

INDIAN AUDIT & ACCOUNT DEPARTMENT



# **OUTSIDE AUDIT DEPARTMENT (OAD) MANUAL**

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**OFFICE OF THE ACCOUNTANT GENERAL  
(AUDIT), SIKKIM**

**SECOND EDITION 2018**

**TO BE USED BY OAD HQRS AND FIELD AUDIT PARTIES**

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## Foreword to second edition

Sikkim became the 22<sup>nd</sup> State of India in 1975. The office of the Accountant General (Audit), Sikkim was established in December 1981. Prior to that audit functions were discharged by Office of the Principal Director (Audit) Kolkata, West Bengal. The first edition of OAD Manual was published by this office in 2001. Since then, a lot of changes have taken place with regard to activities and function of OAD Hqrs & field Work. In 2006, as per the Hqrs instruction, PRI and Commercial Cells were carved out of OAD to form different Section like PRI and Commercial respectively. This apart, Hqrs office has also issued various guidelines, notifications, circulars, office orders etc. which were to be applied in field and Hqrs works and these were long overdue to be updated in the OAD Manual. In keeping with these changes, revised edition of OAD Manual incorporating all the important points of guidelines, circulars, notifications office orders etc. issued by Hqrs Office after 2001 till 2017 has been brought out. The principles and guidelines incorporated in the manual are only a user guide for functioning of OAD Hqrs & field audit parties and should not be quoted as an authority for supporting audit queries and local audit reports.

Any Suggestion for improvement of manual which will help in improvement of function of OAD Hqrs and field audit are welcome and will be incorporated in the manual as and when received with the approval of Accountant General.

(Ms. Rina Akoijam)

Accountant General, Sikkim



## CHAPTER – I

### GENERAL CONSTITUTION & FUNCTIONS

**1.1** The office of the Accountant General (Audit), Sikkim conducts local audits and inspections of the accounts of offices/departments/organisations of the State and also of Central/State Government Public Sector undertakings. This audit is in addition to the audit conducted centrally by Central Audit Parties (CAP) under Central Audit Supporting Section (CASS) together now called Financial Audit Wing (FAW). After the formation of Commercial and PRI Sections (August 2006), the audit of public Sector undertakings and Local Bodies & Urban Local Bodies units are being conducted separately by respective Sections. Thus, Outside Audit Department (OAD) wing of the office looks after the responsibility of carrying out the local audits and inspections of State & Central Government Department and Some of the State owned Autonomous Bodies under the direct supervisory charge of the Group Officer designated as Deputy Accountant General (Audit) /Senior Deputy Accountant General (Audit).

**1.2** The sanctioned strength of the OAD (Hqrs.) Section and field parties as on 31<sup>st</sup> March 2017 is as under:-

Designation	Sanctioned Strength		Men in Position	
	OAD (Hqrs.)	OAD (Field)	OAD (Hqrs.)	OAD (Field)
Sr. Audit Officer/Audit Officers	<b>0.5</b>	<b>6.50</b>	<b>0.50</b>	<b>06</b>
Asstt. Audit Officers	<b>01</b>	<b>08</b>	<b>02</b>	<b>09</b>
Sr. Auditor/Auditor	<b>06</b>	<b>13</b>	<b>2.5</b>	<b>02</b>
Typist/DEO	<b>01</b>	-	<b>02</b>	-
Group D	1	-	01	-

*(Source: Gradation list of office as of 1.03.2017)*

**1.2.1** OAD (Hqrs.) Section is the controlling section and exercises overall control over the field audit parties.

The manpower posted in the OAD (Hqrs) deal with the day-to-day work of OAD (Hqrs.) Section including scrutinising the Inspection Reports received from the field audit parties. The field personnel are deployed on field audit work relating to:-

- i) Compliance audit of State/Central Government Departments:
- ii) Theme Audit parties for carrying out theme based audit on topics selected by the Office of the Comptroller & Audit General or the Accountant General;

- iii) Departments Centric CCO based audit of departments selected by the Office of the Comptroller & Audit General or the Accountant General;
- iv) Grants-in-aid audit parties for conducting local audit of grants-in-aid to private institutions and local bodies under Section 14 and 15 of C&AG's (DPC) Act, 1971.
- v) Field audit parties for conducting local audit and inspections of the accounts of the State and Central Government Offices (both revenue and expenditure) under the audit jurisdiction of this office;
- vi) Field parties are also deployed for conducting audit of the Autonomous Bodies, under Sections 19 and 20 of the C&AG's (DPC) Act, 1971.

### **1.3 Composition of audit Parties**

To ensure uniformity of practice in distribution of manpower as between major (comprising field parties with two Assistant Audit Officers and minor (comprising field parties with one Assistant Audit Officer) parties, the following norms should be kept in view by OAD (Hqrs.) Section while determining the composition of inspection parties.

- (i) Major parties consisting of two AAOs and one Sr. Auditor/Auditor should be allocated the work of inspection of big departments, works departments and major revenue earning departments.
- (ii) Minor parties consisting of one AAO and two Sr. Auditors/Auditors should be allocated inspection of subordinate and district level offices such as jails, schools, hospitals and dispensaries, district courts, etc.
- (iii) In case of shortage of AAOs the major parties may have to be converted to minor parties in order to cope with the annual inspection programme.

### **1.4 Powers and Functions of the Group Officer (GO)**

The following are the powers and functions of the Group Officer.

- (i) Sanction of Casual Leave (inclusive of extensions) to non-gazetted staff in excess of 5 days at a time.
- (ii) Sanction of Earned Leave, Half-Pay Leave and Commuted Leave (inclusive of extensions) to:
  - a) AAO, in excess of 15 days
  - b) Other non-gazetted staff in excess of 30 days.
- (iii) Waiver if objections up to the limit prescribed and subject to fulfilment of conditions laid down in paragraph 7.1.13 of C&AG's MSO (Audit).
- (iv) Internal posting and transfer of Auditors/Sr. Auditors from one field party to another or from OAD (Hqrs.) Section to a field and vice versa within the overall sanctioned strength of OAD.
- (v) Supervise the preparation of staff proposals and annual budget estimates in so far as they relate to OAD for submission to AG.
- (vi) To convene and attend Adhoc Audit Committee meetings as representative of AG.
- (vii) To personally supervise the work of field parties by undertaking tours outside Gangtok for a minimum of 10 (ten) working days in a month. In addition, the GO should also call the field parties to his

office as frequently as possible whenever the parties are deployed in and around Gangtok for the same purpose.

- (viii) Ensure through various control registers/Calendar of Returns maintained by OAD (Hqrs.) Section that prescribed returns and reports are sent in time.
- (ix) See that effective action is taken by OAD (Hqrs.) for settlement of outstanding audit objections.
- (x) Ensure overall efficient and effective administration of the Outside Audit Department.
- (xi) Bring to the notice of AG any serious or financial irregularities noticed during the course local audit of an office/institution.
- (xii) Select important points from inspection reports for further processing and inclusion in the Audit Report.
- (xiii) Approve audit programme and all inspection reports before issue.
- (xiv) Approve extension of time allotted for local audits.

#### **1.5 Powers and functions of the Branch Officer (Senior Audit Officer/Audit Officer) in-charge of OAD (Hqrs.) Section.**

The following are the powers and functions of the Branch Officer.

- (i) Sanction of Casual Leave (CL) to non-gazetted staff of OAD (Hqrs.) Section/field parties up to a limit of 5 days at a time and maintenance of CL account of field parties and OAD (Hqrs.) Section staff.
- (i) Sanction of CL up to 3 days at a time to AAO of OAD (Hqrs.) Section and field parties.
- (iii) Sanction of Earned Leave, Half-Pay Leave and Commuted Leave (inclusive of extensions) to:
  - a) AAO, upto 15 days
  - b) Other non-gazetted staff upto 30 days.
- (iv) Recommendation of Leave, other than CL, in excess of 30 days in respect of non-gazetted staff for sanction by the Group Officer.
- (v) Waive audit observations to the extent of powers delegated under paragraph 7.1.13 of C&AG's MSO (Audit).
- (vi) Scrutinise and vet the inspection reports received from the audit parties in order to effect a distinct improvement in their quality and ensure the prompt issue of these reports.

#### **1.6 Powers and functions of AAO of OAD (Hqrs.) Section:**

- (i) Exercise a methodical, complete and effective supervision over the working of the section to see that the orders are understood and correctly followed; maintain discipline and tidiness in the section; see that the work of the section is evenly distributed; ensure that standing orders regarding attendance, leave and general conduct are strictly observed; to bring to the notice of GO/BO any irregular habit, disorderly conduct, neglect of duties or insubordination on the part of his subordinates as detected by him.
- (ii) Ensure the proper maintenance and submission on due dates of the sectional Calendar of Returns and watch through it that each item of work is completed by the due. In case it is anticipated that a return is

likely to be delayed, the matter should be brought to the notice of the BO in time so as to enable the latter to make special arrangements if required.

(iii) AAO is personally responsible for maintenance and safe custody of the Attendance Register, CL and RH Registers, Register of Financial Irregularities and for the timely submission of all reports (including Diary Report), registers, statements, etc. due from the section.

(iv) AAO is required to see that:-

a) Old records requisitioned from Record Section are not unnecessarily retained in the section.

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

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

(vi) To see that all codes and reference books supplied to the section are kept up to date and are readily available.

(vii) To see that particulars of all documents etc. Sent out are noted in the registers prescribed for the purpose.

(viii) To ensure the correctness of all information, facts and figures communicated to the office of the C&AG of India, government and departmental authorities, other audit offices as also to the different sections of the office.

(ix) To pursue vigorously all cases of financial irregularities/losses etc.

(x) To maintain a note book for recording the various points which he has to watch but which are not required to be noted in any prescribed register.

(xi) Ordinary routine and printed letters may be signed by AAO for the BO, whenever he is on tour or not at headquarters.

