in advance against proforma invoices, though sales on credit may be, occasionally, unavoidable. In such cases, the sale proceeds should have been promptly realized. Instances of proceeds against credit sales remaining unrealized for considerable periods should, therefore, be analyzed and commented upon.
- iii) The damages/destruction shown in the store accounts have to be investigated in details i.e, **(a)** how did the damage, etc., occur? **(b)** has the department taken any steps to write off the value of the damaged stores **(c)** who is responsible for such damages?
- iv) Whether unserviceable condemned articles are included in the closing balances. If excluded, whether each of these items was written off under orders of the Competent Authority?
- v) That amounts written off by way of depreciation, shortages, etc. during the year are not abnormally high or within the depreciation rate fixed/approved by Government;
- vi) That the closing balances as disclosed are not excessive.

#### **7.8.5 Audit of stores management:**

Stores in many cases result in capital remaining locked up for long periods; this may not be justified unless essential. In order to ensure this and effect economics, appropriate stock limits for different categories of stores should have been fixed by Government. Audit may, therefore, see that

- i) The balances in stock do not exceed the prescribed limits.
- ii) Whether purchase was made without actual need or in excess of requirement, resulting in accumulation of idle stock and consequential loss to the Government. Similarly, it may also be seen whether purchases were made less than the actual requirement and have affected adversely the progress of works and resulted in subsequent procurement at additional cost.
- iii) Whether there has been rush of expenditure on procurement at the close of the financial year or fictitious booking merely with a view to utilizing the budget grants.

- iv) Whether the stores were purchased long ago but could not be consumed with period from which these are lying in stock. The reasons for non-utilization of such stores have to be ascertained.
- v) If the reserve limit of stock was not fixed-what were the reasons thereof? The basis of assessment of requirement leading to accumulation of excess stores needs to be highlighted.
- vi) Has any reserve stock limit been prescribed by the Government? If so, whether the closing balances were within that limit. If not, what are the reasons for excess accumulation of stores?

#### **7.8.6 Audit of priced stores records:**

Where priced accounts are maintained, Audit will see that:

- i) stores are priced with reasonable accuracy and the rates initially fixed are reviewed periodically, correlated with market prices and revised where necessary;
- ii) the value accounts tally with the accounts of works and departments connected with stores transactions, their total also tallies with the amount outstanding in the general accounts;
- iii) the numerical balances of stock materials are reconcilable with the total of the value balances in the accounts at the rates applicable to different classes of stores; and
- iv) steps have been taken for the adjustment of profit or loss due to revaluation, stock verification or other causes not indicative of any serious disregard of rules.
- v) the value of all materials obtained from different sources, either by cash payment or by book adjustment, has been entered on the payment side;
- vi) receipt side has shown the value of materials issued from time to time at rates fixed by competent authorities after taking into account in addition to the original price, the cost of carriage and other incidental charges, if any, actually incurred on acquisition of stores;
- vii) the difference between the totals of the two columns has been worked out to show profit or loss in the operation of different classes of materials.

#### **7.8.7 Audit of Dead Stock, Plant & Machinery, Furniture, Fixture, Equipment etc.:**

The principal points to be looked into in auditing the inventories are:

- i) that they are maintained in prescribed form;
- ii) that the inventory is priced wherever the value of the items is necessary;
- iii) that the inventory has been checked at least once in every year by the competent authority or such other officer as may be specially authorized by him in this behalf and that a certificate of physical verification has been recorded over his own signature;
- iv) that a distribution of list of all items of dead stock has been maintained to show their distribution amongst the various officers and sections in the office/institution.

**7.8.8 Purchase of Stationery and Rubber Stamps:**

Local purchase of articles of stationery including rubber stamps and ink usually supplied by the stationery office are not admissible, unless specially sanctioned by Government.

*Note 1. The Government may delegate to any of their subordinate government servants whom they may select, the power to sanction petty purchases of stationery and rubber stamps, up to a limit of the amount fixed by Government from time to time in each case.*

*Note 2. In cases where the Stationery Officer will fail to supply stationery articles as per indents, the same may be purchased from the Co-operative Societies mentioned hereinafter without obtaining quotations or inviting tenders. In Calcutta, the stationery articles can be purchased from the Calcutta Wholesale Consumers' Co-operative Society Ltd. and from the Samabayika run by that organization. In the Districts and Sub-Divisions cash purchase of stationery articles may also be made from the Wholesale Co-operative Societies and their subsidiary organizations. Such purchase will be made within the delegated powers of the respective Heads of Officers/Depts. and other authorities as per provisions of delegation of financial powers rules 1977 as amended from time to time. Advance drawal of funds for cash payment may also be made by the respective authorities and the power in this regard has been delegated to them subject to the condition that sufficient balance in the permanent advance is not available to meet the charge and that not more than two advances will remain outstanding at any time (e.g. every third advance will be admissible for drawal after adjusting the first advance). The sanctioning authorities while exercising financial powers under this order will record a certificate to the effect that indent for the relative stationery articles was sent to the Stationery Office but the same had not been supplied from the Stationery Office.*

(Government of West Bengal, Finance Department, Audit Branch Memo No. 228-F dated 11.1.1982)

**7.8.9 Stationery Stock Register:**

It should be seen that:

- i) All purchases of stationery and stationery articles received from the Stationery office during the period of audit have duly been accounted for;
- ii) Issue of stationery articles are regulated by the sanctioned scale and all issues are bona-fide;
- iii) Periodical inspections and verifications are made in accordance with the rules and executive instructions;
- iv) Totals and closing balances are properly arrived at.

**7.8.10 Articles manufactured in Jail:**

All articles manufactured in jails as mentioned in the catalogue due to be issued annually must ordinarily be obtained from the Jails and may be purchased from private firms, if the cost of articles in this way is materially less than that of obtaining them from the Jails after taking cost of transport into account.

**7.8.11 Registers of Immovable Property (Assets Register):**

Inspection Parties should also give adequate attention to the audit of property accounts which include accounts of immovable properties like land, buildings, and other assets with a view to safeguarding the financial interests of Government. Specific comments should be included in the IR regarding the maintenance of property accounts in respect of each Government Institution inspected by them.

(HQs. confidential letter No. 83-Admn I/152-61 dated 11.1.62)

It should also be seen whether the permanent Assets Register prescribed by Government showing assets of immovable properties and buildings in the custody of the auditee units/departments is being maintained indicating the following information:

- a) Name /Type of assets.
- b) Date of creation/procurement/acquisition.
- c) Value on procurement/acquisition/creation.
- d) Date of taking possession.
- e) Source of fund.
- f) Whether proper plan, estimates were vetted by the competent authority before procurement/acquisition/creation.
- g) Measurement/area/quantity.
- h) Date of inspection of site, if any and the landed property duly demarcated.
- i) Year-wise expenditure on procurement/acquisition/creation.
- j) Whether completion was duly certified by the competent authority.
- k) Additional investment, if any.
- l) Expected annual revenue, if any.
- m) Year-wise revenue earned, if any.
- n) Particulars of deposit of revenue in Government account.
- o) Whether proper identification mark given.
- p) Remarks, if any.

Further, the auditee unit may be requested to conduct a physical verification of the assets, preferably in presence of audit, during the course of audit and intimate the result of inspection to audit. If refused, the facts of refusal should also be mentioned and included in the IR. In interesting cases, some photocopies may be collected by the audit and should be authenticated/ confirmed through audit query.

**(BO No. OA/IC-I/ 98-99/5 and 2000-01/17 dt. 6.7.98 and 13.01.01)**

#### **7.8.12 Register of Forms:**

Special care has to be taken in the scrutiny of stock account of saleable forms, licence forms or the receipt forms to ensure that no such forms are issued without the realization of cost thereof which should be traceable in the cash book.

#### **7.8.13 Physical verification of stocks:**

It is an important function of Audit to ascertain that stores materials are counted periodically and otherwise examined to verify the accuracy of the quantity of balances reflected in the books. Audit shall not except when specifically authorized to do so, assume responsibility for physical verification of stores; it however, has the right to investigate stores balances and highlight discrepancies. Audit has to see that



- (a) A certificate of verification of stores is recorded periodically by a responsible authority,
- (b) System adopted by the executive for verification is adequate and proper;
- (c) Discrepancies found on stock verification are properly investigated and reconciled and the reasons fully explained and
- (d) Staff responsible for stock verification are, wherever possible, independent of those responsible for the physical custody of stores or for maintaining the accounts and
- (e) The stock verifiers, wherever practicable, works directly under the control of the Government and not under the heads of the individual departments concerned.

**[Paragraph 2.4.10 of MSO (Audit)]**

#### **7.8.14 Audit of accounts of furniture in residences of High Officials:**

In respect of the accounts of furniture in the residences of High Officials, Audit may require, where necessary, the furnishing by the executive authority nominated for the purpose, of an annual certificate of verification to the effect that:

- (a) The furniture has been inspected and checked with the stock lists maintained;
- (b) All new supplies have been correctly brought on the stock lists so that they are current and up to date;
- (c) The stock lists are correct and complete in all respects;
- (d) The articles actually in stock agree with the stock lists;
- (e) Sale proceeds, if any, have been properly accounted for; and
- (f) Sanction of the competent authority exists for all articles written off or struck off the stock lists.

**[Paragraph 2.4.11 of MSO (Audit)]**

#### **7.8.15 Audit of Materials Management:**

##### **A. Organization and functions of the Central Purchase Organization (CPO):**

The Central Purchase Organization of Companies/Corporations functions under the Chief Materials Manager/Material Manager. The functions of the CPO include tender related works, preparation of list of vendor base for various items for limited tender enquiry, guiding/ coordinating field/indenting offices with regard to purchases, processing and issuing of purchase orders and post-purchase order coordination with indenting officers and suppliers. In addition to the CPO, purchases are also being made at field level as per the delegation of financial powers.

In Government Companies/Departmental Undertakings, purchases are generally made through tenders, which are of following types: -

##### **B. Critical records to be seen during Audit:**

- i. Registers of Sale of Tender Documents.
- ii. Register of Earnest Money Deposits.
- iii. Tender Opening Register & Comparative Statements.

- iv. Individual Purchase Order files.
- v. Files relating to Tender Committee meetings.
- vi. Register of Security Deposit.
- vii. Register of Bank Guarantees.
- viii. Register of Advance to Suppliers.
- ix. Register of penalties imposed / recovered.
- x. Suppliers' bills register.

### **7.9 AUDIT OF PRINTING:**

Officers subordinate to Government, the cost of whose printing (other than the printing of standard or non-standard forms and demi-official note paper and envelopes which should be obtained duly embossed and printed from the Press and forms Department) does not ordinarily exceed the amount fixed by Government should have such work done locally at private presses and charge it to their appropriation for contingencies provided that expenditure on any single item does not exceed the amount fixed by Government from time to time and that the total expenditure for the whole year does not exceed amount fixed by Government and or the expenditure was within the financial power delegated by government.

### **7.10 AUDIT OF LIVERIES:**

In the case of supply of liveries to the Government servant, it should be seen whether;

- i) the supply of livery is according to the prescribed scale and periodicity;
- ii) that the stitching of garment is arranged after calling for tenders and satisfying themselves about the reasonableness of the rates;
- iii) there are proper checks for the issue of cloth and for the receipt of the required number of garments;
- iv) payments are made after satisfying as to the quality of work.

### **7.11 STOCK ACCOUNT OF LIBRARY BOOKS:**

It should be seen that:

- i) Purchases of Books were made as per requirement/demand and latest edition from the publisher or his authorized agent;
- ii) the entries are made in the stock book (accession register) as soon as purchases are made ;
- iii) the rules and regulations for issue of books are followed;
- iv) no book remains due from Government servants beyond the period allowed;
- v) value of books lost from the custody of the Government servant has been recovered;
- vi) no book remains in the custody of a Government servant who has been transferred or retired.
- vii) physical verification is conducted every year.

**7.12 AUDIT OF TENDER /CONTRACT /AGREEMENTS:**

- (a) Important points to be verified while auditing of tenders, contracts or agreements are
1. Standard form of contract has been adopted wherever possible, the terms are subjected to adequate prior scrutiny.
  2. The contract should not have been entered into by or on behalf of a minor.
  3. All the conditions and requirements printed on the Contract form should have been complied with.
  4. Complete particulars of quantities and rates/prices should have been furnished, the rates/prices stipulated being firm.

***Note: Particulars of contracts containing a price variation clause or provisional rates should be sent to local audit for further examination.***

5. Important and material clauses relating to delivery schedule, place of delivery, inspection of stores, despatch instructions, particulars of consignee, mode of payment etc. should have been clearly specified and not omitted.
6. Normally, the purchase order should have been signed by an authority competent to enter into contracts. If, however, this has been signed by an authority not competent to enter into the contract, it should be verified that a certificate to the effect that the competent authority has approved the purchase is recorded thereon, mentioning also the designation.

***Note: The Purchase Officer concerned should sign in ink all copies of the Acceptance of Tender, Supply Order, etc. including all attachments containing details of the rates/prices and other important conditions.***

7. If the tender/agreement/contract provides for payment to a party other than the contracting firm, a power of attorney should already have been registered in the books of the office.
8. Provisions relating to payment of VAT (sales tax), excise duty, etc. should be checked with reference to the instructions issued by the Government from time to time. Vague provisions such as “sales tax will be paid, if legally leviable” should be objected to and the contracting officers asked to state in definite terms whether sales tax, excise duty, etc. are payable and, if so, the rates, basis of payment, etc.
9. Acceptance of tender issued in the latter part of a financial year should be specially scrutinized and any tendency on the part of the department to resort to rush of expenditure brought to notice.
10. If the accepted tender provides that the supplier should furnish a solvency certificate for the contractual amount, Audit should verify that no facts have been suppressed in the documents connected with the solvency certificate and that the financial interests of Government have been adequately protected.
11. The contract should have been sanctioned by a competent authority and signed for and on behalf of the President of India, Governor of a State, Administrator of a Union Territory or the Chairman or any other authorized official of a quasi-public body, as the case may be.
12. In respect of contracts entered into with a firm, each one of the partners, or the duly constituted attorneys in the case of absent partners, should have signed all the documents

constituting the contract. In the latter case, the original powers of attorney duly registered in a court of law will be verified and an attested copy obtained for audit purposes.

13. Security deposit, if any, should have been furnished in the appropriate form and of the correct amount and within the period stipulated in the contract.
14. Penalties leviable under the terms of the contract should have been enforced in the event of any default or breach of the conditions.
15. Requests for dispatch of heavy goods by passenger train involving payment of freight charges disproportionate to the value of the materials should be reported to the local audit party for detailed examination. In such cases, the party should examine whether higher rates of freight charges were also agreed to on earlier occasions on grounds of urgency and whether the circumstances really justified the additional expenditure.
16. The terms of contract are precise and definite and there is no room for ambiguity or misconstruction therein.
17. As far as possible legal and financial advice has been taken in the drafting of contract and before they are finally entered into.
18. Standard form of contract has been adopted wherever possible; the terms are subjected to adequate prior scrutiny.
19. The terms of contract once entered into have not been materially varied without the previous consent of the authority to enter into the contract and the reasons for the variation have been recorded. No payments to contractors, by way of compensation or otherwise, outside the strict terms of contract or in excess of the contract rates have been authorized without the previous approval of the Finance Department.
20. Provision has been made in the contract for safeguarding Government property entrusted to a contractor.
21. In long term agreements and contracts enduring or likely to endure for a period more than five years, provision has been made for an unconditional power of revocation or cancellation of such contracts by Government at any time on the expiry of six months' notice to that effect. In agreements for the execution of a work as a contract work which should invariably be in writing there should generally be a stipulation as to the quantity of work to be done and the time within which it is to be completed.
22. In works of great magnitude the contract deeds are specially prepared by the Government Law Officers.
23. Security is invariably taken for the due fulfilment of a contract.
24. Heads of Offices and their subordinates are responsible for ensuring that the terms of contracts are strictly adhered to and that no act is done tending to nullify or vitiate a contract.
25. Even in cases where a formal written contract is not made, no orders for supplies etc. are placed without at least a written agreement as to price.
26. There is no omission of any important clause e.g. inspection of stores, date and place of delivery despatch instructions, name of consignee, penalty for delay etc.

- (b) If considered necessary, cases of the following type may be scrutinized in audit:
- i) Inclusion of any new item not originally contemplated in the contract.
  - ii) Cases involving extension of the stipulated delivery schedule when payment of higher prices had been agreed to initially on grounds of urgency of requirements and early delivery.
  - iii) Cases involving payment of compensation to contractors/ suppliers' firms.
  - iv) Contracts, even if sanctioned by the competent authority including the Government, containing any extraordinary or unusual stipulations.
  - v) Cases involving adoption of any special and apparently objectionable procedures of purchase, inspection and payment.
  - vi) All contracts concluded on cost plus profit basis.
  - vii) All contracts entered into with private firms for functioning as Government stockists.
  - viii) Sanctions to ex-gratia payments.

[Paragraph 3.7.13 & 14 of MSO (Audit)]

### **7.13 CHECK OF POSTAGE STAMP ACCOUNTS:**

Stock accounts of postage stamps should be scrutinised to see that:

- i) Balances of stock of postage stamps have been correctly carried over from previous month and that the total and closing balance has been correctly worked out during the months selected for detailed check;
- ii) All purchases of stamps made during the selected months are traceable in the stock register;
- iii) Balance of postage stamps in hand at the end of each fortnight is physically verified by the competent authority and a certificate to that effect is recorded in the stock register;
- iv) All issues of stamps relating to registered letters are supported by postal receipts;
- v) Where stamps are issued in bulk to branches/sub-offices of the same office for use, proper accounts therefore are rendered by such branches/sub-offices;
- vi) Postage stamps have been used only for strictly official purposes.

### **7.14 CHECK OF LOG BOOKS OF GOVERNMENT VEHICLES:**

(a) Extensive check should be exercised by the audit team on records of hired vehicles in addition to government vehicles and comments, if any, should be incorporated in the IR. While conducting audit on vehicles following points should be called for and submitted with the report:

- i) In case of hiring of vehicle it would be seen that the same has been effected only after inviting quotations and the rate fixed within the limit prescribed by the State Government.  
(West Bengal Government's notification No. 2711-EB, September 2002)
- ii) Total number of Hired vehicles.
- iii) Whether approval was accorded from the competent authority for hiring the vehicles.
- iv) Period of hire and terms and conditions.

- v) Rate of hire charges.
- vi) Total amount of Hire charges paid indicating the period of hire.
- vii) Cost of fuel paid, if any, indicating the period.
- viii) Additional expenditure viz., Honorarium, Over Time etc. paid with period.
- ix) Total Km run, POL consumed indicating average consumption of POL per KM.
- x) Name of official frequently uses the vehicle.
- xi) Whether the vehicle used/plied outside the jurisdiction of the auditee unit or outside of the State, if so, the details (viz., purpose of visit, place of visit, KM covered, Name and designation of the personnel used the vehicle, time taken and the permission of the competent authority etc.) to be obtained.
- xii) No vehicle can be used on holiday except in emergency with prior permission of the competent authority.

**(BO No. OA/IC/99-2000/10 dt. 28.7.99)**

**(b)** A list of Government vehicles including staff cars, jeeps, station wagons and trucks, etc. should be called for in local audit from the office inspected. Inspection party should invariably check a sizeable number of log books and frame a separate audit comments if any, with reference to log books. In all such cases, care should be taken to collect a portion of the log book by either photo copy or by manual writing as key evidence and necessary audit tick/cross may be put in the original log books so that they cannot be tampered with later. It should be ascertained whether rules and regulations regarding their use and maintenance as framed by the Government or departmental authorities are being followed in actual practice. It should further be seen whether the following essential records are maintained:

- i. Separate Log Book for each Government vehicle is maintained in the prescribed form.
- ii. A records of repair and replacement indicating the cost and the dates on which carried out and details of spare parts.
- iii. A record of cost of petrol etc. consumed and all incidental receipts and expenditure.
- iv. that the vehicle is used only for bonafide public purposes permissible under the rules and orders of Government and not for any private purposes without the orders of the competent authority ;
- v. that full details of all journeys undertaken are recorded covering the distance (in KM) run, places visited.
- vi. that in the case of authorized private or non-official journeys the charges recoverable, at the prescribed rates, have been recovered and credited to Government.
- vii. that all issues of Petrol, Mobil oil and other lubricants and consumable stores are duly recorded in log books.
- viii. that the log books are closed after the prescribed periodical intervals and average kilometre run per litre of fuel (petrol or diesel oil or CNG etc.) is worked out;
- ix. that yield of kilometre per litre is not unduly low and where it is so, the causes leading thereto have been investigated and the needful done;

- x. that the petrol in tank of the vehicle is periodically verified by different stick measurements or by any other standard method of estimation and a certificate recorded in log book;
  - xi. that a list of equipment and tools kept with the driver of the vehicle is entered in the log book;
  - xii. that full details of all repairs to vehicle and replacement of part are duly recorded in the log book;
  - xiii. that in cases where frequent repairs to vehicles, engines or replacement of some parts have been carried out, they are not indicative of any foul play;
  - xiv. that a stock account of the condemned and replaced parts and accessories is maintained and their final disposal has been made to the best advantage of Government;
  - xv. that entries of meter reading at the start of journey as also at the completion of trips as well as the purpose and place of the visit are noted by the officers using the vehicle in their own handwriting and these entries have been signed by such officers;
  - xvi. that all official journeys, outside the headquarters or jurisdiction of the vehicle are supported by written sanctions of competent authority;
  - xvii. that the restriction on the monthly consumption of fuel per vehicle has been observed strictly and in cases of non-observance of the restriction, orders of competent authority have been obtained
- (c) The records of repairs and replacements kept in the log books or separately should be examined to see :
- i) that the cost of repairs and replacements is not on the high side;
  - ii) that the replacement of spare part/parts is/are not repeated in quick succession;
  - iii) that the reasons for frequent repairs/breakdown of Government vehicles are not such as to indicate the negligence of the drivers or laxity of control;
  - iv) that such repairs and replacements have been executed either by Government Workshops or by authorized dealers or garages in accordance with the orders of the competent authority;
  - v) Cost of the spare are as per rate fixed by the competent authority as per the schedule of rates of the manufacturer/ dealer.
  - vi) that the replacements of parts for which a life has been prescribed i.e. engine, tyres, etc., have been made only after completion of the prescribed life;
  - vii) that the vehicles have been periodically tested and inspected;
  - viii) POL consumption during repair/test run was not abnormally high,
  - ix) The inventory of equipment is scrutinized to see that it is checked by the Controlling officer periodically and losses, if any due to negligence or fault are promptly recovered.

**(d) Recovery of Vehicle charges:**

If in any case the Government vehicles or the hired vehicle under the control of the auditee organization was utilized for unofficial purposes, the cost towards the vehicles are to be recovered from the concerned official at the rate fixed by the government from time to time. Non-recovery or short recovery, if any, should be commented upon. In any cases where amount towards vehicle charges for exclusive use of staff car by the personal guests etc., of the high dignitaries like Governor were

recoverable from him, the matter should be discussed first by the Group officer/Pr. AG with the high dignitaries for remedial action. The question of further processing the objection would arise only if no remedial action is taken and that should be done through confidential letter.

[HQs circular No. 1 Audit/MOM/217-95 No. 146 Audit (MOM)/217-95 dt. 24.3.95]

### 7.15 **WORKS EXECUTED BY G&SS OFFICES:**

- (a) While scrutinizing the works executed by G&SS offices it should be seen that:-
- i) expenditure on construction (residential or otherwise) and repairs executed by G&SS offices is treated as contingent expenditure of the department, when it does not exceed Rs 2500/- **present ceiling** in amount;
  - ii) when the amount exceeds the sum and the work (residential or otherwise) is still executed by G&SS offices, the expenditure is treated as 'works' expenditure of the department vested with the administrative control of the expenditure;

*Note: The monetary limit is inclusive of the cost of land.*

- iii) no expenditure on construction and repair of residential buildings borne on the books of the works and Buildings department is incurred by G&SS officers;
- iv) so far as non-residential buildings borne on the books of the works and buildings department are concerned, G&SS offices in occupation of them do not execute works of construction and repairs not more than Rs 2500/- **present ceiling** in each case in respect of such buildings, excluding all works and repairs in connection with sanitary water, supply and electric installation and provision of fire appliances which should invariably be executed through the agency of the works and buildings department;
- v) the Executive Engineer has been allowed to inspect the plans and estimates prepared by the agency employed by the G&SS officers;
- vi) on completion of a work carried out departmentally, the G&SS officer concerned has to send to the Executive Engineer the detailed completion plans after endorsing thereon the actual cost of the work;
- vii) in case, the work is carried out departmentally the advances drawn for the purpose are adjusted without delay;
- viii) in case the work is carried out through contractors, advances are not drawn and paid;
- ix) the contractor has not been paid for materials before they are actually utilized in the construction work;
- x) the completion certificate has been furnished by the disbursing officer, after satisfying himself, by measurement or otherwise, that the actual work done corresponds with the estimates and is covered by the total payments made.
- xi) no money is retained in hand after the close of the year and all that has been drawn and remaining unexpended on the 31<sup>st</sup> March have been refunded to the treasury;
- xii) in no case bills for work have been submitted before the work billed for is complete;
- xiii) no money sanctioned for one work has been spent on another work.
- xiv) work orders should not have been split up so as to avoid the necessity for obtaining the requisite sanction of higher authorities.



*Note: The above procedure is intended for smaller works costing not more than Rs 5000/- present ceiling. For larger works including the works executed by the Development Authorities in respect of World Bank Assisted projects, the procedure should be on the lines of the procedure prescribed in Vol-II of this Manual.*

#### **7.16 MEASUREMENT BOOKS:**

It should be seen as per Vol-II of this Manual.

#### **7.17 MUSTER ROLL:**

It should be seen as per Vol-II of this Manual.

#### **7.18 CHECK OF DETAILED ACCOUNTS OF FESTIVAL AND OTHER ADVANCES GRANTED TO GOVERNMENT SERVANTS:**

The accounts should be subjected to check by the field parties. It should be seen that a register wherein the payments made to an individual Government servant has been **recorded along with the date** of payment and the instalment of recoveries also are posted in that register.

#### **7.19 AUDIT OF GENERAL PROVIDENT FUND ACCOUNTS OF GROUP “D” EMPLOYEES:**

The following records are checked in local audit:

##### **a) Index Register:**

- i) the general index register is maintained in the prescribed form and is kept up to date ;
- ii) the account number has been allotted to a subscriber after obtaining the application for admission duly supported by a nomination in the prescribed form;
- iii) the number allotted has been noted in the index register as well as in the ledger;

##### **b) Nomination of the subscribers:**

the subscriber having a family, the nomination is not in favour of any person or persons other than the members of his family as defined in the GPF rules.

##### **c) Subscriptions:**

- i) the subscribers are contributing at the rate of not less than 6 per cent of the basic pay (Pay in band Pay + Grade Pay);
- ii) the amount of subscription fixed by the subscriber is not enhanced or reduced more than once at any time during the course of a year;

##### **d) Withdrawals:**

- (i) the temporary advances and non-refundable advances are sanctioned by the competent authority only for the purposes laid down in the rules or orders on the subject;
- (ii) purpose of Advances from the GPF accounts was as per rules, and supporting documents where necessary was submitted by the subscriber before sanction;

- (iii) withdrawal amount was deducted from Individual's GPF account on the date of issue of Cheque;
- (iv) the temporary advances are refunded in the number of instalments as laid down in the rules;
- (v) the advances are regularly recovered from the monthly pay bills;

**e) Interest:**

- i) the interest on subscriptions is allowed at the rate prescribed from year to year;
- ii) the interest in fraction of a rupee exceeding 50 paise is rounded off to the next higher rupee.

**f) Provident fund ledger:**

- i) the ledger accounts are maintained in proper form;
- ii) the name and designation of the subscriber, his account number and the fact of nomination having been accepted are neatly recorded in the ledger folio assigned to each subscriber;
- iii) the pay of the subscriber as on the 31<sup>st</sup> March is noted in the column prescribed in the ledger;
- iv) the head of the office or any other responsible officer nominated by him initials the Provident Fund Account monthly in token of having verified that the amount of subscription deducted, refund of advances and temporary and final withdrawals are posted correctly;
- v) Withdrawal from the General Provident Fund is recorded in the ledger and initiated by the DDO immediately on payment.
- vi) cent per cent cases of subscriptions and refunds of advances as shown in the GPF schedules are duly signed by competent authority and the payment of advances and withdrawals are correctly posted in the ledger accounts;
- vii) where balances at the credit of subscribers have been, received from other offices, complete details thereof are recorded in the ledger under the attestation of the competent authority;
- viii) ledger accounts are closed regularly every year and correct amount of interest has been credited to the ledger accounts of the subscribers;
- ix) accounts statements are issued regularly to the subscribers every year and their acceptance of the balance noted in their respective ledger accounts;
- x) if it was found that double debit of identical amounts of the same subscribers was recorded in the accounts, such debit/ entries should not be treated as a routine error or data entry mistake. In such case proper verification should be made with reference to the sanction order, and irregularities, if any, detected may be reported to appropriate authority of the State Government for further investigation.

**(HQs. letter No. 727-AC-II/323-99 dt. 4.1.2002)**

**(g) Broad Sheet:**

- i) it is maintained in the prescribed form;
- ii) it is closed regularly every month;
- iii) the total amount of credit booked every month in the broadsheet agrees with the total of GPF deductions made in the pay bills for that month and the total of the debits booked in the broadsheet agrees with the total of payment made out of the provident fund in that month as abstracted separately;

- iv) at the end of each year the ledger balances are agreed with the broadsheet balances and the broadsheet is squared up to ensure accuracy.

**(h) Statement of totals of Debit and Credits:**

The statements of totals of debits and credits as worked out in the Broadsheet each month are correctly prepared in the prescribed form and sent to the Head of the Department regularly every month, for onward transmission to AG (A&E), WB duly consolidated.

**(Government of West Bengal, Finance Department order No.4576-F dated 27.10.69)**

**7.20 AUDIT OF LOAN GIVEN TO AGRICULTURISTS, LOAN SANCTIONED UNDER B.S.A.I. ACT ETC.:**

Detailed individual accounts of loans payments and repayments of which are required to be maintained by the Departmental officers are subjected to check by the field parties. The local audit is normally conducted along with other transactions of the said offices. The main object of local audit is to ensure that the drawings and disbursement of loans are intra-vires the instructions issued by Government from time to time and the records prescribed for the purpose are maintained properly by the authorities concerned.

Local audit consists in seeing that:

- i) applications are in proper form and they set forth all the required details essential for sanction of loan;
- ii) the loan ordered is within the amount admissible under the rules and within the powers of the sanctioning authority;
- iii) amounts are drawn and disbursed only up to the required extent and not to avoid lapse of funds;
- iv) receipts and disbursement of money are properly and promptly recorded in the cash book;
- v) the fact of payment is clearly recorded and acknowledgement obtained from loanees;
- vi) security bond is kept in safe custody;
- vii) recovery of principal and interest is prompt and that in case of default, action is taken to recover the instalments with penal interest at prescribed rate;
- viii) in cases where recovery of instalments of loan and interest is vested in the revenue department, necessary advice or intimation in the prescribed forms is sent to them promptly and certificates or acknowledgements obtained wherever necessary;
- ix) loan ledgers and other subsidiary registers prescribed are maintained in the proper form observing the instruction issued from time to time and kept up to date;
- x) the demand, collection and balances statement shows the position correctly on any fixed date;
- xi) the periodical returns prescribed have been prepared and sent on the due dates to the authorities concerned;
- xii) loans are utilized for the purpose for which they were granted and there are no cases of diversion of funds and there are proper methods of ascertaining the same;

- xiii) the details of loans work up correctly to the lump sum total for the month and there is proper reconciliation of figures of the treasury with those of the departments concerned;
- xiv) a loan is not granted to a loanee who is already a defaulter in respect of another loan.

### **7.21 CHECK OF LICENCE FEE DEMAND STATEMENT OF GOVERNMENT RESIDENTIAL BUILDINGS :**

The public works divisional officers are responsible for the recovery of the full rent of all residential buildings allotted to the Government officials. The PWD officers are required to send monthly, before the close of each month, the demand in duplicate/triplicate to the disbursing officers who will make necessary recoveries and return one copy of the statement duly completed to the PWD officers noting the amounts recovered from the occupants and other particular e.g. changes in emoluments of the tenant officers and arrears, etc., if any paid to them during the preceding month to determine, by the PW Divisional officers, actual rent recoverable from the official concerned. The field parties during local inspection of the offices are required to test check the records to ensure that the recovery of the dues from the concerned allottees are made by DDOs properly. In order to facilitate this check the DDOs are required to maintain a register showing the details of residences allotted, names and designations of the officers concerned, monthly emoluments of the allottees, details of demands raised by the PWD officers, details of recoveries made, bill number and TV number with dates etc.

Similar procedure is to be followed in respect of the residential buildings under the control of the departments.

The quanta of licence fee statements to be checked have been fixed as below:

i.	Gazetted Officer	10% of the statements of demands made and recoveries effected.
ii.	Non-Gazetted Officer	Recoveries effected during the months selected for detailed check in local audit

(HQs. letter No. 824-RAI/74-72 dated 17.9.79)

### **7.22 CHECK RELATING TO SUBMISSION OF POSTAL LIFE INSURANCE SCHEDULES:**

The field parties while conducting audit of an office should specially examine and report whether the prescribed registers showing the recoveries of Postal Life Insurance premia are being maintained properly by the local office and the exact reasons contributing the delay in the submission of the schedules. It is the duty of the field parties to see that the schedules for Postal Life Insurance premia have been prepared and transmitted to the AG (A&E), WB along with the accounts or vouchers.

(BO No. OA-IC/81-82/1 dated 13.4.81)

## **7.23 PERFORMANCE AUDIT:**

### **7.23.1 Introduction:**

Performance auditing, hitherto variously termed as ‘Review’ or ‘Efficiency-Cum-Performance Audit’ or ‘Value for Money Audit’ have been further fine-tuned in the context of the ASOSAI Performance Auditing Guidelines and INTOSAI as well as INCOSAI Exposure Draft Implementation Guidelines for Performance Auditing Standards and contemporary best practices. Performance auditing is an independent assessment or examination of the extent to which auditee unit, programme or organization operates efficiently and effectively, with due regard to economy.

“Performance audit is concerned with the audit of economy, efficiency and effectiveness and embraces:

- audit of the economy of administrative activities in accordance with sound administrative principles and practices and management policies;
- audit of the efficiency of utilisation of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements and procedures followed by audited entities for remedying identified deficiencies; and
- audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity and audit of the actual impact of activities compared with the intended impact”.

### **7.23.2 Objectives of performance audit**

Performance auditing has the objective of improving public sector administration and accountability by adding value through an effective programme of performance audits. One of the main objectives of performance auditing is to assist the people’s representatives in exercising effective legislative control and oversight over the policy objectives and their implementation. In summary, the performance audits may examine and report on:

- the quality of information and advice available to government for the formulation of policy;
- the existence and effectiveness of administrative machinery in place to inform the Government whether programme objectives and targets have been determined with a view to fulfilling policy objectives;
- whether, and to what extent, stated programme objectives have been met;
- the economy, efficiency, effectiveness, equity and ethics of the means used to implement a programme/activity;
- the intended and unintended direct and indirect other impacts of programmes/activities; for example, the environmental impact of Government activity, etc.; and
- Compliance to applicable laws and regulations in the context of the performance audit objectives.

### **7.23.3 Expected outcome of performance audits:**

Performance audits have a dual role. It may lead to better accountability, improved economy and efficiency in the acquisition of resources, improved effectiveness in achieving public sector programme objectives, a higher quality in public sector service delivery and improved management planning and control.

**7.23.4 Performance auditing and financial audit:**

The performance auditor should be clear that the objectives, scope, nature of evidence and reporting in performance audits are different from those in the financial audits. Some of the major distinguishing features of regularity audits and performance audits are as under:

<b>Features</b>	<b>Regularity audit</b>	<b>Performance audit</b>
<b>Scope</b>	Generally covers a financial period (annual, biennium, etc.); Coverage is for the whole of the entity for the period; and Time bound - audit to be completed by a stipulated time.	Covers the subject/ programme over a period of time; Coverage is selective; and Focused only on a part of the entity's activities/programme.
<b>Objectives</b>	Attestation (opinion on) of financial accountability; Existence and control for safeguarding of assets; Evaluation of financial records; Audit of financial systems; Audit of internal control for safeguarding assets and completeness and accuracy of accounts; Audit of propriety of administrative decisions; Limited to financial matters; and Test for assuring compliance to law, regulations and rules.	Audit of economy, efficiency and effectiveness; Assessment of compliance applicable laws and regulations required in the context of audit objectives; Audit of internal controls that ensures economy, efficiency and effectiveness, ensuring adherence to management policies and timely and reliable financial and management information; Extends to non-financial/ governance subjects also; and Conclusions related to audit objectives.
<b>Evidence</b>	Financial statement per se, accounting documents, etc.; Transaction document; Conclusive nature of evidence; Materiality by amount; and Budgetary assumptions and appropriation, authorizations, etc.	Variety of forms of evidence; Quite often qualitative in nature; Persuasive rather than conclusive; Evidence related to pre-determined audit objectives; and Materiality guided more by the nature or by context rather than amount alone, etc.
<b>Academic base</b>	Generally accounting knowledge;	Always knowledge, based on laws social sciences, economics, development studies, public affairs, science and technology, etc.
<b>Approach and methodology</b>	More or less standardized, manual generally forms the entire basis.	Varies widely from subject to subject, Manual generally serves as basis framework.
<b>Assessment criteria</b>	Standardized (suitable to all audits) with little scope for subjectivity.	Widely varying and subjective with ample scope for interpretations; assessment criteria support the audit objectives, which are unique to the subject of performance

		audit.
<b>Report</b>	Opinion on the financial statement; Generally opinion on financial statements in standardized format; Opinion on compliance to laws, regulations and rules; Related to specific financial periods there is a periodicity of reporting; and Specific requirement and expectations.	Report/conclusions on economy and efficiency with which the resources are acquired and used and the effectiveness with which the objectives are met; Generally separate publications of each subject of performance audits. Wide-ranging in nature, open to interpretations and subjective judgment.
<b>Overlap</b>	Financial audits do not generally include the elements of performance audits.	There can be overlap in the sense that the performance audit may encompass techniques/methodologies applied to financial audit.