(xii) To go carefully through the letters received daily through the diary, to mark specially those letters that require prompt action and reply, and to see that no delay occurs in their distribution and disposal.

(xiii) To see that the disposal of correspondence and bills received through sectional diaries marked under the signature of his assistants is not only correct but also complete, viz., the case number of the relevant file is given where the disposal is marked as filed; the section despatch number is given in case reply has been issued and the number and date of the transit register is quoted when a letter is finally transferred to another section for disposal and for this purpose, to check and initial in all cases the entries of disposal in case of letters from Government of India, State Government and C&AG of India and 5 per cent of other entries and to give a certificate to this effect in the Weekly Diary Report.

(xiv) To review the sectional transit register at the end of each month to see that all letters entered therein for transmission to other sections are duly received by them and that effective steps are taken to

dispose of the undelivered letters which should be shown as outstanding in the Diary Report till they are finally delivered and received.

(xv) Monthly sectional indent of forms and stationery will be signed by the AAO. AAO will be competent to give file orders on all letters except letters from C&AG of India, State Government and Government of India which should be filed only on the orders of BO/GO.

(xvi) Scrutiny for approval of Weekly Diaries of local audit parties.

### **1.7 Duties and responsibilities of OAD (Hqrs.) Section:**

The OAD Headquarter is the controlling section and responsible for carrying out all work of the Outside Audit Department except the actual local inspection and initial drafting of the Inspection Report. In particular main functions of the Section are:-

- (i) Preparing and submission of the Biennial Audit Plan by August- September each year.
- (ii) Arranging to supply of previous inspection audit reports and other records relating to local audit of the field parties.
- (iii) Vetting the inspection reports received from the field parties and checking the accounts attached thereto before submission to supervisory officers.
- (iv) Disposal of general issues relating to inspection.
- (v) Maintaining a Register of Audits indicating the commencement and completion of local audits and dates of issue of inspection reports and of reminders thereon with a view to watching the receipt of replies to the reports and their final disposal.
- (vi) Maintenance of Outstanding Para Register, Objection Book Register, Progressive Draft Para Register, Six-monthly, Outstanding Para Register, Advance Para Register, Adjustment Register, Special Point Register etc. in respect of Central (Civil), State (Civil), Central (Revenue), State (Revenue), State & Central Autonomous and Central & State Works.  
(Scrutiny of replies to the inspection reports, issue of further remarks or taking further action on the same until all the points raised in the reports are finally settled.
- (vii) Issue of sectional/office orders, whenever necessary.
- (viii) Supplying the inspection parties with copies of codes and manuals and all important office orders, circulars etc. (including those received from other controlling sections on interpretations of rules) which are useful for inspection purposes.
- (ix) Furnishing of materials required by Book, ECPA and Report Sections for inclusion in the Audit Report.
- (x) Submission and issue of all returns on due dates.
- (xi) Maintenance of an Objection Book and pursuance of money value observations contained in the inspection reports such as outstanding amounts pending recovery, amounts of sales on credit, large cash balance in offices in excess of the permanent advances sanctioned, etc.

- (xii) Submission and preparing the staff proposals in respect of field parties and OAD (Hqrs.) Section when asked for by Admn Section.
- (xiii) Furnishing returns, statements and other information as and when required by Administration section or field parties.
- (xiv) Submission of Absentee Statement of OAD (Hqrs.) Section and field parties to Administration section during the last week of every month.
- (xv) Keeping up-to-date the list of offices locally audited.
- (xvi) To obtain the approval of the BO/GO of the month(s)/account(s) selected for detailed audit and informing the local audit parties of the same.
- (xvii) Correspondence with State/Central Governments regarding matters related to local audit.
- (xviii) To see that amount of audit fee charged by local audit parties has been correctly worked out.
- (xix) Scrutiny of weekly Diaries received from field audit parties.
- (xx) Checking of movement of party personnel shown in T.A. bills with the approved tour programmes, Weekly Diary and Casual Leave Register etc. and forwarding the T.A. bills to Administration Section with certificates regarding verification of duties, etc.
- (xxi) All other miscellaneous and policy matters relating to audit and local inspection.
- (xxii) Maintenance of all the prescribed sectional registers are dealt with in **Appendix I**
- (xxiii) The Register of Defects will be maintained by OAD (Hqrs.) Section. The entry of such common defects found at the time of vetting of inspection reports of various offices of a particular Department will be entered in this Register to facilitate attempting a draft para on such common irregularities.
- (xxiv) To send the records no longer required to Record Section with the period of preservation recorded on the front page of each file.
- (xxv) To circulate the digest of important and interesting cases for the guidance of the local audit parties.
- (xxvi) To prepare a quarterly statement showing department-wise, the names of the offices which have failed to clear the audit objections, the number of such objections and the period for which such objections have been outstanding with each office. This statement will be passed on to the administrative department of the State Government with a view to enabling it to ensure that necessary action is taken by the officers under it to settle the outstanding objections expeditiously.

### **1.8 Duties of Inspecting Officer:**

The Inspecting Officer is responsible for supervision and the efficient functioning of the audit parties entrusted to his charge. The Inspecting Officer has the following duties:

- (i) Make a thorough examination of various accounts books, registers etc. and a brief audit of scattered items. He is expected to –
  - a) Guide his staff.
  - b) Do a certain amount of original work himself.



- (i) Examine personally with reference to the initial documents, all serious and important points raised by the field staff.
- (ii) Make an intelligent probe of the initial records to see whether the defective maintenance or the non-maintenance of records is a camouflage to conceal fraud or misappropriation.
- (iv) Devote personal attention to more important matters, as for example, review the manner in which contracts are initially negotiated, plans and programmes of various department implemented. These reviews should be conducted to ascertain how far wisdom, faithfulness and economy are observed by the departments.
- (v) The Inspecting Officer's work of supervision consists in seeing that all the accounts registers etc. are audited by his subordinate staff and that they carry out all the necessary checks. He should see that no point of importance or case of serious irregularity or defalcation escapes attention during audit or are left undiscovered. He should discuss the points of importance with the head of office inspected and endeavour to settle on the spot as many objections as possible of the current audit as well as the outstanding points of previous audit reports.
- (vi) In case of important audits, he should ensure that he gets necessary briefing where required from OAD (Hqrs.) Section well in time with regard to any special points to be examined during such local audit. Likewise in the case of special audit, he has to ensure that necessary guidelines on which special audit has to be conducted are obtained from OAD (Hqrs.) Section and the period for which the records are to be examined in detail are also ascertained.
- (vii) The Inspecting Officer should acquaint himself with the system of finance of the office/institutions/department, the account of which he is inspecting as to what makes up its receipts and how its money is expended. He should then make up his mind as to what system of accounts for these receipts and expenditure and what registers are necessary for internal check purposes, and how far the existing system conforms to the standard.
- (viii) He should try to get all the facts and explanations on the spot by discussing the points raised during Inspection with the head of offices concerned,
- (ix) Wherever Inspecting Officer feels that points raised are so important that they may ultimately find a place in the Audit Report, he should take particular care to examine all the issues involved, collect all relevant information and also take attested copies of the documents which are likely to be useful in pursuing the matter with higher authorities so that while processing the material for the "Audit Report, OAD (Hqrs.) Section should not find itself at a loss because of missing links in the facts and arguments set forth, necessitating a fresh reference through the next audit party resulting avoidable loss of time. He should also take specific comment of head of office/department on the point.
- (x) In case where supervisions are conducted by the Inspecting Officer throughout or where he supervises the concluding stage of audit, he shall write out the report himself. In cases where

supervision closes before the end of audit, the Inspecting Officer may draft all the paras that could be finalised by that time and impart proper guidance and instructions to the AAO for proper writing of the Inspection Report.

- (xi) In all cases, where there is supervision throughout or on the concluding day of audit a certificate to the effect that the report has been drafted by the Inspecting Officer should invariably be furnished by the Inspecting Officer.
- (xii) He should whenever the AAOs of a field party are not available (either on leave or otherwise), exercise all the checks prescribed for them.
- (xiii) The Inspecting Officer shall approve the distribution of work between the members of the audit party.
- (xiv) The Inspecting officer may recommend CL and RH to the members of the field party upto a limit of 5 days at a time subject to the condition that no extension of time is required for completion of audit on account of such absence. The application for CL. Duly recommended has to forward to OAD (Hqrs.) Section. The leave applied by an AAO of the party will be sanctioned by GO only.
- (xv) Guidelines for allocation of duties among the members of a field party are given in **Appendix-II**.

**APPENDIX - 1****(Para 1.7(xxii) & 2.12)****List of Registers and forms etc., used in the OAD (Hqtrs) Section****A- Registers**

<i>Sl. No.</i>	<i>Description of Register</i>	<i>Reference</i>	<i>Form No</i>
1	Check Register of Weekly Diary of Auditors/Sr. Auditors/AAOs/AOs/SAOs	Para 2.17 (iii)	1
2	Transit Registers for letters transferred to other Sections.		2
3	Transit Register for forwarding of IRs to FAW Section		3
4	Register of Travelling Allowance Bill.		4
5	Calendar of Returns.	Para 2.14	
6	Register of Books kept in OAD (Hqtrs)		5
7	Objection Book (State Civil)		7
8	Objection Book (Central Civil)		7
9	Objection Book (Revenue )		7
10	Objection Book (State Works)		7
11	Objection (Central Works)		7
12	Objection Book ( State Autonomous)		7
13	Objection Book ( Central Autonomous)		7
14	IR Index Register		8
15	Audit Programme Register.	Para 2.1	9
16	Outstanding Paras Register ( Central Civil )		10
17	Outstanding Paras Register (Sate Civil )		10
18	Outstanding Paras Register (Sate Revenue )		10
19	Outstanding Para Register (State Autonomous)		10
20	Outstanding Para Register ( Central Autonomous)		10
21	Outstanding Para Register (State Works)		10
22	Outstanding Para Register (Central Works)		10
23	Potential Draft Para (State Civil).		11
24	Potential Draft Para (State Revenue)		11

25	Potential Draft Para Register(Central Civil)		11
26	Adjustment Register (State Civil )		12
27	Adjustment Register (State Revenue )		12
28	Adjustment Register (Central works)		12
29	Adjustment Register (Central Civil)		12
30	Adjustment Register ( State Autonomous)		12
31	Adjustment Register ( Central Autonomous)		12
32	Special Points Register Showing the items to be seen during local Audit (Civil)		13
33	Special Points Register Showing the items to be seen during local Audit (Revenue)		13
34	Casual Leave Account Register/File		14
35	Ordinary Diary ( Civil)		15
36	C& AG Diary		15
37	File Index Register		16
38	Skeleton Register ( DAK PAD)	Para 2.16	
39	Master Programme Register	Para 2.1	17
40	Register of Correction slips	Para 2.25	

### B FORMS

<i>Sl No.</i>	<i>Description of forms</i>		<i>Reference</i>
1	Form of check slip for Inspection Report		18
2	Intimation format		19
3	Title sheet ( Civil)		20
4	Title Sheet ( Revenue )		21
5	Form for Entry Conference		22
6	Form for Exit conference		23
7	Intimation Format I		24

## Appendix II

### (Para 1.8 )

#### Demarcation of Duties for Personnel in Inspection Parties.

#### 1. CIVIL OFFICES.

##### A. *Inspecting Officer :*

- (i) Review of schemes executed in a department. Co-coordinating functions to achieve overall efficiency in performance. Any other work may be selected from the allocation of AAO, if the allocation appears to be heavy.
- (ii) Disposal of special points referred by FAW/OAD (Hqrs ) Section.

##### B. *Assistant Audit Officer – I*

- (i) Examination of the cash books.
- (ii) Examination of the vouchers for the selected month with reference to the original records, contract documents etc. (100%)
- (iii) Verification of drawls and deposits into treasury with reference to treasury record (CPAO).
- (iv) Audit of Accounts of stores, including receipt under foreign aid programmes.
- (v) Pay bills including Register of Undisbursed pay and allowances.
- (iv) Miscellaneous Works.

##### C *Assistant Audit Officer - II*

- (i) Audit of the accounts of receipts.
- (ii) Examination of vouchers for other months with reference to original records, contract document (50%).
- (iii) Audit of all vouchers not submitted to FAW.
- (iv) Examination of special points marked for special investigation by FAW/ OAD (Hqrs.) Section.
- (v) Audit of works expenditure. Review of Inspection Report and submission to Inspecting officer.
- (vi) Travelling Allowance bill.
- (vii) Property Accounts.
- (viii) Miscellaneous works.

##### D *Sr. Auditor/ Auditor*

- (i) Examination of service books, service rolls.
- (ii) Register of Advances.
- (iii) Dead stock Register.
- (iv) Stamp account.
- (v) Register of Deposits.
- (vi) Log books of Government Vehicles.
- (vii) Register of stationery.
- (viii) Register of uniforms.
- (ix) Register of books and periodicals.

- (x) Any other works allotted by AAO/AO/SAO.

**In case of Minor party with one AAO and two Sr. Auditor / Auditor.**

- A. Inspecting Officer – Same as those in para 1 (A) above.  
B. AAO – Item (i) to (v) in para B above.  
C. Senior of two Auditors – Items (vi) to (vii) of para B above; (v) to (vii) of para C above; Item (i) to (iii) in para D above.  
D. Junior of the two Auditors - Items (iv) to (ix) in para D above.

**II. PUBLIC WORKS INSPECTION**

**A. *Inspecting Officer***

- (i) Review of all regular contracts for the selected month and atleast 25 per cent of other agreements made since last inspection.  
(ii) Review of Register of Revenue other than rents including a review of the procedure for its assessments and realization. Special attention to cases having a shortfall of revenue as compared to previous year.  
(iii) Review of system and extent of check of measurements by Divisional and sub- Divisional officers and review of check of measurements books by Accounts officer.  
(iv) Review of balance of stock, system of acquisition of stores and of store verification.  
(v) Review of accounts of manufacturing operations.  
(vi) Review of banking arrangements to see that they are generally satisfactory.  
(vii) Review of banking arrangements for the custody of cash, and withdrawal of money from the cash chest.  
(viii) General review of the accounts of the works (Nature and extent of detailed scrutiny being left to the discretion of the Inspecting officer.)  
(a) Muster Rolls.  
(b) Transfer Entry Books  
(c) Suspense/ Deposit Register.  
(d) Schedule of Rates.  
(e) Register of rents of buildings and lands.  
(f) Establishment records  
(g) Monthly accounts.

**B. *Assistant Audit Officer - I***

- (i) Complete analysis of selected works with reference to sanctioned estimates , agreements , etc and connected measurement books.  
(ii) Material- at –site accounts for selected works.  
(iii) Examination of register of major and minor works.  
(iv) Disposal of special points referred by FAW/OAD (Hqrs.) Section.  
(v) Stock accounts including general review of stores ledger, bin cards, etc.  
(vi) Complete checking of Contractors ledger for selected months.  
(vii) Examination of abnormal rates quoted by contractors.

- (viii) Examination of arbitration cases.
- (ix) Checking of extra or substitute items- Analysis of rates, etc.
- (x) Scrutiny of special repairs estimates.
- (xi) Survey Reports alongwith registers of Survey Reports.
- (xii) Disposal of previous inspection reports.

**C Assistant Audit Officer II**

- (i) General review of cash book with reference to counterfoils of cheques/receipt books.
- (ii) Tracing of receipts in cash books.
- (ii) Remittance book.
- (iii) Checking of transaction of the selected months with cash book and other allied records.
- (iv) MAS accounts and road metal returns in respect of works affected during the selected month.
- (v) Transfer Entry Book since last inspection.
- (vi) Checking of Contractor Ledger for the affected works in the selected month including complete checking of the ledger since last inspection.
- (vii) Examination of Tools and Plants register.
- (viii) Register of Lessees and files thereof
- (ix) Register of Muster Rolls.
- (x) Register of Licence fee of buildings and lands.
- (xi) Register of agreements/ work orders.

**D Auditor:**

- (i) 25 % check of service books.
- (ii) Complete checking of pay and TA bills.
- (iii) Checking of leave accounts of government servants including leave salary and checking of increments.
- (iv) Provident fund accounts of work charged establishments and Group 'D' government servants.
- (v) Logbooks of Motor vehicles / construction machinery.
- (vii) Suspense and Deposit Registers.
- (viii) Treasury bill book.
- (ix) Register of fixed charges.
- (x) Contingent Register
- (xi) Register of service book/service books.
- (xii) Register of interest bearing securities.

***Incase due to shortage of qualified hands it may not be possible to constitute P.W. Inspection Parties with two AAO and one Auditor. In such cases the composition of the parties will be one Assistant Audit officer and two auditors. The distribution of work amongst the party members in such a situation would be as under:***

- (A) Audit Officer: same as those detailed in para II (A) above.
- (B) Assistant Audit Officer: Same as those for AAO I detailed in para II (B) above.

(C) Senior of the two auditors: Same as those for AAO II detailed in para II (C) above.

(D) Junior of the two auditors: Same as those for auditor in para II (D) above.

### **III REVENUE AUDIT**

#### **A. STATE EXCISE DUTIES**

##### **I. *Inspecting Officer***

- (i) Review of Sr. Auditor/Auditor's work and discussion /settlement of outstanding Audit Report paras/ old outstanding objections.
- (ii) Review of challans audited by AAO.
- (iii) Review of auction files.
- (iv) Audit of licences for foreign liquor shops involving revenue of ₹ 30,000 or more per year, country liquor licences for ₹ 1 lakh or more per year and drug licences for ₹ 50,000 or more per year. Review of 10 per cent of licences for foreign liquor and country liquor which was audited by AAO.
- (v) Review of 20 per cent of refunds and remission cases audited by AAO.
- (vi) Files on auction cases, supply contracts and inter-state movements, in Excise Commissioner's office.
- (vii) Audit of warehouse records, records in distilleries and pharmacies (subject to allotment of suitable work by Inspecting Officer to AAO/ Auditor.)

##### **II *Assistant Audit Officer***

- (i) Check of 20 per cent of challans for payment of duty, audited by the auditor.
- (ii) Audit of auction files.
- (iii) Audit of all licenses issued by foreign liquor shops not audited by Inspecting Officer.
- (iv) Audit of all licenses for country liquor shops involving ₹ 30,000 or more and upto ₹ 1 lakh and drug license between ₹ 30,000 and ₹ 50,000 (Group Officer's order may be taken before quantum of audit is allowed to be reduced to 10 percent of country liquor licenses i.e. provided adequate materials for Audit Report is getting generated.) . Review of 10 per cent of licenses below ₹ 30,000 for country liquor audited by auditor.
- (v) Review of 20 per cent of other licenses, permits and passes and miscellaneous receipts audited by the auditor.
- (vi) All cases of refunds and remissions of revenue in excess of ₹ 5,000 and 10 *per cent* of other cases selected at random.
- (vii) Other important registers and connected files.

##### **III *Auditor.***

- (i) Audit of Challans for payment of duty.



- (ii) Audit of all licenses for country liquor shop and Ganja/drug licenses involving revenue of less than ₹ 30,000 ( Order of Group Officer may be taken before the audit is reduced to 5 per cent of such licenses i.e. provided flow of material for Audit Report is satisfactory).
- (iii) 25 per cent of other categories of licenses, permits and passes relating to revenue/ duty /fee and miscellaneous receipts ( 10 per cent selected by reference to value and 15 per cent selected at random).
- (iv) Other registers and connected files including those relating to payment made to distilleries from recovery made on ex- bond clearances (other than those checked by AAO).