### 7.23.5 Mandate for performance audit:

Performance audits relating to receipt and expenditure of the Union and State Government, Government supported autonomous bodies and other public sector undertakings on a variety of subjects are being carried out by the CAG over the past 40 years, the reports on all of them having been presented to the Parliament and State Legislature under the constitution and under section 13, 14, 15, 16, 17, 19 and 20, as the case may be read with section 23 of CAG's (DPC) Act. 1971. The crucial issues of performance Audit are presented in two sections, the first section contains the important considerations in the context of management of the performance audit and consists of steps that must be traversed and documented to provide assurance of consistent high quality of audit. The second section consists of the most crucial issues in relation to techniques and documentation that should be applied to performance audit.

### 7.23.6 (A) Section - I – Audit Management Issues:

#### 7.23.6 (A) (1) Strategic planning for performance audit

Strategic planning is the process of determining a long term goal of the institution and the best approach for attaining them. The salient points of the strategic planning for performance audit are as follows:

- Strategic planning for performance audit is not the same as the strategic planning of SAI India, but should be consistent with it;
- Set strategic goals and strategic plan to fulfil the strategic goals and objectives and document how the selected performance audits will accomplish them;
- **ENTRY CONFERENCE:** Active co-operation of the Departments concerned and their proper appreciation of the purpose of reviews by Audit are essential for them to be meaningful. Therefore, it should be mandatory for pre-review discussions or an entry conference to be held between the Group Officer and the Head of the Department/Secretary to Government concerned when suggestions could be sought or views exchanged on areas and aspects to be taken up for study. These discussions could also be utilized for ensuring that all assistance would be forthcoming from the Departmental officers in making available all necessary data and records;

- Prepare comprehensive directory of data sources, collect and update all possible data assist the strategic planning;
- Ensure that the strategic goals and objectives are set in the context of perceived risks and materiality of issues of financial, non-financial or governance nature;
- Be alive to the major policy shifts affecting the governance and large sections of public and select cutting-edge and sunrise subjects for performance audit,
- Pre-sense of the policy shifts and anticipation of the risks associated with the policy shifts and emerging national or international environment demonstrate the cerebral capability of the institution;
- Plan performance audits in time to ensure value addition to the management of the programmes and

#### **7.23.6 (A) (2) Annual operational plan for performance audit:**

- Consists of the subjects, including the subjects brought forward from the previous years that are to be implemented during the year;
- Provides an opportunity to review the plan in the light of new developments and risk assessment since the approval of strategic plan; and
- Provides a basis of for assessment of the performance of the Audit Offices on annual basis; and affords an opportunity to assess and reassess the skill and knowledge required and those available in-house, which forms a basis for training programmes, engagement of consultants/experts and outsourcing.

#### **7.23.6 (A) (3) Performance audit implementation plan**

- Gather all relevant data and documents to understand the entity and the programme;
- Intimate the entity about the intent to carry out the performance audit;
- Facilitate/persuade formal presentation by the entity to explain the various aspects of the programme;
- Invite representatives of other departments/agencies who have a stake in the programme by way of provision of funds, evaluation etc.
- State the reasons for conducting the performance audit by setting out audit objectives and sub-audit objectives;
- Set audit objectives in the form of complete statement of questions, the answer to which will satisfy the reasons for conducting the performance audit;
- Set audit objectives under distinct themes and sub-themes with reference to programme objectives, further developed in the context of audit concerns;
- Specify the audit concerns of economy, efficiency and effectiveness that the audit objectives and sub-audit objectives address individually or severally as also the equity and ethics aspects, in so far as they affect one or more of the primary concerns of economy, efficiency and effectiveness;
- Set quantitative and qualitative audit criteria against which the performance will be tested to develop audit findings;



- 
- Set one or more criteria for each audit objective or sub-objective;
  - Identify tentatively the evidence/data required to be collected for testing each criteria;
  - Identify sources of data and determine the methods of data collection;
  - Plan for procurement of expert advice or the services of consultant;
  - Assign duties and responsibilities; and
  - Make a formal presentation to the entity of the audit plan, including the audit objectives, criteria, evidence required and tentative location of audits and invite the representatives of other concerned departments also.

#### **7.23.6 (A) (4) Use of expert, consultant and outsourcing**

- Document transparently the assessment of knowledge and skill required for each performance audit;
- Examine and document how the required skill can be fully met in - house, without compromising the audit quality; and
- Follow the procedure in vogue within the SAI in the matter of procedure for procurement of services of expert/consultants.

#### **7.23.6. (A) (5) Entity consultation, cooperation and response**

- ◆ Entity cooperation and response being the hallmark of the success of performance audits, the PAG will be called upon to adopt a persuasive approach to attain goal-matching;
- ◆ Rather than quitting in the face of inadequate response, the objective will be continued making efforts with a view to making such cooperation a routine in time to come;
- ◆ The method of persuading the entity for full cooperation is left to the judgment of the PAG .
- ◆ The cooperation of the entity is not to be confused with agreement on all issues. Recognition of possibility of difference in opinion and its resolution is inherent in cooperation;
- ◆ Entity cooperation and response should be obtained throughout the performance audit process from the intimation of the intent to the recommendation and finally to the implementation of the recommendations; and
- ◆ Entity cooperation is to be secured through a series of transparent measures:
  - ◆ Sharing of the subject selected for performance audit in the strategic plan with the Principal Secretary/Secretary/Head of the Department;
  - ◆ Intimation to the Principal Secretary/Secretary/ Head of the Department when the subject is taken up for performance audit;
  - ◆ Presentation by the entity for understanding the subject;
  - ◆ Presentation by the PAG on audit implementation plan containing audit objectives, and audit criteria,
  - ◆ Request for agreement with the criteria;
  - ◆ Entry and exit conference;

- ◆ Discussion papers and audit observations,
- ◆ Formal presentation of audit findings, conclusions and recommendations; and
- ◆ Follow-up procedures involving implementation of the recommendations.

#### **7.23.6. (A) (6) Supervision and review**

- Supervisory responsibilities should be delineated in the audit plan;
- Supervision trail, as far as possible, must be maintained for subsequent review; and
- The performance audit work and documentation should be reviewed as per the plan as well as at random intervals.

#### **7.23.6. (A) (7) Monitoring progress and periodic reports**

- The frequency of monitoring by various levels of officers should be built into the audit plan;
- Progress report on various stages of performance audit cycle should be built into the plan and should be submitted with appropriate explanatory note and
- PAG to submit quarterly ‘work-in-progress’ report to the SAI top management with explanatory notes.

#### **7.23.6. (A) (8) Quality assurance and quality control**

- The members of audit team and supervisory officer will be made aware of the quality control system within the offices of the PAG and in SAI headquarters;
- All audit personnel ought to be aware of the quality assurance system established in SAI India and ensure compliance to the quality standards;
- Assurance memo in the prescribed format will be enclosed with (i) strategic plan, (ii) annual operational plan, (iii) audit implementation guidelines and (iv) draft performance audit report;
- SAI may draw up a quality assurance programme for each office; and
- A summary of the results of quality assurance reviews should be published highlighting good practices for emulating and deficient practices and procedures to be addressed for improvement

#### **7.23.6(A) (9) Duties and responsibilities and accountability**

The duties and responsibilities of each member of the audit team, Supervising officer shall be stated clearly with reference to compliance to the prescribed procedures, professional conduct, field audit, evidence/data gathering, quality of data and documents, documentation, dialogue with entity, audit test, audit findings, recommendations, guidance to the team members, monitoring, supervision and reporting and preparation of reports etc.

- A review may be made during the course of audit and upon conclusion of the performance audit on the quality of fulfillment of the responsibility by the performance audit team members and supervisors;

- PAG may prescribe assurance memo to be furnished by the Group Officer and the supervising officer for each performance audit and on completion of the audit of each unit or stage in the performance audit;
- Assessment of the quality of audit and the performance of audit personnel for each procedure, data collection, data analysis, documentation and output of the performance audit cycle enhances the quality of performance audit.

#### **7.23.6 (A) (10) Process documentation**

- Process documentation of all management actions and judgments may be retained throughout the audit to provide a trail for review of management actions;
- The process document should contain all considerations that do not form part of the working papers for the performance audits in support of the audit findings, conclusions and recommendations; and
- The more important among the process documentation should be sent to SAI top management, which demonstrates management action, and an assurance memo in the format prescribed by SAI top management along with the draft performance audit report.

#### **7.23.6 (A) (11) Impact evaluation of performance audits**

- All performance audits will be conducted keeping the expected impact on the programme in mind. The expected value addition- qualitatively and quantitatively- will be estimated before taking up the performance audits;
- Impact evaluation against the expected impact of each performance audit and collectively for all performance audits conducted by PAG shall be carried out annually; and
- The impact evaluation will be carried out with reference to the recommendations accepted and implemented.

### **7.23.6(B) Section — II — Critical Technical Issues**

#### **7.23.6 (B) (1) Fundamental principles**

- Performance audit is an assessment of efficiency and effectiveness of the programmes, with due regard to economy;
- Addresses the issues of inputs, processes, outputs (products) and outcomes (impacts);
- Apart from the question whether the things are being done in the right way, it also addresses the question of whether the right things are being done, in other words, it also focuses on what is not being done rather than only on what is being done;
- Performance audits also address the issues of equity and ethics, which impacts one or more of the core concerns of economy, efficiency and effectiveness, which include, apart from others, integrity in preparation of performance reports;
- Distinction between regularity and performance audit should always be kept in mind;
- Performance audits are undertaken with the objective of improving performance of public sector programmes and therefore, an assessment of the expected impact- qualitative and quantitative on the programme must be made before undertaking the audit;

- The subjects selected for performance audits could be a programme, segments of a programme — including the processes, procedures and systems, an entity itself or parts of an entity etc.
- The subjects of performance audits could be financial, non-financial or public interest and governance issues;
- The subjects selected for performance audits should include cutting edge issues that form the core of governance and sunrise issues in the light of policy shifts;
- Pre-sense of the risks to programmes or public interest demonstrates the competence of the institutions;
- Performance audits can be carried out posterior or concurrently;
- Performance audits use many techniques used in programme evaluation;
- While the performance audit may and should assess the implementation of the policy through one or more programmes, the scope of audit should be limited to assessing and impact of the implementation of policy, and the policy per se should not be questioned;
- Performance audit conducted in time, when there is scope for remedial measures is encouraged; and
- Performance audits being knowledge-based exercise, in which conclusions emerge from interpretations, call for special skills, knowledge and competence of the audit personnel.

#### **7.23.6.(B).(2) Audit plan for programme-guidelines for conducting audit**

- The detailed audit implementation guidelines will consist of all relevant information and document required for complete understanding of the entity, besides the audit objective, criteria, types and sources of evidence to be gathered, audit test programme, delineation of duties and responsibilities among team members and supervisors, progress reports etc;
- The implementation guidelines should be such as to address all issues designed in the prescribed structure;
- Unless authorized by general or special order, the performance audit guidelines will be approved by SAI top management.

#### **7.23.6.(B).(3) Audit objectives**

- Audit objectives will be the focus of field audit and data collection;
- All audit objectives and sub-objectives will address one or more of the core audit concerns of economy, efficiency and effectiveness and the concerns addressed by each audit objective and sub-objective will be identified against each of them;
- The evidence testing will also revolve around the audit objectives; and
- Audit objectives need not be limited to testing of the programme objectives. The audit objectives go much beyond the programme objectives to test the programme for economy, efficiency and effectiveness.

**7.23.6. (B). (4) Audit criteria**

- The audit criteria are performance measures against which the evidence is tested for arriving at the audit findings and conclusions;
- For each audit objective or sub-objective there must be at least one criterion and testing on more than one criteria against the same audit objective enhances the acceptability of audit findings and makes them convincing;
- The audit criteria should be acceptable to the entity;
- In the event of disagreement in a few cases, it may be a good practice to request the entity to suggest alternative criteria;
- All possible sources of criteria should be consulted to arrive at the best fit;
- Criteria developed by or in consultation with the experts of repute assume enhanced credibility and are easily acceptable;
- Institutional consultancy for criteria and for other consultancy or advice in the performance audits have better credibility and acceptance;
- Performance criteria prescribed in the programme or later developed by the entity should be tested for appropriateness and unless otherwise established that they may hide underperformance or over-pitch the performance, these should be adopted in performance audits;
- The performance audit need not confine to the entity established criteria, but should go beyond to establish more criteria to provide tests for all audit objectives and sub-objectives; and
- The ultimate objective should be to persuade the entity to include performance criteria within each programme.

**7.23.6.(B).(5) Audit evidence for testing against criteria**

- All data and evidence to be gathered will, as far as possible, be pre-determined with reference to each criterion, which are intrinsically linked to each audit objective or the sub-objective;
- The sources and location of data/audit evidence and method of gathering them shall be determined in the audit implementation plan.
- Evidence in support of each audit finding will be transparently tested on the standards of relevance, competence and sufficiency (reasonableness) in the working papers;
- The secondary evidence viz. surveys, photographs, physical inspection etc. should be corroborative and should not form the only basis of audit finding, unless accepted by the entity;
- PAG are encouraged to identify secondary/corroborative sources of evidence and establish means for gathering them with the approval of the SAIs top management; and
- They may also determine approach and methodology for physical verification in programmes in which asset verification and beneficiary survey are crucial inputs to establish the actual delivery or the output and the quality of output/delivery. While nothing prevents physical verification by audit team, the question of credibility and acceptance should also be taken into account, since physical verification by audit team may sometimes be contested later as incorrect. Some of the methods that could be considered are joint physical inspection with

---

attestation from both sides, survey by reputed agencies, etc.

### **7.23.6(B).(6) Sampling**

- The audit findings should be based on objective sampling and the sampling techniques use should be disclosed;
- As far as possible, statistical sampling techniques should be used;
- Assistance of statistical adviser in the SAI headquarters may be obtained for statistical sampling; and
- Adequate sample size should be selected to be able to generalize the audit findings and be able to meet the standard of sufficiency.

### **7.23.6 (B). (7) Audit findings**

- Audit findings should be developed on the basis of audit tests carried out on the sample;
- Audit findings should be in the context of audit objectives and criteria;
- The causes of underperformance should be determined to be able to recommend remedial measures; and
- All evidence used for audit findings should be tested transparently on the standards of relevance, competence and sufficiency and the basis, on which the satisfaction of fulfilling the standards is established, should be documented in the working papers.

### **7.23.7 Reporting Process**

SAI India's Auditing Standards stipulate inter alia following on reporting:

‘On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form, its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair complete, accurate, constructive and concise’.

‘With regard to performance or value for money audit, the report should include a description of the scope and coverage of audit, objective of audit, main findings in respect of efficiency, economy and effectiveness (including impact) aspects of the subject matter which was audited and recommendations suggesting the improvements that are needed’.

### **7.23.8 Characteristics of good report**

The following points need to be emphasized in regard to performance audit reports;

- The audit report should be complete i.e. all pertinent information required to satisfy the audit objective, including the information relating to the scope, criteria, evidence, conclusions and recommendations should be available in the report;
- The obligation for the audit report to be accurate implies that the evidence prescribed is true and the conclusions are correctly portrayed;
- The objectivity of audit report is ensured through fair conclusions and balanced content and tone;
- The audit report is convincing if the results of audit are presented persuasively and the conclusions and recommendations followed logically from the facts presented;

- The report should be clear, which signifies that it should be easy to read and understand;
- The report should be concise, which requires that the report should be of optimum size, no longer than necessary to convey the audit opinion and conclusions;
- A report is balanced if it does not focus on criticism alone but contains fair assessment or evaluation, which would mean that good performance should also be reported;
- Consistence of the report is secured by ensuring that it does not contain contradictory findings or conclusions in similar contexts or the conclusions on the same segment in different sections or parts of the report are not incompatible;
- The report is constructive if it manifests a remedial approach rather than a critical approach and includes appropriate recommendations;
- The report adds value to the entity, if it is timely; and
- The acquiescence to the report, including of the audit conclusions and recommendations grows with display of entity cooperation, entity responses, audit methodology, audit criteria and evidence, etc. within the performance audit reports.

### **7.23.9 Focused reporting**

At various stages, during the performance audit, the audit team and Accountants General will be required to issue different forms of reports. While writing the various reports, it is important to keep the final report in mind. It will be expected that the entity response by way of confirmation of the facts and figures and acceptance of audit findings and conclusions are sought/obtained at each stage to minimize the unresolved issues at the stage of development of the draft performance audit report. This modular approach, apart from facilitating the development of the final performance audit report, would also provide assurance of high quality of audit throughout.

### **7.23.10 Discussion papers**

Discussion papers serve to confirm the facts with the entity and assist the performance auditor to detect at an early stage possible mistakes in understanding the subject, possible weakness in audit findings and the supporting evidence or the logic rather than when the entity points out on receipt of the draft report.

A discussion paper containing suggestion duly approved by PAG is designed to bring together findings and conclusions for a specific segment or area of audit, which may not be formatted with the precision, expected in the final report but should be self-contained (including the sources and types of evidence used) and logical. The discussion papers could be prepared for internal use or for discussion or response of the entity.

### **7.23.11 Risk involved with discussion papers**

The PAG should be aware of the possible risks to performance audit associated with issue of discussion papers. It is not uncommon for the entities to overreact or tend to be uncooperative with the issue of the discussion papers. Desirable response may be available from the auditee if it is made clear that these are preliminary findings and are intended for facilitating a dialogue to sort out any weakness in development of the audit findings and for obtaining entity response at an early stage and may be discussed with the entity with a request for a written response.

**7.23.12 Audit observation:**

Audit observations are developed keeping the field audit report and the final report in mind. These may be developed from the discussion papers and the response of the entity to them or directly as a result of audit test programme if the audit team is confident that convincing and logical audit findings and conclusions can be developed straightway as audit observation. It is a good practice to develop audit observation in a modular fashion, containing the audit findings, conclusions and recommendations (where applicable) along with details of evidence, their sources and analysis, so that the portion containing audit findings, conclusions and recommendations can be used directly in the field audit report and finally in the draft performance audit report. It is a measure of skill and competence of the supervising Sr. AO/AO if audit findings, conclusions and recommendations (where applicable) on one segment or theme are included in a single audit observation rather than dispersing them in many audit observations.

**7.23.13 Exit conference/interview**

Audit observations form the basis of the formal exit conference/interview with the entity chief at the conclusion of the audit of each field unit. It assists the entity in providing its comments for consideration in preparing the field audit report or the draft performance audit report, as the case may be. Ideally the audit observations should contain the bulk of the information, findings, conclusions and recommendations and they may differ from the field audit report or draft performance audit report, only to the extent warranted by the entity response.

**7.23.14 Draft performance audit report**

Draft performance audit report is to be prepared by the PAG upon conclusion of the field audit of the controlling unit of the entity and all field units selected for audit. This draft audit report should be prepared exactly similar in form and content as the final report to seek formal response of the entity.

It is important that the draft report describes the objectives and scope of the audit to enable any reader understand the purpose of the audit. Any limitation imposed on the scope of the audit, the reasons thereof and efforts made to resolve it should be indicated in the draft report.

**7.23.15 Level of details in the report**

Emphasis on quality of performance audit report implies inter alia that it should be self-contained in the sense that a reader is able to understand the scope, audit objectives, audit criteria and evidence used, audit findings and conclusions in a logical manner. At the same time, the standard of conciseness of the report entails that it should be brief.

**7.23.16.1 Content of the report**

The content of the report should be consistent with the provisions of SAT's Auditing Standards, and should:

- contain title, signature and date, objective and scope of audit, addressee (not necessary when formal procedures exist for its delivery);
- be complete;
- identify the subject matter viz. areas of performance audit and the legal basis of audit;
- provide assurance that audit has been carried out in accordance with generally accepted procedures in compliance with the standards; and
- be timely.



### 7.23.17 Data in the report:

Excessive statistical data diminish the readability of the report. However, quite often inclusion of statistical data in the report is either inescapable or necessary to explain the findings. Where inescapable, the explanatory data may be included in the form of annexes or appendices, as the case may be; keeping in mind that too many annexes or appendices may make the report appear longer.

### 7.23.18 Adherence to style guides:

The presentation and language of the performance audit report should abide by the ‘style guide’, as detailed in **paragraph 6.3** of this manual.

### 7.23.19 Structure of Performance Audit Report:

The performance audit report should be presented as per the following structure:

- **Title:** The subject of the performance audit,
- **Highlights:** Major audit findings either in the sequence of their materiality or in the same sequence as the audit objectives and sub-objectives;
- **Recommendations:** Recommendation may be included at various places in the report in different contexts. All major recommendations should be presented together, immediately after the highlights, preferably, in a box or highlighted print. Ideally all matters of facts/figures/evidence, audit findings and conclusions included in the report should have been accepted by the entity by the time the final report is prepared.
- **Introduction:** It consists of a brief description of the subject of study, information on programme/ activity/ institution, its objectives, inputs, implementation structure, expected outputs and outcome, etc. The introduction should be brief, yet sufficient to enable the reader understand the context of the programme;
- **Scope of audit:** Scope of performance audit in terms of the period of the programme covered in audit and segments of the programme audited should be set out precisely;
- **Audit objectives:** These should be stated in simple and clear terms. It is useful to set out the audit objectives and sub-objectives within each audit objective in the form of complete statement/question;
- **Audit criteria:** To arrive at the audit findings and conclusions with reference to each audit objective and sub-objective which should be stated with appropriate explanations;
- **Audit Methodology:** Audit Methodology used for data collection/evidence gathering and testing may be stated in brief. This adds to the acceptability of the audit findings and forms a statement for transparency of the audit procedure;

- **Audit findings:** In respect of economy, efficiency and effectiveness the audit findings should be presented in a logical manner, preferably in the same order as the statement of the audit objectives.
- **Conclusions, recommendations and impact (outcome) analysis:** With reference to each audit objective it should be stated, preferably immediately following the audit findings. The completeness of the report enhances if recommendation(s) with respect to each conclusion is/are kept together with the conclusions.
- **Lessons learnt and sensitivity to error signals:** Significant audit findings on sensitivity and effectiveness of the internal control system to ensure that the management recognized major causes of underperformance brought out in internal or external studies/reports, including past audit reports and the remedial measures may be included. Also the audit findings on the sensitivity of the management to various error signals generated through internal inspections, evaluations, media reports, complaints, study by interest groups etc. and effectiveness of the action taken may also be included. In both cases, the audit findings that could have been avoided with effective lessons learnt and error signal response system may be highlighted.
- **Acknowledgement:** It may be useful to indicate or acknowledge in brief the co-operation, acceptance of the criteria/findings and recommendations by the entity. In case the co-operation or response was not forthcoming at any stage it may be indicated if it has resulted in any limitation along with its implication and the special efforts made by the PAG to seek cooperation or response. Care should be taken to state them as a matter of fact rather than giving an impression to convey any accusation;
- **Graph, charts, diagrams, photographs, etc.:** The audit findings may be illustrated with the use of graphs and charts to improve the visibility of the analysis and findings. Photographs can be used as evidence where they are able to corroborate evidence.
- **Glossary of terms:** Explaining all technical and uncommon terms used in the report that need to be explained.
- **References or bibliography:** Containing reference to all published material utilized in developing the report.
- **Forwarding of the draft report:**

The draft performance audit report to be forwarded to the Government with a demi-official forwarding letter to the Secretary /Principal Secretary of the concerned department, which should contain the following:

  - ❖ subject of the performance audit and reference to previous dialogues;
  - ❖ gist of major audit findings and recommendations along with the risks and materiality of the issues;
  - ❖ attention to the orders of the Government issued on the recommendations of the Parliamentary/ Legislature Committee, setting time limit for formal response,
  - ❖ invitation to a formal discussion and presentation of the audit findings and conclusions; and

- ❖ the expected value additions to the programme management, if the recommendations are implemented.

The Pr. AG may forward simultaneously a copy of each of the draft performance audit report and the forwarding letter to the Principal Secretary/Secretary of the department and to the CAG's office along with the following:

- ❖ evidence for each audit findings and conclusions along with test of evidence against the standards of relevance, competence and reasonableness, sources of evidence, evidence analysis along with cross-references to the findings and conclusions;
- ❖ copies of basic documents referred to in the report viz. rules, orders, acts, correspondence etc., with cross-references;
- ❖ details of all correspondences, meetings, presentations, etc. with the entity with cross-reference, where applicable;
- ❖ complete audit management process documentation from the stage of audit planning (implementation guidelines) to the processing of the draft report, which demonstrates conscious application of thought on all major issues involved with the management of the audit;
- ❖ an assurance memo in the prescribed form;
- ❖ period during which audits were conducted in the field along with break up for each stage/unit; and
- ❖ names and designation of the members of the audit team and supervisory officer.

#### **7.23.20 Response of the entity**

It is important that the entity is persuaded to provide written response to the draft performance audit report. This may be achieved through correspondence, personal meetings and presentation of the draft audit report. On receipt of the response of the entity and observations of the Head Quarter (CAG's office), the modifications of the report as required are made and the draft report is forwarded to the CAG's office for approval.

#### **7.23.21 Final report**

On approval of the report by CAG, the report stands cleared for printing of the prescribed numbers of copies. The signed copies of the report should be forwarded to the government for placing it on the table of the State legislatures. Simultaneously, intimation on forwarding of the report along with a copy of the report is to be sent to the secretary to the Governor in respect of the reports relating to the state government. The remaining copies of the printed reports are forwarded to the Legislature Secretariat generally on the day the report is presented.

#### **7.23.22 Quality assurance of reporting:**

Quality assurance of reporting process and the final output is assured by:

- adherence to the auditing standards and the guidelines;
- transparent audit and audit management process documentation of entire reporting process;
- securing entity response at all stages of performance audit process;
- concurrent supervision and control by the Pr. AG;

- quality control assessment and review by SAI top management before approval of the report; and
- technical inspection by SAI and peer review of the performance audit process.

### 7.23.23 Recommendations and follow-up procedure

- All audit reports must contain recommendations arising out of audit finding and the cause of audit findings;
- As the performance audit revolves around the audit objectives, the follow-up procedure is built around the recommendations and the impact of performance audit is measured on the basis of implementation of the recommendations; and
- The follow-up procedure is conducted with reference to the nominal information on the implementation of the recommendations and the quality of implementation of recommendations through a more detailed follow-up audit.

**(Performance Auditing Guidelines)**

## 7.24 AUDIT OF PROFORMA ACCOUNT OF DEPARTMENTAL UNIT ACTIVITIES WHICH ARE OF COMMERCIAL / QUASI-COMMERCIAL CHARACTER:

### 7.24.1 General Introduction

There are certain concerns which are run departmentally and commercially. These are subject to Government rules and procedures (sometimes with minor modification). It may be necessary that the financial results of the undertakings are expressed in normal commercial form so that the cost of the service or of the undertaking may be accurately known. This implies the maintenance of suitable Capital, Manufacturing, Trading and Profit and Loss Accounts as the Government system of accounts, being on a purely cash basis is unsuitable for commercial accounts. The commercial accounts are kept on a proforma basis. The actual transactions entering into these proforma accounts except those adjusted on a purely liability basis, find a place primarily in the regular accounts and commercial accounts are additional as well as separate.

### 7.24.2 Scope of Audit

The general principles of commercial audit are applicable in relation to audit of a Departmental Commercial (or quasi-commercial) Undertaking.

### 7.24.3 Preparation of Proforma Accounts

The GO1 with the approval of the CAG has introduced the following procedure for preparation of Proforma Accounts of Departmental Undertakings.

- i. All Undertakings would operate both the Revenue and Capital Heads. In order to operate these Heads for the first time in the Proforma Accounts to be prepared under the revised system, the existing Government capital may be divided into two parts, viz., **(a)** Government capital and **(b)** Government current account. The Government capital account will be equivalent to the cost of fixed assets (net) and other expenditure on capital account, if any, including advances on capital head. The balance of the existing Government capital less amount on Government Capital Account will represent Government current account on the same date.

The O.M. No. FI 135-13/71 dated 9.6.1975 of the Ministry of Finance (circulated vide HQs. Circular No. 466-CA IV/57/69 dated 27.6.1975) clarifies that in actual implementation of the foregoing principle, difficulties may arise in arriving at net value of fixed assets in undertakings where Depreciation Reserve is maintained and gross value of fixed assets is exhibited on the assets side of the Balance Sheet and the depreciation reserve fund does not exactly represent cumulative depreciation. In view of this, it has been clarified that the Government capital account will be equivalent to the cost of fixed assets (net) where gross value is not known as on 1<sup>st</sup> April 1973 and in cases where the gross value of the fixed assets is known, that (gross value) should be adopted for the purpose of computing Government Capital Account as on 1<sup>st</sup> April 1973.

- ii. All capital expenditure should be financed out of the capital Head while revenue expenditure should be met out of revenue head. Capital expenditure financed out of capital should be treated as Government capital.
- iii. All withdrawals and remittances of Revenue Account should be debited/credited to a current account. All remittances on capital account should be adjusted against Government capital account, which includes the withdrawals.
- iv. All adjustments, whether for withdrawals or remittances, will be made in the Government capital or current account, as the case may be, depending upon whether such transactions are in connection with capital acquisition or for working capital purpose.
- v. The profit or loss should not be merged with the Government capital but should be shown separately on the liability side or the assets side of the Balance Sheet as the case may be.

Interest on capital should be calculated on the total capital (both Government capital and current accounts). As interest will be revenue expenditure, its adjustments will be made in the Government current account for exhibition in Proforma Accounts.

The above procedure has been given effect to in the Balance Sheet and Profit and Loss Account from the accounting year 1973-74.

#### 7.24.4 Capital for calculation of Interest

The Interest on Capital to be adjusted in the Proforma Accounts of commercial concerns maintained outside the Government accounts is to be calculated on the amount of total capital outlay made up of net funds drawn under both capital and revenue heads. For charging interest in Government accounts, capital outlay may be arrived at as follows:

(i)	Government capital as per last account	X
(ii)	Add withdrawals during the year	Y
(iii)	Less remittances during the year	Z
(iv)	Add net adjustments during the year	P

The capital for the purpose of Interest = 1 (2X+Y-Z+P)

For the purpose of calculating Interest on Capital for a particular year, the profit or loss for that year should be excluded.

It is possible that the balance of the Government current account appearing on the liabilities side of the Balance sheet is a minus figure. This signifies more remittances into Government treasury by the department. According to commercial accounting principles, a debit balance should more appropriately appear on the assets side instead of being shown as minus balance on the liabilities side of the Balance sheet.

It has been decided that provident fund, festival, cycle and other advances paid to the employees in the Departmental Undertakings should be excluded from the proforma accounts in view of the fact that these advances do not form part of the expenditure or income of the Undertakings and consequently, of the cost of operation or service.

#### **7.24.5 Checking of Proforma Accounts**

- (i)** The opening balances of stocks given in the Profit and Loss Account, Manufacturing Account and Stores Accounts should be compared with the closing balances of the previous year and differences, if any, should be reconciled and corrected or explained in a foot note below the accounts.
- (ii)** The amount of depreciation charged in the Profit and Loss Account, Manufacturing Account, Workshop Account, etc. should be tallied with that shown credited to depreciation reserve in the Balance sheet or deduction from the accounts.
- (iii)** The fixed assets in the Balance sheet should be shown with their opening balance, additions during the year, depreciation charged (if not credited to Depreciation Reserve) and sales or transfers working to the net closing balance of each asset.
- (iv)** The capital account in the Balance Sheet should incorporate the particulars under the following headings:-
  - (a) Opening balance.
  - (b) Add/withdrawals during the year.
  - (c) Total.
  - (d) Less remittance during the year.
  - (e) Add/Less adjustments during the year.
  - (f) Net total.
- (v)** Store Accounts should bear the certificates of physical verification. Cases where physical verification was not done during the year should be mentioned in a foot note below the Accounts.
- (vi)** In the Accounts, the comparative figures of the previous year should be given on the left hand side and the details and the figures for the year on the right hand side.
- (vii)** Audit comments should include remarks or observations which help the reader to understand and appreciate the significant points brought out in the proforma accounts. Important irregularities in respect of the Government Commercial concerns should invariably be given in the form of Draft Paragraphs for incorporation in the conventional Audit Report (General & Social Sector).

## AUDIT CERTIFICATE

I have examined the Balance Sheet of ..... as at .....and Profit and Loss Accounts for the year ended as on that date along-with the schedules annexed thereto and report that:

Subject to observations in the separate audit comments

- (i) I have obtained all information and explanations which were necessary for the purpose of our audit.
- (ii) In my opinion proper books of accounts as required by Act, Regulations guiding the undertaking have been kept so far as it appears from the examination of these books.
- (iii) Balance Sheet and Profit and Loss Accounts dealt with in this report are in agreement with the books of accounts.

In my opinion and to the best of my information and according to the explanations given to us, the said accounts with notes thereon give a true and fair view.

- a) in the case of Balance sheet of the state of affairs as at .....
- b) in the case of Profit and Loss Accounts, the loss profit of the Undertaking for the year ending .....

Sd/=

**Sr. Audit Officer /Dy. Accountant General (GSS-I)**

### **7.25 (A) AUDIT OF NON-COMMERCIAL AUTONOMOUS BODIES AND NON-GOVERNMENT INSTITUTIONS:**

#### **7.25.1 Statutory provisions:**

By virtue of the provisions under Articles 149 of the Constitution of India, the CAG is empowered to conduct audit of all Government transactions as well as accounts of autonomous bodies formed either by or under any law made by parliament or under any State Act, (enacted by the State Legislature). The duties and powers of the CAG in relation to the audit of the autonomous bodies are regulated by Sections 14, 15, 19 and 20 of the CAG's DPC Act, 1971. In addition, there are several other enactments of Parliament, which provide for duties and powers of the CAG in relation to the audit of the accounts of corporations, companies and other autonomous bodies and the comprehensive enactment of 1971, given in Section 19(1) & 19(2) thereof.

*Note: The "Body" or "Authority" as interpreted by the Attorney General of India is an aggregate of persons or body whether incorporated or unincorporated exercising power or command vested in it by virtue of provisions in the Constitutions or Acts passed by Parliament or the State legislature.*

(Paragraph 1.03 of the Manual of audit of Autonomous Bodies)

*Note: As regards to the question whether a body or authority established by a State/Union territory Government would constitute a corporation within the meaning of Section 19(3), it has been held in consultation with the Ministry of Law and Justice that a body corporate established by a State or Union Territory Legislature having perpetual succession with a common seal, with power to acquire and dispose property, contracting obligations and of suing and being sued in its corporate name would be treated as a corporation.*

(Joint Director TAI letter No.762-TAI/37-74 Vol-II dated 10.9.74)

**(i) Audit under Section 14 of the DPC Act, 1971:**

Audit under Section 14 is taken up only after the annual accounts are audited and certified by the auditors appointed for the purpose by the autonomous body/Government, in accordance with legal provisions relating to the body. Where, however, no regular auditor have been appointed and or annual audit has been in arrears for a considerably long period, there is no objection for audit u/s 14 to be taken up first but in such cases, audit should be so conducted as to see that in case the CAG required to certify the accounts also, the accounts can be duly certified.

**(Paragraph 3.01.05 of the Manual of audit of Autonomous Bodies)**

Audit under section 14 should be construed as intended to go beyond the financial audit already conducted by other auditors and hence is akin to operational or management audit. Audit under this section is hence a second audit for an objective entirely different from the one which the organization/government had appointed auditor for annual certification of accounts.

**(Paragraph 7.04 of the Manual of audit of Autonomous Bodies)**

Certification of accounts is not obligatory under this section and such certification will be undertaken only where CAG is to act as sole auditor under other provisions of the Audit Act, (Section 19 or 20 as the case may be).

**(Paragraph 2.04.09 of the Manual of audit of Autonomous Bodies)**

**Under Section 14 (1)** it is obligatory for the CAG to audit all receipts and expenditure of anybody or authority and to report thereon, if the body or authority has been substantially financed by grants or loans from the Consolidated Fund of India, or of any State or Union Territory having a Legislative Assembly. A body or authority is deemed to be so financed, if the amount of grant or/and loan to it in a financial year is not less than Rs 25 Lakhs and is also not less than 75 per cent of its total expenditure in that year. **Section 14(2)** empowers the CAG to audit all its receipts and expenditure with the previous approval of the President or the Governor of the State or the Administrator of the Union Territory, as the case may be, if the amount of such grants and/or loans is not less than Rs 1 Crore. If amount of grants and or loans is not less than Rs 1 Crore and also forms not less than 75 per cent of the total expenditure of the institution, it will attract audit by the CAG under Section 14(1). Only when the later part of this condition is not satisfied, audit under Section 14(2) will arise. Once an institution comes under the audit of CAG by virtue of the provisions of Section 14(1) or 14(2), such audit will continue for two more years following under **Section 14(3)**, even if the conditions prescribed in Sections 14(1) or 14(2) are not fulfilled in those years.

**[Paragraph 2.6.4 of MSO (Audit), 2002]****(ii) Audit under Section 15 of the DPC Act, 1971:**

Section 15 of the Act describes the functions of the CAG in the case of a grant or loan given for any specific purpose to any authority or body from the Consolidated Fund of India or of a State or Union Territory, having a Legislative Assembly. Under **Section 15(1)**, the CAG is responsible for scrutinizing the procedures by which the authority sanctioning such grants or loans satisfies itself as to the fulfilment of the conditions subject to which such grants or loans were given. In terms of **Section 15(2)**, if the beneficiary is a corporation and provides for audit of its accounts by some other agency, the CAG can have the right of access to its books and accounts if authorized so to do by the Governor of the State. However, these aspects are part of the scope of our audit even under **Section 13** of the Act.



Section 15(1) has two parts. The **first part of Section 15(1)** imposes a statutory responsibility on our department to scrutinize the procedures by which the authority sanctioning a grant or loan for any specific purpose to any authority or body from the consolidated fund of India or of any State satisfied itself as to the fulfilment of the conditions subject to which such grants or loans are given. The **second part of section 15(1)** subject to the provision there-under and subject to what is stated in Section 15(2) gives the CAG the right of access to the books and accounts of the authority or body in receipt of such grants or loans, where the CAG has this right in terms of section 15, it can be exercised by him at his discretion, in other words, it is not obligatory that the books and accounts of the which are open to audit, by the Audit Department, must necessarily be scrutinized.