## **B MOTOR VEHICLE TAX AND PASSENGER AND GOODS TAX**

### ***I Inspecting Officer***

- (i) Review of items marked for discussion / settlement of outstanding Audit Report paras / old outstanding audit objections.
- (ii) Allocation of work to AAO/ Auditor to enable cross check with records in other Excise and Taxation offices with those in Motor Vehicle Registration offices.
- (iii) Payment of passenger and goods tax in lump sum in excess of ₹ 5,000 (Inspecting Officer may raise or lower this limit to ensure that 20 per cent of all lump sum payments of high value are audited by him).

### ***II Assistant Audit Officer.***

- (i) Audit of registers and files dealing with recovery and demand of vehicle (token) tax and fee for registration and re-registration and fitness certificate.
- (ii) Audit of registers and files dealing with recovery, remittances and demand of fees, penalty etc. under
- (iii) National, Zonal and bilateral permit schemes including watching and checking recoveries and dues from other states and finding system defects.
- (iv) Audit of registers and files dealing with recovery of tax and license fees for plying vehicles and renewal of licenses.
- (v) Audit of registers and files dealing with recovery of tax or license fees for plying vehicles and renewal of licenses.
- (vi) Audit of assessments files relating to passenger and goods tax based on freight /seating capacity of vehicle or weight, other than compounded rate or lump sum payment including assessment of such tax on stage and contract carriages.
- (vii) Payment of passenger and goods tax at compounded rates or as lump sum above ₹ 1,000 and below ₹ 5,000 (for such limits as inspecting officer may fix to ensure that 50 per cent of such payments are audited by AAO).
- (viii) Audit of files dealing with levy of fines, penalties, or composition fees on compounding of offence, appeal fees, refunds (other than refund of token tax ) .

### **III Auditor.**

- (i) Audit of registers and files dealing with issue or renewal of driving licenses and conductor's licenses.
- (ii) Check of 10 per cent of recoveries posted in Demand and Collection Registers and such registers with payment documents and treasury records.

## **C ENTERTAINMENT TAX**

### **I Inspecting Officer**

- (i) Review of items marked with asterisk and discussion / settlement of outstanding Audit Report paras / old outstanding objections.
- (ii) Adequacy of survey of potential assesseees and follow up survey.
- (iii) Case files on theatres, etc.

### **II Assistant Audit Officer**

- (i) Assessment of returns (including show tax) in addition to review at least 1 per cent of high value assessments.
- (ii) Checking demand in 10 per cent of audited assessments with entries in the registers or against stamps affixed.
- (iii) Check of allocation to local bodies.
- (iv) Statements and other returns sent to government and others.

### **III Sr. Auditor/ Auditor**

- (i) Tracing 10 per cent of collection as per Demand and Collection Registers into payment from treasury records.
- (ii) Returns in respect of stamps.
- (iii) Register of security deposits.
- (iv) Register of sealed tickets.
- (v) Other registers and records including cash book, register of receipt books, and register of cinema houses.

## **D REGISTRATION FEE AND STAMP DUTY**

### **I Inspecting officer**

- (i) Review of items marked with asterisk and discussions / settlement of outstanding Audit Reports paras / old outstanding objections.
- (ii) Checking correctness of valuations by comparison and by cross check with records of other departments and giving suitable directions and guidance to AAO/ Sr. Auditor/Auditor in this regard.
- (iii) Review arrangements for custody of stamps and accounts of stamps received and sold.
- (iv) Returns / reports from and to Inspectors and Collectors.
- (v) Delay resulting in loss of revenue or otherwise and other system defects.

**II Assistant Audit Officer**

- (i) Audit of stamp duty, assessment on instruments and documents (court fee documents). In addition to review at least 10 per cent high value cases to be audited by Inspecting Officer.
- (ii) Check of registration fee charges.
- (iii) Check of exemptions, refunds, penalties and fines.

**III Sr. Auditor/ Auditor**

- (i) Tracing of 10 per cent of debit and credit entries in stamp and Registration office with corresponding credit and debit entry as per cash book/ treasury records.
- (ii) Check of cash books (Main and Subsidiary) and other register including receipt books.
- (iii) Check of receipts other than registration fee and stamp duty.

**E NON TAX RECEIPTS**

**I. Inspecting Officer**

- (i) Review of items marked with asterisk and discussion / settlement of outstanding Audit Report paras / old outstanding objections.
- (ii) Year by year (for 5 to 10 years) correlating of non-tax receipts with expenditure on providing the services on which the receipts are obtained (whether the expenditure is viewed as revenue or capital)
- (iii) Periodicity and system of review of rates of rents, lease receipts, fees, charges etc., and comparable commercial rates.
- (iv) Fixation of rates (including interest and penal rates) well in time and their proper enforcement (detection of system defects).
- (v) Review of system of internal check or audit.
- (vi) Delays in decision making and disposal of cases and delays in flow of receipts or wastage of potential receipts.

**II Assistant Audit Officer**

- (i) Audit of contracts, rules, regulations, notifications etc., forming basis of charge or receipt etc.
- (ii) Check of computation of demand for receipt/ charge and billing system, adjustment of set off deductions, exemptions etc. including rent, interest, penalty, damage and claim etc.) and comment on delays in recovery or non- recovery.
- (iii) Audit of recovery of tax or receipt correctly on agency function or duty for deduction at the point of tracing of receipts due or demands, in 10 per cent of cases into register, to watch inflow of receipt /payment.
- (iv) Checking register of standing charges, its updating and recovery of demands as per such register.

**III Sr. Auditor/ Auditor**

- (i) Check of 10 per cent of receipts due as per records, files and registers against payment or treasury records.
- (ii) Checking the crediting of receipts in treasury / bank and tracing 10 per cent of such credits into treasury or Bank acknowledgement.
- (iii) Check of other records and registers.
- (iv) Check of Cash book and register of receipt books.

## **F ENTRY TAX**

### ***I. Inspecting Officer***

- (i) Review of items marked asterisks and discussion / settlement of outstanding Inspection Report paras /old outstanding objections.
- (ii) Study of system and system defect including detection and assessment of potential assesses through, survey and check posts.

### ***II Assistant Audit Officer***

- (i) Assessment/ bills of entry including check with transport passes and tracing demands in 10 per cent audited assessments into demand and collection register.
- (ii) Deposit account and refund cases.
- (iii) Exemptions
- (iv) Gross check with records of other departments including Railways etc.

### ***III Sr. Auditor/ Auditor***

- (i) Check of cash book and other registers and records. Tracing collection in 10 per cent of demand into demand and collection register and tracing recovery entries into payment or treasury records.

## CHAPTER II

### DETAILS OF WORKS TO BE DONE BY OAD HEADQUARTER

#### 2.1 Preparation of Annual Compliance Audit Plan

Para 6.1.9 MSO (Audit) Second Edition 2002 and Chapter 3 of Compliance Auditing Guidelines 2016 provide that in order to improve the quality of Audit Reports, detailed and well-defined planning is required before Compliance Audit is undertaken. Every year (in August- September) OAD Hqrs will frame a formal combined Compliance Annual Audit Plan indicating Apex Auditable Entities/Audit units and Implementing Units to be audited, Performance Audits, CCO based Audit, Theme based Audit, Report on State Finance and IT Audit to be taken up during the ensuing year. Proforma for preparation of Annual Audit Plan would be based on in Hqrs Letter No. 1289/RSCS/177-2002 dated 18-11-2002 and proforma received from Hqrs office from time to time.

After the Audit Plan is approved by the Hqrs Office total units should be updated in Mater Programme Registers and units for current year audit should be entered in Audit Programme Registers so that as soon as when IRs are submitted details have to be entered. OAD Master Programme is kept in form 17 and Audit Programme Register is kept in form 9.

#### 2.1.1 Objectives of Audit Plan

The most important output and the main focus of the Audit Plan would be to ensure following objectives:

- (i) To achieve adequate coverage of units at an acceptably low level of risk, audit process are carried out in economic, efficient and effective manner and result in a high quality audit Report.
- (ii) To ensure coverage of all Apex auditable Entities in reasonable period of time, between three to five years. Besides above it will ensure that:  
(*Compliance auditing guidelines para 3.1 & 3.13*)
- (iii) All audit worthy, significant and auditable entities were considered while determining priorities;
- (iv) Provide a framework for identifying the departments/ programmes, functions, etc., which are significant and are vulnerable to risks and serious financial irregularities; and
- (iv) Minimize redundant audits.

#### 2.1.2 Formulation of Compliance Audit Plan:

The formulation of annual Compliance Audit Plan would therefore require:

- a) Updating the Audit Universe such that it comprises all units that qualify as audit units. A separate inventory of implementing units under their respective Audit units may be maintained.
- b) Applying risk assessment methodology to the Apex Auditable Entities for arriving at risk profile of the Apex Auditable Entities and Audit Units under these entities.
- c) Preparing the annual Compliance Audit Plan by selecting audit units after considering available audit resources. This would include a risk based selection of Apex Auditable Entities and an appropriate sample of audit units at various hierarchies and implementing units within each Apex Auditable Entity. The selected sample of units shall be auditable both from the propriety and regularity perspective. Where

evaluation of high risk areas/activities against regularity involves complexity and multifarious aspects, a specific subject matter may be selected within the high risk area/activity for evaluation of compliance against regularity.

### **2.1.3 Components of Annual Compliance Audit Plan**

- a. Selection of Apex Auditable Entities and Audit Units that would be taken up for compliance audits;
- b. Selection of Implementing units under the audit units as necessary;
- c. Determination of specific subject matter, where considered necessary; and d. Allocation of audit resources for the audits to be undertaken. (*Compliance auditing guidelines 3.14 & 3.15*)

### **2.1.4 Use of Risk Assessment Methodology in Audit Planning**

Risk assessment methodologies and techniques need considerable strengthening and an appropriate programme for risk assessment should be developed. The following parameters are some of the risk indicators applied in this office:

- (i) Big data;
- (ii) Budget Speech;
- (iii) Latest Socio –economic survey of the Centre/ State;
- (iv) Current Budget & Demand for Grants
- (v) Annual/Performance/Activity Reports of Departments/Companies and other information on Government website;
- (vi) Report on State Finance;
- (vii) Finance & appropriation Accounts;
- (viii) Past Audit Coverage;
- (ix) Audit Advisory Board suggestions;
- (x) Flagship programmes implemented by the auditee units;
- (xi) Issue of Separate audit reports;
- (xii) Certification of Annual Accounts;
- (xiii) Issue of Audit Certificates;
- (xiv) Trend of Revenue Collection;
- (xv) Internal control Mechanism of auditee units;
- (xvi) Past Audit findings/Inspection Reports;
- (xvii) Media Reports & visibility of topics; and
- (xviii) Trend of expenditure/receipts

### **2.1.5 Creation of Data Bank**

Availability of adequate information/data is a vital prerequisite factor for preparation of the Audit Plan. A comprehensive data bank and documentation covering Audit Universe, reports of various committees, Study Reports, Plan/Budget documents, flagship programmes implemented by Departments, newspaper and journal clippings, etc. should therefore be carefully built up subject-wise. A portfolio in respect of each

scheme and programme, which is susceptible of performance appraisal, should also be maintained. It should *inter alia* contain complete details of the programme, its objectives, financial and physical targets, performance standards, financial ratios, time schedules for the different components of the programme, etc.

#### **2.1.6 Use of indicators for topic identification**

In deciding whether any department/programme/issue is audit worthy the following indicators may be considered:-

- **Significance of any activity or entity.** This may include points of financial, economic, environmental safety and equity impact. A department or area may be relatively small in terms of expenditure/receipts but may be high in importance from other parameters and may be selected for audit for such reason.
- **Risk factor should be the other important consideration.** Some departments/schemes could be vulnerable to abuse, fraud and serious financial irregularities due to (a) insufficient internal control, i.e., inherent risk (b) history of programme abuse, i.e., control risk (c) involve a high level of discretion in selecting the beneficiaries and deciding the mode/extent of payment; (d) large amount of transfer payments and lack of accountability of the transferees or the inability to enforce accountability by the transferors.
- **Large manpower oriented departments:** The departments like Education and Police Departments though large part of the expenditure in these departments are payroll oriented and are routine payments, they assume greater risk from audit point of view due to weak internal controls against irregular appointments, incorrect pay fixation, lack of information regarding sanctioned manpower and men-in-position, unwillingness of treasuries to enforce the prescribed checks and weakness in budgeting.
- **Large payments of grants -in -aids:** There are large payout of grants-in-aid to private of semi-private institutions by some departments These are vulnerable to serious irregularities and frauds due to lack of adequate controls.
- **Sensitivity of programmes or activities due to political or management considerations.** An example could be activities involving centre-state relationship, subjects of politically sensitive litigation, or matters of public outrage. Besides, there could be debate due to involvement or withdrawal of external aid if a programme or subjects of media exposure. In such matters the sensitivity factor would be relevant to decide the extent/depth and response time of audit.
- **Auditability is another relevant factor.** It should be considered whether we have adequate and relevant resources to conduct the audit and gather sufficient evidence to reach to the conclusion objectively. Some programmes, though audit worthy, may be too diffused or fragmented to be effectively audited. Hence, such programme/activities sometimes may not be taken up for audit. Thus tests of audit worthiness and auditability will have to be adequately met by a topic to be included in the Audit Plan.

#### **2.1.7 Audit Planning Group (APG)**

The Concept of Audit Planning Group has been dispensed with after implementation of Compliance Auditing Guidelines.

### **2.1.8 Annual Audit Programme**

Annual Audit Programme should flow from Annual Audit Plan. Depending on the availability of manpower resource, the OAD Headquarters will prepare Audit Programme for Compliance Audit of the units falling under Civil, Works, Revenue and State Autonomous Bodies audited under Section 14 & 15 of CAG's DPCS, Act 1971 on quarterly basis. The plan will be approved by the Accountant General/Dy Accountant General (Audit).

### **2.2 Audit of the accounts of offices of the State Government situated outside the State**

There are cases where certain civil departments of the state government have their activities in other states. The audit of the accounts of such offices may, with the prior approval of C&AG of India, be entrusted to the AG (Audit) in whose jurisdiction the offices exists(C&AG's letter No. 2255-Admn II/466-60 dated 17.11.60.

In the case of audit of government departments/autonomous bodies conducted by audit offices acting as agents on behalf of another AG, the audit officers after conducting the local audit entrusted to him should forward the Inspection Report and audit comments etc. to that AG and the latter shall issue the report and pursue the same till finality. This procedure would not be applicable in case where a different procedure has been specifically authorised. *(C&AG's letter No. 1836 Admn III/138/62 dated 28<sup>th</sup> July 1962)*

### **2.3 Undertaking of new audits**

As and when it comes to the notice of OAD (Hqrs.) Section the opening of new offices and the closing of old offices or undertakings, it should make the cycle register/programme register up-to-date.

It may not be practicable to take up local audit of all sundry and petty offices, with the existing staff. It should, nevertheless be ensured that no important office incurring substantial expenditure is left out. As many offices as can conveniently and without disproportionate expenditure be audited locally should be taken up in the local audit programme. The periodicity of audit of each account should be determined on the circumstances of each case. *(C&AG's letter No.2675 Admn.I/702-55 dated 31<sup>st</sup> December 1995)*

### **2.4 Special Audit**

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

b) The special audit undertaken for such special reasons at the request of the State Government will be in pursuance of the statutory functions of the C&AG of India and the cost thereof will fall on the audit budget.

c) The question of recovery of cost of audit will arise only when the audit of certain formations/offices not the statutory function of the C&AG of India and has been undertaken on consent basis.

*(C&AG's letter No.1615 Admn.III/232-60, date 11<sup>th</sup> August 1960)*



## **2.5 Undertaking of consent Audit**

Whenever any department of the Union or State Government makes a request to the C&AG of India for undertaking any audit which is not his statutory responsibility, the acceptance of the audit on 'consent' basis is likely to give a false sense of security to the department concerned. Unless the circumstances leading to the request are carefully examined and there is clear justification for giving the consent, and unless it is satisfactorily established that there is proper accounting system, financial control, etc., it is not desirable to give the consent.

In each case, in which audit on a 'consent' basis is proposed, it is to be seen how the authority for the audit to be conducted is derived and to whom the report is to be submitted; and whether there are any means for securing effective action in the light of the criticism or suggestions from the Audit Officer. If any one of these conditions is not satisfied, it is not desirable to take up the consent audit.

It should also be examined whether the Audit Office has the necessary staff with the required experience and ability for undertaking the audit.

Specific approval of the C&AG of India for undertaking a new audit on 'consent' basis and for deletion of an item of 'consent' audit, for reasons other than reorganisation of the States, should be obtained. A 'consent' audit ceasing on the winding up of an institution, need only to be reported to C&AG of India.

*(C&AG's letter No. 1567-Adm.I/170-58, dated 3<sup>rd</sup> July 1958 and No. 1869-Admn,I/505-50, dated 15<sup>th</sup> November 1952)*

## **2.6. Complaints**

Complaint letters received in OAD (Hqrs.) section shall be submitted directly to the Group Officer translated into English, if these are in vernacular (along with the original letters) and 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.

## **2.7 Anonymous or Pseudonymous letters**

No action will be taken on any anonymous complaints.

*(GOI, Deptt. Of Personnel & Training letter No321/4/91/AVD III Dated 29.9.92.)*

## **2.8 Undesirability of making inspection reports available to the Legislature**

The C&AG of India has ordered that no audit inspection reports (other than those submitted under Section 169 of the Government of India Act, 1935) should be laid on the table of the Legislature and in explaining the position has observed as under:

*'The audit report on a local or test audit is only the first step to the final evaluation of the regularity and propriety of the transaction audit etc. or of the financial results; there is still the rejoinder by the departmental officer; the further remarks by audit (which frequently involve the withdrawal of an objection)*

and orders of Government. The latter are really the only material which might be made available to the Legislature or even on which questions in the Legislature might be submitted.

In order to carry out the instructions mentioned above, any request for a copy of an Audit Inspection Report for being laid before the Legislature should be brought to the personal notice of the Accountant General.

## **2.9 Restructuring of Audit arrangement in Indian Audit & Accounts Department.**

In IA & AD the restructuring of offices were made on the basis of services and Revenue in Sectoral Group which were made effective from April 2012. These sectors were Economic Sector, Social Sector, General Sector and Revenue Sector. In Sikkim one Deputy Accountant General post was sanctioned, so, all sectors will be supervised by the DAG/ Sr. DAG as per Headquarter letter no 84-91/NER/Restructure-Audit office/2012 dated 25.04.12.

The departments of the State government were grouped in four sectors / groups. i.e. (i) Economic Sector (PSU & Non PSU), (ii) General Sector (PSU & Non PSU), (iii) Social Sector ( PSU & Non PSU), and (iv) Revenue Sector as detailed in **Appendix III**

**2.10 Smaller auditee units may require bringing records to audit office:** It was directed by Headquarter office that smaller auditee units could be asked to bring their records to Accountant General (Audit) office for audit so that audit parties do more in house work.

*(Hqtr Letter No: 62-69//RS (NER) /Coordn./ATR/SrOffr/Meet/ 2010-12/291/ KW dated 13 April 2012)*

## **2.11 Co-ordination between Central Audit (FAW) and Local Audit**

**2.11.1** The central audit conducted in the Audit Office is supplemented by periodical test-audit of initial accounts and such other accounts, vouchers, etc. as the main records and files are not rendered to the Audit Office or as cannot be checked adequately except at a local audit. It is of the utmost importance that close co- ordination should exist between central and local audits. Thus, it is essential that the two wings of audit should function supplementing each other and not independently.