**(HQs. letter No. 214-TA/36-74 dated 25.3.74)**

**(iii) Audit under Section 19 and 20 of the DPC Act, 1971.**

The audit of the accounts of the Government companies shall be performed under **Section 19 (1)**. **Section 19(2)** empowered the CAG to conduct the audit of the accounts of the corporations (not being companies) established by or under law made by parliament. Under **Section 19(3)**, the CAG is required to audit the accounts of any such body or authority established by the legislature of the State or of the Union Territory, as the case may be, if requested so to do by the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be such a request can, however, be made only after consultation with the CAG. For conducting the audit, the CAG will have right of access to the books and accounts of the body or authority concerned. All bodies and authorities, not covered by Section 19 are covered under **Section 20(1)**. The essential requirements for audit under Sections 19(3) and 20(1) are **(i)** the audit can be entrusted to the CAG only in public interest; **(ii)** no audit can be entrusted to the CAG except after giving a reasonable opportunity to the body to make representations with regard to the proposal for such audit; **(iii)** the request of the government is made only after consultation with the CAG; and **(iv)** the audit was entrusted on such terms and conditions as may be agreed upon between the Government and CAG. Under **Section 20(2)**, where the audit of accounts of a body or authority has not been entrusted to the CAG by law and he is of the opinion that such audit is necessary because a substantial amount has been invested in or advanced to the body or authority by the Central or State Government or by the Government of a Union Territory he may propose to the President or the Governor of the State or the Administrator of the Union Territory, as the case may be, that he may be authorised to undertake the audit. On such proposal, he may be empowered to undertake the audit by the authority concerned.

**7.25.2 Audit Objectives and Scope:**

The objectives of audit of accounts of autonomous institutions under Sections 14, 19 and 20 of the Act are two-fold: the first is aimed at watching utilisation of the financial assistance provided by Government and the second is concerned with the certification of annual accounts. Though the scope of audit under all these sections can cover both these objectives depending on the facts of each case, in practice however, the certification of annual accounts is undertaken only under the provisions of Sections 19 and 20, while the audit of utilisation of Government assistance can be undertaken under all the Sections. In the case of autonomous bodies which depend on Government to a considerable extent for financial assistance for execution of their schemes or to tide over ways and means difficulties, mere certification that the accounts present a true and fair picture of the body on a particular day cannot be considered adequate for the purpose of audit. It is essential in all such cases

to go beyond the requirement of certification of annual accounts and to probe into aspects relating to efficiency, performance, propriety, etc. in relation to the utilization of the resources made available to them by Government. For all practical purposes, no distinction need be drawn between “audit of receipts and expenditure” referred to in Section 14 of the Act and “audit of accounts” referred to in Section 19 and 20.

The adequacy of the existing audit arrangements in respect of an institution is to be judged by (i) the regularity with which it is audited; (ii) the coverage of such audit; (iii) the qualifications and expertise of the audit personnel; (iv) the quality of independence; (v) the promptness in reporting the audit findings; (vi) the quality of reporting; and (vii) the action taken by the authorities to whom the audit findings are reported. Attention of the appropriate authorities should be drawn where the audit arrangements are not adequate and, if need be and permissible, the audit should be taken up by the CAG. It is not essential for him to take up detailed audit in cases where the audit arrangements are found to be adequate.

### 7.25.3 Procedure of audit:

a) Before taking up the audit of the Autonomous bodies the Supervising Officer or in his absence AAO/Supervisor of the field party should chalk out an audit plan/strategy and accordingly distribute the work as per the plan and obtain work done statement in respect of each member of the field party and submit in the SAR file.

b) Audit under section 14 covers both the receipts and expenditure of the Institutions concerned. The act under which the body is constituted, the rules framed under the Act are required to be studied by the field parties and it may be generally reviewed whether the body is functioning in accordance with the provisions thereof. The validity of membership of the governing body, disqualification if any, and deliberative actions of the body should be examined to see whether they are ultra-vires of the Act and Rules and commented upon in the IR. Schemes executed by the bodies should also be reviewed to see whether the schemes are successfully implemented and the socio-economic efficacy of such schemes is to be evaluated in the Audit Report. Cases of infructuous or avoidable or unproductive expenditure should be commented upon comprehensively, supported by copies and extracts of relevant orders, etc. to facilitate their examination for inclusion in the Audit Report. The expenditure from grants/loans should be audited to examine whether unspent amounts were refunded to Government or adjusted against subsequent grants, etc. and whether the certificates of utilisation were sent to the Government authorities within the prescribed time.

c) When the audit of the institution under Section 14 is held for the first time, it should be ensured that in additions to the report on results of audit conducted on the lines mentioned above, a special note is sent by the Supervising Officer or by the AAO/Supervisor of the field party on the following points to GSS-I (HQ). (i) Sources of income, (ii) Pattern of financial assistance from government (both Central and State) and from other bodies, (iii) Machinery available for assessment, collection, etc. of various revenues, (iv) Whether internal audit exists and its effectiveness, (v) Arrangements for external/statutory audit, (vi) Whether time allowed is sufficient, (vii) Whether cent per cent supervision by Supervising Officer is necessary (viii) Any other points to be brought to the notice of Group Officer/Pr.AG/C&AG.

d) Audit under the first part i.e. with reference to the records of the sanctioning authority is exercised in two stages. In the first instance the system evolved for sanction of grants and loans has to be scrutinized to verify whether it is adequate. The system has to be comprehensive with reference to the financial rules and regulations of the Government or special orders issued from time to time in this regard. The procedure evolved to ensure proper utilisation of grants/loans is not to be deficient in any respect. The internal audit system, if any, framed with this objective should therefore be studied in details and lacuna, if any, brought to notice. The second stage of examination of the records of the sanctioning authorities comprises the following checks.

- i) Whether the financial rules and other standing orders of Government are duly observed in sanctioning the grants/loans.
- ii) Whether the authority sanctioning the grant/loan is competent to do so.
- iii) Whether audited statements of accounts for grants/loans are promptly received and scrutinized by the sanctioning authority.
- iv) Whether there is a proper account of unutilized balances of loans/grants and a proper watch of their refund or adjustment, and
- v) Whether the reports thereon reveal defective maintenance of accounts and improper or irregular utilisation of the financial assistance.

**(HQs. letter No. 214-TAI/361-74 dated 25.3.74)**

e) To ascertain the adequacy of the procedure laid down by the sanctioning authorities for satisfying itself that the grants and loans sanctioned are being utilized for the purpose for which they have been given and whether all the conditions of such grants and loans are being fulfilled, the following points besides any other points as may be prescribed by the PAG from time to time to be seen to verify whether the procedure provided for:

- i) Submission of periodic progress reports.
- ii) Submission of audited statement of accounts.
- iii) Inspection of the grantee institution, if so, are these reports being received/inspection done.
- iv) Are the reports reviewed when received and by whom and what action is taken thereon?
- v) Has any irregularity been noticed during inspection and what action is taken on such irregularities?
- vi) A register of grants in aid is to be maintained to watch the receipt of utilisation certificates. Is the register being maintained correctly and is it being reviewed and at what level?
- vii) Is a register of assets created out of grants (equipment and buildings) being maintained how is it ensured that these assets are being put to intended use?
- viii) What action, if any is being taken in regard to obtaining utilisation certificates where not received, or by adjustment from other grants.
- ix) Has any legal action been taken against the defaulting grantees? Are subsequent grants also being paid despite such defaults?

- x) In regard to loans what is the position regarding repayment. Is there any arrangement by which it could be ensured that even after repayment of the loans the asset is utilized for the purpose for which it is given?
- xi) Are all conditions stipulated in the sanction to grant in aid, fulfilled? How is it being ascertained that the general objective of 'a scheme of grant in aid' is being fulfilled? For instance a scheme of grants in aid may be intended to promote adult literacy or Sanskrit. Is there any report or assessment by the authorities reviewing from time to time the actual achievements? Is such an achievement reasonably proportionate to the effort and expenditure involved?
- xii) Such a review could be usefully made over a period of years. For instance, if a scheme of grants in aid for promotion of sports has operated for 10 years at the end of which there has been very little achievement, this could be commented upon though it may not exclusively be related to procedure.
- xiii) There may also be defects in the sanction or in the scheme itself which may militate against an effective procedure to check the purposes for which the grant is utilized. Such deficiencies in the sanction or the scheme should also be examined.

**(HQs. letter No.1090-TAI/13GL-76-75 II dated 22.12.76)**

- f) Copies of all sanctions releasing grants and loans to the Institution should be collected and the purposes, conditions etc., stipulated therein or in the general instructions of Government regarding the grant/loan should be studied and borne in mind before commencement of audit. This should be correlated with the study of the proposals sent by the institution requisitioning the financial requirements given in the proposals such as, estimated costs, resources available with the Institution, method of execution, availability of Technical know-how and how the assets acquired out of the assistance would be utilized, can be advantageous in pointing out deviations, if any in actual implementation of the programme as put up before the Government by the institution.
- g) Scrutiny of rules, regulations governing the institution: The orders sanctioning assistance should be examined with reference to the memorandum/articles of association. Rules, Regulations, Bye-laws, etc. concerning the institutions to ensure that the purpose of the assistance falls within the objectives for which the institution is set up.
- h) It should be seen whether the expenditure met out of the assistance is based on order accorded by the governing council or by any authority to whom powers are delegated in the bye-laws.
- i) It should be verified whether rules parallel to those of Government or orders adopting Government rules exist to ensure wisdom, faithfulness and economy in expending moneys, in matters such as calling for tenders' execution of agreements, records of measurements, inspection of supplies payments to suppliers and contractors, maintenance of stores, etc. In the absence of such a frame work as above, a mere comment about the inadequacy of the procedure followed would not suffice unless consequent financial irregularity or wasteful expenditure can

---

be established. However the autonomy and flexibility enjoyed by the institution as distinct from that of a Government office should be borne in mind while making the comments.

j) In respect of grants and loans given by the institution to other bodies/authorities, out of the specific purpose grants/loans received by it from Government, it should be examined whether there is a proper system to ensure its effective utilisation and whether it is followed. Procedure followed in assessing the requirements, obtaining utilisation certificates, audited accounts, reports of periodical inspection of the bodies by the institution should be looked into and suitable comment made whenever necessary.

k) It should be seen whether the assets acquired out of Government assistance are properly accounted for in a register as required in the financial rules of the Government and the register is properly maintained and kept up to date. Case of disposal of the assets, if any, should be examined with reference to the instructions issued by Government in this regard. Proper utilisation and maintenance of these assets should be looked into in details with particular reference to realization of the estimated income, if any, out of these assets. The annual administration reports detailing achievements etc. would make a useful study.

l) Arrangements for departmental inspection by Government, reports thereon, compliance with instructions issued by Government as a sequel thereto may be looked into and comments made wherever necessary.

m) Arrangements for external audit in the bye-laws etc. its link up with the release of assistance by Government, as one of the terms and conditions, lacuna in this regard and shortfall in the extent of compliance with such arrangement, if any, may be commented upon. In case, there is no provision for external audit either in bye-laws, etc. governing the institution or specific provision in the orders issued by the Government it should critically be examined whether such an audit is necessary keeping in view the quantum of financial assistance to the institution from Government, nature and complexity of transactions met out of Government grants and loans arrangements existing for departmental audit or inspection system of internal scrutiny followed by the institution and nature of irregularities noticed during our audit and suitably commented upon, if such an arrangement is considered necessary.

n) Audit as understood in common parlance, is an examination of the books of accounts to ensure that the final accounts prepared for publication or presentation, are the true reflection of the books. The Auditor must, therefore, conduct, as far as possible an independent investigation into the affairs of the organization and satisfy himself that the state of affairs as shown in final accounts at a given date reflects the true state of affairs of the organization according to the facts available to him. A considerable time has to be spent on the routine work of checking the book entries, otherwise known in Commercial line as vouching. But in any organization, it will hardly be possible to do such checking in any great detail without engaging an unmanageably large number of persons on the work. So the Auditor official has to rely largely on the system of internal check obtaining in a particular organization before deciding the extent of check to be exercised by him. It is only after scrutinizing the nature and extent of internal check existing in an organization that the Auditor official will be in a position to decide the direction in which his further studies must proceed and he should make a special note of such weaknesses in the internal check and bear such defects in mind throughout the audit.

- o) Certain detailed instructions for the procedure relating to audit of certain specified records and transactions are given in the Manual of Commercial Audit published by Director of Commercial Audit. These instructions can be adopted with advantage for audit of non-Commercial Autonomous Bodies as well. These instructions are not exhaustive by themselves and can be varied/supplemented with due regard to the requirements of audit of each organization.
- p) Since audit of autonomous bodies is entrusted to the CAG in public interest, it is necessary that the audit of their accounts is directed to see that the objective of the organizations is achieved, that the expenditure incurred to achieve the objective is reasonable, that there has not been wastage of funds placed at their disposal, etc.
- q) The accounts maintained by the institution should be examined and it should be seen that the receipt and expenditure in respect of loans and grants received from Government for specific purpose are separately exhibited therein.
- r) The method of auditing of annual accounts will be broadly as follows:
- i. Entries in the cash book and other books of original entries should be vouched and the castings tested;
  - ii. The postings from the books of prime entry to the ledger accounts to be checked;
  - iii. Justification and authority for each journal entry should be examined;
  - iv. The ledger balances should be checked and agreed with schedules like debtors' schedule creditors' schedule;
  - v. The receipt and payment accounts should be checked with ref. to Cash book;
  - vi. To check the opening balance with ref. to closing balance of previous year;
  - vii. Exceptional transactions which have resulted in charges or credits of a materials amount to the accounting period to be looked;
  - viii. Vouch all capital expenditure;
  - ix. Verify existence and ownership of assets and check basis of valuation and provision for depreciation;
  - x. Ascertain the system of stock taking, test check, stock sheets and valuation and obtain certificate from responsible officials;
  - xi. To check the Bank reconciliation statement with reference to the cash book, cheque books, bank statement etc.;

### **Bank Reconciliation**

A Bank reconciliation statement is required to be prepared monthly and the position of the differences should be clearly explained month wise separately in the monthly abstract. In case of Corporation/Company/AB, the BRS should be shown in monthly accounts.

It should be seen: -

- a. That the balance in the bank column of the cash book is reconciled with the balance reported by the bank in the pass book or in the bank scroll.
- b. That every old items remaining un-reconciled are brought to the notice of higher authorities for investigation.

- c. That prompt action is taken with bank authorities for early settlement of all differences.
  - d. That the closing balances at the end of the financial year as incorporated in the Annual accounts are fully reconciled with the balance reported by the bank where applicable.
  - e. One month's bank reconciliation should be carried out by the party from the original records where applicable.
    - i. To ascertain the correctness of the Sundry Debtors/Sundry Creditors and ensure that those did not represents fictitious balances;
    - ii. To see that all income has been brought to account and all expenditure, discounts etc. are authorised and admissible;
    - iii. Compare important items in Income and Expenditure account with corresponding items of the previous year and ascertain the reasons for material variation;
    - iv. Examine the schedules showing the composition of each item in the Balance Sheet and compare such items with corresponding figures for the previous period;
    - v. Look for assets created or expenditure incurred which have not been productive;
    - vi. Look for charges/transactions falling beyond the scope of authorised activities of the organisation;
    - vii. Examine particularly the bookings against items which qualify for grants/assistance to prevent attempts at securing inflated assistance from Government.
- (Paragraph 5.09 and 5.14 of the Manual of audit of Autonomous Bodies)**
- viii. The additional points which are to be examined during audit on the accounts of ABs and comments to be drawn up in IR/SAR are detailed in **Annexure 'K'** of this Manual.

**(B.O. No. OA/IC-IV/Accts./2007-08/268 dated 22-11-2007)**

#### **7.25.4 Report on results of audit:**

The findings of audit as a result of the examination in depth should be communicated in a form of a draft Separate Audit Report (SAR) (as per the format detailed in **paragraph 7.25.7** of this manual) to the organization and Government concerned, their replies/comments obtained and thereafter the final conclusion should be drawn through SAR along with the audit certificate as on the accounts of the organization as representing a true and fair picture of the affairs in the form as per **Annexure 'L'** of this Manual.

#### **7.25.5 Separate Audit Report (SAR):**

While audit on accounts of the Autonomous Bodies under these section for more than one year are conducted at a time, the SAR and audit certificate for each and every financial year are required to be issued separately by the Pr. AG. In such case field parties should issue Audit query separately for each year and prepare separate files containing **(i)** the Accounts along with Schedules thereon, **(ii)** Trial Balance, Stock Statements, Physical Verification Reports, **(iii)** Certificate of Cash/Bank Balances, **(iv)** Bank Reconciliation Statements, **(v)** Debtors' and Creditors' List **(vi)** Audit queries with key documents, **(vii)** Replies of the management and **(viii)** Draft SAR on the particular year's accounts. The SAR should only contain comments which have the necessary attributes of materiality and significance. However, it has to include the followings:

- Non-compliance of accounting standard/instructions contained in common Format of Accounts;
- Correction/rectifications/revisions carried out of the instance of audit;
- Cases where assurances for rectification are not fulfilled after a couple of years;
- Where corrective measures have been taken by the management in relation of matters brought to their attention, it may still be necessary to report certain cases to the governing body, for example cases relating to any fraud/embezzlement committed but compensated by officials;
- Deficiencies in the system of financial control and maintenance of financial record.

However, for inclusion of comments in the SAR, the principle of materiality should invariably be followed and comments of minor/insignificant nature should not feature therein. Every effort should be made to bring out comments on accounts with a clear impact i.e. understatement/overstatement under respective head of accounts as appearing in Balance Sheet or Income & Expenditure Account/Receipt and Payment Account.

#### 7.25.6 Preparation of SAR

Following aspects may be specifically kept in view at the time of preparation of SAR on the annual accounts of State Autonomous Bodies:

- 1) **Accounting policies:** - Significant “Accounting Policies” and “Notes to Accounts” should have been appended with the annual accounts of an ABs. Items, if any accounted for on cash basis, fixed assets and inventory valuation, etc. should have been indicated in the accounting policies whereas the non-applicability of Income Tax on the surplus fund, exemption from statutory enactments, treatment of contingent liabilities etc., should have been disclosed in the Notes on Accounts. The accounts are read and certified only on the basis and parameter of such disclosures and form part of the account that certified by the Pr. AG. Therefore, any shortcoming in these aspects may however be commented in the SAR.
- 2) **Transaction under Plan & Non-Plan:-** It should be ensured in audit that there is no mixing up of Plan and Non-Plan in any inflow or out flow and if there be, suitable comments should be made in SAR. If plan and non-plan are not separately depicted in the accounts a separate schedule for the bifurcation for revenue and capital and plan and non-plan items may be insisted upon. In case of non-submission of the same should be commented upon in the SAR of the AB.
- 3) **Minus Balances:-**If minus balances shown in the accounts it should be thoroughly probed and reasons for such minus balances should be examined and commented upon in the SAR.
- 4) **Fund Accounts:-** If fund for different purposes are found in the AB then the relevant transactions of each fund being accounted in the respective fund should be checked and mixing up of each fund should be done specifically to assess the accuracy of each fund.
- 5) **Suspense head:-** The extent of amount in suspense heads and their relevance to the accuracy in accounts may be examined and commented in the SARs.
- 6) **Depreciation on the capital assets:** To mention the status of the assets in the context of



depreciation due to usage, obsolescence etc, and to provide a true and fair view of the assets of the AB it is essential and desirable that in all such cases where the accounts indicates value on original cost, suitable comments should be made in the SAR, wherever applicable, on the following line:

**Note: The assets depict book value of acquisition and do not exclude obsolescent, unusable, irreparable and condemned assets and also do not take into account depreciation with corresponding reduction of Capital Account. Therefore, the capital and asset accounts are overstated accordingly thereby not giving the correct picture.**

If however, the facts of not providing depreciation were mentioned in the “Notes on accounts” no comment need be made by audit on this point. However, it may be ensured that the ABs are not holding any obsolete or unusable assets which should be cross checked with reference to corroborating records during the audit and comments included where necessary.

- 7) **Accountal of transactions on accrual/cash basis and exhibition in the Balance Sheet:-** The system of accounting is required to be on accrual basis so that Income and Expenditure Account and Balance Sheet make a meaningful depiction of the true and fair view of financial position of the organization. Deviation, if any, made from the basic principle, unless it is properly spelt out in the Accounting policies, or Notes to Accounts, SAR should always have clear comment on this aspect.
- 8) **Cross checking of accounts with schedules:-** As schedules form a part of the accounts certified by audit, it is to be ensured that all the schedules referred to in the accounts are correctly drawn up and figures shown therein tally with the accounts figures.
- 9) **Bank reconciliation:-** Comments about arrears in Bank Reconciliation highlighting the possibilities of misappropriation and fraud and the risk involved due to non-reconciliation/delay in reconciliation and the procedural deficiencies and lapses are to be highlighted in the SAR. Wherever warranted SAR should contain a clear comment that the Bank/cash balances as revealed in the books of account could not be verified in audit due to such non-reconciliation.
- 10) **Register of assets:-** These should be carefully checked in the context of earlier comments on this subject and certification on physical verification of assets insisted upon so that non-availability of such certificates is commented upon in SAR.
- 11) **Unspent grants:-** There should have clear distinction between maintenance/revenue grants and grants for specific/capital purposes. The unspent grants refundable/repayable to Government/other agencies, as required under the conditions stipulated in the grants, are to be shown as “Returnable” in the Liability side of the Balance Sheet of the ABs. Non-depiction of such unspent balances in the Balance Sheet should be commented upon in the SAR.
- 12) **Realisation of Income:-**It is necessary that the income realized by the AB is accounted for as income in the Receipts and Payments Account/Income and Expenditure Account and are not allowed to be kept in a separate fund/account.
- 13) **Completeness in accounts:-**To ensure completeness and meaningful exhibition, all the three accounts, namely Receipts and Payments Account, Income and Expenditure Account

and Balance Sheet with supporting schedules, Significant Accounting Policies and Note on Accounts should come as a set to enable the audit to check and certify these accounts so that possibility of any accounts remaining out of the purview of audit is avoided. Incidentally, figures should be reduced to a maximum of 5 digits for easy comprehension.

- 14) Utilisation certificate of Grants/loans:** - A distinct comment should be exhibited in the SAR (in case the assets created or expenditure incurred out of the grants sanction, as exhibited in the accounts are not supported by utilization certificates) for the specific amounts for which certificates are yet to be furnished to the Government. A detailed list of “utilization certificates submitted to the government” against the grants received should be attached or to be mentioned in the notes on accounts.
- 15) Revision of accounts:** - In all cases where accounts are revised at the instance of audit, suitable comments about the impact of such revision may be made in the SAR.
- 16) Concise and brief comments:** - It should be ensured that the comments in the SAR are concise and brief with clear statement about the impact on accounts of each comment as a result of deficient procedure or accounting followed and should always mention the resultant under/over statement of head concerned and impact on surplus/deficit/assets/liabilities in exact amount.  
[HQs. Circular letter no. 111-Rep (AB)/49-99 dt. 31.5.1999 and 39/Rep (AB) 91-2003 dt. 3.4.2006]
- 17)** A separate paragraph elucidating the Physical performance of the ABs with reference to their objectives vis-à-vis the target and achievement in respect of the performance during last three years along with audit comments thereon should be included in the SAR under heading “Physical performance” after the paragraph “Source of Fund”.  
(HQ Circular No. 165-Rep (AB)/91-2003 dated 23.5.2003 & B.O. No. OA/IC-IV/B0/Acctts/2002-03/27 dated 19.3.2003)

## 7.25.7 FORMAT OF THE SAR

### A. INTRODUCTION

(Setting up of Autonomous Body, Audit mandate and Grants/Loans received during the year).

Comments to be included need not be comparative statements but should be concise and brief with a clear statement about impact on accounts of each comment as a result of deficient procedure/accounting practice followed. Comments should be pointed and indicate in exact amounts the resultant under/overstatement of head concerned and the impact on Income/Expenditure/Excess of Income/Expenditure over Expenditure/ Income as well as on assets/liabilities.

Audit comments on accounts can be included as Sub-paras at one place under this para depending upon defects noticed and the sub-paras may be arranged suitably one after another in the order of Form of Annual Accounts being certified under the heads Balance Sheet (Liabilities and Assets), Income and Expenditure Account, Receipts and Payments Account as illustrate below:

### B. BALANCE SHEET

- 2.1 LIABILITIES: Deficiencies noticed against various heads may be commented in short sub-  
paras

2.2 ASSETS: Deficiencies noticed against various heads may be commented in short sub-para

**C. INCOME & EXPENDITURE ACCOUNT**

3.1 EXPENDITURE: Deficiencies noticed against various heads may be commented in short sub-para

3.2 INCOME: Deficiencies noticed against various heads may be commented in short sub-para

3.3 Excess of Income/Expenditure over Expenditure/Income

**D. RECEIPTS & PAYMENTS ACCOUNT**

4.1 RECEIPTS: Deficiencies noticed against various heads may be commented in short sub-para

4.2 PAYMENTS: Deficiencies noticed against various heads may be commented in short sub-para

**E. EFFECT OF AUDIT COMMENTS ON ACCOUNTS**

The net impact of the comments given in proceeding para is that assets as on .....were understated/overstated by Rs.\_\_\_\_ Lakh, liabilities understated/ overstated by Rs.\_\_\_\_ Lakh, and Excess of Income/Expenditure over Expenditure /Income for the year was understated/overstated by Rs.\_\_\_\_ Lakh

**F. GENERAL:**

**ACCOUNTING POLICIES, NOTES TO ACCOUNTS AND INTERNAL CONTROL SYSTEM**

Brief comments about deficiencies noticed in accounting policies, Lack of Internal control system and notes on accounts suitable disclosures not given on matters concerning accounts may be included

**G. LACK OF RESPONSE: (If replies to draft SAR are not received within the stipulated period)**

Sd/-

**Principal Accountant General (G&SSA), WB**

[HQ letter No. 40 Rep (AB)/91-2003 dated 25.04.2004]

*Note: A comment to be included by conducting a review to satisfy about the adherence with all the requirements of the Statutes or laws under which the autonomous bodies/organisation were formed and guidelines from the concerned Ministry having a significant impact on the preparation and presentation of the financial statements.*

*Note: In the case of World Bank assisted projects executed by Corporation and Bodies under the audit control of this office [whether under Section 19 or 20 of the CAG's (DPC) Act 1971], it is the duty of the Pr. AG to furnish audit certificates to the World Bank authorities as detailed in Paragraph 7.37 of this manual.*

#### **7.25.8 Comments on Internal Control:**

The extent of checks to be exercised in audit will depend upon the system of internal control operating in the organization. Internal control is an arrangement which provides for proper division and definition of tasks and responsibilities, introduction of an appropriate accounting system and the institution of forms of internal check. By internal check is meant the checks on day to day transactions which operate continuously as part of the routine system whereby the work of one person is proved independently or is complimentary to work or another, the objective being the prevention or early detection of errors of fraud. Another essential characteristic of the system of internal control is the existence of skilled managerial supervision and reviews including internal audit. It is the responsibility of the supervising officer of the audit team to examine the system of Internal Control in order to assess its efficacy before determining the extent or quantum of checks and planning the audit. In particular, the system of internal control required to be noted by the audit and suitable comments to be incorporated in the SAR.

#### **7.25.9 Laying of SAR to the State Legislature:**

There is no guiding provision in the DPC Act, regarding laying of audit report before the legislature. It is the prerogative of the State Government to decide whether to place the SAR of any autonomous body before the State Legislature. However, right of the CAG to report to legislature as contained in usual terms and conditions for entrustment of audit under Section 19/20 of the DPC Act., is exercised through the medium of conventional Audit Report (submitted to Governor), whereas the SAR is submitted to Government. Hence, reporting to legislature through SAR need not be treated as compliance to our terms and conditions.

**[DG (Audit) note no. 171-Audit (AB)/5-2001 of EAP&AB Section]**

#### **7.25.10 Finalization of SAR**

The procedure to be adopted in finalization of SAR is detailed in **Annexure 'M'** of this Manual.

#### **7.25.11 Issue of letter to Management**

In addition to the SAR/Audit Certificate, a letter to the management regarding the procedures, system weakness in the internal control, to be issued, to enable the management to exercise a greater degree of control over the operation of the AB. The observations of following nature may be in the "Management Letter".

- ❖ Errors of a minor nature that are not considered material;
- ❖ Deficiencies in the accounting records, systems and controls with recommendations for their improvement;
- ❖ Non-compliance with the financial control/internal control procedures as detailed in the concerned accounting/financial manual being followed in the AB;
- ❖ Classification errors within the accounting head, where management has assured rectification in next year's accounts;

- ❖ Recovery of advances, steps to be taken for recovery/adjustment of long outstanding balances on personal account;
- ❖ Reconciliation between the balances as per broad sheet and as reflected in the accounts;
- ❖ Typing/Printing errors which can be rectified at the time of printing the annual accounts/annual reports;
- ❖ Failure to obtain confirmation of balances or to watch over receipt of utilization certificates from grantee/beneficiaries etc.

**[HQs Circular No. 39/Rep (AB) 91-2003 dated 3.4.2006, 108-Rep (AB)/91-2003 dated 04.7.2006 & 87-Rep (AB)/91-2003 dated 20.4.2007]**

## **7.26 AUDIT OF FINANCIAL INVESTMENT OF THE AUTONOMOUS BODIES:**

Central/State ABs are subject to audit under the provisions of the CAG's (DPC) Act, 1971. Substantial funds/investment are handled by the management(s) of autonomous bodies themselves, for which the management/officials responsible for handling these funds are expected to exercise due care and financial prudence to avoid loss of funds. Certain checks to be exercised in audit in respect of funds and investments by the autonomous body so as to ensure verification of continued ownership of assets and that the investment is in accordance with the prescribed pattern, procedure for investment is duly authorized and it does not result in avoidable loss to the autonomous body.

During audit of autonomous bodies, specific emphasis may be placed on the financial investments of autonomous bodies and in addition to other provisions contained in the Manual and other instructions issued from time to time, it is essential that following aspects are invariably kept in view:-

- i. That the amount of investment (s) shown in the balance sheet under all the funds can be linked with investment registers maintained in the Body;
- ii. That the amount of investment shown in the accounts is invariably supported with a detailed schedule of investments exhibiting date/amount/bank-financial institutions where invested/rate of interest/period of investment, date of maturity, etc;
- iii. That the details of investments exhibiting the opening balance, encashment, renewals and additions during the year are annexed to the balance sheet as a schedule;
- iv. That the significant policy in regard to investments is disclosed in the annual accounts;
- v. That in making investments in different kinds of securities, the ratios prescribed by the Government are adhered to;
- vi. That the investments are as per Government guidelines/instructions and there are no violations and the investments are in no way inherently risky or unauthorised;
- vii. That the investments are not in unauthorised institutions violating the statutory provisions/instructions/guidelines issued by Government and those contained in statutes governing the Body;
- viii. That wherever government/statutes/orders impose restrictions, embargo, ceiling and prohibit investments in any particular mode/institution, these are strictly adhered to;

- ix. That wherever Government/Board of Management have issued instructions for phasing out earlier/existing investments in a specific period, these are strictly followed to avoid the risk of capital loss.
- x. That the investment decision has been based on sound commercial judgment and the organization has evolved a suitable/sound investment policy;
- xi. That there should be no element of speculation on the yield from the investment;
- xii. That the investment of the fund is strictly in accordance with the provisions of statute, rules & regulations governing the fund;
- xiii. That the method of investment adopted is in accordance with the prescribed policy directives of the organization and government concerned;
- xiv. That the management has a system to ensure that investment scrips are physically verified as at the end of year of accounting and a certificate thereof is furnished to Audit on their availability in safe custody. Verification certificate of securities/deposit receipts, etc. relating to all investments of funds held by the organization(s) should be insisted upon in audit from the management.
- xv. Any deficiency, omission or irregularity in the investments pointed out by internal auditors should also be taken note of for detailed examination and results included in the reports.

It may be ensured that any deviation/discrepancy/violation noticed in such investments during audit is invariably commented upon in the inspection/audit report.

**(HQs. letter No. 58-Rep (A B)/47-2003 dt 14.02.2003)**

## **7.27 INTEGRATED AUDIT OF DEPARTMENTS:**

### **7.27.1 Objective**

- a) Comprehensive or an integrated audit of a department is a combination of the traditional financial audit and efficiency-cum-performance audit. It will involve on the one hand examination of the quality of financial management, including the soundness and appropriateness of internal control systems in its key areas of activity, and on the other, Value For Money (VFM) or 3E (Economy, Efficiency and Effectiveness) issues covering management and delivery of programmes and services. The broad end-objectives are to identify the weaknesses and failures in financial and programme management and to formulate recommendation aimed at improvements in the department's functioning.
- b) In order to achieve the desired results within a given time frame, detailed examination based on a clear understanding of its organizational structure and characteristics is necessary.

### **7.27.2 Approach to Integrated Audit**

- a) This audit is also required to adopt of newer audit methodologies and techniques including the use of electronic database and even use of computerized auditing techniques (CAT) wherever computerized systems are in use on a large scale. Integrated Audit of a department may ideally begin at the level of the Government and the concerned Directorate and to be preceded by a detailed study of the following to obtain an integrated view of the department:

- i. Objectives of the department.
  - ii. Rules of Business.
  - iii. Annual Administrative Reports.
  - iv. Annual Action Plans.
  - v. Budget documents.
  - vi. Performance Budgets.
  - vii. Plan documents.
  - viii. Schemes - Central as well as State - implemented by the department.
  - ix. Policy initiatives taken by the department.
  - x. Reports, if any, of Parliamentary Committees and other external agencies.
  - xi. Internal manuals.
- b) In addition, information gathered from an analysis of the accounts of the department concerned and from audit findings pertaining to the department should be carefully studied and issues identified for further examination. The database of the contingent vouchers of the Departments prepared by the Central Audit Section may also be analyzed. Inputs available in the A&E office, such as the monthly Civil Accounts, appropriation accounts, appreciation notes sent to Government, lists of unadjusted abstract Contingent bills and 'nil' payment vouchers, lacunae noticed in the paid vouchers, accounting errors, etc., should be made use of for the identification of issues to be examined by the audit teams entrusted with integrated audit. For this purpose, the Pr. AG should interact extensively with the AG (A&E) WB.
- c) Before taking up the field inspection for integrated audit, the Pr. AG should meet the Secretary and explain to him/her about the scope and purpose of the integrated audit and the objectives sought to be achieved. The Secretary may be requested to arrange a presentation of the department's main activities to facilitate better understanding of its mandate, objectives and functions.
- d) Audit of the selected DDOs may be taken up simultaneously thereafter by deputing the requisite number of audit teams. Each of these teams or parties may be provided with all the leads and information that had emerged from the central audit as well as audit at the levels of the Government and the Directorate. Results of these audits may be summarized and, if necessary, another spell of audit may be arranged at the Government and Directorate levels.
- e) On conclusion of the audit, the Pr. AG should write demi-officially to the Secretary of the Department briefing him/her about the main findings of audit and the suggestions proposed and requesting a discussion thereon. Any suggestions or recommendations should be included in the Audit Report only after discussion with the Secretary.

### **7.27.3 Issues for audit Scrutiny**

#### **7.27.3(A) Financial Management:**

- (I) Budget Formulation:-** Apart from examining the current practices and procedures relating to Budget formulation and adherence to the relevant rules and instructions issued in this regard by the Finance Department, the following aspects could also be examined for possible comment:

- i. Adequacy of the rules and instructions relating to the formulation of budget and revised estimates, responsibilities of different functionaries and shortcomings, if any.
- ii. Adherence by the DDOs to the time schedules prescribed for submission of estimates.
- iii. Extent of scrutiny exercised by the Directorate and the Department of the estimates furnished by the DDOs and the justification furnished in support of original estimates and estimates of additional requirements.
- iv. Adequacy and effectiveness of the role played by and the involvement of the administrative Secretary and Head of the Department in formulating the departmental budget and the extent to which designated responsibilities are discharged by them.
- v. Besides, the quality and reliability of the budget estimates could be assessed by an in depth scrutiny of a few estimates with a reference to the actual expenditure.

**(II) Expenditure Control:-** Financial rules provide that the Head of the Administrative Department should exercise effective control over expenditure. The following aspects could be looked into by Audit in this context:

- i. Systems and arrangements available for determination of allotment of funds to various DDOs and their timely release and the adequacy of these arrangements.
- ii. Arrangements for communication of allotments to the DDOs concerned the AG and the Treasury Officers.
- iii. Machinery for exercising expenditure control and monitoring expenditure incurred by field units and its adequacy.
- iv. Timely receipt of monthly expenditure statements from the DDOs, arrangements for their documentation and analysis and the extent to which these are utilized for the purpose of exercising effective control over expenditure. Statistical information may also be compiled for inclusion in the Review on (a) the number of DDOs and others from whom the monthly statements were to be received; (b) the total number of expenditure statements due in a year; and (c) the number of statements actually received. The reasons for their non-receipt or belated receipt may also be analysed and deficiencies in the relevant systems and procedures highlighted.
- v. Review of as many Plan and Non-Plan schemes implemented by the department as possible to focus attention on the following:
  - a) Unconscionable or persistent delays in release of funds to the DDOs for implementation of the schemes.
  - b) Instances of drawal of funds in anticipation of requirements.
  - c) Irregular diversion of funds and arrangements available centrally for control over utilisation and prevention of diversions.
  - d) Arrangements for monitoring expenditure on schemes and their adequacy.



- e) Rush of expenditure towards the close of the financial year.
- f) Instance of drawal of funds to avoid lapse of grants and their irregular retention outside government accounts.
- vi. Unusual or extraordinary items of expenditure.
- vii. Outstanding loans and advances to departmental personnel and outside parties and adequacy of arrangements for their pursuance and settlement.
- viii. Aspects relating to Appropriation Audit and analysis of reasons for excesses over voted grants and charged appropriations, savings in grants and appropriations and surrenders.
- ix. Reconciliation of departmental expenditure with that accounted for by the PAG and its impact. Non-adherence to the procedures prescribed in this regard and its adverse consequences may also be highlighted.