For having proper co-ordination the following procedure should be observed by FAW and OAD (Hqrs.) Section:

### **2.11.2 Co-ordination of audit arrangements for new schemes or institutions**

(i) As soon as a new scheme comes to the notice of the FAW from an examination of the budget estimates or on receipt of a sanction to establishment, grant of loan, subsidy or other grant, etc. relating to a new scheme, detailed enquires shall be made immediately by CASS from the departmental authorities to secure full particulars and detailed literature relating to the scheme. The information so obtained should be supplied to the OAD (Hqrs) Section immediately to enable it to include the scheme in the local audit programme and to examine other arrangements for its local audit.

(ii) Further, it is incumbent upon the field parties that while auditing the units they should collect the Statement of Expenditure (SOE) of the CPS, CSS, SPS and World Bank Aided Projects from the units they are auditing and verify the genuineness of the expenditure and submit these SOEs to the FAW

Section through OAD Hqrs for the purpose of issuance of audit Certificate.

### **2.11.3 Selection of points or cases referred by FAW for detailed investigation and settlement through OAD (Hqrs.) Section**

Any important cases or points in regard to which a detailed or further scrutiny in local audit is desirable, FAW should invariably communicate to the OAD (Hqrs.) Section which should eventually be supplied to field audit teams as special point for further scrutiny and verification during audit of concerned department/unit.

### **2.11.4 Settlement of Half Margin Observation**

With a view to securing the speedy settlement of outstanding objections in co-ordination with local audit the following procedures should be followed:

- (i) The AAO of OAD (Hqrs.) Section shall also call from CASS for the statement of the outstanding audit objections in respect of the particular office, local audit of which is to be conducted by a field party at least 15 days in advance of the date of audit. The OAD (Hqrs.) Section will arrange to pass on these papers' to the Inspecting Officer of the audit party who has been assigned to carry out the inspection of that particular office.
- (ii) After the objections have been discussed and examined by the audit party with the departmental authorities, the Inspecting Officer will record his findings on a statement and send one copy of it to the Branch Officer of CASS and the other to the OAD (Hqrs.) Section along with his inspection note, diary etc. in justification of the additional time, if any, taken by him. FAW will then take further necessary action towards settlement of the objections on the basis of the remarks offered by the Inspecting Officer.

## **2.12 Signing of letters and statements to be sent the C&AG of India, Government of India and State Government.**

**2.12.1** All letters to the C&AG of India other than on routine matters should ordinarily be issued under the signature of the AG. Whenever the C&AG of India is required under a statutory provision to certify any figures and they are based upon the figures furnished by the AG, the latter should personally sign the statements and certify their correctness.

**2.12.2.** All important communications should be issued to the office of the C&AG of India with the full knowledge of the AG particularly in respect of cases involving reports, errors or delays, etc. so that in all such cases suitable action is taken and remedial measures adopted by the AG, wherever necessary. Whenever the GO or any other officer issues an important communications with the concurrence of the AG, the fact should be indicated in the letter itself.

**2.12.3** Normally, all important communications emanating from the office should be issued after obtaining the approval of the AG or GO particularly when a department or an officer indicates to the office clearly

their views as to the manner in which a particular case should be dealt with. In all cases where reply/reference is issued under the orders of the Branch Officer to a department/an officer stating that their views are not accepted in Audit and if the department/officer reiterate their views giving reasons thereof, the case must be submitted to the GO for orders if the BO does not propose to accept the view/clarifications given by the department/officer. In cases where the initial reference is issued after obtaining the orders of the GO, the reply of the department should also be submitted to him for further orders.

**2.12.4.** The C&AG of India have no objection to the AG authorising the BOs to sign acknowledgements of receipt of letters from the office of the C&AG of India.

**2.12.5.** All communications addressed to the C&AG of India that will require to be forwarded ultimately to the Government of India or any other authority (for example applications for revisions of pay, for increased establishment, for extra grants etc.) should be submitted in duplicate.

**2.13 Transfer of Auditor/Sr. Auditor from headquarters to field party and vice versa.**

Generally an Auditor/Senior Auditor who has completed two years service at headquarters may be eligible for outside field duties for a period of 12 months. This period may be extended in the interest of work or may be curtailed if the conduct or output of the Auditor/Senior Auditor in the field is not satisfactory.

**2.14 Calendar of Returns (COR)**

A Calendar of Returns showing the due and actual dates of completion of various items of work shall be maintained by OAD (Hqrs.) Section. Blank note sheets should be appended to and bound with the Calendar of Returns for the purpose of submission of the weekly reports in the following form to the BO on the 2nd, 8th, 15th and 22nd of each month and GO on the 22<sup>nd</sup> of every month.

*Memo of submission*

<i>Page</i>	<i>Item No</i>	<i>Brief Particulars</i>	<i>When due</i>	<i>To whom due</i>	<i>Reason for delay</i>	<i>Probable date by which it will be submitted</i>	<i>Remarks</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>

AAO will be responsible for seeing that the Sectional Calendar of Returns is at all times complete and kept up-to-date. A list of various returns indicating the due dates of their submission/receipt is at **Appendix IV**

**2.15 Sectional Duty List**

**2.15.1** A sectional duty list showing the details of work allotted to each personnel in the section should be properly drawn up to show a continuous record of incumbents with specimens of their signature and initials along with the dates of their taking over / handing over of their duties.

**2.15.2** Whenever a person in a section is transferred to another section or office or relieved to proceed on leave etc., the AAO should obtain the dated signature and initial of relieved and relieving persons on the relevant duty list and submit the same to the BO.

**2.15.3** Besides, the relieved person may also be required to submit a detailed charge report to the AAO of OAD (Hqrs.) Section showing the state of work on his table the time of his transfer.

**2.15.4** The detailed duty list should be kept in the personal custody of the AAO of OAD(Hqrs.) Section and a specific mention to the effect that the duty lists have been made over to his successor should invariably be made in the charge reports of the AAO whenever he hands over charge.

## **2.16 Sectional Diaries**

**2.16.1** Sectional dak should first be submitted to the BO of OAD (Hqrs.) Section so that he can avail himself of the earliest opportunity of perusing the sectional dak and recording thereon such instructions as he may consider necessary. With a view to expeditious disposal of inward dak, the BO should also give proper guidance and indication for suitable disposal wherever possible, on the letters received before passing them on to the section. The AAO should examine the letters etc. received in dak and after initialling each letter, etc., mark them to the auditors/assistants. The letters so marked will then be entered by diarist in the respective Sectional Dairies like CAG Diary for letters/email/Fax etc received from CAG Office, Central Diary for letter/email/fax etc. received from Central Government offices within and outside State and from sister offices and for State Diary for all the letters, email fax etc received from State Government offices/Government & Non government organisations etc. The AAO should also record such instructions on the letters as may be necessary for their disposal.

**2.16.2** The diarist will duly write up the columns of the diary as also the subject matter of the letters received in the section. He will make over the letters to the Sr. Auditor/Auditor concerned promptly after taking their initials in the diary. The Sr. Auditor/Auditor should similarly keep a notebook through which receipt/disposal and movement of the register should be watched. Letters not pertaining to the section and marked as such under the dated initials of AAO will be passed on to the section concerned. The disposal of letters should be noted in the diary under full signature of Sr. Auditor/Auditor concerned and in case of the reply sent out; the sectional despatch number of the letter forwarding the reply should be noted.

**2.16.3** Where no reply is necessary the letter will indicate "Filed". The case number of relevant file should be given against it. In order to ensure the correctness of entries of disposal recorded by the Sr. Auditor/Auditor concerned. The AAO should check cent *per cent* entries of disposal in the case of letter received from Government of India. State Government and C & AG of India and 5% of other entries and record full signature in the diary in token of this check and give certificate to this effect in the weekly report on the disposal of inward letters.

**2.16.4** AAO should personally verify that all the outstanding letters against which disposal has not been marked in the diary register have been included in the list of outstanding and append a certificate to this effect in the report of out standings.

## **2.17 Register / Return**

**2.17.1** The OAD (Hqrs) Section maintains the register shown in **Appendix I** under **Chapter I**. These registers along with certain Returns to be prepared and submitted periodically should be put up to the BO of OAD (Hqrs.) Section and GO on the due dates indicated in Calendar of Return as given in **Appendix IV**.

### **2.17.2 Potential Draft Para Register**

Three separate registers of Serious Irregularities should be maintained in the OAD (Hqrs.) Section for recording serious irregularities noticed during the local audit of (i) Civil (ii) Works and (iii) Revenue departments in form 11 as indicated under **Appendix I**. These Registers are intended to keep a note of the material which merits inclusion in the Audit Report. The Inspecting officer while submitting audit and inspection notes to the OAD (Hqrs) Section should indicate in the Covering Title Sheet the important paras which in their opinion merit inclusion in the Audit Report. After the approval of the note by the GO these paras will be transferred to the registers for further processing. The registers should be put up to the GO every month by the first week.

### **2.17.3 Check register of weekly diaries of auditors**

**2.17.3 (i)** A check register of weekly diaries should be maintained as indicated in **Appendix VI** to watch the receipt of diaries. This register should be posted from the weekly diaries submitted by members of the field parties on each Wednesday morning. It should be put up to the BO of OAD (Hqrs.) Section on that day along with the weekly diaries which have been scrutinized in the office. Any deviation from the approved programme, waste of time, either in regular audit or in transit should be brought to the specific notice of the BO. He will also see whether the details of the work done represent a full day's work. The diaries should, thereafter, be carefully filed for each party in chronological order and preserved for the prescribed period for reference.

**2.17.3 (ii)** While checking the weekly diaries received from the local audit parties it should be seen that:

- the work done by each auditor is shown in sufficient detail;
- the certificate regarding spending of holidays and Sundays in camp is recorded;
- Leave applications are received, where necessary.