#### **7.27.4 (B) Programme Management:-**

Audit may examine the arrangements and machinery in place for the formulation, planning, implementation, monitoring and evaluation of various schemes and projects and frame appropriate comments from the perspective of 3Es or VFM Audit. For this purpose a few major schemes may have to be examined in detail at the micro level.

#### **7.27.4 (C) Personnel Management:-**

Audit may examine the arrangements for manpower planning, assessment of requirements and utilisation of manpower; procedures for creation of posts; transfer and rotation policies; overstaffing; delays in provisioning; assessment of training needs, expenditure on training and utilisation of trained manpower; etc. The detailed principles and guidelines on Manpower Audit **Paragraph 7.31** of this manual may also be kept in view in this context.

#### **7.27.4 (D) Inventory Management and Control: -**

Some of the major contracts and agreements entered into by the department and its field units for purchases and supplies may be scrutinized to highlight deficiencies in systems and procedures, irregularities in purchases, instances of purchases being resorted to without adequate justification or even in the absence of actual requirements resulting in unutilized inventories, etc., Adequacy of the arrangements for inventory management and control may also be examined and commented upon.

#### **7.27.5 Internal control:**

Integrated audit should comment comprehensively and in a focused manner on the quality of internal control exercised by the department at the Secretariat and Directorate levels as well as by its field units in the spheres of financial management, programme management and personnel management. For this purpose, Audit need to ascertain whether (a) adequate control mechanisms have been prescribed; (b) these are appropriate and adequate; and (c) such controls as are available are in fact operative and functioning.

**7.27.6 Accountability aspects:**

Audit should examine and comment upon the arrangements for securing and enforcing accountability at different levels of the department with particular reference to the availability of appropriate internal control mechanisms in all areas of its functioning and utilization of these mechanisms in a manner that facilitates the achievement of the overall goals and objective of the Department.

[Paragraph 3.9.19 of MSO (A)]

**7.28 APPROPRIATION AUDIT:****7.28.1 Introduction:**

The responsibility for watching the progress of expenditure against a Grant or Appropriation devolves on the Executive, who is ultimately responsible for restricting the expenditure within the Grant or Appropriation. The general principles and rules governing audit against provision of funds are contained in the CAG's MSO (Audit).

**7.28.2 Audit Objectives and Scope:**

The Primary objectives of Appropriation Audit are to:

- i. ascertain whether the money spent has been applied to the services and purposes for which the Grants and Appropriations were provided;
- ii. verify whether the expenditure against each Grant or Appropriation is within the amounts authorized by the Legislature; and
- iii. check whether the orders of allotment of funds and re-appropriation orders conform to the rules and regulations.

**7.28.3 Source documents:**

The following are the important source documents for appropriation audit:

- i. Orders of allotment of funds and re-appropriation orders.
- ii. Appropriation Accounts of earlier years.
- iii. Appropriation Audit Registers.
- iv. Departmental files containing reasons for excess/savings.
- v. Abstract Contingent Bills Register maintained by DDOs.
- vi. Monthly expenditure reports sent by the DDOs to the Controlling Officers.
- vii. Reconciliation Registers maintained in the AG (A&E) Office containing details of reconciliation done by controlling officers.
- viii. Statements of monthly expenditure submitted by the administrative departments to the Finance Department.

**7.28.4 Audit Approach:**

On receipt of the Monthly Civil Accounts containing details of major head-wise totals, the departments and areas where substantial excess expenditure has been incurred are to be identified for undertaking reviews and incorporation of comments in the shape of draft paragraphs for inclusion in the Audit Report.

**7.28.5 Audit of Sanctions:**

Orders of allotment of funds and re-appropriation orders received in Audit should be scrutinized to ensure that:

- a) these have been issued by an authority competent to do so;
- b) the allotments made are not in excess of the amounts authorized under the relevant Grant or Appropriation;
- c) the amount appropriated is available under the unit from which it is allotted;
- d) amounts re-appropriated are not intended for meeting expenditure on a 'New Service' or a 'New Instrument of Service';
- e) no amount has been re-appropriated from one Grant or Appropriation to another Grant or Appropriation;
- f) no amount has been re-appropriated from the 'Charged' Section to the 'Voted' Section and vice versa;
- g) no amount has been re-appropriated from Revenue head to Capital head and vice versa; and
- h) funds provided under 'Plan' heads have not been re-appropriated to 'Non-Plan' heads without the previous consent of the Finance Ministry/Department.

**7.28.6 Review of variations:**

Instances of unnecessary and injudicious re-appropriation of funds and surrender of funds based on a study of the trends of actual expenditure and the reasons furnished by the departments for abnormal variations viz. excess expenditure or savings in the Appropriation Accounts should be probed in detail by scrutinizing the departmental files as envisaged in subsequent paragraph of this Manual. The Pr. AG should identify to conduct a comprehensive review of the budgetary procedures followed and see that the provisions made in the budget/supplementary demands were based on concrete or firm proposal for speedy implementation of the schemes. Results of these reviews and comments on such variations should be incorporated in Chapter II of the Audit Report.

[Paragraph 3.15.6 of MSO (A)]

**7.29 AUDIT OF EXCESS AND SAVINGS OVER BUDGET PROVISIONS:**

Records in respect of the offices/auditee units may be examined where substantial excess expenditure or savings over the budget provision have taken place to frame appropriate comments. Such detailed appropriation audit should provide an insight not only into the nature of and reasons for the excess expenditure or savings in relation to the budgeted grants but also to focus attention, more importantly, on the control failures and deficiencies, delays in decision-making, etc. that might have facilitated the excesses/savings and on the failure of superior authorities to detect and rectify them. Examinations to ascertain the reasons for excess expenditure/savings are as follows:

1. It will be necessary for audit to examine the veracity of the explanations on excesses or savings in expenditure furnished by the departments. These should be analyzed with reference to departmental records and the systems, if any, in place for monitoring expenditure under each unit of appropriation against each Grant or Appropriation. This analysis will be conducted with reference

to the excesses or savings under various detailed heads administered by the department concerned and will necessarily be confined to only significant and material variations. While the expenditure on Non-Plan items should be examined with greater care, the Plan expenditure should be analyzed to ascertain whether the excess expenditure or savings took place in respect of State Plan or Centrally Sponsored Schemes and specific and precise reasons thereof should be collected from the relevant files and records. The expenditure on the State Plan and Centrally Sponsored Schemes should be examined and failures or deficiencies in such monitoring should be commented upon. In both these cases, the DDOs responsible for the excess expenditure or savings should be identified, it should also be examined, inter alia, whether large amounts drawn through Abstract Contingent Bills to avoid lapse of budget provision remained unadjusted even though the accounts revealed expenditure was incurred in excess.

2. The following aspects will require special attention and probe with reference to the failure of the controlling and DDOs to restrict their expenditure within the allotted amounts.

- i. Deficiencies in budgetary procedures and processes that might have resulted in under provisioning or incomplete estimation of requirements based on insufficient information.
- ii. Reliability of the estimates and their basis and the extent to which the excess expenditure was avoidable.
- iii. Adequacy of mechanisms for budgetary and expenditure control by controlling officers.
- iv. Arrangements for reporting of progressive monthly expenditure by the DDOs to the controlling officers and their monitoring by the latter and their adequacy.
- v. Adequacy of arrangements for the periodical and prompt reconciliation of expenditure with that accounted for by the PAG to facilitate timely detection of the likelihood of the expenditure exceeding allotments and appropriate corrective action.

3. The monthly Civil Accounts, containing the summarized progressive expenditure under each major head, sent by the AG (A&E) WB to the Finance Department and the administrative Head of Department concerned should also be seen to determine whether any warning slips were issued by the former to the Executive when the grants were either being exceeded or were almost utilized fully. The corrective action, if any, taken on these intimations by the Finance Department and the administrative Secretary or the controlling officer should also be looked into to determine if it was adequate.

4. Reasons for excess expenditure or savings could be many and varied. Audit parties undertaking reviews of specific departments that persistently incur expenditure in excess of allotments could, with advantage, examine the following and frame appropriate comments after obtaining the explanations of the departments concerned.

- i. Scrutiny of proposals for supplementary grants to determine whether these were submitted only after a proper assessment of the trend of expenditure or ascertaining the actual expenditure incurred.
- ii. Instances where amounts surrendered exceeded the overall savings in the grant and analysis of the causes.

- iii. Cases of expenditure exceeding the amount of deposits received for execution of works. The reasons for the excess and the sources from which the excess expenditure was met by the departments concerned should also be ascertained.
- iv. Instances of expenditure incurred in fulfillment of decrees, which should correctly have been met out of Charged Appropriations, being irregularly met out of voted provisions.
- v. Cases of excess expenditure attributable to the repayment of overdrafts, if any to be obtained from the Reserve Bank of India. The circumstance leading to the excess expenditure would need to be examined in detail.
- vi. Cases of conversion of loans given to public undertakings and other autonomous bodies into grants or investments even in the absence of the necessary budget provision. The circumstances in which such necessity arose should be examined in depth.
- vii. Instances of failure of DDOs to include in their estimates/demands appropriate provision for meeting un-discharged liabilities of past periods.
- viii. Instances of non-adherence by the departments to the prescribed Annual Plan ceilings while incurring expenditure.
- ix. Cases of failure to conduct periodical reconciliations of departmental expenditure with that accounted for in the books of the AG (A&E) office.
- x. Action taken by the Finance Department to intimate details of the cuts imposed in the estimated demands of the departments concerned while communicating the approved budget estimates to them and action taken, in turn, by the departments to inform the field units about these cuts.
- xi. Instances of delays, if any, on the part of the Finance Department in communicating details of approved revised estimates to the departments.
- xii. Cases of default by the department in furnishing regularly the statements of monthly expenditure to the Finance Department and the Pr. AG.
- xiii. Instances of budget provisions being made by the departments for vacant posts held in abeyance on account of a ban on filling up these posts.
- xiv. Cases of failure of departments concerned to formulate re-appropriation proposals for submission to the Finance Department.
- xv. Instances of issue of financial sanctions by the Government towards the close of the financial year without ensuring the necessity for drawal of funds and feasibility of their utilizations.

**[Annexure to Paragraph 3.15.8 of MSO (Audit)]**

5. To facilitate compilation of figures relating to excess expenditure over allotment, the field parties should collect the information as follows:

(a) Head of Accounts; (b) Name of Treasury; (c) Name/Designation of the Head of the Office and DDO and (d) details of expenditure in the following proforma:

Year	Particulars	Allotment received	Expenditure incurred	Excess Expenditure	Savings, if any	Reasons
1	2	3	4	5	6	7

(BO No. OA/1C/2000-01/7 dt. 20.7.2000)

---

**7.30 SYSTEM AUDIT:****7.30.1 Introduction:**

The concept of Systems Audit is that if an in-depth analysis of the mechanics of a system reveals that it is designed with appropriate controls, checks and balances to safeguard against errors, frauds, etc., Audit can reasonably assume, without the necessity of undertaking a detailed examination of the individual events or transactions, that the results produced by the system would be fairly accurate. Evaluation of the efficiency and effectiveness of any system will, however, require sample testing of its actual working. Systems Audit thus serves also as an effective aid to management.

**7.30.2 General principles:**

The general principles governing Systems Audit are as follows:

- i. To locate the deficiencies in any system, in each procedure forming part of the operational or financial activity.
- ii. To ascertain how best the procedures that have in-built delays they can be streamlined. Causes of departures from or special relaxation of the prescribed procedure should be analyzed.
- iii. To example whether action on important points has been initiated at sufficiently high levels of the hierarchy so as to produce meaningful results.
- iv. In addition, procedures and/or records which appear to be redundant or superfluous should be identified for elimination.

**7.30.3 Source documents:**

The important source documents that will form the basis of audit scrutiny to evaluate the adequacy of systems are the following:

- i. Organization Chart.
- ii. Procedural Manuals.
- iii. Delegation of Powers Rules.
- iv. Departmental Accounts Manual.
- v. Accounting Policies and Procedures.
- vi. Budgeting Policies and Procedures.
- vii. Performance Budget.
- viii. Work Plans.
- ix. Technical Manual relating to quality specifications.
- x. Internal Audit Reports.

**7.30.4 Main Stages of Systems Audit:**

The main Stages of System Audit are indicated in the following paragraphs:

**a) Organizational analysis:** The first step will be to find out the basic objective or activity and to study the organizational pattern to ensure that there is clear and logical plan of organizational function which is responsible for financial and operational activities of the entity. A flow chart could be prepared in order to examine whether:

- i. The units are functionally segregated to ensure professional, functional and/or technical specialization and to achieve functional independence for purposes of internal management control;
- ii. Proper distribution and clear demarcation of functional responsibilities exist among the personal working in the entity;
- iii. The entity's staffing pattern conforms to norms or standard prescribed for the purpose and has the approval of the competent authority;
- iv. The financial functions are separated from other administrative functions;
- v. The employees within the financial unit responsible for the custody of the financial or material resources are separated from those record transactions, maintain accounting records and prepare financial reports;
- vi. The financial powers of each authority of the unit and its responsibilities have been clearly defined and are updated to depict the correct position at any given point of time;
- vii. checks and balances have been integrated into transactions in such a manner as to ensure added reliability without increasing costs or creating new positions or new operating units;
- viii. there is an effective system of follow-up to determine whether assignments are properly carried out;
- ix. the organizational units are designed to obtain maximum effectiveness at the minimum cost;
- x. staff requirements are reviewed from time to time keeping in view changes in the entity's functions and relevant factors;
- xi. posts remain vacant for long periods affecting adversely the entity's functioning; and
- xii. there is any overstaffing with reference to the entity's functional responsibilities.

b) **Analysis of system of authorization and recording:** This involves examination of the system of authorization of transactions and operations and the related procedures and records prescribed for the purpose. It has to be seen that the system provides for procedures to ensure that:

- i. all approved transaction documents serve as source documents for accounting entries; and
- ii. all cash and materials received in the entity are immediately accounted for.

c) **Analysis of system of accounting:** This requires a study of the departmental accounts manual, relevant orders, circulars, etc. including the prevailing policies and procedures. It may be examined to see whether:

- i. the accounts records provide for compilation of transactions according to the budgetary classification;
- ii. an effective method of budgetary control, including a machinery for the prompt reporting and analysis of variations between the budgetary allotments and expenditure, is available;
- iii. the accounting system provides for well-designed documents and forms for control purposes as well as for conducting operations;
- iv. the accounting records maintained for resources and operations are informative, clear and generally adequate;
- v. controls exists to safeguard against errors and irregularities in operational and financial data; and
- vi. the accounting system is adequate, conforms to the generally accepted accounting principles and includes such forms and records as are absolutely necessary to ensure sound accounting and financial reporting.

- d) **Examination of system of internal control:** It should be examined whether each organizational unit in the entity is adopting sound practices so as to ensure proper internal control. These include the provision of locked store rooms with access restricted only to authorized persons, arrangements for surprise physical verification of cash, bank reconciliation by independent personnel, pre-check of payments, institution of checks to see that transactions are properly authorized, dual custody of valuable negotiable assets, etc. It should also be seen whether the system provides for departmental enquiry into all cases of shortage, loss, theft and embezzlement.
- e) **Evaluation of standards of quality and performance:** It should be examined whether a proper system exists for evaluating the quality and performance with reference to the standards prescribed for the purpose. Performance budgets, work plans, technical manuals, etc. should also be studied to ascertain the standards prescribed. The standards of quality and performance achieved by the management- should then be listed out and compared with those prescribed and the results evaluated.
- f) **Examination of the system of internal audit:** It should be ascertained whether an internal audit system has been introduced in the entity and, if so, whether the unit responsible is completely independent of the operating unit. The prevalent system of internal audit should also be examined to verify whether it provides for an objective, timely, systematic and professional examination of financial, administrative and other operations subsequent to their execution for the purpose of their evaluation and verification and whether the system is geared to ensure prompt and adequate follow-up corrective action on the internal audit report.
- g) **Review and evaluation:** The review and evaluation should not be based entirely on die replies to audit observations, procedural manuals or flow charts prepared by the entity. The following guidelines to be kept in view in review and evaluation of the System Audit:
- i. Review and evaluation should not be based on replies on audit observations, procedures manuals or flow charts prepared by the entity.
  - ii. How operations and transactions are actually processed should be determined.
  - iii. To be tested by actual observation or “Walking through” a very small number of selected representative transactions or operations.
  - iv. Strengths and weaknesses in key control points to be identified.
  - v. To evaluate tentatively the effectiveness of the procedures and controls in operation.
  - vi. Procedural manuals to be reviewed to determine whether procedures are adequate but are not being properly applied or whether they are inadequate.
  - vii. Discussions to be made with persons who appear as knowledgeable, competent and dedicated on various suggestions for improvement of the system and procedures which may reflect in report.
  - viii. Detailed audit procedures may be selected to determine the scope of tests to be applied in areas considered weak.
  - ix. Recommendation should be made for strengthening control in weak areas.
  - x. The report should be prepared in an objective and constructive manner so that management of the auditee organization could take corrective action to remove the deficiencies or distortions in the system or in their components and the total system mobilized for efficient, effective and economic utilization of manpower and material resources.

[Paragraph 3.20.1 to 12 of MSO (A)]



### **7.31 MANPOWER AUDIT:**

#### **7.31.1 Audit approach:**

The audit approach varies considerably among the auditee units and may involve examination of all respects of human resource management within a department or within a branch or programme of the department. The system-based manpower audit in the office of each cadre controlling authority and in its subordinate offices was to evaluate the efficiency and effectiveness of establishment expenditure to make an overall assessment of the operational efficiency and effectiveness of the systems. Audit of manpower will involve examination of a number of aspects but mainly the following:

- i. The job analysis, job description and job specification for various categories of posts;
- ii. Methods and principles adopted for assessment of manpower requirements;
- iii. Norms/standards adopted for computation of requirements;
- iv. Allocation and actual deployment of manpower resources;
- v. Control systems available for monitoring the efficient and effective utilization of human resources; and
- vi. Training and development of human resources.

System based manpower audit will ordinarily be undertaken once in three years in each cadre controlling office.

#### **7.31.2 Source documents:**

The documents to be examined in the course of audit will include, inter alia

- i. Government instructions on procedures for computing manpower requirements, recruitment of personnel to different posts and the pay scales and other terms and conditions relating to the posts;
- ii. files relating to assessment of manpower requirements;
- iii. registers of sanctioned strength;
- iv. statements of actual men-in-position;
- v. duty allocation registers;
- vi. office manuals describing duties and responsibilities of various posts;
- vii. delegation of powers;
- viii. registers and bills relating to establishment expenditure, etc.
- ix. The computerized data base prepared by the A&E office from the payrolls of State Government employees can also be used effectively for manpower audit. This will provide comprehensive and integrated information about the manpower profile of the department as a whole and its cost.

#### **7.31.3 Job analysis, description and specification:**

Job analysis is an analytical examination of a work assignment. It is the process of collecting information about, and analyzing, duties, responsibilities and the conditions of work involved in the job, its inter-relationship with other work assignments and the qualifications necessary for its performance. Based on the job analysis, a written statement is prepared outlining the specific duties, responsibilities and organizational relationship that constitute a given job and the conditions of work involved in, and the qualification necessary for, performing the job. The job specification

is primarily intended for emphasizing and detailing the personal characteristics required for satisfactory performance of the job. Efficient personnel management requires that an organization's current and future manpower needs should be determined in terms of both quantity and quality. The techniques of job analysis, job description and job specification are extensively used in manpower planning and development for specifying the nature and requirement of a job or a group of jobs, selection and placement of personnel and for job evaluation and are useful in identifying and assessing the training needs of different categories of personnel and in formulating the objectives and design of a training programme. It is thus imperative that proper systems should exist for maintenance of job descriptions and job specifications for various categories of posts in each department based on an analytical examination of each category. It should be examined during audit that:

- i. arrangements for applying these techniques are sound and effectively managed;
- ii. job descriptions and job specifications are maintained up to date and correspond accurately to current job requirements, and all jobs are periodically reviewed with a view to revising their descriptions and specifications in conformity with the changes in organizational objectives, job content and job context;
- iii. job descriptions and job specifications are precise and clear so as not to give room for any ambiguity or misconstruction; and
- iv. there is no overlapping of duties and responsibilities assigned to different jobs.

### **7.31.3 Assessment of Manpower requirement:**

Manpower requirements are forecast on the basis of:

- i. opinions of different supervisory or controlling officers within the department; or
- ii. projection of past trends using statistical techniques like extrapolation, regression, correlation, etc.; or
- iii. standard formulae devised with reference to the results of work study, job descriptions, specifications, etc.; or
- iv. measures of productivity.

**[Paragraph 3.21.1-15 of MSO (Audit)]**

### **7.31.5 Audit of the system of Manpower requirement:**

The following should be examined in auditing the systems for forecasting manpower requirements:

- i. The extent to which the projections of manpower requirements correspond to the numbers, levels and skills of personnel required for the objectives set forth and the work load based on those objectives.
- ii. Whether the objectives in question continue to be relevant and appropriate for the Department. If not, whether appropriate reductions are reflected in the manpower forecasts.
- iii. Are there standard departmental procedures and standard formula for manpower forecasts and whether they are adequate;
- iv. In the event of changes in the organizational pattern of the Department or changes in policy, corresponding changes in manpower estimate are reflected;

- v. The evidence, such as workload at current levels, additional posts for future expansion programmes, etc., are available to support the forecasts and their reliability;
- vi. Extent to which the standard formulae prescribed for different processes of work have been applied in the computation of manpower requirements; and, in case standard formulae have not been evolved, the reasonableness and fairness of the principles adopted for computation.
- vii. Extent to which introduction of computers, electronic data processing, photocopying machines and similar technological improvements have made a difference to the standards and forecasting of manpower requirements.
- viii. Soundness of the procedures prescribed for translating manpower estimates into cash estimates.

In analyzing the system of allocation and regulation of manpower resources, it should be examined whether:

- i. changes in work load that have taken place since the preparation of the initial estimates have been taken into account while allocating the manpower resources;
- ii. the cuts imposed in allocations have a proper basis and take care of the priorities laid down for regulation of manpower resources;
- iii. the reductions made in the manpower estimates have been correspondingly reflected in the cash estimates and vice versa;
- iv. the supply of man-power is insufficient to meet the demands, is it due to absence of or deficiency in the system of supply forecasting and lack of proper policy and planning of the various means of supply like recruitment and promotion, leading to adverse effects on work;
- v. sound procedures have been prescribed for engaging substitutes on a casual basis or for payment of additional remuneration like overtime allowances or honorarium to tide over shortfalls in availability of manpower resources;
- vi. Where some reserve is kept in distribution of the man-power allocations, how is it ultimately utilized; and
- vii. How the actual deployment of manpower compares with the allocations made.

#### **7.31.6 Work measurement:**

Work measurement is a vital necessity and forms the basis for comparison or control of the organization's capacity, efficiency, economy or relative accomplishment, and involves the following broad steps:

- i. selection of a specific work for study;
- ii. compilation of relevant information in regard to nature of personnel and of their duties and responsibilities, working conditions, the sequence of actual performance of various items in the total range of work and individual elements in cash component, etc.;
- iii. critical examination of the recorded work breakdown, after separating unnecessary, avoidable and non-productive elements, to ascertain the best method of doing the work;
- iv. assessment of the time involved in each necessary element with reference to the most appropriate technique for the situation;

- v. determination of time allowances to cater to the requirement of relaxation, personal needs, contingencies, etc. and
- vi. computation of the standard time required for each operation which will include the measured time and permissible time allowances.

An independent agency called the Staff Inspection Unit is generally constituted not only to prescribe norms but also to periodically review the actual functioning of offices to ensure that:

- i. manpower sanctioned for a particular purpose is utilized for that very purpose;
- ii. redundant and profitless activities are eliminated; and
- iii. work methods are simplified so as to effect economies in manpower without sacrificing efficiency.

In auditing the system relating to work norms and the working of the Staff Inspection Unit, the following questions would be of relevance:

- i. Are the techniques followed for formulating the time estimates appropriate having regard to the work environment and conditions obtaining in the particular department?
- ii. Are there, in actual fact, functions or jobs that cannot be subjected to work measurement necessitating the adoption of ad hoc methods?
- iii. Is the Staff Inspection Unit independent of the control of the line management?
- iv. Are all individual offices of departments having a large number of local offices in the field inspected? On the other hand, if the inspection is confined to a sample of offices, can this sample be justified statistically?
- v. Are adequate arrangements available for monitoring the implementation of the recommendations of the staff Inspection Unit?
- vi. Are instances of failure to implement the schedule reported to the senior management?
- vii. Are conflicts, if any, between the Staff Inspection Unit and the management referred to a senior level for objective decisions?
- viii. Is the planned cycle of inspection achieved?
- ix. For Departments having an extensive local office structure are all individual officers inspected or is the inspection confined to a sample of offices?
- x. Can the sample be justified statistically?
- xi. What arrangements exist for monitoring the implementation of staff inspection recommendations?
- xii. Does it follow a cyclical pattern to cover all important units over a particular period?
- xiii. What sections/branches/grades of staff are not inspected and whether their omissions are in order?

#### **7.31.7 Control of manpower:**

In auditing manpower control systems, it should be examined whether:

- i. there exists a separate branch or section for coordinating and controlling departmental manpower with a clear demarcation of its role and responsibilities;

- ii. the manpower branch critically examines all demands for manpower taking into account the work norms, the recommendations of the O&M Unit, the Staff Inspection Unit, etc.;
- iii. the utilization of manpower resources is monitored;
- iv. steps have been taken to provide training so as to impart to the staff the latest information and techniques relevant for their job requirements; and
- v. arrangements exist to correlate the utilization of manpower resources with achievements of targets and goals.

### **7.31.8 Training of manpower:**

In evaluating an organization's performance, it may be determined whether:

- i. short-term and long-term training plans were formulated and training courses designed only after assessing the needs;
- ii. programmes developed for training of personnel are job and development oriented;
- iii. the training function is balanced and cost effective;
- iv. an inventory of personnel trained in various disciplines is maintained so as to ensure the optimum use of the training imparted to them; and
- v. the organization has a system for a periodical review and revision of training courses through classroom evaluation, evaluation by participants and post-training evaluation.

[Paragraph 3.21.1 to 32 of MSO (A)]

### **7.31.9 Use of computerized data base:**

The computerized data base prepared by the A&E office from the pay rolls of State Government employees can be used effectively for manpower audit. It will also be possible to examine whether the approved staffing pattern for different cadres has been adhered to and whether the staffing pattern itself is commensurate with the department's mandate, objectives and programmes. Based on an examination of the data base, at least five per cent of the major and medium DDOs may be selected for local audit. The results of central audit of vouchers may also be suitably used for scrutiny of the service records in the field.

### **7.32 AUDIT OF ABSTRACT CONTINGENT BILL/ DETAILED CONTINGENT BILL:**

- a) As per sanction order of the Government, sometimes the field offices draw fund in advance for specific purposes in Abstract Contingent (AC) Bill, adjustment of which is required to be submitted in Detailed Contingent (DC) Bill within 60 days from the date of drawal of such advance.
- b) Non-submission of DC bill within the stipulated date and incurring expenditure for the purpose other than the purpose for which it was sanctioned should be looked into. While conducting audit, the information as per the proforma given in **paragraph 5.4.1(20)** of this manual should be obtained and to be submitted along with the IR.

- c) Following check should be exercised in audit for incorporation of comments, if any, in the IR.
- i. Whether necessary sanction order for drawing the amount in advance was issued by the competent authority;
  - ii. Whether the amount drawn was required for immediate utilization;
  - iii. Whether the advance was adjusted by submission of DC bill within the stipulated period, if not, reasons for the delay;
  - iv. Whether the expenditure incurred for purchases etc. was as per the financial rules;
  - v. Whether the articles procured out of the fund were taken into stock and were utilized for the purpose for which it was procured/ sanctioned;
  - vi. Whether the articles were procured/ retained unnecessarily;
  - vii. Whether the vouchers were chronologically and systematically maintained to prevent double payment/fraudulent payment;
  - viii. Whether the fund was unnecessarily retained/parked in any PL/Deposit/LF/Bank Account.
  - ix. Diversion of fund, if any;
  - x. Whether the field offices had drawn fund as advance from treasuries on Grants-in-aid bill or on regular contingent bill instead of presenting TR form 35 in order to avoid submission of DC bill;

**(B.O. No. OA/IC/2000-01/15 dated 14.12.2000 & OA/IC-1/79-2000/13 dated 22.10.99)**

### **7.33 AUDIT OF “NIL” PAYMENT VOUCHERS:**

Considerable amount of funds are transferred at the end of the year from Consolidated Fund to the PL/Deposit Account, Savings Bank Account or other Public fund account through “NIL payment vouchers”. Since the amounts so transferred are booked as expenditure, figures of expenditure of the particular head are artificially increased while there is no actual expenditure from the concerned head of account of the Government. Thus, audit findings on “NIL Payment Vouchers” may be incorporated in the IR paragraph keeping in view of the following points.

1. Detailed particulars of scheme-wise ‘NIL Payment Vouchers’ (indicating number of vouchers) drawn;
2. Audit check may be applied to the end use of funds transferred through ‘NIL Payment vouchers’;
3. Period during which the funds were spent;
4. Total amount (with details as to the date of drawal, purpose of drawal, Head of account etc.) of fund parked in Bank account, PL Account, Deposit account and Executive Agencies, if any;
5. Extent of funds for which utilization certificates are wanting and from whom indicating the steps taken to obtain the same;
6. Diversion of fund;
7. Transfer of fund from PL Account to LF Account.
8. Whether the fund was drawn and transferred to avoid the lapse of budget grants.
9. Whether drawal of fund was authorized by the competent authority.

10. Whether unspent balance drawn in advance and transferred credited to deposit account remained unutilized. If so, the particulars of scheme for which the funds remained unutilized vis-à-vis the impact over the scheme may be analysed and incorporated in the IR,

These guidelines are illustrative and not exhaustive. Thus, the field parties are free to enhance the scope of audit and collect more materials on these aspects as deemed fit.

(BO No. OA/IC/99-2000/13 dt. 22.10.99)

### **7.34 AUDIT OF DEPOSITS:**

#### **7.34.1 Audit Objectives and Scope:**

The main objectives of audit of deposits are to ensure that:

- i. funds are not diverted from the Consolidated Fund and unnecessarily accumulated in deposit accounts, thus affecting the basic discipline of budgetary control;
- ii. deposit accounts are opened only when necessary and strictly according to the prescribed rules and regulations; and
- iii. credits to, withdrawals from and closure of deposit accounts are supported by the necessary documents and strictly conform to the rules and regulations;

The deposits may be classified broadly as (i) Civil Deposits that include revenue deposits, civil court deposits, criminal court deposits, etc. (ii) Local Fund Deposits and (iii) Special Deposits Accounts of Government Companies, Corporations etc. These deposits may or may not earn interest depending on the decision of the Government.

#### **7.34.2 Source Documents:**

The source documents to be audited are the following:

- i. Plus and minus memoranda.
- ii. Challans and list of challans to be cross-checked with the plus and minus memoranda.
- iii. Challans relating to Transfer Credits.
- iv. Broadsheets maintained by the AG (A&E).
- v. Deposits Register.
- vi. Authority for opening of Deposit Accounts.
- vii. Vouchers.
- viii. Expenditure sanctions.
- ix. PL Accounts maintained at treasuries.
- x. The Deposits Module of the VLC database maintained by the AG (A&E) containing details of PL Accounts.

#### **7.34.3 Receipt and repayment or withdrawal of deposits:**

The main points to be checked by Audit with reference to the receipt and repayment of deposits are as follows:

- i. Audit should satisfy itself that no monies are received for deposit in the Public Account of the Government unless the deposits are such as are specifically required or authorized to be held in the Government custody by virtue of any statutory provisions or of general or special orders of the Government.
- ii. It should also be verified that no item, which could be credited as a revenue receipt or in reduction of ordinary expenditure of Government, is credited as a deposit in the accounts of that Government.
- iii. Audit should ensure that monies received on account of revenue deposits, civil court deposits, criminal court deposits, etc. are duly supported by challans and necessary vouchers are available in support of withdrawals from such deposits.
- iv. Similarly, the deposits into LF Accounts and Special Deposits Accounts of government companies, corporations, etc. should be supported by the relevant challans, including those relating to transfer credits. Repayments of such deposits should be made only by cheques.
- v. Principles and Rules of audit that govern audit of expenditure apply *mutatis mutandis* to disbursements under deposit heads as well Repayments of deposits should be examined to verify, that proper vouchers in support of the amounts repaid are available; each repayment should also be checked either individually against the original receipt or against the total of the particular account in order to ensure that it is not in excess of the amount originally received and credited to Government.

While reviewing the closing balances of deposits, Audit should ensure that:

- i. balances in deposit accounts have been correctly carried over from year to year and the correctness of the balance in each account at the close of the year has been acknowledged by the person or body concerned where necessary and practicable; and
- ii. deposits that have remained unclaimed for such period(s) as may be prescribed by Government in this behalf and are to be credited as revenue receipts of Government have been properly adjusted to the revenue head in the accounts.

#### **7.34.4 Lapsed Deposits:**

An Annual return of transactions of the Government relating to revenue and civil and criminal court deposits is to be rendered to the AG (A&E). The amounts in respect of deposits that remained unclaimed for more than three complete financial years and have lapsed should be deducted from the plus and minus memoranda for the month of March. Audit of lapsed deposits involves verification:

- i. whether the lapsed amounts have been correctly written off in the plus and minus memoranda for March;
- ii. whether deposits lapsing on 31 March each year are transferred to the credit of Government under the Head “0075-Miscellaneous General Service-00-101-Unclaimed Deposit-Deduct Refund”. The annual transfer entry crediting the amount to the Government may be made on



- the basis of the figure reported by the treasury officers in the March Final or March Supplementary accounts; and
- iii. deposits remaining unclaimed for more than three completed financial years have been credited to government revenue as having lapsed and the relevant entries deleted from the Deposit Register, and the lapse statements sent to the treasury and the AG (A&E) for adjustment in the accounts.
  - iv. On receipt of the application for refund of the lapsed deposits whether necessary checks have been exercised with reference to the original deposits, before issuing for payment of refund.
  - v. No deposit that has lapsed has been repaid without the authority from the AG (A&E) or the treasury.

**[Chapter 11 of section 3 of MSO (A)]**

### **7.35 AUDIT OF DEPOSIT ACCOUNT/PERSONAL LEDGER (PL) ACCOUNT:**

#### **7.35.1 Personal Ledger/Deposit Account:**

Personal Ledger/Deposit Account are being maintained in the Treasuries in the nature of Bank Account by Several DDOs of the State Government under the TR 6.08 of WBTR-2005 for transferring fund from Consolidated fund of the State for discharging liabilities of the Government for execution of various projects/scheme of the Central/State Government. The audit of PL account which should be opened on obtaining concurrence of the AG (A&E) should be compulsorily carried out in respect of each of the DDO in a thorough manner to examine that:

1. Personal Deposit (Ledger) Accounts have been opened with proper authority and with the prior concurrence of the AG (A&E).
2. The fund credited in the account was drawn from the consolidated fund of the State/India was as per the order of the Government and no fund credited in the account was drawn to avoid the lapse of the budget grant;
3. Scrutiny of all expenditure with reference to the vouchers and other relevant documents retained in the local office to ascertain whether the expenditure was incurred for discharging Government's liabilities according to rules and orders in force from time to time and no expenditure was incurred for the purpose other than those for which it was sanctioned/drawn and credited in the Deposit Account.
4. Whether value for money was achieved for such expenditure;
5. Whether separate Cash Book for the Transaction through PL Account is being maintained.
6. Except where PL/Deposit account was created by Law or Rules having in force for discharging liabilities arising out of special enactment, other PL/Deposit account were closed at the end of the financial year by minus debit of the balance to the relevant service heads in the consolidated fund of the state.  
(Ref. para 3.11.10 to 3.11.14 of MSO (Audit) and BO No. IC/PLA/97-98/7 dt. 17.10.97 and OA/IC/99-2000/13 dt. 22.10.99)
7. Whether any reconciliation have been made to ascertain the discrepancies, if any, between the PL Pass Book and PL Cash Book.

8. The balance of the PL/Deposit account Pass book of the DDO/administrator is to be got reconciled monthly by the 10<sup>th</sup> of the following month by the concerned Treasury Officer. In case, if the same is not verified consecutively for three month the Treasury Officer shall not permit payment from the said account.

**(Govt. of WB Finance Department order No. 13-92-F dt. 1.11.83 and BO No. OA/IC-I/1999-2000/14 dt 3.11.99)**

### **7.35.2 Other Deposit Accounts:**

The audit of other deposit accounts which are governed by special rules and directions issued by Government for the receipt and repayment of the deposits (e.g. deposits for work done for public bodies or individuals, deposits of government companies, corporations, etc.) should be conducted with reference to those rules and directions.

### **7.35.3 Local Audit:**

Local audit of deposits should be conducted with reference to the relevant rules and regulations. The following are the main points to be verified:

- i. Deposits made on behalf of departmental officers have been properly noted in the prescribed records and reconciled with the treasury records.
- ii. Repayment or part repayment has been made only to the correct depositor and the fact thereof has been noted against the entry in respect of the original deposit as a safeguard against double payment.
- iii. Adherence by administrators of deposit accounts to the applicable acts, rules and regulations and to requirements relating to maintenance of initial accounts records and of the prescribed scheme-wise records.

### **7.36 SOLATIUM FUND SCHEME 1982:**

The Solatium Fund Scheme 1982 was introduced by Government of India for payment of compensation to persons involved in Hit and Run Motor Accidents from 1<sup>st</sup> October 1982.

According to the Scheme there shall be offices of claims Enquiry Officers, State Transport Commissioner and the office of the Solatium Fund Authority in Delhi for the operation of the fund. In respect of the districts “the Claim Enquiry Officers” are the Sub-Divisional Officers of the sub-division and the District Magistrates/ Dy. Commissioners of the districts respectively. In Calcutta Dy. Commissioner of Police (Traffic) is the Claim Enquiry Officer and Director, Public Vehicle Department is the “Claim Settlement Commissioner”. Transport Commissioner is another Departmental surname of Home (Transport) Secretary.

### **7.36 Creation and flow of fund:**

As mutually agreed, the initial fund to be created by Government of India is to be in the order of Rs. 1 crore. Out of which Rs. 70 lakhs are to be contributed by General Insurance Corporation and its subsidiaries, Rs 15 lakhs by the Central Governments and remaining Rs.15 lakhs by the State Governments. The amount to be contributed by the Government of West Bengal annually has been agreed upon to be Rs 70,000.

The Solatium Fund Authority of Government of India shall determine the quantum of funds to be allotted to each State and shall place at the disposal of the Transport Commissioner of the State such amount as may be necessary from time to time.

The Transport Commissioner shall allot to the “Claims Settlement Commissioners” such amount of the funds placed at his disposals, as may be required by the claims settlement Commissioners” from time to time.

### **7.36.1 Operation of the fund:**

In G.O. No.1165-WT/3M/158/82 Pt. II dated 15.2.84 the Government of West Bengal in terms of T.R. 3.04 & 3.05 of the WBTR-2005 has accorded sanction to the maintenance of a separate Fund, namely, Solatium Fund and also opening of Savings Bank Accounts at the State Head Quarter by the Secretary Home (Transport) Department and at the district Headquarters by the District Magistrates/Dy. Commissioners in respect of his district and by the Director, Public Vehicles Department for the city of Calcutta in a Nationalized Bank for the operation of the said fund. It has also been prescribed in the said Government order that the Bank account should be opened at the State Head Quarter jointly by the Secretary, Home (Transport) Department and an Officer of the Home (Transport) Department, nominated by him and in each district/Calcutta by the “Claims Settlement Commissioner” and one officer nominated by him and all withdrawals shall be made by cheque signed by the two officer jointly.

A subsidiary Cash Book may be maintained showing receipt and payment accounts of the fund in each office. In the cash book of the respective office total of daily receipt and payment may be shown.

### **7.36.2 Audit checks:**

The Broad checks which have to be exercised while conducting local audit in the respective offices dealing with Solatium Fund and the quantum of audit related there-to as prescribed by the C&AG are as follows :-

#### **a) In the office of the Claim Enquiry Officer:**

The records for one month may be checked during local audit of these offices to ensure that the cheques have been correctly paid to the beneficiaries and undertaking from the legal representatives of the deceased, injured person or his duly authorized agent before making payment of compensation (in Form 'D') have been obtained and stamped receipts kept on records.

#### **b) In the office of the Claim Settlement Officer:**

The main check would be with reference to the enquiry report received from the claims enquiry officers and accounts of money received from the Transport Commissioner and payment made there from. The quantum of audit has been prescribed as one month's account in a year to be conducted at the time of regular audit of these offices. The correctness of the amounts sanctioned with reference to the provisions of the scheme would have to be checked.

**c) In the office of the transport Commissioner:**

The audit may be conducted with reference to the amounts placed at the disposal of Commissioner by the Solatium Fund Authority. Funds are placed at the disposal of the Claims Settlement Commissioners in the State by the Transport Commissioner and the monthly reports received from them. This check is to be exercised at the time of regular audit of the office to the extent of one month's transactions.

**d) In the office of the Solatium Fund Authority, New Delhi:**

The Director of Audit, Commerce, Works and Misc., New Delhi who is the audit officer of the Ministry of Shipping and Transport would conduct audit of one month's transactions.

While conducting local audit, Sr.AO/AO, AAO/Supervisor, may see that the accounts of the Solatium Fund maintained in the offices of the Home (Transport) Secretary, District Magistrates/Deputy Commissioners, Director, Public Vehicles Department, Calcutta, Sub-Divisional Officers and the Deputy Commissioner of Police(Traffic), Calcutta are checked according to the manner and quantum as mentioned above and irregularities seen are incorporated in the respective IRs of the offices. In order to have a fair knowledge about the Scheme, the officers may consult the Original Scheme (in a Book Form) kept at the headquarters.

*Note: (Hqs Circular No.9-TAI/84 received with his No.230 TAI/207-83 dated 28.2.84/Govt. of West Bengal Home (Transport) Department No.1165-WT/3M-158/83 Pt. II dated 15.2.84/Govt. of West Bengal Home (Transport) Department No.1660-WT/3M-158/82 Pt. II dated 1.3.84 and Solatium Fund Scheme 1982 introduced by the Govt. of India, Ministry of Shipping and Transport (Transport Wing/ and notified under S.O. 800(E) dated 12.11.82 and as amended vide S.O. 163(E) dated 9.3.83.)*

**7.37 AUDIT OF WORLD BANK AND OTHER EXTERNALLY ASSISTED PROJECTS:****7.37.1 Introduction:**

The World Bank gives aid for implementation/execution of different schemes projects in two ways:

- i. Sanctioning and releasing an amount of expenditure in advance.
- ii. Reimbursement of claim.

In India, reimbursement of claim system is adopted.

**7.37.2 Project decision and implementation:**

The responsibility of identification, determination of feasibility of project, its execution and administration rests with the borrower. However, an appraisal is carried out by the Bank with the assistance of the borrower to examine the economic, financial and technical requirement of the project which provides a basis for decision to support with a loan. The appraisal report includes a detailed explanation and assessment of the financial management system and any additional requirements for the particular project.

**7.37.3 Audit objectives and scope:**

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

**7.37.4 Document essential for Audit certification:**

Following documents are essential for scrutiny and issue of audit certificate:

- i. Loan/Development Credit Agreement.
- ii. Staff appraisal report.
- iii. Statement of expenditure (SOE).
- iv. Supporting vouchers.
- v. Reconciliation statement.
- vi. IR of local/central audit for inclusion of any serious financial irregularities pointed out in audit.

**7.37.5 Audit Approach:**

Local audit is to review viability of the project, review of the project management system to ensure that the work is properly and effectively supervised and executed and that there is accountability throughout the various stages of the project. For some payments of miscellaneous nature, e.g. remittance vouchers, cheques, discount vouchers etc. nothing more than a minimum audit can be prescribed generally, this minimum consists in verifying that there is a sufficient voucher for the payment and that there is sufficient authority for making it.

**7.37.6 Main Points to be checked in Different Audit Areas:**

The agreements for loan/development credit entered into by the International Bank for Reconstruction & Development and International Development Association with the Government of India for financing development projects to be implemented by departments of the Central Government, State Government, Public Sector Undertakings and Autonomous Bodies, etc. include specific agreement for Accounts and Audit. These agreements, inter alia, provide that the Project Implementing Agency of the Government shall: -

- a) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditure in respect of the Project,
- b) have the records and accounts of the project for each fiscal year audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Bank,
- c) furnish to the Bank within 9 months or earlier of the close of the financial year a certified copy of the report of audit referred to in the paragraph at (b) by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, and

- d) furnish the report of audit for all expenditures in respect of withdrawals made on the basis of Statement of Expenditure (SOE) (without documentation), as to whether the SOE together with the procedures and internal controls involved in their preparation, can be relied upon in support of such withdrawals.

The World Bank has accepted the CAG of India to be an independent auditor for the purposes of certification of accounts, issue of audit certificates in respect of projects being executed in India with World Bank financial assistance. As per the loan agreements, in respect of projects executed by Government Departments and Corporations, the audit of which vests with the CAG of India is met by the Accountants General (Audit) by furnishing to the project authorities for onward transmission to the Bank, an integrated audit certificate within 9 months or earlier of the close of the financial year based on irregularities noticed in Central Audit as well as Local audit in relation to the accounts of these projects.

The annual accounts are to be certified by CAG as sole auditors in respect of projects executed by Government Departments, other bodies and authorities. If any further details are required by the World Bank, these are to be furnished by the project authorities. The integrated Audit Certificate is considered adequate for the purposes of the World Bank and it would not be necessary for the Bank to await the all-inclusive Audit Report of the CAG submitted to the respective legislatures. As the Audit Certificate is not to be published and is in the nature of a document exchanged between the clients and the Bank, the Certificate should indicate, in brief, the amounts held under objection in relation to wanting vouchers, D.C. bills, sanctions etc. and misclassification, defalcation, overpayments etc. that come to notice.

The Audit Certificates in respect of projects executed by Government Companies are issued by Chartered Accountants who are statutory auditors of the companies and not by the CAG who conducts only a supplementary audit in such cases under the Companies Act, 1956.

### **7.37.7 Audit of implementing Agencies:**

- a) Funds from Bank loan may be disbursed only on ‘account of expenditure for goods and services provided by national of’ and produced in or supplied from, Bank member countries. The expenditure should be incurred as per terms and conditions of the World Bank which inter-alia requires:
- i. Utilisation of loan for the purpose projected and sanctioned for.
  - ii. Consideration of economy and efficiency, extra avoidable expenditure may therefore be objectionable for reimbursement from World Bank Loan. Cost overrun due to non-completion of work in stipulated time may also be disputable claim for reimbursement from the Bank.
  - iii. Non denial of pre-qualification to a firm for reason unrelated to its capacity to supply the goods/services in question except if the borrower country has commercial relation with that country to which that firm relates provided the bank is satisfied that such exclusion does not preclude effective competition.
  - iv. Award of any contract is required to be strictly in accordance with loan agreement or guidelines.

- v. Implementing agency not agreeing to any material modification or waiver of the terms and conditions of contract or extension of the stipulated time of performance which would affect the contract inconsistent with the provision of loan agreement.
- vi. Procurement of goods and services inconsistent with agreed procedure.
- b)** The items, which qualify or do not qualify for reimbursement, are as follows:
  - 1. Amount recovered towards security deposit (SD) is not eligible. However, release of SD to the agencies is claimable.
  - 2. Secured advance paid on material is not reimbursable.
  - 3. Mobilization advance paid to the agency is reimbursable.
  - 4. Income tax/sales tax recovered from contractor is claimable for civil work but not for supplies.
  - 5. Foreign exchange freight charges are eligible for reimbursement.
  - 6. Local transportation charges are not reimbursable.
  - 7. Insurance premiums paid in foreign exchange are eligible for Bank financing; self-insurance and premium paid in local currency are ineligible unless explicitly provided in the loan agreement.
  - 8. The Bank does not finance custom duties and other taxes imposed by borrowing country.
  - 9. All payments to consultants are made in accordance with contract provisions which normally specify currencies and mode of payment.
  - 10. Income tax and other duties paid to the consultant are not reimbursable unless specifically provided in the contract.
  - 11. Fund drawn for incurring expenditure other than the purpose for which the amount was sanctioned/released by the World Bank/State and Central Government.

**(HQ Circular No.493-Rep(s)/109-2002 dt. 14.5.2002 under BO No. OA/IC/2002-03/9 dt. 16.7.2002)**
  - 12. In G&SS offices the expenditure is met by drawing funds on AC bills. The expenditure supported by DC bills will be admissible. The SOE, therefore, needs to be scrutinized with reference to the report of AC/DC bills received in Accounts and Entitlement office.
- c)** In respect of finalization of Central assistance given to States on provisional basis for relief of distress caused by natural calamities, the certification by audit would be limited to the following:
  - i. Certification of correct classification of the expenditure in accounts after check of classification of vouchers with reference to Sanctions issued.
  - ii. Disallowance of expenditure which does not qualify for Central assistances noticed during the course of Test Audit e.g. purchase of staff car which does not qualify for central assistance for drought relief.
  - iii. Deduction of expenditure incurred by State Government by way of Grants-in-aid/advances to local bodies etc. where utilization certificates had not been received by audit.

- iv. Deduction of amount drawn from the Treasury on “Abstract Contingent Bills” (AC Bill) as advance for which “Detailed Contingent Bills”(DC Bill) have not been received in audit.
- d)** For issue of audit certificate for Central Plan Schemes/Centrally Sponsored Schemes following procedure should be followed:
- i. Where it was not possible to relate the amount of AC bills for which DC Bills are awaited to particular scheme or category of schemes, such amount would be excluded from the audited expenditure at the time of issue of Audit Certificate.
  - ii. Amount transferred to PL Account and had not actually spent should also be excluded from the figures of audit expenditure.
  - iii. Where amount have been drawn by Drawing NIL Bill through transfer credit vouchers debiting the amount to the final heads the amount actually not spent should be excluded from the figures of audited expenditure.
  - iv. Amount kept under objection and intimated to the Ministries along with the Audit Certificate may regularly be pursued with the State Government till its final receipt.

**(HQ office memo no. 31-Audit/MOM/30-90 dt. 21.1.99 read with HQ office DO circular no. 202-Audit/MOM/30-90 dt. 20.4.95 BO No. OA/IC-I/98-99/19 dt. 10.2.99)**

### **7.37.8 Issue of Audit Certificate:**

**a)** Where SOE procedure is used for loan disbursement, the SOE should be integrated to become a part of project financial statement. The SOE procedure simplifies and accelerates the Bank’s loan disbursement process by eliminating the requirement for bank staff to review supporting documentation for many a small expenditures prior to authorizing disbursements. During local audit, it is necessary to obtain a listing of all SOEs submitted during the period under review and for each of the expenditure to perform the following:

- i. Evaluate the adequacy of the supporting documentation which should normally include one or more of the following:
- ii. **procurement documents** (Bid documents, invitation, evaluation, award)
  - a. purchase contract
  - b. purchase order
  - c. letter of credit
  - d. supplier’s invoice and certification of origin
  - e. shipping or import documents and inspection certificates
  - f. contractor’s invoices or certificates
  - g. other evidence of receipt of goods or services
  - h. force account records
  - i. recurrent cost records
  - j. authorization for payment
  - k. evidence of payment/bank statement
  - l. accounting records of approvals, disbursements, and balances available



- 
- m. evidence that refunds have been made by suppliers and corresponding adjustments made in subsequent applications in instances where goods have been returned.
- iii.** Ascertain the expenditure was properly authorized and approved.
- iv.** Verify that the expenditure is eligible for bank disbursement under the loan agreements. Following ineligible expenditures, if included in the SOE may be examined.
- a. duplicate invoices;
- b. payments made in advance of receipt of goods or delivery of services, unless these payments are consistent with contract provisions and are established commercial practice;
- c. payments that should have been made under normal disbursement procedures with full documentation (e.g. payments against contracts subject to the Bank's prior review, or payments against contracts with values exceeding defined SOE limits); and
- d. payments for items that are not procured in accordance with the legal agreements, such as:
- payments for items from countries that are not eligible under the Bank's Procurement Guidelines;
  - payments for items not specified in the procurement;
  - payments made prior to loan signing or before the eligible date specified for retroactive financing;
  - payments for items on the negative list or not on the positive list (for adjustment operation lending).
- v.** Verify the mathematical accuracy of the SOE.
- vi.** Agree the percentage used to determine the Bank's share of the total disbursement to the loan agreements. Verify that the proper amount was requested for reimbursement.
- vii.** Summarise the results of the work performed on a summary form.
- viii.** Notify borrower of all instances of negative findings.
- b)** While issuing audit certificate, it should be ensured that the expenditure is incurred for the purpose it is meant and conforms to the procedure and terms and conditions of agreement and Government of India's instructions. All objections raised during local audit should also be mentioned in the Audit Certificate duly signed by Group Officer. As per existing instructions issued by Ministry of Finance (Department of Economic Affairs), SOE should reach the PAG by 31' July following the close of financial year. Implementing agency is to obtain, reconciled and verified SOE from PAG so that Audit Certificate could be issued in time. There should be proper interaction if necessary, between the Audit and Accounts and Entitlement office to avoid unnecessary delay. Audit Certificate should be issued in printed revised proforma and on printed letterhead appended as **Annexure 'N'**.
- c)** After the closure of every financial year; the audit certificate shall be issued within 9 months or earlier as required under the Project/Loan Agreement i.e. certificate should be issued any time after receipt of SOE. The issue of the Audit Certificates is delayed mainly due

to non-receipt of the SOE's from the project implementing authorities and there is a general tendency to shift the responsibility for delay on Audit. To overcome this problem, timely and prompt action by taking up the matter with the Finance Secretary of the State should be initiated. Audit certificate should be issued to project implementing authority under intimation to Ministry of Finance (Department of Economic Affairs).

**d)** While conducting the audit on the “Statement of Expenditure” (SOE) in respect of World Bank/Externally aided projects for certifying Expenditure admissible for reimbursement, the field party should also conduct audit on the propriety side of the financial transaction, and a separate IR covering all aspects of financial transaction should be prepared and issued to the implementing authorities and Department for taking necessary action at their end.

[AG's Order dated 27.8.02 circulated under BO NO. OA/IC-I/ 2002-03/12 dt. 23.8.2002 and Paragraph 3.17.24 to 26 of MSO (Audit)]

### **7.38 FRAUD AND CORRUPTION:**

#### **7.38.1 Introduction:**

Fraud and corruption have increasingly become important concerns of countries for which auditors need to be alert for situations, control weaknesses, inadequacies in record keeping, errors and unusual transactions or results, which could be indicative of fraud, improper or unlawful expenditure, unauthorized operations, waste, inefficiency or lack of probity. To fight against fraud and corruption the audit should:

1. seek an adequate level of financial and operative independence and breadth of audit coverage;
2. take a more active role in evaluating the efficiency and effectiveness of financial and internal control systems and aggressively follow up the recommendation of audit organisation;
3. focus audit strategy more on areas and operations prone to fraud and corruption by developing effective high risk indicators for fraud;
4. establish an effective means for the public dissemination of audit reports and relevant information including, establishing good relationship with the media;
5. produce relevant audit reports that are understandable and user-friendly;
6. consider a closer cooperation and appropriate exchange of information with other national and international bodies fighting corruption;
7. intensify the exchange of experiences on fraud and corruption with other audit organization;
8. encourage the establishment of a personnel management procedures for the public service that selects, retains and motivates honest competent employees;
9. encourage the establishment of guidance for financial disclosure by public servants and monitor compliance as part of the ongoing audit process;
10. use the **INTOSAI** Code of Ethics to promote higher ethical standards and a code of ethics for the public service;
11. consider the establishment of a well-publicized means to receive and process information from the public on perceived irregularities.

**7.38.2 Responsibilities for prevention of fraud and corruption:**

It is an essential function of Management to establish controls and safeguard assets of the entity. The responsibility of the Auditor is to provide assurance about the audited entity and its financial statements and his obligation to make the management aware of any weaknesses in the design or operation of the accounting and internal control systems which are reviewed by him in the discharge of his professional duties.

**7.38.3 Audit Mandate:**

Depending on their peculiar circumstances, the CAG of India should actively consider adopting a formal policy or strategy for deterring fraud and corruption in the organizations covered in their audit jurisdiction. These Guidelines are based on the awareness that CAG should have an adequate level of mandate to deal with cases of fraud and corruption in planning and conducting an audit and that this mandate is usually inherent in the audit mandate. However, if CAG feels constrained in its investigation of fraud or corruption cases in the performance of its normal audit work it should seek reinforcement of its audit mandate. This reinforcement could be in the shape of a regularity provision specifying that the CAG would be notified in all cases where fraud or corruption are suspected or reported.

**7.38.4 Understanding Fraud and Corruption:**

Fraud and corruption includes both those committed by the government employees or management of an auditee (internal fraud and corruption), and those perpetrated against the auditee by outside individuals or groups (external fraud and corruption). Internal fraud and corruption may result in benefits being obtained either from organisation (e.g. theft of cash/assets, falsification of payroll data), or from a third party (e.g., the theft of patients' property).

**7.38.5 Definition of Fraud:**

Fraud involves deliberate misrepresentation of facts and/or significant information to obtain undue or illegal financial advantage.

Fraud may involve:

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

**7.38.6 Definition of Corruption:**

CORRUPTION involves effort to influence and/or the abuse of public authority through the giving or the acceptance of inducement or illegal reward for undue personal or private advantage.

**7.38.7 Factors Influence Fraud and Corruption:**

It is useful for auditors to understand the motivational and organizational/ environmental factors of fraud and corruption.

**7.38.8 Identification of High Risk Areas:**

An understanding of the audited entity should enable the auditor to identify potential high risk areas and suitably modify audit procedures and techniques. Some of the commonly perceived high risk areas are:

- contracts of service/procurement; inventory management;
- sanctions/clearances;
- program management;
- revenue receipt;
- cash management;
- general expenditure; and
- other areas with public interface.

**7.38.9 Contract Fraud and Corruption:**

Procurement of goods and services is a major activity in the Government sector and is traditionally prone to fraud and corruption. Understanding fraud and corruption in contracts may therefore be beneficial to the auditor. The audit of Contracts, therefore, becomes an area of focus for the Auditor who has to be particularly sensitive to the possibility of Fraud in this area.

**7.38.10 Computer Fraud:**

With the increased use of information technology in the function of entities and increased introduction of IT System the auditors need to understand that the perpetration of fraud and corruption and consequently detection of such instances become more complicated. Computer fraud could involve the manipulation of a computer or computer data in order to dishonestly obtain money, property or some other advantage of value or to cause loss.

The auditor has to be particularly aware of the audit trail, of the check and balances of IT systems of the levels of control and needs to also have a fair idea of how processing controls can be circumvented by the perpetrator of fraud and how data can be accessed and manipulated. Audit evidencing in an environment is often more complex than traditional manual audit. The standards of audit evidence collection have to be set by the CAG in consonance with the legal framework and regulations in which the audit is carried out. Since this is an emerging field of audit and is also undergoing rapid changes it may be necessary to consider the pooling of information on the IT audits conducted and techniques adopted.

**7.38.11 Treatment of Fraud and Corruption:**

**(A) The basic auditing principles** in treatment of fraud and corruption, as per INTOSAI/ASOSAI guidelines are as follows:

- a. Materiality is often considered in terms of value but the inherent nature or characteristics of an item or group of items may also render a matter material. While determining materiality levels for different audit areas the audit may take into account adjustments to the materiality level that may make audit more responsive to risk arising from fraud and corruption.
- b. Audit evidence plays an important part in the auditor's decision concerning the selection of issues and areas for audit and the nature, timing and extent of audit tests and procedures. The CAG should apply its own judgment to determine the extent of audit investigation to be undertaken in cases of suspected fraud and corruption.
- c. With an increasing concern on fraud and corruption it is expected that the audit would address these concerns and actively consider adopting a formal policy or strategy for deterring fraud and corruption.
- d. The CAG should work with the accounting standards setting organizations to help ensure that proper accounting standards are issued for the government and should review whether applicable accounting standards ensure adequate recognition of assets and liabilities and disclosure of true financial position inclusive of any losses resulting from fraud and corruption. In case it observes any deficiency in this regard it should work with the audited entity and the accounting standard setting body to remove the deficiency. The responsibility for adequate and timely disclosure of any cases of fraud and corruption rest with the management and the responsibility of ensuring reliability and results of operation must include concerns arising from risk of fraud and corruption. Audit must evaluate and report on the adequacy and competence with which the management has discharged this responsibility.
- e. It is the responsibility of the auditee unit to develop adequate internal control systems to protect its resources and to ensure that controls are in place and functioning to help ensure that applicable statutes and regulations are complied with and propriety are observed in decision making. The audit institute should be alert to shortcomings in systems and controls that are likely to provide an environment conducive for fraud and corruption and should proactively report to the management to improve the control environment and minimize the risk of fraud and corruption.
- f. The CAG must have access to the sources of information and data as well as access to officials and employees of the auditee organization in order to carry out properly its audit responsibilities. Legislative enactment can ensure that all suspected and detected cases of fraud and corruption are reported to audit by the management. If considered necessary the CAG can reinforce their mandate to investigate cases of fraud and corruption by seeking legislative enactments on these lines.
- g. Audit office should work towards improving techniques for auditing the validity of performance measures The auditor should make the management aware that the absence or lack or application of reliable and valid performance measures and indicators could increase the possibility of occurrence of fraud and corruption.

**(B) General Standards:** General standard includes that the audit should

- a. Adopt the procedure for acquiring specialized skills from external sources for successful carrying out of the audit and for augmentation of a perceptive and soundly based audit findings, conclusions and recommendation.
- b. Adopt policies for in-house training and encouragement of attendance at external courses to meet the requirements of its audit mandate for professional development of its personnel to deal with fraud and corruption. Training could include developing forensic auditing skills and sharing of information and knowledge of techniques, procedures and skill development in order to develop expertise in this area.
- c. Prepare manuals and other written guidance and instructions for communication to its staff for conducting audits that are sensitive to fraud and corruption and dealing with suspected cases of the nature.
- d. Be independent and should avoid conflict of interest between the auditor and the entity under audit and must observe the laws in conducting audit, and should have free access to all premises and records relevant to audited entities and their operations and should provide adequate powers to obtain relevant information from persons or entities possessing it. Where necessary the audit should work for legislation that would allow its access to all records and information required in the examination of cases of fraud and corruption. Without compromising on their independence to plan and conduct audit the CAG should consider establishment of means to receive and process information from the public on suspected cases of fraud and corruption.
- e. Exercise due care in specifying, gathering and evaluating evidence, and in reporting findings, conclusions and recommendations. It should be fair in its evaluations and in its reporting of the outcome of audits. Since complete evidence about cases of fraud and corruption may not be available to the audit, due care should be exercised in arriving at an audit conclusion, In many circumstances additional tests may have to be performed and additional evidence acquired that would normally be considered appropriate and necessary for arriving at an audit opinion. In investigating and reporting cases of fraud and corruption the audit should be aware of the risk that perpetrators of fraud and corruption seek protection for their acts by accusing the auditors of libel and slander. The CAG could consider working towards changes in their legislation which protects their auditors against such allegations and likely legal proceedings.

**(C) Field Standard:**

- i. The auditor should plan the audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner. While planning his audit the auditor should assess the risk that fraud may cause the financial statements to contain material misstatement or record material irregular transactions.
  - The auditor may keep in view that the risk of fraud and corruption could be higher in certain organization like those involved in procurement of goods and services.
  - The auditor may keep in view that when a fraud is detected there is a deliberate effort to conceal the facts and distract the auditor.

- For planning the audit the auditor should have a complete understanding of the auditee including the environment in which the entity operates the level of internal control and the past performance of the auditee especially previous instances of fraud and corruption.
- ii. Based on the risk assessment the auditor should develop the audit objective and design audit procedures so as to have reasonable expectation of detecting and evaluating material misstatement and irregularities arising from fraud and corruption. In case of high risk audit, the audit team should be selected keeping in view the requirement of such audit. The CAG should keep in view the need for flexibility in terms of budget, time and expertise of the audit team particularly when fraud and corruption are suspected or discovered in the course of audit.

#### **7.38.12 Supervision and Review:**

The work of the audit staff at each level and audit phase should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalized. It should be carried out as each part of the audit progresses. Review brings more than one level of experience and judgment to the audit task and should ensure that:

- a. all evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report;
- b. all errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior officer(s) and
- c. changes and improvements necessary to the conduct of future audit are taken into account.

#### **7.38.13 Study and Evaluation of Internal Control:**

The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data. The changes and improvements in the internal control system made by management when there have been previous instances of fraud and corruption or in response to changes in the auditee environment should be particularly studied and evaluated during audit. Increasing use of IT systems by auditees requires that the auditor should have access to reliable and verifiable system-based audit trails to evaluate the internal control. For meeting this objective legislation or executive guidance should ensure that audit is viewed as a stakeholder in the system development.

#### **7.38.14 Compliance with applicable Laws and Regulations:**

- a. The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results. Without affecting the CAG's independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to

illegal acts. Due care would include consulting appropriate legal counsel and the applicable law enforcement organizations to determine the audit steps and procedures to be followed.

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

#### **7.38.15 Audit Evidence:**

**a.** Auditor should have a sound understanding of techniques and procedures such as inspection, observation, enquiry and confirmation, to collect audit evidence. The CAG should ensure that the techniques employed are sufficient to reasonably detect all quantitatively material errors and irregularities.

**b.** When auditors suspect the possibility of fraud and corruption, they should establish whether it has taken place and there has been resultant effect on the financial reporting especially whether the certificate requires the qualification.

**c.** When auditors intend to report on fraud and corruption, they should ensure the reliability of audit evidence by verifying it with source documents including third party evidence. Auditors should carefully determine how much evidence they should gather in support of audit conclusions. Auditors should also keep in view that the evidence gathered by them and the conclusion drawn by them could become the basis of legal or disciplinary proceeding. Some of the sources of evidence and factors that may be considered in searching for evidence are listed in **Annexure ‘O’**.

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

**e.** The field party should be serious in collection of Audit Evidences (AE) and obtain reply to audit query from the competent authority. In case of failure to obtain reply, in spite of best efforts, at least confirmation of facts and figures mentioned in the Audit Query (AQ) should be obtained and to be treated as AE for processing a DP. Paragraph should be developed keeping in mind the Systemic failure and thematic aspect. Efforts should be made to communicate findings/observations among fellow officers to bring out similar observations to arrive at conclusion which are systematic /thematic in nature. In case of solitary and stray incidents, efforts should be made to bring out or establish failure or lack of internal control mechanism.

[Ref: - Branch No. OA/IC-I/2010-11/05 dated: 18 February 2011]

#### **7.38.16 Analysis of Financial Statements:**

In regularity (financial) audit and in other types of audit when applicable, auditors should analyse the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with and to ascertain the existence of the expected relationship within and between various elements of the financial statements, identifying any



unexpected relationships and any unusual trends. Auditors need to be alert particularly when there is suspicion of fraud and corruption.

### **7.38.17 Reporting Standard:**

At the end of each audit the auditor should prepare a written opinion or report, as appropriate, setting out the findings, in an appropriate form; its content should be easy to understand and free from vagueness or ambiguity, include only information which is supported by competent and relevant audit evidence, and be independent, objective, fair and constructive. When in the opinion of the auditor the financial statements include material fraudulent transactions, or such transactions have not been adequately disclosed, or the audit conducted by the auditor leads him to the conclusion that instances of fraud and/or corruption have taken place and when the auditor has adequate evidence to support his conclusion, he should qualify the audit certificate and/or ensure that his findings are adequately included in his audit report. However, the term fraud or corruption may not be used in a conclusive sense unless such action is established in a court of law. The report may contain auditor's recommendations for the changes in the system and procedures that could prevent recurrence of such instances. In following up on reported cases of fraud and corruption the auditor should determine whether the necessary action is being taken with due regard to urgency that the situation demands and become aware of the changes in the systems and procedures which could be validated through subsequent audits.

**(ASOSI guidelines on audit of Fraud and Corruption)**

### **7.39 ENVIRONMENT AUDIT:**

#### **7.39.1 Audit objectives and scope:**

The objectives of Environment Audit are to ensure that appropriate and adequate policies and procedures are in place and are duly complied with in order to achieve the development without destruction of the environment and without foreclosing the options for future needs. The interests of the industry and environment have, thus, to be mutually supportive.

The scope of Environment Audit would extend to examination of:

- i. the environmental appraisal and impact assessment procedures in the Central Government for developmental activities;
- ii. the extent of compliance with the related Government legislation and regulations;
- iii. the effectiveness of waste minimization and pollution control programmes and programmes for the conservation and utilization of energy, water and other natural resources like flora, fauna, wild life, etc.

The scope of audit would also extend to an examination of the environmental policies and initiatives of Government and of the measures taken to respect its international commitments in this sphere.

---

**7.39.2 Audit Approach:**

Environment Audit would be conducted within the broad framework of Regularity and Performance Audit.

**7.39.3 Issues for audit scrutiny:****a) Environmental Impact Assessment (EIA)**

The objectives of EIA are to identify and evaluate the potential benefits as well as adverse impact of development projects on the environmental and ecological systems. It is a useful aid for decision-making, based on an understanding of the environmental implications, including social, cultural and aesthetic concerns, which could be integrated with the cost-benefit analysis of the projects concerned.

The Ministry of Environment and Forests has made EIA mandatory in a Notification issued in January 1994 and amended in May 1994 in respect of twenty-nine specified categories of developmental activities, including industrial projects, thermal power plants, mining activities, river valley and hydroelectric schemes, and infrastructure projects. In evaluating the EIA procedures, Audit will examine the following:

- i.** Documents submitted by the project proponents which include:
  - (a) Feasibility Reports;
  - (b) Site clearance in respect of site-specific projects mentioned in the EIA Notification;
  - (c) ‘No Objection’ certificates from the State Pollution Control Boards (SPCBs) and other local authorities;
  - (d) Environment Impact Assessment Reports;
  - (e) Environment Management Plans;
  - (f) Risk Analysis and Emergency Preparedness Plans in the case of projects involving hazardous substances;
  - (g) Rehabilitation Plans in respect of projects likely to lead to large scale displacement of the population, etc.
  
- ii.** Minutes of meetings of Expert Appraisal Committees in the Ministry, along with Reports of their site visits with a view to ascertaining the adequacy and efficacy of the appraisal procedures in the Ministry.
- iii.** Reports on public hearings, if any, held in respect of particularly controversial projects.
- iv.** Adherence to prescribed time schedule for completing the impact assessment.
- v.** Recommendations of Appraisal Committees forming the basis of environmental clearances and conditions attached thereto and deviations, if any, there-from.

In terms of the EIA Notification, on commissioning of the projects, the project entities are required to submit half-yearly reports of compliance with the conditions stipulated in the environment clearance. These are to be examined in the Ministry. The adequacy of the action taken in the Ministry on the compliance reports with particular reference to deficiencies, if any, and of the post-project monitoring by the Regional Offices located at Bangalore, Bhopal, Bhubhaneshwar, Chandigarh, Lucknow and Shillong should be examined in audit. Cases of non-compliance with the

conditions subject to which environmental clearances are accorded are brought to the notice of the SPCB concerned, which may then initiate action against the defaulting entities. The action taken in this regard would also need to be reviewed in audit for possible comment.

## **b) Prevention and Control of Pollution**

The Policy Statement for Abatement of Pollution issued by the Ministry of Environment and Forests in 1992 provides instruments in the form of legislation and regulation, fiscal incentives, voluntary agreements, educational programmes and information campaigns in order to prevent, control and reduce environmental pollution. Evaluation by Audit of the impact of various initiatives taken to prevent and control pollution will involve the following:

i. Scrutiny of the Acts promulgated by the Central, State and Union Territory Governments to prevent and control pollution, with a view to critically examining their adequacy and efficacy in controlling or preventing pollution.

ii. Examination of the adequacy of the monitoring systems and mechanisms in the Ministry to ensure compliance with these Acts through the Central and State Pollution Control Boards.

iii. Review of monitoring by different monitoring stations of the Central and State Pollution Control Boards of air (including noise) and water quality status intended for ensuring adherence by industries to the prescribed emission and effluent standards.

iv. Polluting units seeking consent under the Water (Prevention and Control of Pollution) Act 1974, or the Air (Prevention and Control of Pollution) Act 1981, or both and authorization under the Hazardous Wastes (Management and Handling Rules), 1989, are required to submit an Environment Statement to the SPCB concerned. Consents given by the SPCBs to establish and operate the polluting units and the adequacy of the arrangements for a regular review of these units by the Boards and of the action taken against defaulting units should be examined.

v. The Central Pollution Control Board (CPCB) has identified 1,551 large and medium industries in 17 categories as highly polluting ones. SPCB & CPCB are also required to monitor compliance with the standards prescribed in this regard. The reports of these Boards should be scrutinized with a view to ascertaining the adequacy of the monitoring.

Audit should also review in depth, from ECPA, VFM or 3Es perspective, specific programmes and projects, such as the Ganga Action Plan, Taj Protection Mission, Development and Promotion of Clean Technologies, Hazardous Substances Management, etc. implemented or under implementation by the Ministry for prevention and control of pollution.

**[(Paragraph 3.19.1 to 3.19.9 of MSO (Audit)]**

## **7.40 AUDIT OF COMPUTERISED SYSTEM:**

### **7.40.1 Introduction:**

Following the significant advances in the field of information technology (IT), Government organisations have become increasingly dependent on computerized information systems to conduct their operations and to process, maintain, and report essential information. As a consequence,

---

the reliability of the computerized data and of the systems that process, maintain and report these data is a major concern to audit.

IT Audit is the process of collection and evaluation of evidence to determine whether a computer system has been designed to maintain data integrity, safeguard assets, allow the effective realization of organisational goals, and ensure efficient utilisation of resources. While evaluating the effectiveness of any system, the IT Auditor must be aware of the characteristics of the users of the information system and the decision-making environment in the auditee organisation.

Use of computer facilities has brought about radically different methods of processing, recording and controlling information and has resulted in many previously separated functions being combined. The financial implications of recurring or repetitive errors could, in the final analysis, be very substantial. This makes it imperative for the auditor to test the invisible processes, and to identify the vulnerabilities in a computer information system.

#### **7.40.2 Controls in a Computer System:**

Controls in a computer information system reflect the policies, procedures, practices and organizational structures designed to provide reasonable assurance to ensure effectiveness and efficiency of operations, reliability of financial reporting and compliance with the rules and regulations. It is, important for Audit to verify that not only adequate controls exist, but that they also function effectively.

Information system controls are broadly classified into two categories, namely General controls and Application controls. General controls include controls over data centre operations, system software acquisition and maintenance, access security, and application system development and maintenance.

Application controls pertain to specific computer applications. They include controls that help to ensure the proper authorization, completeness, accuracy, and validity of transactions, maintenance, and other types of data input.

#### **7.40.3 Significance of Controls:**

Controls provide safeguards against data loss attributable to damage to or corruption of files, manipulation of data, power failures or fluctuations, viruses, computer abuses, etc. Absence of audit trails would also make it difficult to ensure the efficient and effective functioning of a computerized system for an auditor. Besides, in organisations where computer systems are operated, on contract, by outside agencies that employ their own standards and controls, absence of controls will also make the system vulnerable to remote and unauthorised access.

#### **7.40.4 Objectives of Computer Controls:**

The objectives of controls do not change with the introduction of computers. Typical control objectives within a government data processing function aim to ensure:

- i. the provision of effective organizational control over functions related to data processing by clearly defining organizational objectives;

- ii. effective management control over development of data processing resources in conformity with organizational objectives;
- iii. adoption of practices related to data processing activities in accordance with statutory requirements and prescribed administrative procedures;
- iv. adherence to policies, standards and procedures in respect of all data processing functions, and
- v. efficiency and effectiveness of the data processing systems geared towards achievement of the desired objectives.