## **2.18 Submission of year wise expenditure for inclusion in Audit Report**

During the local audit of Departments/ Units the audit parties are required to collect yearwise breakup of the audited expenditure of the unit of State Government that has been taken up for audit in the format prescribed by Hqrs Office, New Delhi for inclusion in the introductory portion under the heading 'Planning and conduct of Audit' of Audit Report. The information has to be compiled by OAD Hqrs and should be forwarded to Report Section. The format prescribed by Hqrs Office is as below:

Name of the Sector				
Audit conducted during ... to ....	Expenditure of the unit (i.e. expenditure of the financial year of the unit for which audit conducted (₹ in lakh)			
Name of the unit	Year	Year	Year	Year

(CAG's DO letter No. 54/NER/Restructure- Audit Offices/2012 dated 18<sup>th</sup> February 2013).

### 2.19 Performance Reports of Multi Tasking Staff (MTS)

The Performance report of MTS has to be submitted to Admn (Audit) Section on or before 3<sup>rd</sup> of every Month for submission to Accountant General. The Proforma for submission of the report is shown in **Appendix V**.

**2.20: Weeding out of records:** OAD Section from time to time weed out the old records/closed Inspection Reports. Such weeded out files/IRs should be segregated and sent to records section for preservation/disposal with the approval of Group Officer.

### 2.21 Period of preservation of office records (OAD)

The records of the Outside Audit Department are preserved for the period shown below:

Description of Records	Period of preservation
Inspection Reports	5 years after all the paras are settled
Resolution and Circulars of State & Central Government and General Letters of Comptroller & Auditor General of India involving Audit & Accounts Questions	5 years after they are fully codified or fully manualised otherwise 15 years
Reference to Comptroller & Auditor General of India for decision on Audit Accounts Questions and decision thereon	20 years or till they are superseded or cancelled by latter orders at an early date at the discretion of the officer if fully manualised or codified
Internal Circular/Office order files	5 years after they are fully codified or fully manualised otherwise 10 years
Outstanding Para Registers, Objection Book Registers,	5 years after all paras of concerned Registers are settled
Adjustment Register	10 years
Master Programme Register, Programme Registers	Minimum of 20 years
Special Point Register, Weekly Diary Check Register and other Normal Registers & files	5 years after they are closed

Dispatch Register, CAG Diary	Minimum of 10 years after they are closed
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**2.22 Providing Inspection Reports/ Documents under Right to Information Act:** The Inspection Reports/ documents/ information etc. which are related to audit can be provided to Applicants provided the information is sought through proper channel and application as envisaged under RTI Act 2005.

**2.23 Providing Old Inspection Reports to Auditee organisations:** The Old Inspection Reports can be provided to auditee organizations provided if such these records are sought through application addressing AG/DAG/Sr. Audit Officer of OAD Hqrs.

**2.24 Constitution of State Level Audit Advisory Board (SLAAB)**

**2.24.1** OAD Hqrs Section arranges for constitution of State Level Audit Advisory Board and conduction of the meeting thereof.

**2.24.2 Guidelines for the constitution of State Audit Advisory Board**

(i) **Objectives:** To enhance the effectiveness of audit including audit reports by providing a forum for professional discussion between the senior management of audit offices and knowledgeable and experienced professional from varied field.

(ii) **Function:** To advise the Accountant General of States on coverage, scope and prioritization of audit together with suggestion regarding appropriate audit approaches and technique.

(iii) **Constitution of the Board:** The Board will consist of a maximum of 10 honorary external members nominated by the PAG/AG.

PAG (A)/AG (A) will be the Chairperson of the Board, DAG (A) will be ex-officio members/ex-officio Secretary of the Board.

(iv) **Eligibility for nomination of external members:**

a) Person above 70 years of age shall not ordinarily be selected

b) Nominated members may be drawn from amongst eminent academician, professional (Engineers, Scientists, CA/ICWA, Economists, Professors, Expert in banking, insurance, taxation, Law, NGOs, media persons, retired Civil servants, IT experts etc.), Heads of Institutions etc. Retired IAAS officers living in State may also be considered. However, not more than one such person should be nominated.

As soon as the AAB is constituted by the PAG/AG, intimation thereof will be sent to DG (Audit) with a copy endorsed to the ADAI concerned.

c) Person ordinarily residing in territory of the State only are eligible for nomination

d) Institutional nominees and persons possessing specialized knowledge of the State matters may be accorded preference

(v) **Mode of Nomination:** PAG/AG will consolidate the list, finalise the nomination and notify to external as also the ex-officio members.



(vi) **Tenure for external members:** Ordinarily the tenure of each members of each member will be two years, re- nomination may be allowed for another two years in exceptional cases.

(vii) **Meeting of the Board:** At least two meetings would be held every year.

(viii) Remuneration: Rs. 2000 as sitting fee to external members.

(ix) **Functioning of the State level Audit Advisory Board:**

Before holding the meeting of the SLAAB, proper agenda will be drawn and agenda notes circulated. After the meetings are held, the minutes of the discussion will be prepared and circulated to all members

A copy of the minutes of the audit Advisory Board meeting will be sent to ADAI concerned. Another copy of the minutes will be endorsed to DG (Audit).

Recommendation of the Board will be duly considered in planning audit and bringing out systemic improvements in the audit process.

*(Authority: Hqrs' office letter NO 223 audit (AP)/27-2009 Dated 17 July 2009)*

#### **2.25 Corrections to the OAD (Hqrs.) Manual**

Instructions and decisions of a permanent nature relating to the Outside Audit Department should be incorporated in this Manual with reference to the number and date of the letter, the case, etc. Draft correction slips if it involves incorporation of the orders issued by the Government, the C&AG of India or the AG, will be finally approved by AG. After approval each correction slip should be pasted in the register of correction slips in serial order of issue. The AAO of OAD (Hqrs.) Section is personally responsible that this is done regularly and the Manual is kept up-to-date. Whenever it is possible or necessary to issue a correction slip, an office order should not be issued but copies of the correction slips should be circulated.

Economic Sector	No of offices		Social Sector	No of offices		General Sector	No of offices		Revenue Sector	No of offices
	Non PSU	PS U		Non PSU	PS U		Non PSU	PS U		
Food Security & Agriculture Deptt.	15	0	Cultural Affairs & Heritage	1	0	Judiciary	8	0	Commercial Tax	1
Animal Husbandry, Fisheries & VS	12	3	Ecclesiastical Affairs Department	2	0	Election Department	2	0	Energy & Power	1
SPWD (Building)	4	0	Food, Civil Supply & Consumer Affairs	8	0	Finance Revenue & Expenditure Department	5	1	Forest, Environment & wild Life Management Department	6
Commerce & Industries Deptt.	8	4	Health & Family Welfare Deptt.	11	0	Home Department	5	0	Land Revenue	4
Co-operation Deptt.	10	1	Human Resource Development Department	16	0	Information & Public Relation Department	4	0	Mines & Geology	1
State Excise (ABK) Department	2	0	Labour Department	3	0	Information & Technology Department	1	0	State Excise	1
Energy & Power Department	5	4	SJE & Welfare Department	22	1	Land Revenue & Disaster Management Department	7	0	State Lotteries	1
Forest, Environment & Wild Life Management Deptt.	27	0				Law	1	0	Transport Department	1
Horticulture Cash Crop Deptt	6	0				Legal Legislative & Parliamentary Department	1	0	UD & HD	1
Mines, Mineral & Geology Deptt.	1	0				Personal Administrative Reforms and Training Department	2	0		
SPWD (R&B)	5	0				Development planning Economic Reforms & NEC Affairs	2	0		

						Department				
Rural Management & Development Deptt.	47	0				Police	17	0		
Tourism & Civil Aviation Deptt.	5	1				Printing & Stationery Department	1	0		
Transport Department	8	0				Raj Bhawan	1	0		
Urban Development & Housing Department	6	2				Science & Technology Department	2	0		
Water Resource & River Development Department	6	0				Sikkim Legislative Assembly	1	0		
Water Security & Public Health Engineering & Water Supply	3	0				Sikkim Public Service Commission	1	0		
						Skill Development Department	3	0		
						Sports & Youth Affairs	3			
						Vigilance	1			
<b>Total</b>	<b>170</b>	<b>15</b>	<b>Total</b>	<b>63</b>	<b>1</b>	<b>Total</b>	<b>68</b>	<b>1</b>	<b>Total</b>	<b>17</b>

**Note: Implementing Units not taken into account**

**APPENDIX – IV  
(Para 2.14)  
CALENDAR OF RETURNS**

**ANNUAL RETURNS**

<i>Sl. No</i>	<i>NAME OF Return or Report</i>	<i>To whom due</i>	<i>When due</i>	<i>Authority</i>	<i>Remarks</i>
1	Target & Achievement	Administration section for consolidation and sending to C &AG	1 <sup>st</sup> week of April.		