#### **7.40.5 Audit objective and scope:**

The basic objectives of computerized systems include an evaluation of:

- i. The acquisition and installation of computer and computer systems;
- ii. System effectiveness;
- iii. System economy and efficiency and data integrity;
- iv. System security; and
- v. Compliance of system related activities with applicable laws, regulation and guidelines;

The above objectives can be achieved by reviewing:

- i. The acquisition of computer facilities;
- ii. Whether the computer-based systems incorporate adequate procedural controls that are not invalidated by subsequent amendments;
- iii. The adequacy of controls governing development and maintenance of computerized systems;
- iv. The adequacy of administrative and organizational controls to ensure safe and expedient day-to-day operations; and
- v. The use of resources to appraise and report on waste, extravagance and inconvenient administration or poor value of money.

An auditor has to always bear in mind that he has to exercise an independent judgment on the capability of the system to cater to the intended objectives – efficiency and adequate disposal.

#### **7.40.6 Preliminary evaluation:**

The first step in audit should be preliminary evaluation of the computer systems covering:

- i. The manner in which the computer function is organized;
- ii. The use of computer hardware and software;
- iii. The applications processed by the computer and their relative significance to the organization; and
- iv. The methods and procedures prescribed for implementation of new applications or revision of existing applications.

In course of the preliminary evaluation, the auditor should ascertain the level of control awareness in the auditee organization and existence (or non-existence) of control standards.

**7.40.7 Audit methodology:**

After completing the preliminary evaluation of the computer systems, the auditor has to decide whether it would be more appropriate to adopt the system-based audit approach or the direct substantive testing approach. The aspects to be borne in mind in arriving at the decision are the following:

- i. Results of preliminary evaluation;
- ii. extent to which reliance can be placed on any work carried out by the internal audit wing of the auditee organisation;
- iii. nature of any constraints, such as the absence of any audit trail, and the practicability of testing.

**7.40.8 Direct Substantive Testing:**

If the direct substantive testing approach is chosen, a sample of transactions should be selected and tested. The results of the preliminary evaluation will be particularly of assistance in this context because it would have:

- i. enabled an overall assessment of the control environment and identified any serious weaknesses that should be raised with the auditee;
- ii. afforded sufficient familiarity with the system to facilitate selection of appropriate transactions for testing and their efficient substantiation; and
- iii. provided sufficient information to determine the initial requirement for any Computer Assisted Audit Techniques (CAATs).

**7.40.9 Systems-based Audit:**

In adopting the system-based audit approach, it will be necessary to examine aspects relating to the regularity, economy, efficiency and effectiveness of the system besides evaluating data integrity, and data security. These are explained below:

- i. System effectiveness is measured by determining whether the system performs the intended functions and whether the users are able to obtain the requisite information in the right form and at the right time.
- ii. A system is economical and efficient if it uses the minimum number of information resources to achieve the output required by the users. This will involve optimization of the use of system resources-hardware, software, personnel and money.
- iii. System activities can be considered to be regular if they comply with all applicable laws, rules, policies, guidelines, etc.
- iv. Achievement of data integrity implies that the internal controls must be adequate to ensure that errors are not introduced when entering, communicating, processing, storing or reporting data.
- v. In order to ensure data security, the data system resources, like other assets, must be sufficiently protected against theft, waste, frauds, unauthorized use and natural disasters.

The key controls for ensuring the above will have to be identified, recorded, evaluated and compliance tested.

**7.40.10 Audit techniques:**

IT audit techniques refer to the use of computers, including software, as a tool to independently test computer data of interest to Audit. The following are some of the well-established techniques:

- i. Collection and processing of a set of test data that reflect all variants of the data and errors which can arise in an application system at different times.
- ii. Use of integrated test facilities, built into the system by the auditee, to assist the auditor in his requirements, as one of the users of the system.
- iii. Simulation of the auditee's application programs using audit software to verify the results of processing.
- iv. Periodical review of programme listings in order to verify that the programmes have not been altered unauthorisedly.
- v. Use of either commercial software or programmes developed in-house to interrogate and retrieve data applying selection criteria and to perform calculations.
- vi. Extraction of data samples from the database/files of the auditee, using sampling techniques, for post analysis and review. The sampling technique to be employed is determined by the nature of data and type of analysis required.

Computer audit techniques are employed for:

- i. Independent verification of ledger balances and control totals;
- ii. re-calculation of critical computerized calculations to verify their correctness;
- iii. range checks to verify the efficient functioning of computer-based controls and test for exception conditions;
- iv. testing the validity of data stored in the master file;
- v. detection of data abuse/frauds; and
- vi. substantive testing with large volumes of data which is difficult, if not impossible, in a manual audit process.

The employment of a particular computer audit technique depends on:

- i. the type of application system under review;
- ii. the extent of testing required;
- iii. the availability of resources in terms of computer facilities and the level of EDP skills among the audit staff; and
- iv. volume of data and availability of printed information.

At present, many data-based management systems also have built-in query and report writer facilities. Unstructured queries on the data files are also possible in some advanced systems. These utilities could be profitably employed for audit purposes. The auditor will be able to obtain the relevant information from the auditee's computer centre.

**7.40.11 Issues for audit scrutiny:**

---

**7.40.11(a) Audit of Acquisition**

Generally the acquisition of computer facilities involves the following stages:

- i. Definition of a computer policy and strategy based on an evaluation of organizational requirements and the ways and means of satisfying them.
- ii. Establishment of the need.
- iii. A thorough examination and evaluation of the alternative courses of action available.
- iv. Precise specification of the requirements and delineation of existing and future applications, hardware, software, modes of operations, conditions of supply, etc.
- v. Evaluation of alternative sources of supply and selection of the most appropriate source(s).
- vi. Physical acquisition of the facilities and the systems.

Often these stages tend to overlap or merge imperceptibly into one another.

To review the adequacy of the administrative procedures and controls used by the auditee organisation when considering and deciding upon the acquisition of computer facilities it is to ascertain whether:

- i. a sound administrative structure is available to enable a proper analysis of the requirements of computer facilities;
- ii. the acquisition procedures are effective in facilitating the formulation of a viable computing policy and strategy; and
- iii. the processes of evaluation and selection ensure that the requirements of the organisation are met in the most effective and efficient manner.

The auditor should direct his attention to an examination of the following:

- i. EDP policy and strategic plan;
- ii. Administrative structure;
- iii. Feasibility study/project report containing proposals, costs and benefits; equipment selection.
- iv. Justification for hardware and software;
- v. Installation of equipment and adequacy of testing; and
- vi. Post-implementation review and costs.

**7.40.11 (b) Audit of Systems Development**

The audit objective of system development controls is to ascertain that procedures are adequate to ensure that the development results in well-documented computer systems incorporating adequate controls and meeting the defined used requirements in an efficient manner.

Where systems development is entrusted to contractors, the contract and its management become important audit concerns. It should be ensured that the vendor provides complete documentation along with the source code. Further, the terms and conditions, such as rights over the source code, provisions for modifications/updating in future, etc. should be examined. The penal provisions may also be examined in cases of non-delivery of the agreed upon services or non-adherence to the stipulated time schedules. It may also ascertain whether any of the objectives envisaged could not be realized because of belated delivery of the software.



#### **7.40.11(b) (i) Categories of Systems Development Audit**

Systems development audit can be categorized into the following three general classes:

i. **Monitoring Audit:**

The auditor evaluates the project throughout the process to determine whether the development is proceeding effectively and ascertains whether milestones are being met, expenditure rates are as predicted, high quality documentation is being written, the software conforms to established technical standards and tests are being conducted as scheduled or evaluated as planned.

ii. **Design review audit:**

Its objective is to determine whether the preliminary and detailed designs accurately reflect the functional data and systems specifications, and incorporate adequate internal controls.

iii. **Post-implementation audit:**

This is performed three to six months after the system becomes operational and serves to evaluate whether the system meets requirements, is cost-effective and generally provides benefits predicted in the project planning documents.

#### **7.40.11 (b) (ii) Association of audit in systems development**

The ultimate responsibility for incorporating internal controls and an adequate trail into computer-based systems must rest with the auditee organisation. It is, therefore, not necessary for the auditor to provide, as a matter of policy, any consultancy advice on developing systems.

#### **7.40.11 (b) (iii) Main points to be checked by Audit**

While the auditor should be cautious enough not to be drawn into unproductive involvement in systems development, he should nevertheless examine whether:

- i. a published standard methodology is being used for designing and developing systems;
  - ii. there is a common understanding by all parties-users, systems analysts, management and auditors of the basic structure of both manual and computer processing activities, as well as of the concepts and needs for control and of the applicable control techniques;
  - iii. the IT applications development is authorized by the user, the steering committee or the management;
  - iv. the systems development work was preceded by a feasibility study to determine the most appropriate solutions to standard problems;
  - v. there is adequate cross referencing between (a) content and format of preliminary studies; (b) feasibility studies; (c) system specifications; and (d) programme coding;
  - vi. project management techniques, such as the stipulation of project decision milestones, time and cost estimates, etc., are applied in systems development work to facilitate monitoring of the against estimates;
  - vii. programming standards using modular structured methodology are being adhered to in coding;
- and

- viii. existing in-house or externally available application packages were considered before deciding upon new in-house application development.

#### **7.40.11(c) Audit of Operation and Maintenance**

**A. General Controls:** The overall audit objective in reviewing the general controls is to ensure that the controls and procedures are adequate to provide secure, effective and efficient day-to-day operation of the computer facilities.

**B. Organizational controls:** These controls ensure that (i) there is judicious separation of duties to reduce the risk of employee fraud or sabotage by limiting the scope of authority of any individual; (ii) there are comprehensive written standards; and (iii) access to and use of computer terminals is properly authorized.

**C. Segregation of duties:** The auditor should verify whether duties amongst the staff operating the computer system are adequately and effectively segregated so as to substantially reduce the risk of error and fraud. Where computer systems use security profiles to enforce separation of duties, the auditor should review on screen displays or printouts of employees' security profiles in relation to their functional responsibilities.

In any major IT System, the following duties should be adequately segregated:

- System design and programming.
- System support.
- Routine IT operations and administration.
- System security.
- Database administration.

**D. Physical Access Control:** Physical Access Controls include the environmental controls which operate across the entire IT environment and affect all underlying computer applications. These controls are designed to protect the computer hardware and software from damage, theft and unauthorised access. The auditor should make a quick assessment of the physical access controls and their adequacy.

**E. Authorisation Control:** This helps verify the identity and authority of the person desiring to attempt a procedure or an operation. This control is exercised through the use of passwords, signatures, smart cards, cryptographic systems, etc. Such controls ensure that only authorized persons have access to the system for the purpose of entering and/or altering transactions, obtaining information, etc.

**F. Logical Access Control:** Logical Access Controls are provided to protect the financial applications and underlying data files from unauthorised access, amendment or deletion. Logical access controls can exist at the installation as well as application levels. Logical access controls are often used with physical access controls to reduce the risk of programme and data files being amended unauthorisedly. The IT Auditor should consider how easy it would be for users to 'break out' of the menu system and gain unauthorised access to the operating system or other applications. Some computer systems may be able to control user access to applications and data files by using file permissions. These ensure that only those users with the appropriate access rights can read, write, delete or execute files.

**G. Operation and File Controls:** These controls are meant to ensure that the computer and computer files are safeguarded from unauthorised access, loss or theft. Controls relating to reception, conversion and processing of data and distribution of the final output promote the completeness and reliability of these operations and safeguard against the unauthorised processing of data or programmes. File controls and procedures adequately safeguard files and software against loss, misuse, theft, damage, unauthorised disclosure and accidental or deliberate corruption.

**H. Change Management Controls:** Change Management Controls are used to ensure that amendments to a computer system are properly authorized, tested, accepted and documented. Poor change controls could result in accidental or malicious changes to the software and data. Audit should ensure that a new or amended computer system is thoroughly tested by its end users before live use.

Audit should emphasise that an auditee organisation which update their computer systems should have appropriate change management and configuration management controls. These controls should ensure that all system and program amendments are satisfactorily justified, authorized, documented and tested and that an adequate audit trail of the changes is maintained. All change procedures should be documented.

**I. Service Continuity Planning:** The auditor should ensure that there are adequate plans and arrangements to resume processing in the event of failure of computer operations. The degree of continuity planning will depend on the size of the IT department and the dependence on computer processing.

Organizations with large IT departments, with mainframe computers and complex communication networks- may require comprehensive, up-to-date recovery plans which incorporate standby facilities at alternative sites.

Disaster recovery plans should be documented, periodically tested and updated as necessary. Untested plans may be satisfactory on paper but may fail when put into practice. Testing will reveal deficiencies and allow amendments to be made.

Back-up copies of systems software, financial applications and underlying data files should be taken regularly. Back-ups should be cycled through a number of generations by, for example, using daily, weekly, monthly and quarterly tapes. They should be stored, together with a copy of the disaster recovery plan and systems documentation, in an off-site fire-safe. Where micro-computers are used, in addition to mini or mainframe computers, the auditor should ensure that there are also procedures for the backing-up of financial data stored on local hard disks.

**(I)(a) Important points to be checked in audit:**

In reviewing general controls, the following aspects points should be covered:

- i. Availability of all hardware equipment, including computer, ancillary and terminal equipment in use should be verified with reference to a list of hardware obtained from the auditee organisation indicating the model, performance details, etc.
- ii. An up-to-date organizational chart should be obtained and examined to determine the manner in which the computer fits into the overall organisation.

- iii. An up-to-date chart indicating the deployment of personnel of the computer department and their relative responsibilities and authorities should be reviewed to note any changes.
- iv. Similarly changes, if any, in the job specifications (role definition) for senior computer personnel and supervisors of the ancillary section should be noted.
- v. Details of standards and norms fixed for each of the functions, such as data control, data preparation, system operation, etc. should be obtained and adherence thereto verified with reference to the following:
  - a. computer utilisation per shift in terms of the Central Processing Unit (CPU) and peripheral use;
  - b. key depressions per shift per data entry operator and error allowance;
  - c. document standards and controls-batching, balancing and sequencing, and
  - d. run-to-run controls maintained by system operators.
- vi. It should be verified, through a test check, whether manuals are maintained and kept up-to-date specifying the control procedures area whether they are enforced in practice.
- vii. Availability of the following terminal controls to protect data and system integrity should be verified:
  - a. Physical access controls to terminal rooms;
  - b. Software controls through password protection and user directories;
  - c. Logging of terminal activities by all users.
- viii. Details of security measures, both physical and system, should be obtained for examining the following:
  - a. Adequacy of protection of hardware and software against risk of fire (fire prevention measures and firefighting arrangements);
  - b. Arrangements for maintenance of hardware and system software;
  - c. Provision of air conditioning and protective measures against possible radiation, vibrations etc.;
  - d. Availability of measures to ensure system security in the event of possible industrial action or malicious action by programmers, operators and input-output staff attributable to discontent among the operating staff;
  - e. Adequacy of security awareness and training provided to all employees;
  - f. Adequacy of emergency shut-down procedures in case of power failures;
  - g. Deficiencies, if any, in the arrangements for safe custody of software and data files and type library;
  - h. Adequacy of back-up files, including offsite storage;
  - i. Adequacy of control over operator access to program files and data;
  - j. Availability of procedures and contingency, plans for reconstructing files in the event of loss or disk/type errors;
  - k. Availability of computer equipment back-up through the use of compatible equipment at other dispersed sites;
  - l. Restriction of access to the computer room by personnel other than systems operators and hardware engineers; and
  - m. Insurance of the installation to cover possible risks.

**J. Application Controls:** Application controls are particular to an application and may have a direct impact on the processing of individual transactions. These controls are used to provide assurance, primarily to the management, that all transactions are valid, authorized and recorded.

Before attempting an evaluation of application controls, it will be necessary for an auditor to secure a reasonable understanding of the system. For this purpose, a brief description of the application should be prepared indicating **(i)** the major transactions; **(ii)** the transaction flow and main output; **(iii)** the major files maintained and **(iv)** approximate figures for transaction volumes.

Application Control requirements may be divided into the following:

- i.** Documentation standards
- ii.** Input controls
- iii.** Processing controls
- iv.** Output controls
- v.** Master/Standing Data File controls
- vi.** Audit requirements

**(J)(i) Documentation Standards:** Documentation standards ensure that adequate and up-to-date system documentation is maintained. Careful updating of documentation is also important. The auditor will find documentation helpful as an aid to understanding the system but he must be careful to ensure that it is up-to-date before using it. There should be appropriate standards in the auditee organization to ensure that:

- i.** System documentation is sufficiently comprehensive;
- ii.** Documentation is updated to reflect system amendments; and
- iii.** A back-up copy of the documentation is available.

Without good documentation, it will be difficult to assure that controls will operate on a continuous basis and there will also be a greater likelihood of errors. Good application documentation reduces the risk of users making mistakes or exceeding their authorities.

Documentation should include the following:

- i.** A system overview;
- ii.** User requirements specification;
- iii.** Program descriptions and listings;
- iv.** Input/output descriptions;
- v.** File contents descriptions;
- vi.** User manuals; and
- vii.** Desk instructions.

**(J)(ii) Input Controls:** The objective of input controls is to ensure that the procedures and controls reasonably guarantee that **(i)** the data received for processing are genuine, complete, not previously processed, accurate and properly authorized; and **(ii)** the data have been entered accurately and without duplication.

In evaluating input controls, the auditor should ensure that:

- i. all prime inputs, including changes to standing data, have been appropriately authorized;
- ii. the ability to enter data from a terminal is adequately restricted and controlled in respect of on-line systems;
- iii. there are methods to prevent and detect duplicate processing of a source document;
- iv. all authorized inputs have been submitted or, in an on-line system, transmitted; and
- v. there are procedures for ensuring correction and resubmission of rejected data.

The controls outlined above may be invalidated if it is possible to by-pass them by entering or altering data from outside the application.

**(J)(iii) Data Transmission Controls:** These controls are built into IT Applications to ensure that data transmitted over local or wide area networks are valid, accurate and complete. Organizations using networks should ensure that there are adequate controls to reduce, to an acceptable level, the risk of data loss, addition of unauthorized transactions and data corruption. Some computer systems are connected to either local or wide area networks (LANs or WANs), which permit them to receive and send data from remote locations. The more common data transmission media include telephone wires, coaxial cables, infrared beams, optical fibres and radio waves.

Applications which transmit information across networks may be subjected to the following risks:

- i. Data may be intercepted and altered either during transmission or during storage at intermediate sites.
- ii. Unauthorized data may be introduced into the transaction stream using the communication connections.
- iii. Data may be corrupted during transmission.

The auditor should ensure that there are adequate controls in place, either within the network system, or the financial applications, to detect corrupted data. There are a number of controls that may be used to address these problems. For instance, digital signatures may be used to verify that the transaction originated from an authorized user and that its contents are intact. Similarly, data encryption techniques may be used to prevent the interception and alteration of transactions.

**(J)(iv) Processing Controls:** Processing controls ensure complete and accurate processing of input and generated data. This objective is achieved by providing controls for:

- i. Adequately validating input and generated data;
- ii. Processing correct files;
- iii. Detecting and rejecting errors during processing and referring them back to the originators for re-processing;
- iv. Proper transfer of data from one processing stage to another; and
- v. Verifying, during or after processing, the control totals established prior to processing.

The objectives of processing controls are to ensure that **(i)** the processing of transactions is accurate and complete; **(ii)** the transactions are unique without any duplication; **(iii)** all transactions are valid; and **(iv)** the computer processes are susceptible to audit.

Processing controls within a computer application should ensure that only valid data and program files are used, that processing is complete and accurate and that processed data has been written to the correct files. The auditor should ensure that there are controls to detect the incomplete or inaccurate processing of input data.

Application processes may perform further validation of transactions by checking data for duplication and consistency with other information held by other parts of the system. The aim of such controls is to detect external amendments to data due to system failure or use of system amendment facilities such as editors.

**(J)(v) Output Controls:** These controls are incorporated to ensure that the computer output is complete, accurate and correctly distributed. A well-controlled system for input and processing is likely to be completely undermined if the output is uncontrolled.

Output controls ensure that all output is:

- i. produced and distributed on time;
- ii. fully reconciled with pre-input control parameters;
- iii. physically controlled at all times, depending on the confidentiality of the document; and
- iv. errors and exceptions are properly investigated and acted upon.

The completeness and integrity of output reports depends on restricting the ability to amend outputs and incorporating completeness checks such as Page numbers and check sums.

**(J) (vi) Master/Standing Data File Controls:** Master/Standing Data File Controls are meant for ensuring the integrity and accuracy of the master files and standing data. These controls have to ensure:

- i. amendments to standing data are properly authorized and controlled;
- ii. integrity of master and standing files is verified by checking control totals and periodic reconciliation with independently held records;
- iii. special amendment facilities are properly recorded and their use controlled by management authorization and subsequent review; and
- iv. physical and logical access to application data files are restricted and controlled.

#### **7.40.12 Audit Requirements:**

Audit requirements have to be provided to ensure that the system can be audited in an effective and efficient manner. Audit trail has to be maintained to enable tracing of an item from the input stage through to its final destination and the breakup of a result into its constituent parts. Auditors may have to use audit software or test data for the efficient execution of their audit. They have, therefore, to make reasonable requests for the access to copies of system data files, report generators and processing time.

Before considering the audit requirements for a system being developed, the auditor should have knowledge of the currently existing system and should keep in mind the following:

- i. weaknesses in the current system affecting the audit approach;
- ii. features in the existing system, which are relied on to provide an effective audit, that should be retained in the new system; and
- iii. additional facilities, not currently provided, which would assist the audit of the new system.

#### **7.40.12A Important points to be checked:**

Audit of an operational application system involves verification of the input/output controls, processing controls and the audit trail. Testimonial evidence may be obtained in the course of audit by means of the following questionnaire to arrive at a reasonable conclusion in regard to the availability of controls and their adequacy:

- i. Are the data processed genuine, complete and accurate and not provisional?
- ii. Is the expected output is produced and distributed on time?
- iii. Do the application programs process data as intended and accurately?
- iv. Is a complete audit trail available for tracing back a transaction from the final result to the initial input?
- v. Are the data and changes thereto authorized by appropriate authorities both in the user and computer departments?
- vi. Are schedules for receipt of input data maintained and what is the extent of compliance?



- vii.** Is there a preliminary check on input data to ensure completeness?
- viii.** Are output reports test-checked prior to their distribution to the user department and is the output produced in accordance with a prescribed schedule?

Further, it should also be examined whether the application system provides for the following programmed controls:

- a.** Controls to checks for missing/duplicate transactions to ensure continuity of goods invoice numbers issued by a station and locating missing numbers; and (ii) to ensure that more than one subscription is not accounted for in the same month in respect of a Provident Fund subscriber.
- b.** Controls on rejected items are to be retained under computer suspense to ascertain that it does not have valid heads of account as given in the budget master and such rejected items kept under suspense.
- c.** Input validation for data purification to ensure conformity with data types.
- d.** Limit/range checks: To ensure that the transaction type in a financial accounting system (expressed in terms of rupees) does not have values less than 1 or greater than 6; or the maximum basic pay does not exceed Rs 9,000 per month; or the code for treasury alone for any State does not have values in excess of two digits.
- e.** Overflow checks: To illustrate, if the field length for withdrawal/ advances in a computerized Provident Fund system is only five digits and there is a valid debit transaction with six digits, the high order digit would get truncated and only five digits of the debit will be recorded. This mistake will remain undetected in the absence of overflow checks.
- f.** Controls should be available to ensure that certain mandatory fields are not left blank.
- g.** Check digits: In a pay roll system, the account number, which is a control field to identify an employee, has a built-in check digit. The program works out the check digit on the basis of the account number input and verifies the correctness of the check digit given. If the check digits do not tally, it can be concluded that account number has been wrongly entered.
- h.** Compatibility checks.
- i.** Exception condition checks.
- j.** Total for a batch/lot. For example, the batch total for a major head under a treasury is worked out on the computer and tallied with the total given in the schedule of payments/receipts for that batch in order to ensure complete accounting of transactions in a batch.

Record totals and summaries for reconciliation. When a goods basic tape is created in a freight accounting system, it gives the total number of records, which should tally with the total number of invoices input.

**7.40.12B Audit Trail:**

The objective of the audit trail is to obtain sufficient evidence in regard to the reliability and integrity of the application system.

The audit trail should include the following information:

- i. System information including start up time, stop time, restarts, recovery etc.
- ii. Transaction information in respect of database applications, including input items which change the database, control totals and rejected items.
- iii. Communication information, including terminal log-on/off, password use, security violations, network changes and transmission statistics, which would be of relevance to transaction processing or TP applications.

In a computer system, the audit trail may not always be apparent as in a manual system since data are often retained in magnetic media and output is limited to a small number of total items processed, with reports produced only on exception basis. If the design of the computer system does not provide for adequate audit trail, this should be brought out in the audit review, highlighting control weaknesses or lack of controls in the system. Apart from errors that might creep into the system, there is a possibility of frauds, which might occur due to undetected control weaknesses.

**7.40.13 Format and Structure of IT Audit Report.**

It is best to adhere to the normal reporting format for audit reports in case of IT audit. It should be preferable to propose draft paragraphs focusing on a single issue that has come across. In the IT audit, the base of focus in the audit examination is a system. When the system is running in more than one unit, audit examination should be spread over suitably, so that audit conclusions become more representative. The question of money value in IT audit report has been a difficult one. In several aspects of IT audit, especially when the control environment and related issues are being commented upon, any pecuniary loss would be hard to come by. Similarly when aspects like procurement etc. are commented upon, money value will be one of the prime consideration. Thus, a typical IT audit report in the review format would contain observations with and without money value attached to them, Since much of the IT audit also covers areas like potential risks associated with lack of controls, money value cannot be determined. The report should state clearly why such value cannot be calculated. It would be credible to audit if it comments on risks and mention the total value of assets at stake.

As regards IT Audit reports the following guidelines are suggested for reporting on the IT Audit.

- a. The report must contain a few introductory paragraphs which will include audit objectives, scope and coverage, a statement of nature and extent of audit and the system(s) audited.

- b. The report must briefly give details of the systems highlighting application and operating software environment and hardware resources required to run the system. The volume of data, the complexity of processing and other details should also be highlighted so that the reader can gain a clear idea about the system to appreciate subsequent audit findings.
- c. The criticality of the system must be assessed and mentioned, as many of the audit observations gain their seriousness from the criticality of the system.
- d. If the data/process flow is complex, a flow chart may be annexed to the report.
- e. From this point on, the report can be divided into three parts: **The first part should deal with project and policy issues, if any**, namely delay in procurement, absence of stock registers, etc. **The second part should deal with general controls, applications controls and other** such issues. **The third parts should deal with the results of data analysis.**
- f. Sweeping conclusions regarding absence of controls and risks thereon must be avoided, when they are not supported by substantive testing. **In other words, just because it is mentioned in the guidelines, it cannot be an audit conclusion. Even if** audit discovers that an organization does not have an IT policy, audit would further examine whether it has actually led to haphazard development and whether such development can be ascribed to lack of IT policy.
- g. Before making any comments/remarks it will be advisable to double check manually on a sample basis the documents to be sure about the veracity of such observations.
- h. The audit conclusions must be supported by overall evidence gathered during the audit.
- i. Technical jargons should be avoided as far as possible. It is advisable to use flowcharts, snapshots of programmes/ data to make a point clearer.
- j. Timeliness in reporting is required taking into the consideration of the year of procurement of the hard wares, to justify comments of audit.
- k. Some of the golden rules of audit reporting are worth mentioning .They are:
  - i. One thought per sentence;
  - ii. Use short paragraphs;
  - iii. Use headings and sub-heading to break up long paragraphs;
  - iv. Substitute longer words with shorter word;
  - v. Be specific.

#### 7.40.14 Reply of the management

In case of IT Audit Reports, it is extremely important to get the confirmation of/replies to the audit observation. While formal reply may be difficult to get, the concerned field party should try to have meetings with the Management at the highest level. Even if these efforts fails, adequate evidence about efforts made should be kept on record and mentioned in the report about these efforts.

#### **7.40.15. Audit Evidence**

Electronic evidence is admissible as evidence for consideration of the report in the Headquarters office. It should be ensured that as far as possible that time stamps of the electronic evidence are invariably marked

#### **7.40.16 Recommendations**

It is not absolutely necessary to incorporate recommendations in the IT audit report. However, field offices are free to recommend should the context and gravity of the conclusions warrant such recommendations.

*[Guiding note on reporting on IT audit as per International Centre for Information System and audit vide HQ letter No. 61/IT-Audit/Dy.Dir.-II/2003-04 dt. 17.6.2003 & Paragraph 3.22 of MSO (A)]*

### **7.41 AUDIT OF INTERNAL CONTROL MECHANISM:**

#### **7.41.1 Introduction:**

Internal control is not one event or circumstances, but a series of action that intertwined with an entity's activities and is most effective when it is built into the entity's infrastructure and is an integral part of the essence of the organization. As internal control provides the mechanisms needed to help understand risk in the context of the entity's objectives, the management will put internal control activities in place and monitor and evaluate them. This is a tool used by the management and directly related to the entity's objectives.

#### **7.41.2 Provides reasonable assurance:**

Reasonable assurance recognizes that the cost of internal control should not exceed the benefit derived. Cost refers to the financial measure of resources consumed in accomplishing a specified purpose and to the economic measure of a lost opportunity, such as a delay in operations, a decline in service levels or productivity, or low employee morale. A benefit is measured by the degree to which the risk of failing to achieve a stated objective is reduced.

#### **7.41.3 Achievement of objectives:**

The general objectives are implemented through numerous specific sub-objectives, functions, processes, and activities. The general objectives are:

- i.** Fulfilling accountability obligations.
- ii.** Complying with laws and regulations.
- iii.** Executing orderly, ethical, economical, efficient and effective operations.
- iv.** Safeguarding resources against loss due to waste, abuse, mismanagement, errors, fraud and irregularities.

**7.41.4 Limitations on internal control effectiveness:**

An effective internal control system can give the management information about the entity's progress, or lack of it, toward the achievement of the objectives. But internal control cannot change an inherently poor manager into a good one. Moreover, shifts in government policy or programs, demographic or economic conditions are typically beyond management's control.

Because internal control depends on the human factor, it is subject to flaws in design, errors of judgment or interpretation, misunderstanding, carelessness, fatigue, distraction, collusion, abuse or override.

Another limiting factor is that the design of an internal control system faces resource constraints.

**7.41.5 Components of internal control:**

Internal control consists of five interrelated components to provide reasonable assurance that the entity's general objectives are being achieved as detailed below:

**7.41.5 (A) Control Environment**

The control environment sets the tone of an organization influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure.

Elements of the control environment are as follows:

**i. The personal and professional integrity and ethical values of management and staff:**

The personal and professional integrity and ethical values of management and staff determine their preferences and value judgments, which are translated into standards of behavior. They should exhibit a supportive attitude towards internal control at all times throughout the organization.

Public organizations have to maintain and demonstrate integrity and ethical values, and they have to be consistent with their mission.

**ii. Competence:**

Competence includes the level of knowledge and skill needed to help and ensure orderly, ethical, economical, efficient and effective performance, as well as a good understanding of individual responsibilities with respect to internal control. Managers and employees are to maintain a level of competence that allows them to understand the importance of developing, implementing, and maintaining good internal controls and to perform their duties in order to accomplish the general internal control objectives and the entity's mission. Everyone in an organization is involved in internal control with his own specific responsibilities.

**iii. Tone at the top:** The “tone at the top” reflects:

- a supportive attitude toward internal control at all times independence, competence and leading by example
- a code of conduct set out by the management and counseling and performance appraisals that support internal control and ethical behavior.

Management should set a good example through its own actions and its conduct should reflect what is proper rather than what is acceptable or expedient. The integrity of managers and their staffs is, however, influenced by many elements. Overall performance appraisals should be based on an assessment of many critical factors, including the implementation and maintenance of effective internal controls.

**iv. Organizational structure:** The organizational structure of an entity provides:

- assignment of authority and responsibility;
- empowerment and accountability;
- appropriate lines of reporting.

**v. Human resource policies and practice:**

Human resource policies and practices include hiring and staffs orientation, training (formal and on-the-job) and education, evaluation and counseling, promoting and compensating and remedial action. Competent trustworthy personnel are necessary to provide effective control. Therefore, the methods by which persons are hired, evaluated, trained, promoted and compensated, are an important part of the control environment. Human resource management also has an essential role in promoting an ethical environment by developing professionalism and enforces transparency in daily practice. This becomes visible in recruitment performance appraisal and promotion processes.

**7.41.5 (B) Risk Assessment:**

Risk assessment is the process of identifying and analyzing relevant risks to the achievement of the entity’s objectives and determining the appropriate response. It implies the followings:

**i. Risk identification:**

A strategic approach to risk assessment depends on identifying risks against key organizational objectives. Risks relevant to those objectives are then considered and evaluated, resulting in a small number of key risks. An entity’s performance can be at risk due to internal or external factors at both the entity and activity levels. The risk assessment should consider all risks that might occur (including the risk of fraud and corruption). It is therefore important that risk identification is comprehensive. Risk identification should be an ongoing, iterative process. It is necessary to adopt appropriate tools for the identification of risk. Two of the most commonly used tools are commissioning a risk review and a risk self-assessment.

**ii. Risk evaluation:**

In order to decide how to handle risk, it is essential not only to identify in principle that a certain type of risk exists, but to evaluate its significance and assess the likelihood of the risk event occurring. The methodology for analyzing risks can vary largely because management's risks are difficult to quantify.

One of the key purposes of risk evaluation is to inform management about areas of risk where action needs to be taken and their relative priority. Therefore, it will usually be necessary to develop some framework for categorizing all risks.

**iii. Assessment of the risk “appetite” of the organization:**

An important issue in considering response to risk is the identification of the “risk appetite” of the entity. The risk appetite of an organisation will vary according to the perceived importance of the risks. For example, tolerable financial loss may vary in accordance with a range of features, including the size of the relevant budget, the source of the loss, or associated other risks such as adverse publicity. Identification of risk appetite is a subjective issue, but it is nevertheless an important stage in formulating the overall risk strategy.

**iv. Development of responses:**

Responses to risk can be divided into four categories. In some instances, risk can be transferred, tolerated, or terminated. However, in most instances the risk will have to be treated and the entity will need to implement and maintain an effective internal control system to keep risk at an acceptable level.

**7.41.5 (C) Control Activities:**

Control activities are the policies and procedures established to address risks and to achieve the entity's objectives.

To be effective, control activities must be appropriate, function consistently according to plan throughout the period, and be cost effective, comprehensive, reasonable and integrated with the overall organizational objectives. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of detective and preventive control activities as detailed below:

**i. Authorization and approval procedures:**

Authorization procedures, which should be documented and early communicated to managers and employees, should include the specific conditions and terms under which authorizations are to be made. Conforming to the terms of an authorization means that employees act in accordance with directives and within the limitations established by management or legislation.

**ii. Segregation of duties (authorizing, processing, recording and reviewing):**

No single individual or section should control all key stages of a transaction or event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

**iii. Controls over access to resources and records:**

Access to resources and records is limited to authorized individuals who are accountable for the custody and/or use of the resources. Restricting access to resources reduces the risk of unauthorized use or loss to the government and helps achieve management directives. The degree of restriction depends on the vulnerability of the resource.

**iv. Verification:**

Transactions and significant events are verified before and after processing, e.g. when goods are delivered, the number of goods supplied is verified with the number of goods ordered. Afterwards, the number of goods invoiced verified with the number of goods received.

**v. Reconciliations:**

Records are reconciled with the appropriate documents on a regular basis, e.g. the accounting records relating to bank accounts are reconciled with the corresponding bank statements.

**vi. Reviews of operating performance:**

Operating performances are reviewed against set standards on a regular basis, assessing effectiveness and efficiency.

**vii. Reviews of operations, processes and activities:**

Operations should be reviewed. This type of review of actual operations of an organisation should be clearly distinguished from the monitoring of internal control.

**viii. Supervision (Assigning, reviewing and approving, guidance and training):**

Competent supervision ensures that internal control objectives are achieved. Assignment, review and approval of an employee's work encompasses:

- clearly communicating the duties, responsibilities and accountabilities assigned to each staff member;
- systematically reviewing each member's work to the extent necessary;
- approving work at critical points to ensure that it flows as intended.



A supervisor's delegation of work should not diminish the supervisor's accountability for these responsibilities and duties. Supervisors also provide their employees with the necessary guidance and training to help ensure that errors, waste and wrongful acts are minimized and that management directives are understood and achieved.

#### **7.41.5 (D) Information Technology Control Activities:**

Information technology controls consist of two broad groupings: (1) General Control & (2) Application Control.

##### **(1) General controls:**

General controls are the structure, policies and procedures that apply to all or a large segment of an entity's information systems - such as mainframe, minicomputer, network, and end-user environments and help ensure their proper operation. They create the environment in which application systems and controls operate.

The major categories of general controls are:

- 1. Entity wide security program planning and management** provide a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities and monitoring the adequacy of the entity's computer-related controls.
- 2. Access controls** limit or detect access to computer resources (data, programs, equipment and facilities), thereby protecting these resources against unauthorised modification, loss, and disclosure. Access controls include both physical and logical controls.
- 3. Controls on the development, maintenance and change of application software** prevent unauthorised programs or modifications to existing programs.
- 4. System software** controls limit and monitor access to the powerful programs and sensitive files that control the computer hardware and secure applications supported by the system.
- 5. Segregation of duties** implies that policies, procedures and an organizational structure are established to prevent one individual from controlling key aspects of computer-related operations and thereby conducting unauthorized actions or gaining unauthorized access to assets or records.
- 6. Service continuity controls** ensure that when unexpected events occur, critical operations continue without interruption or are promptly resumed and critical and sensitive data are protected.

##### **(2) Application controls:**

Application controls are the structure, policies and procedures that apply to separate, individual application systems — such as accounts payable, inventory, payroll, grants, or loans — and are designed to cover the processing of data within specific applications software.

These controls are generally designed to prevent, detect and correct errors and irregularities as information flows through information systems.

Application controls and the manner in which information flows through information systems can be categorized into three phases of a processing cycle:

- **input:-** data are authorized, converted to an automated form, and entered into the application in an accurate, complete and timely manner;
- **processing:-** data are properly processed by the computer and files are updated correctly; and
- **output:-** files and reports generated by the application reflect transactions or events that actually occurred and accurately reflect the results of processing, and reports are controlled and distributed to the authorized users.

#### **7.41.5 (E) Information and Communication:**

Information and communication are essential to the realization of all the internal control objectives.

**i. Information:** A precondition for reliable and relevant information is the prompt recording and proper classification of transactions and events. Pertinent information should be identified, captured and communicated in a form and timeframe that enables staff to carry out their internal control and responsibilities (timely communication to the right people). Therefore, the internal control system and all transactions and significant events should be fully documented. Management's ability to make appropriate decisions is affected by the quality of information which implies that the information is appropriate, timely, current, accurate and accessible.

The internal control system and all transactions and significant events should be fully and clearly documented (e.g. flow charts and narratives). This documentation should be readily available for examination.

**ii. Communication:** Effective communication should flow down, across and up the organisation, throughout all components and the entire structure. All personnel should receive a clear message from top management that control responsibilities should be taken seriously. They should understand their own role in the internal control system, as well as how their individual activities relate to the work of others. There also needs to be effective communication with external parties.

#### **7.41.5 (F) Monitoring:**

Internal control systems should be monitored to assess the quality of the system's performance over time. Monitoring is accomplished through routine activities, separate evaluations or a combination of both.

**1. Ongoing monitoring:** Ongoing monitoring of internal control is built into the normal, recurring operating activities of an entity. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. It is more effective than separate evaluation. Since separate evaluations take place after the fact, problems will often be identified more quickly by ongoing monitoring routines.

2. **Separate evaluations:** The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures.

Specific separate evaluations cover the evaluation of effectiveness of the internal control system and ensure that internal control achieves the desired results based on predefined methods and procedures.

All deficiencies found during ongoing monitoring or through separate evaluations should be communicated to the appropriate level to take necessary action. Monitoring internal control should also include policies and procedures that ensure that the findings of audits and other reviews are adequately and promptly resolved. Managers are to **(1)** promptly evaluate findings from audits and other reviews, including those showing deficiencies and recommendations reported by auditors and others who evaluate agencies' operations, **(2)** determine proper actions in response to findings and recommendations from audits and reviews, and **(3)** complete, within established time frames, all actions that correct or otherwise resolve the matters brought to their attention.

#### 7.41.6 Roles and Responsibilities:

Everyone in an organization has some responsibility for internal control; as detailed below:

Managers	Directly responsible for all activities of an organization, including the internal control system. Their responsibilities vary depending on their function in the organization (e.g. board, financial officer, audit committee) and the organization's characteristics.
Internal auditors	Examine the effectiveness of internal control and recommend improvements, but they don't have primary responsibility for establishing or maintaining it.
Staff members	Contribute to internal control as well. Internal control is an explicit or implicit part of everyone's duties. All staff members play a role in effecting control and should be responsible for reporting problems of operations, noncompliance with the code of conduct, or violations of policy.

External parties also play an important role in the internal control process and also contribute to achieve the organization's objectives, or may provide information useful to effect internal control.

PAG on behalf of CAG	Encourage and support the management for effective internal control in the establishment. The assessment of internal control is essential for conducting financial and performance audits and the findings and recommendations of the audit are communicated to the management.
External auditors	They should provide advice and recommendations on internal control.
Legislators and regulators	Establish rules and directives regarding internal control. They should contribute to a common understanding of internal control.
Other parties	Interact with the organisation (beneficiaries, suppliers, etc.) and provide information regarding achievement of its objectives.

The tasks of external parties, in particular external auditors and the Pr. AG under CAG include assessing the functioning of the internal control system and informing management about its findings and may play a strategic role in the development of the internal control system, directly and indirectly, depending on their legal mandate and the management structure of the organisation.

Auditors' assessing of internal control procedures implies:

- determining the significance and the sensitivity of the risk for which controls are being assessed;
- assessing the susceptibility to misuse of resources, failure to attain objectives regarding ethics, economy, efficiency and effectivity, or failure to fulfill accountability obligations, and non-compliance with laws and regulations;
- identifying and understanding the relevant internal controls;
- determining what is already known about control effectiveness;
- assessing the adequacy of the control design;
- determining, through testing, if controls are effective;

Reporting on the internal control assessments and discussing the necessary corrective actions.

The Pr. AG also needs to develop a good working relationship with the internal audit units so that experience and knowledge can be shared and work mutually can be supplemented and complemented. Inclusion of internal audit observations and recognizing their contributions in the external audit report when appropriate can also foster this relationship and PAG should develop procedures for assessing the internal audit units's work to determine to which extent it can be relied upon. A strong internal audit unit could reduce the audit work of the PAG and avoid needless duplication of work. Pr. AG should ensure that it has access to internal audit reports, related working papers and audit resolution information.

Legislation can provide a common understanding of the internal control definition and objectives to be achieved. It can also prescribe the policies that internal and external stakeholders are to follow in carrying out their respective roles and responsibilities for internal control.

**(INTOSAI guidelines on Audit on Internal Control Standard)**

## **7.42 AUDIT OF BORROWINGS, LOANS, ADVANCES, INVESTMENTS GAURANTEES, INTEREST PAYMENT AND MATERIALS MANAGEMENT:**

### **7.42.1 Audit Objectives and scope:**

The primary objective of audit of borrowing of the Government, loans advances, and guarantees given by the Government etc. is to ensure that:

- i. the transactions are within such limits, if any, prescribed and are in tune with the authority that govern them;
- ii. the transactions are correctly reflected in the detailed accounts;
- iii. the balances relating to these accounts represent amounts which are realisable and there exists a mechanism for periodic confirmation of balances.

The departmental offices as well as the loanee/debtors (viz., State Autonomous Bodies, Government companies, quasi-public bodies and private institutions etc.) maintain records relating to the loans and advances given by the Government. Audit is to ensure that **(i)** the amount is correctly stated in the voucher; **(ii)** interest due had not been paid twice for the same half-year/year, **(iii)** correctness of interest calculations, **(iv)** Income tax deductions, and **(v)** correctness of arithmetical computations etc.

#### **7.42.2 Borrowings:**

Under Article 293 of the Constitution, a State may borrow within the territory of India upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by an act of the Legislature of the State. However, a State may not, without the consent of the Government of India raise any loan, if any part of a loan made to the State by the Government of India is still outstanding or if that Government has guaranteed the repayment of any loan. A state Government may also obtain loan from the Government of India subject to such conditions as may be laid down by or under any law made by Parliament. The AG (A&E) maintain the detailed accounts of such loan and also arrange for payment of the principal and interest wherever due. The important points to be looked into in the course of audit of borrowings are as follows:

- (a)** To ensure that the borrowing of a Government are so regulated as not to exceed the limits, if any, fixed by the legislature from time to time and the conditions laid down by or under an Act of Parliament are duly observed in respect of a loan granted by the Government of India to a State or guaranteed by it.
- (b)** To ensure proper monitoring and compliance, by the State Government, with the conditions imposed by the Government of India while giving consent to their raising the loans or guaranteeing their repayment, or while granting a loan to them.
- (c)** To ensure that the proceeds from borrowings had been properly brought to account and have been expended only on the objects for which the loans were raised or to which borrowed moneys may properly be applied in accordance with the sound principles of public finance.
- (d)** To verify that the borrowings were actually made for absolute necessity and proper assessment was made for actual requirement and to ensure that no fund was kept unutilized leading to unjustified payment of interest there on.
- (e)** To examine whether adequate arrangements have been made for amortisation of the debt and bring to the notice of the Government instances in which this requirement has been ignored or the arrangements made appear prima-facie to be inadequate.
- (f)** The responsibility for the audit of transactions connected with the Debt Redemption Scheme of the Union Government or of any such scheme adopted by State Governments devolves on the

Indian Audit and Accounts Department. It should be verified that the conditions governing these schemes are scrupulously observed, It should be seen, in particular, that the annual debits against revenue under the schemes are calculated strictly in accordance with the approved programmes, that the appropriations for reduction or avoidance of debt are applied to the objects for which the money has been set aside, and that the liquidation of debt proceeds at the rate and on the lines prescribed.

### **7.42.3 Loans and Advances:**

Government makes loans and advances to public and quasi-public bodies and to individuals. Some of these loans and advances are made under special laws and others for special reasons or in pursuance of recognized policies. Loans being granted by the Central Government or by the Autonomous Institutions (viz. Life Insurance Corporation, Bank etc.) to the State Government and/or by the State Government to the Statutory Corporations, State Autonomous Bodies, Government companies, quasi-public bodies and private institutions for developmental and other purposes. Apart from watching the fulfillment of various conditions on which the loans are sanctioned, the responsibilities of Audit in relation to loans and advances will extend to the following:.

- (a) Except in case of loans and advances made under special laws or in respect of which the government has issued any general rules and orders, audit is to see the reasons for making the loans or advances as well as the conditions attached to them has been stated clearly and completely in the relevant sanction orders. Any unusual conditions, such as the remission of interest in an individual case, if any, included in the sanction order should be scrutinised to ascertain the justification thereof;
- (b) Whether the purpose of sanctioning loan has been specified;
- (c) Type of loan i.e. either for incurring revenue and capital expenditure;
- (d) That the debtor has complied with the conditions governing repayment of loan or advance and payment of interest;
- (e) Loan and advances was sanctioned taking into consideration the financial viability or by ascertaining the repayment capacity of the loanee/debtor;
- (f) The rate of interest on loan has been clearly specified;
- (g) Whether any moratorium period for repayment of loan was specified;
- (h) Whether any provision for penal interest on overdue loan was specified;
- (i) Whether adequate security has been obtained, particularly from private debtors to safeguard Government's interest and whether government has made adequate arrangements to keep itself informed of the continued solvency of the debtors;
- (j) Whether further loans have not been granted for the same purpose when substantial unutilised balances out of the previous loan are still available;
- (k) and the loans have been utilised only for purposes and on the objective for which were sanctioned.

The financial rules and orders issued by Government prescribe the authority which should maintain detailed accounts of loans and watch the recoveries and payment of interest. Each and every department administering loans should also maintain registers in respect of loans. These registers contain details in respect of each loan, the amount disbursed; the interest accrued from time to time, the installments of principal and interest paid by the beneficiaries and the balances outstanding. In the case of loans granted by the Government of India to the State Government besides maintaining detailed accounts by the, the AG (A&E) WB also arrange for payment of installments of principal and interest due to the Government of India. This is also arranged through the Reserve Bank of India after obtaining the consent of the State Government wherever necessary. The registers maintained by the loanee organisation and or the Departmental offices should be reviewed in local audit to verify:

- i. The loan was duly accounted for;
- ii. The loan amount was drawn in prescribed bill form;
- iii. Conditions, if any, prescribed by the sanctioning authority have been fulfilled;
- iv. Acknowledgements have been obtained periodically from the debtors in respect of outstanding balances;
- v. Loans paid and repaid and the interest remitted have been properly account for;
- vi. No diversion was made and the loan amount was utilised for the purposes for which it was sanctioned;
- vii. In case of non-payment of installment of loan and interest due whether any provision for outstanding loan and interest was made in the annual accounts of the debtors;
- viii. Penal interest, if any, was levied on overdue installments;
- ix. Whether any remission from payment of outstanding loan and interest was granted and converted as Capital of the organisation and such conversion was duly accounted for.

#### **7.42.4 Revenue Advances:**

Revenue Advances includes Takavi Advances under the Land Improvement Act and any other advances made by Revenue Officers in connection with land revenue, agriculture or famine under any act of the legislature or under any orders of Government. Such advances may be issued from the treasury upon orders signed or countersigned by the collector or other duly authorised officer and the advances may be made either **(i)** direct to the parties concerned on their receipt (stamped when necessary) or **(ii)** in lump sums on abstract contingent bills to Government officers disbursing the advances. In the former case, the payments in the treasury accounts must be supported either by actual payees receipts or where these are required by the departmental officers by a certificate from the collector other duly authorised officer to the effect that payment have been made to the proper parties and their receipts duly taken and filed in the departmental records. In the latter case, action to be taken as detailed in the **paragraph 7.32** of this Manual.

*(Read with TR 5.06 & 5.07 of WBTR)*

Audit is to verify that:

- a. The transaction, conform to the rules governing them and
- b. Proper control records are maintained to ensure that the expenditure on this account does not exceed the allotment, where such allotment is placed at the disposal of more than one head of Department/Controlling officer by Government, out of the fund voted for such purposes under a single unit of appropriation.

#### **7.42.5 Permanent Advance:**

Government officers, who have to make payments for contingent expenditure before they can place themselves in funds by drawing contingent bills on the treasury, may make such payment out of permanent advances or imprests which they may be permitted to hold under the orders of competent authority, subject to recoupment on presentation of contingent bills. A register of Permanent Advances are to be maintained by the department and by the respective unit offices.

*(Read with Rules 88 of WBFR Vol.-1 and TR 4.114 of WBTR)*

While conducting audit of the permanent Advance the following to be verified:

- a. These has been sanctioned by the competent authority;
- b. Amounts sanctioned as permanent advances do not exceed the ceiling prescribed by Government for the offices concerned and not larger than is absolutely essential or the powers delegated to the sanctioning authority;
- c. Only petty item of expenditure was paid out of this advance;
- d. Expenditure was incurred from the permanent advance on the basis of the pay order of the authorised officer;
- e. Recoupment of the advance amount and the total expenditure incurred out of permanent advance does not exceed the total budgetary provision.

#### **7.42.6 Advance to Government servants:**

Various types of (long-term or short term and interest bearing or interest free) loans and advances were being sanctioned by government to its employees. Some of which intended for construction of houses, purchase of conveyances, etc. are accounted for under the specific loan heads and some advances such as advances for travelling allowances, advance of pay on transfer, advances for contesting law suits, festival advances etc., are granted to government servants by debit to the final heads of accounts. Important points to be looked into in course of audit of such loans and advances are as follows:

- a. The loans/advances to the Government servant was sanctioned by the competent authority in accordance with the rules and orders governing them;



- b. Proper records are being maintained to watch repayment/adjustment of loans and advances and the recovery of interest thereon;
- c. Whether the loans/advances were utilised for the purpose for which it was sanctioned;
- d. Whether the conditions relating to mortgage, insurance etc. were fulfilled;
- e. Utilisation certificate, where necessary, was furnished;
- f. Whether appropriate and adequate action was taken by the offices responsible for maintaining their detailed accounts to ensure that the individual balances outstanding in their books are reconciled periodically with the balances shown in the recovery schedules.

#### **7.42.7 Investments:**

Audit is responsible for keeping a watch over the investment of funds forming part of the Public Account of a State. In doing so, audit should ensure the following:

- a. The investments made on account of any regularly constituted sinking or other funds administered by the State Government are of the category authorised by the relevant statutory provisions of the instruments by which the Funds are governed. When there are no governing statutory provisions or instruments, proper authority for the investment should be demanded. This principle also applies to the investment of cash balances of the State Government.
- b. Any of the investments which considered being unauthorised, irregular or unsound to be taken up with the Government.
- c. Any ascertained losses connected with the investments or unusual depreciation in their market price should be reported Government along with such comments as PAG may consider appropriate.

#### **7.42.8 Contingent liabilities on account of Guarantees given by Government:**

Guarantees given by Government in respect of loans raised by others constitute contingent liabilities to Government. It is essential duty of audit to maintain a close watch over guarantees given by government to ensure that:

- i. the ceiling prescribed by the legislature are not exceeded;
- ii. any general or special orders of the governments concerned prescribing the levy of a commission for giving guarantees are duly observed; and
- iii. a sound system in place to maintain proper records of the guarantees given along with their terms and conditions;
- iv. total amount of such guarantees as well as the amount involved in guarantees, if any, invoked during the year.

**7.42.9 Payment of interest on loan taken from open market:**

Loan obtained from autonomous institutions like the Life Insurance Corporation of India, National Cooperative Development Corporation, Nationalised Bank etc., are managed by the departmental offices of Government. Pr. AG is to assume that the principal sum mentioned in the interest voucher is the correct amount on which interest is due and that interest has not already been paid for the half year claimed in the voucher. In all respect and especially in respect of the correctness of the calculation of the interest and income tax and the casting of totals, the vouchers are subject to regular audit.

In course of audit of these interest vouchers, it should be verified that:

- i.** the amount entered in the voucher as the half-yearly interest in fact presents one half year's interest due on the amount of the loan mentioned;
- ii.** the total amount due is the half year's interest multiplied by the number of half years as entered in the column provided for the purpose;
- iii.** the amount shown as being due in the column has been correctly computed;
- iv.** the receipt is properly signed, either by the person named as the holder or by his representative; and
- v.** income tax at the maximum rate has been deducted from the interest due unless the owner of the security has produced a certificate issued by the income Tax officer authorizing exemption from tax or levy of a lower rate of tax.
- vi.** that the payments are covered by sanctions accorded by a competent authority.

*(Chapter 13 of section 3 of MSO Audit)*

# **ANNEXURES**

**(Pages i to xli)**

**Annexure - A**  
**{Ref. 1.3.1 (d)}**

*Instruction of the State Government (Finance Department) in regard to undertaking Special Audit.*

***Government of West Bengal, Finance Department No. 11229 (33)-F dated 12<sup>th</sup> November 1946***

It has been brought to the notice of this Department that the Accountant General, West Bengal has of late been asked to undertake special audit of accounts in Government offices, hospitals, etc., in a number of cases which had no special characteristics except that there were suspicions of some financial irregularity or other. The responsibility for ensuring regularity of expenditure and conforming to the recognized financial rules of Government devolves on the departmental officers who incur the expenditure vide Rules 88, 89, 314-318 etc. of the West Bengal Financial Rules. It is lax of financial control which renders irregularities possible; and when irregularities have occurred through this cause, a belated special audit of the accounts by the Accountant General, Bengal's staff does not remedy the evil. In every Government office which expends money on a large scale it is the intention that a certain amount of financial and account check should be exercised both before and after the expenditure is incurred. The nucleus of an accounts staff exists in every such office. It is of great importance that arrangement should be made for an internal check in all offices on the lines of the procedure laid down in paragraph 243 of the Commercial Audit Manual and that a special audit should not be resorted to except in really important cases in which irregularities occur in spite of normal precautions or which present some special features. It is also desirable that special non-technical examination of accounts should be undertaken by the departmental authorities themselves through internal auditors or by taking the assistance of the regular accounts staff.

It is requested that all heads of Departments and other sub-ordinate officers may be asked to observe the above instructions and to submit proposal for special audit of the accounts by the Accountant General, West Bengal only in important cases of the kind referred to above "in which irregularities occur in spite of normal precautions or which present some special features."

---

***Government of West Bengal, Finance Department Order No. 2455 (62) F dated 8 M a y , 1975***

It has been decided, *inter alia*, that records of all defalcation cases will be maintained by Finance Department to keep watch on such cases. Under Rule 39 of W.B.F.R. Volume-I, read with rule 40 *ibid*, the cases of defalcation and losses in Treasuries or other offices or Departments are reported to the Accountant General, West Bengal and to the State Government. Henceforth, the Drawing Officers/Heads of Offices/Departments will also be required to report cases of defalcation and losses to the Finance Department direct and obtain an acknowledgement of the receipt of the report from Finance Department showing serial number attached to the case reported to them.

"All administrative departments are requested to keep record of cases of defalcation and losses with which they are concerned. The administrative department will also pursue such cases promptly duly assessing the responsibility of the officer and staff in charge of cash, store, etc., as also those dealing with accounts. Immediately the administrative department will be required to relieve the suspected officers of their assignment to prevent tampering with records by them. A non-technical examination of accounts should be made by taking assistance of regular accounts staff. If such an examination reveals that the case presents some special features and fraud or irregularities were possible in spite of normal precautions, a proposal may be made to this department for special audit of accounts by the Accountant General, West Bengal. Departmental action against delinquent officers and staff should be initiated promptly without waiting for police report and/or decision of the court cases, if any filed".

**Annexure B**

(Ref. paragraph 3.1.4 (16))

**Objection book of the O.A.D (Headquarters) for the month of.....20.....**

Amount under objection pending recovery								Details of adjustment				
Sl.No.	Reference to accounts audited/office inspected and designation of the officer responsible for clearance of the objection.	I.R No. and para No.	Misappropriation fraud, defalcation, etc.	Excess payment, loss/shortage of stores, etc.	Credit sales	Outstanding advances loans	Miscellaneous	Nature of objection (gist to be given)	Details of correspondence	Month of Correspondence	Amount	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13

Total of month's objection...	Totals of columns 4 to 8	I certify that I have examined the objection book and find it complete in all respects.  All cases or items which could be waived have been brought to the notice of the officer concerned and orders taken.  Date:  <div style="text-align: right; margin-right: 50px;">Assistant. Audit Officer</div>
Add-balance from last month.....		
Total .....		
Deduct-Amount adjusted during .....		
as per separate adjustment register		
Add or deduct-Net adjustment in March final		
Balance carried forward .....		

**Annexure C**

(Ref. paragraph 3.1.4 (17))

**Adjustment Register of OAD (Headquarters) for the month of**

Month of adjustment	Reference to OB item No.	Misappropriation, fraud, defalcation etc.	Excess payment loss/shortage of stores, etc.	Credit Sales.	Outstanding advances and loans.	Miscellaneous	How adjusted *		
							A. Recovery	B. Write off	C. Suitable compliance
1	2	3	4	5	6	7	8	9	10

---

\* When adjustment is effected in any of the ways noted here, it will suffice to quote the corresponding letters, other letters can be added at discretion, according to local convention.

**Annexure D**

(Ref. paragraph 3.1.5 (16))

**Quarterly Progress Report on SARs sent to Headquarters for approval/being finalized by Pr. Accountant General (G&SSA) without approval of Headquarters for being placed before Legislature for the Quarter ending****1. ACCOUNTS NOT RECEIVED BY FIELD AUDIT OFFICES**

Sl No.	Name of Autonomous Body	Year of Accounts	Action taken by Pr.AG (G&SSA)

**2. ACCOUNTS RECEIVED BY FIELD AUDIT OFFICES**

Sl. No.	Name of Autonomous Body	Year of Accounts	Date of Receipt of Accounts from AB	Present Status

**3. SARs FINALLY ISSUED TO GOVT OF INDIA/STATE GOVTS.**

Sl. No.	Name of A B	Year of A/cs	Date of submission of accounts by AB	Duration of Audit (Date of commencement and completion of audit)	Date of issue of draft SAR to Organization	Date of Receipt of reply from AB	Date of issue of final SAR to GOI/ State Govt.	Date on which audited accounts were placed before State Legislature	Remarks (Reasons for delay)

**Note: The QPR is to be sent on separate sheets for Central and State ABs. This list should contain names of only those bodies whose audited annual accounts/SARs are to be placed before the State Legislature**

**Annexure -E**  
**(Ref. paragraph 3.5)**  
**Reports and Returns to be submitted by the G&SS-I Section to different authority**

1	2	3	5	6	7
<i>Sl. No.</i>	<i>Particulars of reports/returns</i>	<i>G&amp;SS-I Section</i>	<i>To whom</i>	<i>Date of submission</i>	<i>Reference</i>
1.	List of State Government Offices in and outside of the State	HQ	Group Officer	1 <sup>st</sup> April and 1 <sup>st</sup> October	Paragraph 3.1.1 (2) of the Manual
2.	Maintenance of records regarding Confidential Report of staff	HQ	C.C Cell	15 <sup>th</sup> May	Paragraph 3.1.1 (9) (c) of the manual
3.	Materials for inclusion in Audit Bulletin	HQ	Record	15 <sup>th</sup> of April, July, October, January	Paragraph 3.1.1(26) of the manual
4.	Monthly report G&SS-I wing	HQ	Group Officer/ ITA	1 <sup>st</sup> working day of following month	Paragraph 3.1.1 (16)(b) of the manual
5.	Preparation of Annual Audit Plan	HQ	Pr. A.G	January	Paragraph 3.1.1(6)(b) of the manual
6.	Programme of the of supervising officer for field party supervision	HQ	Group Officer	20 <sup>th</sup> of the month	Paragraph 3.1.1(7)(B) of the manual
7.	Progress report of use of Hindi language	HQ	Hindi Cell	1 <sup>st</sup> Week of each quarter	Hindi Cell
8.	Progress report & check register of weekly diaries	HQ	Group Officer	15 <sup>th</sup> of the month	Paragraph 3.1.1 (14)(d) of the manual
9.	Proposal for continuance of casual and temporary posts of Sr. AO/AO/AAO/SO	HQ	Admn. II	January	Paragraph 3.1.1 (9)(d) of the manual
10.	Quarterly programme of Local Audit	HQ	Group Officer	15 <sup>th</sup> of June, September, December, March	Paragraph 3.1.1 (7) A of the manual
11.	Register of points of irregularities during Local Inspection	HQ	Group Officer	25 <sup>th</sup> of each month	TM/93 dated 6.11.1994
12.	Register of points of Special Examination	HQ	Group Officer	25 <sup>th</sup> of each month	Paragraph 3. 1.1 (12)(b) of the manual
13.	Register of watching the check of leave	HQ	Branch Officer Group Officer	1 <sup>st</sup> day of the following month	Paragraph 3.1.1(15) of the manual
14.	Reminder Register (for submission of IR/Diary etc.)	HQ	Group Officer Branch Officer	Once in a month Once in a week	Paragraph 3.1.1 (14)(d) of the manual
15.	Report of O/S objection statement received form CASS & disposal thereof	HQ	Group Officer	25 <sup>th</sup> of each month	Paragraph 3.1.1 (12)(a) of the manual



16.	Report of weeding out and destruction of records	HQ	Record	15 <sup>th</sup> of April, July, October, January	ECPA/115/180 dated 20.10.86
17.	Report on Use of Hindi language	HQ	Admn. (Hindi Cell)	31 <sup>st</sup> Dec.	Hindi Cell Order No. 33 dt. 30.8.97 (paragraph 3.2(B)(a)(iv))
18.	Corrections of Civil Audit Manual of IC wing - information/ position thereof.	HQ	Record	15 <sup>th</sup> week of April, July, October, January	Paragraph 3.1.1 (20) of the manual
19.	Statement of Outstanding I.R	HQ	Group Officer	1 <sup>st</sup> week	
20.	Statement showing the Staff position of G&SS-I wing	HQ	Admn.	1 <sup>st</sup> January, April, July and October	O.O.No. Admn. Series/ 1092/168 dt. 22.9.74
21.	TA Advance adjustment Register	HQ	Branch Officer/ Group Officer	1 <sup>st</sup> Week of each month	Admn.II/ITA/194 dt. 28.4.1991
22.	CL Register	HQ	Branch Officer	7 <sup>th</sup> of the following month	Paragraph 3.2(A)(iv) of the manual
23.	Complaint Register	HQ	Pr. A.G in case anything pending	1 <sup>st</sup> week of the month	C&AG-17/88-125/OM /182 dt. 20.12.1988
24.	Issue of intimation of Audit	HQ	To auditee units	15 <sup>th</sup> of the preceding month of audit	Paragraph 3.1.1(8) of the manual
25.	Late attendance report in a consolidated form (Fortnightly, monthly and quarterly)	HQ	Pr. AG (G&SSA) through Group Officer Admn. Section	2 <sup>nd</sup> day following each fortnight and month 15 <sup>th</sup> of April, July, October, January	Pr. AG (G&SSA) order dated Admn/113 dt.7.1.1982
26.	Issue of requisition & reminders for submission of Proforma Account and Store Accounts.	DP Cell	Head of respective deptt./IG Prison (in r/o Jail Dept.)	31 <sup>st</sup> May	Paragraph 3.1.2(5) of the manual
	<b>(A) Jail Depot</b> (consolidated store A/c): i) Central Jails, ii) Presidency Jail.	DP Cell	Head of respective		
	<b>(B) Central Medical Store (ESI)</b>	DP Cell			

	<b>(C) I&amp;CA Deptt.</b> i) Publicity Stores Distribution Section	DP Cell			
	<b>(D) West Bengal Stationery Store</b>	DP Cell			
	<b>(E) Central Medical Store (Veterinary)</b>	DP Cell			
	<b>(F) School Education Deptt.:</b> i) Scheme for supply of Text books	DP Cell			
	<b>(G) H&amp;FW Department:-</b> <b>Consolidated store A/c from Director of Health Services, WB;</b> in respect of i) Netaji Subhas Sanatorium (Kancharapara T.B. Hospital); ii) Principal, State Hospitals; iii) ID & BG Hospital, Belehata; iv) State Health & Family Welfare Samity.	DP Cell			
27.	ATN Register	DP Cell	Group Officer	7 <sup>th</sup> day of the month	
28.	Materials for DP on drawal of fund in advance of requirement (Compiled)	DP Cell	Report	30 <sup>th</sup> June	Rep/AR/2002-03/1048 dated 24.3.2003
29.	Register for Defalcation Misappropriation & Fraud (compiled)	DP Cell	Group Officer	7 <sup>th</sup> day of month	Paragraph 6.1.5 of the manual
30.	Register of Financial Irregularities (PDP Register)	DP Cell	Group Officer	7 <sup>th</sup> day	Paragraph 6.4.1 of the manual
31.	Statement of misappropriation & defalcation of Govt. money	DP Cell	Report	15 <sup>th</sup> May	Rep/AR-99-2000/1093 dated 23.12.1999
32.	Non Tax revenue receipt appearing in the I.R of office/Dept., IR of those pursued by the section.	IR	AG (E&RSA), WB	30 <sup>th</sup> April	AG's no OA/IC/AR/ NCR/ 2000-01/157 dt.8.6.2000
33.	Progress Register of I.Rs	IR	Group Officer	1 <sup>st</sup> week of the month	Paragraph 5.8(16) of the manual
34.	Report of Audit objection for the last 3 years and audit committee meeting held	IR	C&AG	30 <sup>th</sup> September	Letter no. 1969/4/12/XIII/90 dated 12.2.96

35.	Report regarding formation of Audit Committee	IR	Pr. A.G	June, September, December, March	AG/Spl. Cell/1 S- A/ECPA/22 dated 10.4.1987
36.	Statement regarding position of outstanding record	IR	Record Section	June, September, December, March	ECPA/IR/B-I dated 27.12.1986
37.	Summary of the results of the Audit of Transaction of March	IR	C&AG (RS wing)	30 <sup>th</sup> June	No. 659-Rep (5) 112-99 dated 8.5.2000
38.	Annual return on completion of audit of Autonomous Bodies u/s 14,15,19 & 20	AB	C&AG	April	HQ Circular No. 1748/ 2/18-85 dt. 21.11.85
39.	Audit fee register	AB	Branch Officer Group Officer	5 <sup>th</sup> of each month 15 <sup>th</sup> of April, July, October	Para 1.6.3 (i) of Manual
40.	DO regarding statement of grants to different autonomous bodies/ authorities of the State	AB	Head of Finance Department, West Bengal	April	HQ Circular No. 149 -150 dt. 2.3.94
41.	Draft introduction para on Chap. of Financial assistance to local bodies and others	AB	Report Section	May	HQ Circular No. 209/ 541 - 8-6-25 dt. 12.9.75
42.	Identification for audit under section 14	AB	ITA	January	Paragraph 3.1.5(22) & 3.2(B) (e) (xiv) of the manual
43.	List containing the names of bodies and authorities to be audited u/s 19 & 20 of C&AG's DPC Act '1971	AB	C&AG	7 <sup>th</sup> January	C&AG circular letter No.ITA(Rep) 93-97
44.	Position in respect of issue of "Audit Certificate of Autonomous Bodies" audited u/s 19(2), (3) & 20(1) of DPC Act.	AB	ITA for onward transmission to HQ office	April, July, October, January	430 Audit-II/105-90 dated 5/93
45.	Statement of grants and loan sanctioned by Govt. of West Bengal to bodies and authorities under the audit of Pr. AGs of other states	AB	Other AGs/Pr. AGs	Upto 30/6 by 15/7 and upto 31/12 by 15/1	C&AGs letter no. 149/ TA-1/50-69/Vol-III dt. 2.7.74
46.	Submission of statement containing the list of Audit unit u/s 19 & 20 of C&AG's (DPC) Act, 1971, the audit of which are undertaken as per each of the above section during the preceding financial year.	AB	Group Officer	7 <sup>th</sup> January	C&AG's letter No. ITA(Rep) 93-97 dated 2.9.79

47.	Timely finalization of SAR and Certification of account of Autonomous Bodies where audited accounts required to be placed before the State Legislature	AB	C&AG	10 <sup>th</sup> of April, July, October and January	HQ letter No. 3 Rep(AB)/360-2000 dt. 8.1.01
48.	Calendar of Returns	All Section	Group Officer /Branch Officer	7 <sup>th</sup> week of month/ 1 <sup>st</sup> day of week	Paragraph 3.2(a)(x) of the manual
49.	Register for disposal of UO Cases from C&AG	All Section	Group Officer/ Branch Officer	Biweekly & Monthly/ Each Monday(Weekly)	O.O.92 dt. 16.3.49 Paragraph 3. 2(a)(xi) of the manual
50.	Inward Diary Register	All Section	Group Officer/ Branch Officer	1 <sup>st</sup> week of month/ Weekly	Paragraph 3.2(ii) of the manual
51.	Auditor Note Book	IR & AB	Branch officer	15 <sup>th</sup> day of the month	Paragraph 3.2(B) (d)(vi) & (e) (v) of the manual
52.	Late attendance report (fortnightly & monthly)	All Section	Group Officer through IC-I	2 <sup>nd</sup> day following each fortnight & 7 <sup>th</sup> of the following	Admn./113 dt. 7.1.85
53.	Sectional cut list	All Section	Admn. III	25 <sup>th</sup> of the month	Paragraph 3.1.1 (25) of the manual
54.	Compliance of outstanding IRs/Paragraph of ITA Wing	All Section	ITA Wing	Every Month	O.O. No. ITA/Work Report/5 dated 28-3-2007
55.	U.O case Register	All Section	Group Officer/ Branch Officer	Biweekly & monthly/ Each Monday	Paragraph 3.2(A)(xi) of the manual
56.	File Index Register	All Section	Group Officer	15 <sup>th</sup> of April, July, October, January	Paragraph 3.2(A)(vi) of the manual
57.	Adjustment Register	IR & AB	Group Officer/ Branch Officer	1 <sup>st</sup> week of month	Admn.II/ITA/194 dated 28.4.1991.
58.	IR's & paras issued upto 31/12 but not settled by 30/6 (Synoptic para)	IR & AB	Report	15 <sup>th</sup> July	Memo/Report/AR/1989-90/2-4 dated 20.4.96
59.	Register for Defalcation Misappropriation & Fraud	IR & AB	GSS-I (DP Cell)		
60.	Register of Fake appointment ghost employees	IR & AB	Group Officer	1 <sup>st</sup> week of the month	Paragraph 3.2(B) (d) (xii) & (e) (xiii) of the manual

61.	Register regarding drawal of fund in advance of requirement	IR & AB	Group Officer / Branch Officer GSS-I (DP Cell)	1 <sup>st</sup> day of April, July, October and January 1 <sup>st</sup> day of each month 15 <sup>th</sup> June	Rep/AR/2002-03/1048 dated 24.3.2003
62.	Reports on Review outstanding IR and Audit paragraphs outstanding more than one year	IR & AB	Respective Department	April & September	C&AG's It. no. 333-7A/1-363-68-11 dated 1/3/1977
63.	Review of pending cases and outstanding objection of a major degree brought to notice in course of audit	IR & AB	Group officer / Pr. AG	1 <sup>st</sup> week of March/Sept & 21 <sup>st</sup> Feb.	C&AGs letter no. 75/Rep/109-35 dt. 30.3.76
64.	Statement showing the outstanding Inspection Reports for more than 6 months	IR & AB	Head of Fin. respective Deptt.	20 <sup>th</sup> April, July, October & January	O.O. TM No. 371/ dated 11.9.2002
65.	Objection book and adjustment Register	IR & AB	Group Officer	7 <sup>th</sup> of each month	Paragraph 3.1.4(17) of the manual
66.	Para Settlement Register (Disposal of IR/Para)	IR & AB	Group Officer	1 <sup>st</sup> week of each month	Paragraph 3.2(B) (d) (ii) & (c) (ii) of the manual
67.	Reminder Register (for Broad sheet replies)	IR & AB	Branch Officer & Group Officer	Once in a week and Once in a month	Paragraph 3.2(B) (d)(xi) & (c) (xii) of the manual

## ANNEXURE-F

(Ref. paragraph -4.12)

**Demarcation of duties of the personnel of audit parties****I. Civil Audit Party consisting of one Sr. Audit Officer/Audit Officer, an Assistant Audit Officer/Section Officer/Supervisor and two Senior Auditors/Auditors****(A) Sr. Audit Officer/Audit Officer**

Besides performing the coordinating functions to achieve overall efficiency in performance and seeing that necessary processes of audit of the various documents have been carried out by the staff under him, the Audit Officer will also do a certain amount of original work and examine personally with reference to original documents all important points raised by the staff. He should personally review all tenders and agreements, particularly those of high value, and also see whether the state of accounts in the office inspected is satisfactory. He should himself draft the Inspection Report and discuss it with the head of the office inspected, whenever he is present at the close of the inspection.

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

**(B) Assistant Audit Officer/Section Officer/Supervisor**

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

**Notes:**

- a) *When the party is unsupervised, the Assistant Audit Officer/Section Officer should ensure that physical verification of cash as per the records is verified by the Drawing and Disbursing Officer in his presence and include comments, if any, arising from such verification in the Inspection Report.*
- b) *In cases where close supervision of the Senior Auditor's work in regard to issue of audit memos and check of disposal of previous Inspection Reports are required, the assistance of the Senior Auditors may be availed of for the routine checking of receipts and payments under this item of work, subject, of course to the overall responsibility and supervision resting with the Assistant Audit Officer/Section Officer.*
  - iv) Examination of the vouchers for the months selected for test check which were submitted to Central Audit.
  - v) Audit of all vouchers not submitted to Central Audit.
  - vi) Verification of drawals from and deposits into treasury with reference to treasury records.

*Note: The instructions in Note (b) below item (iii) are applicable to this item of work also.*

- vii) Examination of the points marked by Central Audit for special investigation.
- viii) Audit of works expenditure.
- ix) Scrutiny of accounts of stores, equipment, etc. received under various foreign aid programmes.
- x) Examination of Departmental Inspection Reports.

**(C) Senior of the two Senior Auditors/ Auditors**

- i) Examination of service books, service rolls, broadsheets and ledgers in respect of Provident Fund accounts of Group D staff.

- ii) Study of files containing important rules/orders issued by Government in respect of the institution under local audit and matters dealt with by it and of the Dictionary of References.
- iii) Check of disposal of previous inspection reports.
- iv) Triennial audit of taccavi accounts.
- v) Audit of expenditure incurred by State Government in connection with large gatherings of political organizations.
- vi) Scrutiny of establishment pay bills.
- vii) Audit of travelling allowance bills.
- viii) Examination of register of undisbursed pay and allowances.
- ix) Scrutiny of register of advances.
- x) Examination of accounts of immovable properties like land, buildings and other assets.

**(D) Junior of the two Senior Auditors/Auditors**

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

**II. Civil Audit Parties consisting of one Sr. Audit Officer/Audit Officer, two Assistant Audit Officer/Section Officers/Supervisor and one Senior Auditor/Auditor.**

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

Same as those detailed in I.A. above.

**(B) Assistant Audit Officer**

SI. Nos. (ii), (iii), (iv), (vi) and (ix) in (I) (B). and SI. Nos. (i), (iii), (iv), (v), (ix) and (x) in (I) (C) above.

**(C) Section Officer/Supervisor**

SI. Nos. (i), (v), (vii), (viii) and (x) in (I).(B). and SI. Nos. (ii), (vi), (vii), (viii), in (I).(C) above

**(D) Senior Auditor/Auditor**

Same as those detailed in (I).(D) above.

**ANNEXURE G**  
*{Ref. Paragraph 5.4.1(1)}*  
**Forwarding memo of the Inspection Reports**

**OFFICE OF THE**  
**PRINCIPAL ACCOUNTANT GENERAL(GENERAL & SOCIAL SECTOR AUDIT), WEST**  
**BENGAL**

**2, GOVT. PLACE (WEST), TREASURY BUILDINGS, KOLKATA – 700 001.**

Memo No. OA/IR/ \_\_\_\_\_

Dated: \_\_\_\_\_

Inspection Report on the accounts of the .....  
..... for the period from ..... to .....

Forwarded to the.....

..... with the request that he should submit his remarks on each paragraphs of parts I & II of the Inspection Reports to the Head of the Department within 3 (three) weeks from the date of receipt of the report in his office (vide instruction issued in Government of West Bengal, Finance Department, Memo No. 1406-F dated 7<sup>th</sup> April 1930). The replies should be submitted in Broad Sheet format to the Head of the Department through the higher authority in suitable number of copies to enable the latter to transmit the same with his comments to this office in duplicate.

Each para or sub-para of the Inspection Report should be pasted at the top of a separate sheet of foolscap paper. The different officers dealing with it should then record their remarks seriatim, attaching as many sheets as may be necessary to dispose of each para, sub-para of items thereof. At the top of each note the designation of the officers forwarding the note should be clearly recorded (vide instruction contained in S.G.F.D. No. 7101 dated 22.12.1953).

**Sr. Deputy Accountant General (GSS-I)/**

**Deputy Accountant General (GSS-I)**

**West Bengal**



Memo No. OA/IR/\_\_\_\_\_

Date\_\_\_\_\_

Copy forwarded to the .....  
..... for information. He is requested to obtain reply in Broad Sheet format from the Head of the office on each and every paragraph of the Inspection Report within the prescribed time limit and forward the same with his comments thereon in suitable number of copies to the Department concerned to enable the Department to forward the same to this office with their remarks/comments thereon, within one month from the date of receipt of explanation/reply, for necessary action at this end. (vide instructions contained in Government of West Bengal, Finance Department Memo No. 5703-F dated 29.6.1982).

**Sr. Deputy Accountant General (GSS-I)/**

**Deputy Accountant General (GSS-I)**

**West Bengal**

Memo No. OA/IR/\_\_\_\_\_

Date\_\_\_\_\_

Copy forwarded to the Principal Secretary/Secretary to the Government of West Bengal  
.....  
.....for information with a request to obtain reply to each of the paragraph in Broad Sheet format from the Head of the office along with the comments of its superior officer, if any, and forward the same in duplicate with his comment/remarks to this office for necessary action at this end.

Attention of Government is drawn to paras ..... of the report. Action taken by Government in this regard may be intimated to audit.

**Sr. Deputy Accountant General (GSS-I)/**

**Deputy Accountant General (GSS-I)**

**West Bengal**

## ANNEXURE-H

**{Ref. Paragraph 5.4.1(2)}**

(Title sheet to be submitted duly filled in by the field party alongwith the Inspection Report)

**TITLE SHEET****(GENERAL & SOCIAL SECTOR-I WING)**

Notes on forwarding documents along with the Inspection Report on completion of the Audit by the Inspecting Asstt. Audit Officer/ Section Officer/Supervisor or by the Supervising Sr. Audit Officer/ Audit Officer.

Party No...../..... Qr./for the year.....

**PART-I**

1.	i)	Name of office inspected	:	
	ii)	Period of Accounts inspected	:	
	iii)	Period allotted for inspection	:	
	iv)	Period taken for inspection/increase in the time, if any, should be reported by extension note	:	
2.		Name of the Inspecting A.A.O/S.O/ Supervisor/Senior Auditors/ Auditors	:	1.
			:	2.
			:	3.
			:	4.
			:	5.
3.	i)	Name and Designation of the Supervising Officer	:	
	ii)	Dates of supervision	:	
4.	i)	Date of dispatch of the I.R. keeping in view of the time schedule prescribed in para 5.4 of Civil Audit Manual (G&SS-I wing), Volume-I	:	
	ii)	Reasons for delay, if any	:	
5.	i)	Whether the vouchers and documents required from the headquarters section were obtained by the party and scrutinized locally, for parties in Kolkata.	:	
	ii)	In case of parties outside Kolkata, whether the documents as at (i) above were received from the headquarters section in time.	:	
	iii)	The date on which received, if received late, if not received in time, whether selection had to be made locally.	:	
	iv)	Whether there was any difficulty in getting sub--vouchers from the controlling officers, for scrutiny.	:	

6.	i)	Whether all the points marked/recorded in the Audit Note Book for 'Next Audit' were examined.	:	
7.	i)	Whether the outstanding objections of the previous Inspection Reports have been reviewed (If yes, the results of review should be attached.	:	
	ii)	Paras of previous Inspection Reports settled on the spot.	:	
	iii)	If no para could be settled reasons for the same.	:	
8.	i)	Whether lists of objections relating to Financial Audit were received (If yes, details with result of review should be furnished).	:	
	ii)	Total number of cases referred to local audit party for settlement on the spot.	:	
	iii)	Number of cases actually settled on the spot.	:	
	iv)	Reasons for which the balance could not be settled on the spot.	:	
9.	i)	Was there any case in which records have not been produced to audit? If so, para of the I.R in which mentioned.	:	
	ii)	Whether as per earlier report records have not been produced were to be checked. If so, para in which comments given as required under office order No. OA/4 dated 27.6.1967	:	
10.		Whether any paper clipping was issued by the Data Bank, if so, the detailed reports to be enclosed.	:	
	i)	No. of cases received	:	
	ii)	No. of cases reviewed/investigated	:	
	iii)	Commentated in IR	:	Para reference
11.		Whether physical verification of cash was conducted by DDO/Hd. of office in presence of audit team.	:	
	a)	Physical verification conducted on	:	
	b)	Discrepancies, if any,	:	
	c)	Voucher in lieu of cash	:	
	d)	Comments in the ER	:	Para No.
12.		Total Money value of the objection raised	:	
	i)	Cash recoveries suggested	:	Para reference.
	ii)	Wasteful expenditure	:	Para reference.
13.		Whether there is any case of non-acceptance of lowest Tender without assigning reasons thereof.	:	

14.	Category of strength of the establishment			
	i)	Total Service Books maintained by the auditee unit.	:	
	a)	Total Service Book/Leave A/c to be checked (25%, 50%, 100%)	:	
	b)	Total Service Book/Leave A/C actually checked	:	
	c)	Total No. of pay fixation actually checked (Group wise)	:	
	ii)	No. of staff due to retire during next five years/next inspection.	:	
	a)	Total no. of Service Book/Leave a/c of the (ii) above checked.	:	
	b)	Total no. of Leave A /c of (ii) above checked.	:	
	c)	Total no. of pay fixation cases of (ii) above checked.	:	
	iii)	Total Number of Gr. 'D' Staff entitled for contribution to G.P.F. A/c	:	
	a)	No. of Gr. 'D' staff actually contributing to G.P.F.	:	
	b)	No. of Gr.- 'D' G.P.F. A/c checked.	:	
15.	Whether property register is required to be maintained in the local office, if not, whether a 'NIL' statement has been furnished (Ref. paragraph 7.8.11 of Civil Audit Manual (IC wing), Vol.-I)		:	
16.	a)	Whether any irregularity was noticed relating to audit of grant-in-aid keeping in view the procedure laid down (Paragraph 7.7 of Civil Audit Manual (G&SS-I wing), Volume-I).	:	
	b)	Whether controlling officers have failed in their duties in respect of T.A Bills of the personal staff	:	
17.	Whether any fraud/embezzlement was detected by audit, if so, who detected it		:	
18.	Important paragraphs of the report fit for inclusion in the register of serious financial irregularities and who contributed the most glaring ones.		:	
	a)	Important paragraphs of the report fit for inclusion in the Appropriation Accounts and Audit Report and who detected them initially?	:	
	b)	Important paragraphs of the report fit for the attention of Government.	:	
	c)	Important paragraph of the report fit for Pr.AG.'s information	:	

d)		Contribution of important paragraph by the Inspection party including supervising officer		
Name & Designation		Part-IIA Para No. AQ No.	Part-IIB Para No. AQ No.	Marked important for inclusion in PDPR
19.		Is any amendment of O.A.D. Manual necessary? If so, to what paragraph? (Attested copies of relevant orders, extract of Acts. Manual etc. where referred to should be enclosed)		
20.		Inspection Report para in which the non-maintenance of important initial records (such as Cash Books, Pass Books, Security Register, Stock Register etc.) in the office inspected was mentioned. If investigation has been made to ensure that this is not a camouflage to hide frauds and mis-appropriation.		
21.		Have the store accounts been checked as required under <i>Paragraph - 7.8 of Civil Audit Manual (G&amp;SS-I wing), Volume-I.</i>		
22.		Whether the maintenance of the important initial records was found defective and if so, have these been specially looked into by the Inspecting Party to see that there is no fraud or misappropriation? The paras in the Inspection Report embodying the observations may be indicated.		
23.	a)	If the previous report mentioned that important initial record had not been maintained or not maintained properly and these defects have since been rectified, state whether the records were scrutinized in the course of 'Current Audit'		
24.		Whether nominal audit has been conducted in terms <i>Paragraph - 7.5.11 of Civil Audit Manual (G&amp;SS-I wing), Volume-I.</i> The checks exercised may be indicated clearly.		
25.		Whether the list of prescribed account records has been obtained or was called for and cases of non-production have been mentioned in the Report. A list of accounts records and registers checked is to be enclosed.		
26.		Number of overtime allowance bills drawn during the month/months selected for detailed check. Nos. of such bills checked in audit and the para of Inspection Report in which irregularities etc. noticed in respect of such payments may be pointed out.		

27.		Number of scholarship payments made by the office during the period of audit and number of such payments checked in all respect.	:	
28.		The remittances to and drawing from the Treasury for the month ..... and ..... were verified/prepared by Shri .....	:	
29.		The accounts for the month(s) of ..... were audited in detail.	:	
30.		Allotment and Expenditure in respect of the office audited.		
	<b>Year</b>	<b>Total allotment including Dev. Scheme.</b>	<b>Expenditure incurred</b>	<b>Excess savings, if any.</b>
				<b>Remarks</b>
31.	a)	Audit completed on	:	
	b)	IR drafted by	:	
	c)	IR discussed on	:	
32.		Whether the information in the prescribed proforma relating to the computerized accounting system has since been collected	:	
33.		Name of the Head of the Local Office.	:	
34.		Telephone Number of Local Office	:	

Camp.  
Date.

**Signature of AAO/SO/Supervisor**

**Remarks of the Supervising Officer**

35	a)	Para Nos.....fit for Audit Report All necessary materials have been incorporated in the paras.	:	
	b)	Para Nos..... are important though not fit for Audit Report.	:	
	c)	Suggestion, if any, about the nature/quantum etc. of audit.	:	

**Camp**

**Dated.....**

**Supervising Sr. AO/AO**

**Remarks, if any, and approval of Group Officer**

**Sr. Deputy Accountant General (GSS-I)/  
Deputy Accountant General (GSS-I)  
West Bengal**

**PART-II****(To be filled in by the concern and section of GSS-I Wing)**

36.	Date of approval of the Report by the Sr. DAG (G&SS-I)/DAG (G&SS-I) or the Sr. A.O/A.O.	:	
37.	Date of sending the report to the Typing section/EDP Section.	:	
38.	No. and date of the Inspection Report.	:	
39.	Page Nos. of the progress register were entered	:	
40.	Total No. of IR Para & No. fit for processing Draft para.	:	
41.	Total No. of IR para & Para Nos. sent to the IC-II Section for processing of draft paragraph.	:	

**SO/AAO/Supervisor****Sr.AO/AO****CHECK LIST**

**While submitting the IR file by the field party it should be checked by the concerned official whether the following was enclosed with the Title Sheet**

<b>Sl. No.</b>	<b>Particular</b>	<b>Pl. Tick, if submitted</b>
1)	Minutes of discussion with the head of the office.	
2)	Results of review of O/S paras.	
3)	Duty list (Allotment of work).	
4)	Details of work done.	
5)	List of drawing along with certificate of verification.	
6)	List of remittance along with certificate of verification.	
7)	List of Service Book along with certificate of conducting nominal audit and checking of pay fixation of Group 'A' & 'B' officers.	
8)	List of A/c s record maintained and checked.	
9)	Cases warranting vigilance investigation.	
10)	Survey questionnaire for IT application.	
11)	Certificate regarding physical verification of cash balance.	
12)	Information relating to defective/condemned vehicle.	
13)	Information relating to Hired Vehicle.	
14)	Information relating to drawal of AC bill.	
15)	Notes regarding selection of additional months for detailed checking.	
16)	Notes regarding extension of time.	
17)	Feed Back.	
18)	Code of Ethics.	

**Remarks & dated signature of the receiving clerk**

**ANNEXURE-I**

(Refer paragraph - 5.5)

**Form-I****(REGISTER FOR WATCHING THE RECEIPT AND ISSUE OF INSPECTION REPORTS)**

SI. No.	Name of the Office Inspected	Name of the Inspecting Officer and Staff.	Month up to which the account as now audited	Date of Audit		Due date for receipt of draft report from the Inspection Officer.
				From	To	
1	2	3	4	5	6	7

Particulars of reminder issued in case of non-receipt of IRs by the due date.	Date of receipt of draft report	Date of submission to AO/DAG	Date of approval	Date on which sent for type	Date of return from type	Date of issue	Reference to progress register	Remarks.
8	9	10	11	12	13	14	15	16



**ANNEXURE-I (Cont.)**

(REF: Paragraph - 5.5)

## Form-II

## (REGISTER TO WATCH PROGRESS IN THE SETTLEMENT OF INSPECTION REPORTS)

SI. No.	Name of the unit inspected	Item No of the Register for watching the receipt and issue of Inspection Reports.	Date of Completion of Audit.	No. and date under which report was issued.	Due date of receipt of reply.	No. & date of reminders etc.	Date of receipt of 1st reply.	Date of issue of further audit remarks.
1	2	3	4	5	6	7	8	9

Further Correspondence		Paras outstanding after six months of the issue of the report			
Date of receipt of further replies.	Date of issue of further remarks/reminders.	No. of the para in the Inspection Reports.	Date of settlement with reference to file number.	Date of closure of the report with reference to file number.	Remarks.
10	11	12	13	14	15

**ANNEXURE-I (Cont.)**

(Ref: Paragraph - 5.5)

Form-III

Statement showing the Inspection Reports not issued within thirty days from the date of completion of audit and which are still outstanding.

Name and period of audit.	Period of Inspection.	Name of the S.O/G.O	Date of submission of the draft inspection report.	Date of issue of the I.R & No. of the I.R	Reasons for delay, if any.
1	2	3	4	5	6

## ANNEXURE - J

(Ref. Paragraph No. 7.3.1)

Certificate on Physical Verification of Cash of the office of the .....

Certified that the Physical Verification of Cash of the office of the .....  
was conducted by the ..... (head of office/DDO) in presence of the audit team today  
(i.e.....) and the following balance was found:

A) <b>Cash Book balance</b> (i.e. closing or opening balance as of .....) page no..... dt. .... of the cash book.				Rs.
<b>B) Cash found on physical verification :-</b>				
	<b>Denomination</b>	<b>X Nos.</b>	<b>Amount</b>	
i) <u>Liquid cash &amp; Coins</u>				
			<i>Total of (i)</i>	Rs.
ii) <u>DDO's cheque (Total No.)</u>	No.	dt.		
			<i>Total of (ii)</i>	Rs.
iii) <u>Party's cheque (Total No)</u>	No.	dt.		
			<i>Total of (iii)</i>	Rs.
iv) <u>Bank Balance</u>				
Name of the Bank	Account No	Type of Account		Rs.
<b>Grand Total (B) ( i+ ii+iii+iv)=</b>				<b>Rs.</b>
C) <b>Discrepancy, if any, (Short or Excess)</b>			<b>(A-B)=</b>	<b>Rs.</b>
D) <b>Details of vouchers, if any, which were accounted for as a part of cash balance</b>				
<b>Voucher/Sub-voucher No.</b>	<b>Date of Payment/Expenditure</b>	<b>Purpose of Expenditure</b>	<b>Amount</b>	
			<i>Total of (D)</i>	Rs.
E) <b>Discrepancy, i.e. Short or Excess after taking into A/c the amount of vouchers/Sub-vouchers.</b>			<b>(C-D)</b>	<b>Rs.</b>
Certified that on physical verification of cash conducted today in presence of audit shortage/excess of cash amounting to Rs. .... (Rupees ..... ) was noticed (after taking into account the amounts of vouchers/sub-vouchers Rs. .... as detailed in D above).				
Physical verification of cash was conducted in my presence Sd/-				
Signature of Supervising Sr. Audit Officer/Audit Officer		Sd/- Signature of the DDO		Sd/- Signature of the Head of office

ANNEXURE-K  
(Ref. Paragraph 7.25.3 (r) (xix))

**The additional points to be looked into during audit of ABs and comments included in IR/SAR**

(A) The field parties to examine the following points while conducting the audit of accounts of the autonomous bodies and collect required information and make adequate comments where necessary in the Separate Audit Report (SAR).

1. Whether the accounts were prepared as per format of accounts approved by C & AG of India and the last year's balance in respect of each head of accounts have been shown in the Income and Expenditure account and Balance Sheet.
2. Whether the closing balances of audited and certified accounts of previous year's were correctly brought forward and accounted for and the grand total shown are agreeable with the opening balance of current year account.
3. Whether supporting schedules (viz. schedule for assets including work in progress, Investments, Sundry Debtors/Creditors etc.), where necessary, were appended to the accounts and agreed to the figures shown in the accounts.
4. Whether the Schedule of Investment clearly indicates the details of investment viz. date of investment, where invested, certificate numbers, amounts invested, date(s) of maturity, receivable interest on maturity, date of reinvestment if any, etc. Whether such investment was duly authorized and approved by the Board/Government.
5. Whether Fixed Assets Register was maintained properly and reflections thereof were correctly indicated in the Schedule of Fixed assets, showing the gross block, depreciation, net block etc.
6. Whether the depreciation, charged and provisions for income/expenditure & bad debts made were as per the agreed principle and with the approval of the Board governing the Autonomous Body /Government.
7. Whether the Grants Statement in details indicating the plan and non-plan grants received by the Autonomous Bodies from State Government/Central Government and any other Autonomous Bodies, or Non-Government Organization etc. along with details of utilization statement submitted to the grant sanctioning authorities in respect of such grants was appended to accounts.
8. Whether the procedures of physical verification followed are reasonable and adequate in relation to the size of the organization. Whether the reconciliation between the physical verification reports and the book records of the assets as well as stores were carried out and the difference, if any, has been appropriately dealt with in books of accounts.
9. Whether the rectification/adjustment wherever necessary was duly made through journal on the basis of the comments on the previous year's accounts as audited and certified by the Pr. Accountant General (Audit), West Bengal.

10. Whether the audited and certified accounts of previous years have been placed in the Boards Meeting for adoption/ratification. If so, a copy of the Minutes of the Board Meeting in which it was adopted should be collected.
11. Whether Internal Audit Wing in the Autonomous Body was existent to ensure proper observance of financial rules and regulations and expenditure control, adherence to Accounting Standards, maintenance of accounts as well as to ensure achievement of the programmes/objectives.
12. Whether the amount in respect of defunct assets, lost/unserviceable stores, irrecoverable loans & advances etc. if any, reflected in the accounts for years together, required to be written off from the accounts. If so, whether the autonomous body has taken adequate initiative in this regard, with the approval of the appropriate authority/Government.

Further, field parties conducting audit on the accounts of the Autonomous Bodies are also **requested to furnish a certificate** along with the SARs (separately for each year) to the effect that the information and documents as mentioned above have been collected and in absence of non-availability of the same, comments on the same have been incorporated in the Audit Report.

(B) Since transaction as well as accounts audit of some ABs are being conducted simultaneously under Section 14 of the C&AG's DPC Act, 1971. Audit comments on transaction as well as comments on accounts are made in the IR and no SAR in respect of comments on accounts is prepared.

To make the audit comments more effective a separate paragraph on comments on accounts, separately for each year, of the units audited under Section 14 of the C&AG's DPC Act, 1971 should be made in the IR in the format of SAR as follows:

**IR Para No.**                      **COMMENTS ON ACCOUNTS FOR THE YEAR**

1. INTRODUCTION:            *(It should contain the date of formation of the unit, objective of its formation, management and control, scope of audit, funding pattern, grants and loan received during the year together with accumulated loan and interest etc. and utilization there against)*

**2**            **COMMENTS ON ACCOUNTS**

2.1        BALANCE SHEET

a)        Liabilities:

b)        Assets:

**3**            **INCOME & EXPENDITURE ACCOUNT**

3.1        Expenditure:

3.2        Income:

**4**            **NET EFFECT OF AUDIT COMMENTS ON ACCOUNTS**

***Note: In no case paragraphs relating to comments on accounts featured in previous IR should be dropped during review unless the required adjustment/rectification has been made by the local unit on the basis of the comments on accounts.***

**ANNEXURE-L**  
(Ref. Paragraph 7.25.4)  
Format of Audit Certificate

Office of the.....

(in the proper letter head)

**AUDIT CERTIFICATE**

I have audited the attached Balance Sheet of..... *(Please indicate the name of AB)* as at 31 March ..... *(Year)* and the Income and Expenditure Account, Profit and Loss Account/Receipts and Payments Account *(strike out which is not applicable)* for the year ended on that date. These financial statements include the accounts of ..... units/branches *(strike out if not applicable)*. Preparation of these financial statements is the responsibility of the AB’s management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with applicable rules and the auditing standards generally accepted in India. These standards require that I 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, evidence supporting the amounts and disclosures in the financial statements. I believe that my audit provides a reasonable basis for my opinion.

Based on our audit, I report that:

1. I have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. Subject to the major observations given below and detailed observations in the Separate Audit Report annexed herewith, I report that the Balance Sheet and the Income and Expenditure Account/Profit and Loss Account/Receipt and Payment Account *(strike out which is not applicable)* dealt with by this report are properly drawn up and are in agreement with the books of accounts.

(Significant comments)

- .....
- .....
- .....

3. In my opinion and to the best of my information and according to the explanations given to me:
- (i) the accounts give the information required under the prescribed format of accounts;
  - (ii) the said Balance Sheet, Profit and Loss Account/Income and Expenditure Account/Receipt and Payments Account (*strike out which is not applicable*) read together with the Accounting Policies and Notes thereon, and subject/due to the significant matters stated above and other matters mentioned in the Separate Audit Report annexed herewith, give/do not give (*strike out which is not applicable*) a true and fair view.
    - a. In so far as it relates to the Balance Sheet of the state of affairs of the AB (Name of AB) as at 31 March..... (Year); and
    - b. In so far as it relates to the Profit and Loss Account/Income and Expenditure Account (*strike out which is not applicable*) of the profit/loss/surplus/deficit for the year ended on that date.

**Pr. Accountant General (General & Social Sector Audit),  
West Bengal**

**Place:**

**Date:**

*(Ref. HQ Office Letter No. 44-Rep (AB)/91-2003 dated 25.04.2006)*

**ANNEXURE-M**

(Ref. Paragraph 7.25.10)

**Procedure to be adopted in Finalisation of SAR**

1. The draft SAR duly vetted by the IC wing should be sent to the ABs concerned under the signature of Pr. Accountant General (Audit) for obtaining replies to various observations contained therein.
2. Replies received must be taken into account and incorporated, if necessary, in the SAR proposed to be issued. If, however, Management disagrees to any facts in the report, their correctness should be rechecked. In case, replies are not acceptable, reasons as to why the replies are not acceptable should be clearly given in aide- memoire and rebuttal in brief incorporated in the SAR. If no replies are received to the draft SAR within the stipulated period, SAR should be finalized and the fact of non-furnishing of replies should be indicated in the SAR.
3. SARs on the Autonomous Bodies which fall within the following criteria would also be finalized and Audit Certificates/SARs should be issued to Government only under the signatures of Pr. Accountant General (Audit).
  - ❖ Grants up to Rs 1 crore per annum
  - ❖ If not grants are received - expenditure amounting to Rs 1 crore & below
  - ❖ If certification of accounts is in arrears, - autonomous bodies with arrears up to 3 years
  - ❖ All SARs on new audits may be sent for Headquarters approval for two years and thereafter, if directed by Headquarters.

***Note The separate Audit Reports on all legal service authorities (State and District levels) will be finalized by the Pr. Accountants General (Audit).***

4. In all cases where the SARs are to be placed before the State Legislatures the reports and accounts as audited must be submitted to Headquarters office for prior approval before these are sent to Government concerned for being placed before State Legislature.



5. While forwarding the draft/final separate audit report to Headquarters office, the following information/documents should invariably be furnished:-
  - a) Two copies of draft SAR along with aide-memoir and key linking the figures.
  - b) Two copies of draft audit certificates proposed to be issued.
  - c) One copy of authenticated annual accounts to be certified by the audit office.
  - d) Information in the proforma as required under Manual of Instruction for audit of ABs
  - e) In case of the autonomous bodies having branch/units the following information may also be furnished:
    - i) Number of units of ABs;
    - ii) Number, name/location of units selected for audit;
    - iii) Name of units whose comments have been incorporated in the SAR
  - f) A brief note on the evaluation of internal control system in the ABs
  - g) Management letter, if any
  - h) Check list as mentioned in the Manual of instruction of ABs
6. Since the work of certification of annual accounts and issue of SAR. is required to be completed in a time-bound manner the time schedule for completion of financial audit and issuing the final SAR to Management/Government concerned should be adhered to scrupulously.
7. In case, audited accounts/SARs for previous years have not been placed before the Parliament/State Legislature (s), specific reasons therefore may be ascertained from the organization/department; concerned and reported to the Headquarters office, if necessary before releasing final SAR for subsequent years to the Autonomous Body.

ANNEXURE-N

(Ref. Paragraph 7.37.8(b))

**Audit Certificate**

Office of the.....

(in the proper letter head)

No.....

**AUDIT CERTIFICATE**

The Expenditure Statements/Financial Statements relating to the Project.....(loan/credit No.....) for the year..... attached hereto 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 necessary to confirm.

- a. That the resources were used for the purposes of the Project; and
- b. That the expenditure statements/financial statements are correct.

During the course of audit referred to above, Statements of Expenditure (Each Application Number..... 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 Rs..... Rupees(.....) which is still pending adjustments.<sup>1</sup>

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 test audit, it is certified that the Expenditure Statements/Financial Statements read with the observations set out below represent a true and fair view of the implementation (and operations) of the project for the year.....

This certificate is issued without prejudice to CAG’s right to incorporate any further/detailed audit observation if and when made in the Report of CAG of India for being laid before Parliament/State Legislature.

Signed .....  
(Name and Designation)

<sup>1</sup> Delete if not necessary.

**ANNEXURE-O**  
**(Ref. Paragraph - 7.38.15(c))**

**AUDIT EVIDENCE**

In searching for the evidence of fraud and corruption the auditor must:

- > Always search for the strongest possible evidence;
- > Investigate without delay, as evidence may be destroyed, lost or forgotten;
- > Not ignore small clues or leads;
- > Look for facts that confirm or refute suspicions;
- > Concentrate on the weakest point in the fraud and corruption;
- > Identify and summarize the evidence indicating that fraud and corruption may have been committed;
- > Identify the possible scenario of fraud and/or corruption;
- > Summarize and explain the accounting and control systems involved, the paper trail involved in the transaction, and the deviations from the systems;
- > Explain patterns used in covering up the fraud and corruption;
- > Identify the possible extent of the fraud and corruption; and
- > Consider the possibility of collusion.

**SOURCES OF EVIDENCE**

- > ***Documents from the auditee:*** During the course of examination of books of accounts, auditors investigate various documents that serve as evidence for the audit. These documents may be original or photocopies depending upon their importance.
- > ***Report of Internal Auditor:*** The internal auditor may have identified instances of deviation from normal procedure.
- > ***Interviews:*** Auditors can obtain important information from various Government employees. Since they may have noticed internal control failure made by managers and fraudulent activities perpetrated by other employees, interviews may be useful in detecting material misstatements caused by fraud and corruption.
- > ***Inspection/Observation:*** Auditors can notice possibility of fraud and corruption through the examination of inspection/observation/physical verification reports (e.g. forged document, inventory not in existence or inferior quality). Where any auditor relies on physical observation for an audit conclusion, this would need to be supported with properly documented evidence.
- > ***Questionnaires:*** Auditors may gather important and helpful information by using questionnaires.
- > ***Confirmation with other related parties:*** Auditors sometimes obtain information directly from other related parties (e.g. bank balance confirmation from the bank, Debtor's balance confirmation from individual debtors etc). If the figures provided by these agencies do not tally with the account, they should check in detail to find out the reason for discrepancy.
- > ***Results of Analytical Review:*** Auditors analyze both financial and non-financial information which can indicate abnormal trends. In that case, auditors need to concentrate on particular areas.
- > ***Expert Opinion:*** Auditors may seek expert opinion about a suspicious case. The expert's opinion becomes evidence if auditors can rely on that opinion in assessing fraud and corruption.

**ANNEXURE-P**  
**FEED BACK REPORT**

**Party and quarter No.**

1. Name of the office inspected and DDO Code (s) :
2. Period of accounts checked :
3. Time allowed and taken to complete the audit :
4. Activities of the office in brief :
5. Number and name of units/sub-units under the office inspected along with DDO Code (s) :
6. Expenditure incurred during the period covered in audit (year-wise breakup):

Year	Name(s) of the scheme/project/programmes /activities (Plan/Non-plan) undertaken and expenditure against each	Expenditure on contingency	Expenditure on salary and other establishment matters	Expenditure on purchase of stores/ materials and nature of stores/materials as per statement enclosed

7. Fund sub allotted to Field Level office (district/block level) for implementation of scheme/ project/purposes other than salary and establishment expenditure:

Year	Fund sub allotted (consolidated)	Purpose (s)	To whom	UC received

8. Whether any interesting points have been found during scrutiny of reports/returns/UCs/SOE against fund sub allotted to field level offices (under audit jurisdiction of IC Wing) which require checking of basic

records of those office(s). If so, points in brief. Name(s) of the field level unit(s) that failed to submit UC/SOE may also be mentioned showing amount sub allotted.

9. Fund drawn in advance and adjustment submitted:

Year	Amount drawn in advance	Amount for which adjustment submitted	Fund remained unutilised against total drawl of advance for which no adjustment submitted

10. Deposit in PLA/Bank and expenditure made there from:

Year	Opening balance	Amount deposited	Amount withdrawn	Closing balance

11. Whether there is system of internal audit? If so, frequency of such audit:

12. Whether there is deficiency in maintenance of records?

13. Cases of defalcation, misappropriation, embezzlement, fraud etc. if any:

14. Major audit findings (Subject in brief with money value):

15. Position of outstanding paras:

16. Risk involved with the unit inspected (High/Medium/Low):

17. Whether revision of periodicity/working days is required. If so, reason thereof:

18. Name of the team members and supervising officer:

19. Signature of the Supervising Officer and date:

Sr. Audit Officer/Audit Officer (Party No.....)

## ANNEXURE-Q

### **Survey Questionnaire for IT Applications**

*General instructions for filling the forms of survey questionnaire:*

- There are three forms in the survey questionnaire. For each **IT Application** all the forms of survey questionnaire as applicable should be filled **separately**.
- For item at Sl. No. 2, the name of IT Application (e.g. Passenger Reservation System in Railways or Online Caste Certificate in Backward Class Welfare Department) should be filled .
- For item at Sl. No. 3, the name of the senior most person (like DM or BDO or Sabhadhipati) in the auditee unit and in case aggregated data is compiled from more than one location/agency, the highest authority of the organization should figure.
- The information may be furnished in the space available in the format. If the space is inadequate, separate sheet may be attached including the serial no against which additional information is given.
- Sl. No. 13 to 21 in Form I and the entire Form II is not required to be furnished in case the system is under development stage.
- Form III is not required to be furnished in case the system is already running.

Form I

1. Name of the auditee organization

Name of the IT Application and broad functional area covered by the IT application:

2. Date of sending the data :

3. Head of the auditee organization :-

4. Phone No. and email ID of the Head  
of the Office  
:-

5. Information System-in-charge :

6. Location of the IT Installation :

7. State the category of IT system architecture :
- A. Mainframe based
  - Minicomputer based
  - PC based
  
  - B. File server system
  - Client server system
  - Distributed processing system
  - Web based/Electronic Data Interchange
  -

8. State the category of IT application :

A. An E-Governance Project (Part of NEGP<sup>2</sup>) (Please give details in separate sheet)

B. Other application system (Choose from the list below)

- Accounting system
- Financial Management System
- Inventory/Stock Management
- Decision Support System/MIS
- Manufacturing/Engineering
- Payroll
- Personnel and Administration
- Marketing
- Sales
- Enterprise Resource Planning
- Research and Development
- Others (Please specify)

9. Does the IT application has a direct impact on the financial and accounting aspect of the organization?

Yes

No

10. Software used (the Version May be specified)

Operating System \_\_\_\_\_

Networking Software \_\_\_\_\_

Communication Software \_\_\_\_\_

<sup>3</sup>DBMS/RDBMS \_\_\_\_\_

Front End Tool \_\_\_\_\_

Programme Language/s \_\_\_\_\_

<sup>2</sup> National e-Governance Projects

<sup>3</sup> DBMS- Database Management System like dBASE, Excel etc.

RDBMS- Relational Database Management System like Access, Oracle etc.



Vendor Developed \_\_\_\_\_

Utility Software \_\_\_\_\_

11. State the dependency level of the organization on the System :

Mission Critical System<sup>4</sup>

Essential System<sup>5</sup>

12. Who developed the System?

In-house

Outsource (please specify the name of the outside agency and contracted amount)

\_\_\_\_\_

*In case the system is under developmental stage, the remaining part of the questionnaire need not to be furnished.*

13. When the System was made operational?

(Month, Year)

14. What is the total investment on the IT System project (Rs. in lakh) ?

Hardware items: \_\_\_\_\_

Propriety Software: \_\_\_\_\_

Application System \_\_\_\_\_

development cost:

Manpower training cost: \_\_\_\_\_

Maintenance of all components \_\_\_\_\_

(recurring):

\_\_\_\_\_

\_\_\_\_\_

15. Number of persons engaged for operation of the System

1-10

11-25

26-50

51-100

>100

<sup>4</sup> A Mission Critical System is a system which directly impacts the primary function of the organization e.g. Passenger Reservation System in Indian Railways

<sup>5</sup> An Essential System is a system the failure of which cause disruption of some services without disrupting the primary service/s e.g. ATM service in Banks.

16. What is the average volume of data generated on a monthly basis?

17. Does the System documentation provides for an Audit Trail<sup>6</sup> for all transaction processed and maintained?  Yes  No

18. Are the following manuals available?

1. User Documentation Manual Yes  No

2. Systems and programming documentation manual Yes  No

19. Is there any system in place to make modification to the application being used on a regular basis to support the function? Yes  No

20. Does the organization transmit/receive data to/from other organization? Yes  No  Transmit  Receive

---

<sup>6</sup> Audit Trail:- System information including start up time, stop time, restarts, recovery, transaction information like inputs that change database and communication information like terminal log on/off, password use, security violations etc.

Form II

21. Details of all Hardware items including the number of terminals etc. employed:

---

---

---

---

---

22. Details of networking hardware employed:

---

---

---

---

---

23. Are more than one IT Application/s running on the same Hardware? If yes, specify the name/s of such IT Application/s as indicated at Sl. No. 2.

---

---

---

---

---

Comptroller and Auditor General of India

Form III

24. What is the current status of development of IT System if it is still under development?

- Feasibility study stage
- User requirement Specification stage
  
- Design stage
- Development stage
- Testing stage
- Parallel run (if any)
- Implementation stage

25. What is the projected cost for the IT System?

Rs. \_\_\_\_\_ lakh

26. What is the target date for completion?

\_\_\_\_\_

(Month) (Year)

A.Q No 1

Dated .....

Forwarded to ..... for favour of reply and early return please.

Asstt. Audit Officer,  
O/o the Principal Accountant General (General & Social Sector Audit)  
West Bengal

Comptroller and Auditor General of India