2	Staff Proposal for the year in respect of civil, commercial, & Revenue wing of OAD section.	Administration section for consolidation and sending to C & AG	25 <sup>th</sup> July/ or as & when called for by Admn Section	Hqrs. No.2705/BRS/368-85-1 dated 14.06.85.	
3	Return of audit of bodies / authorities under section 14 & 15 of C&AG's (DPC) Act.	C&AG	30 <sup>th</sup> April	Hqrs. No.1748/AU 11/ 18-85 dated 28.11.85	
4	Compliance Audit Plan	C&AG	August September	Hqrs. letter No. 27(AU)Audit plan 19.3.94 dated 10.9.93	
5	Audit under sections 19 and 20 of CAG's(DPC) Act ,1971(Audit of Autonomous bodies)	C&AG	20 <sup>th</sup> January	Cir.No.26/Audit II/1986 NO. 1931-Audit-II/7-86dated 11.12.86 ( P7 of file no. 10)	
6	Statement of audited Expenditure	Report Section for inclusion in Audit Report	August September	<b>(CAG's DO letter No. 54/NER/Restructure-Audit Offices/2012 dated 18<sup>th</sup> February 2013).</b>	

#### HALF YEARLY RETURN

Sl. No	NAME OF Return or Report	To whom due	When due	Authority
1	Half yearly digest of important and interesting cases in the audit of State Revenues.	AG9AU)- II, W.B(ST). AG(AU)- II, Maharashtra(LR) AG(AU) –II,UP (State excise) AG(AU), Punjab (Stamp duty and Registration fee. AG(AU) II , H.P.(Forest). AG(AU), Tamil Nadu (MVT and PG tax.) AG(AU)-II, Karnataka (Mines and Minerals)	31 <sup>st</sup> May and 30 <sup>th</sup> November	Hqr's letter No 1538-Rec A IV/12(XVII) dated 13.12.90
2	Half yearly digest of important and interesting cases in the audit of State Revenues.	Pr. A.G., A.P.	30 <sup>th</sup> Nov and 31 <sup>st</sup> May	Hqr's letter No 661- RecA V/12(XVII)/90 dated 16.7.90
3	Statement of grants and loans and advances sanctioned to bodies and authorities under audit jurisdiction of DGACR(As and when desired by DG Audit )	Director General of Audit.		Nil
4	Half Yearly Progress Report of Implementation of Audit plan	CAG	7 <sup>th</sup> Oct & 7 <sup>th</sup> April	No RS/(NER)/Coordn/Int/Annual audit Plan/(NER)2014 -15/126-133.

### QUARTERLY RETURN

<i>Sl. No</i>	<i>NAME OF Return or Report</i>	<i>To whom due</i>	<i>When due</i>	<i>Authority</i>
1	Quarterly MIS Return	ITA Section	15 <sup>th</sup> April , July, October, January	C&AG letter .No. 211 - 218/RS (NER) /Coordn>Returns2011-13 dated 6 <sup>th</sup> June 2013.
2	Quarterly Progress on State Revenue Report receipt for the period ending 30/6, 30/9, 31/12, 31/3.	C & AG	15 <sup>th</sup> July 15 <sup>th</sup> October 15 <sup>th</sup> January 15 <sup>th</sup> April	Hqrs Letter No 75- SRA/2/(XXV)/2009-QPR dated 18-05-2010.
3	Information's relating to units/ vouchers audited during the quarter	AG	15 <sup>th</sup> April , July, October, January	C&AG letter .No. 467 Audit /Aud.plg/48-95 dated 8.6.95.
4	Quarterly return on SAR of (State Autonomous Bodies).	C & AG	15 <sup>th</sup> April , July, October, January	C&AG letter .No. 467 Audit /Aud.plg/48-95 dated 8.6.95
5	Quarterly progress report of OAD (Hqrs )	ITA Section	15 <sup>th</sup> April , July, October, January	C&AG letter .No. AMG/IV/SAR/ 10-11/ 168 dated 5.5.10.
6	Perspective Plan	As & when called for by ECPA Section.	15 <sup>th</sup> April , July, October, January	-
7	Quarterly Return on Central Autonomous Bodies	CAG	15 <sup>th</sup> April , July, October, January	Hqrs Letter No. AMG IV/SAR/2010-11/ dated 05/05/2010 and AMG- IV/DP Cell/PDP-25 Delay in submission of Accounts/2015-16/534 dated 10-08-2010.

### MONTHLY RETURNS

<i>Sl. No</i>	<i>NAME OF Return or Report</i>	<i>To whom due</i>	<i>When due</i>	<i>Authority</i>
1	Out Standing Para Register (Civil-State)	BO	1 <sup>st</sup> week of every month.	AG,s Order dt. 1.10.86
2	Out Standing Para Register (works-State)	BO	1 <sup>st</sup> week of every month.	AG,s Order dt. 1.10.86
3	Out Standing Para Register (Autonomous- State)	BO	1 <sup>st</sup> week of every month.	AG,s Order dt. 1.10.86
4	Out Standing Para Register (Revenue- State)	BO	1 <sup>st</sup> week of every month.	AG,s Order dt. 1.10.86
5	Out Standing Para Register (Civil-Central)	BO	-do-	-do-
6	Out Standing Para Register (works-	BO	-do-	-do-

	Central)			
7	Out Standing Para Register (Autonomous- Central)	BO	-do-	-do-
8	Objection book (Civil-State)	BO	-do-	-do-
9	Objection book (Civil-Central)	BO	-do-	-do-
10	Objection book (Revenue )	BO	-do-	-do-
12	Special point register of the items seen during local audit (Civil, Revenue)	DAG/AG	15 <sup>th</sup> of every month	-do-
15	Outstanding para Register (Revenue)	BO	1 <sup>st</sup> week of every month.	-do-
16	GOI/DO /FAX Diary	DAG/AG	-do-	-do-
17	General Dak Diary.	DAG/AG	-do-	-do-
18	C&AG's Diary	DAG/AG	-do-	-do-
20	State Diary			
21	Attendance registers.	BO	-do-	-do-
22	Adjustment Register (Civil Central)	BO	-do-	-do-
23	Adjustment Register (Works Central)	BO	-do-	-do-
24	Adjustment Register (Autonomous Central)	BO	-do-	-do-
25	Adjustment Register (Civil State)	BO	-do-	-do-
26	Adjustment Register ( Works State)	BO	-do-	-do-
27	Adjustment Register (Autonomous State)	BO	-do-	-do-
28	Adjustment Register (State Revenue)	BO	-do-	-do-
30	Progressive Draft Para Register.(Civil & Revenue)	DAG/AG	-do-	-do-
31	Out Standing Para Register (Revenue)	BO	-do-	-do-
32	Out Standing Para Register Commercial)	BO	-do-	-do-
33	Monthly Progress Report of CABs	CAG	10 August, 10 September 10 October	Hqrs Letter No 93 RC (AB)04-3/2012 dt 12-07-2012
34	Monthly performance Report of Revenue audit.	C &AG	-do-	CAG's circular no25/1984
35	Monthly Progress Report on Separate Audit Report of Central Autonomous bodies.	C &AG	July to October(by 6 <sup>th</sup> of August to November)	CAG's letter No. 93RC (AB)/ 04-3 /2012 dated 12.07.12.
37	Casual Leave Register.	BO	-do-	-do-
38	Register of Receipt & Issue of Inspection Reports		-do-	-do-
39	Performance Report of MTS	Admn Section	1 <sup>st</sup> Week of following Month	-

#### WEEKLY RETURNS

Sl.	NAME OF Returns	To whom due	When due	Authority
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No				
1	GOI/DO/FAX Diary	Branch officer	Monday	AG,s Order dt. 1.10.86
2	General Dak/ Diary	Branch officer	Monday	AG,s Order dt. 1.10.86
3	C &AG's Diary (Civil)	Branch officer	Monday	AG,s Order dt. 1.10.86
4	C&AG's Diary (Revenue)	Branch officer	Monday	AG,s Order dt. 1.10.86

#### APPENDIX V

#### Proforma for submission of Performance Report of MTS

(Para 2.19)

1	Name of the MTS	
2	Name of the Section in which attached	
3	Whether he/she is punctual in attendance or not	
4	Whether he /she is wearing uniform regularly or not	
5	Behaviour with officer and staff	
6	Whether he/she is prompt to attend the work assigned to him or not	
7	Cleanliness of the table chair and maintenance of sectional records	
8	Devotion to Work	
9	Remarks, if any	

Asstt Audit Officer

Branch officer

#### APPENDIX VI

(Reference: Para 2.21)

#### CHECK REGISTER OF WEEKLY Diary of AUDITORS/Sr. AUDITOTS/AAO/ AO/ SAO

(To be submitted within 6 days after the completion of each week)

Sl. No	Week for which diary required to be submitted.	Whether work done is shown in sufficient detail.	Whether a certificate regarding spending of holiday and Sunday in camp is recorded.	Whether leave applications were received.	In case of extension whether the work done was sufficient for the extension period.	Due date of submission	Actual date of submission	Whether there was delay.? If so, reason thereof	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

#### CHAPTER III

## **DUTIES OF LOCAL AUDIT PARTIES**

### **3.1 Professional judgment:**

The Auditors should plan and conduct the audit with ‘**professional skepticism**’ and exercise ‘**professional judgment**’ throughout the audit process. In the discharge of their duties, the members of the local audit parties and the Inspection Officers will be guided by the instructions contained in this manual and other books of reference/Rules/Manuals/Guidelines etc., supplemented by orders/instruction issued from time to time. The prescribed process of audit should be taken only as a guide to an intelligent audit. This should not be followed mechanically and should never be considered as limiting the duties of staff. The inspection staff should ensure that no order/issues which prima-facie requires investigation is left out on the plea that it is not provided for in the manual etc.

### **3.2 Desk Review**

Before taking up audit of a Government office or body/authority, the Inspecting Officer and local audit party should:

#### **(a) *Carry out a desk review at O.A.D. Headquarters:***

The review should comprise a study of the guard file, data analysis to determine the direction/focus of audit and to identify records /transaction that are potentially error prone for verification in the field. Ideally this can be synchronized with the quarterly scheduling of audits, when audit of similarly placed entities could be grouped/scheduled simultaneously (e.g. billing units/ schools /PWD units etc.), so that focus areas/common focus areas could be defined and pursued in audit. Use of data analytics at this stage is recommended. While ordinarily a desk review needs to be carried out for gaining an understanding of the entity to be audited and its focus areas, in certain cases, based on the context - size, complexity, scale of audit, desk review as a distinct procedure may not be warranted. In such cases, specific relaxation should be obtained from the concerned Group Officer, duly explaining the circumstances and recording/documenting the reasons for the relaxation, before commencing the audit.

#### **(b) *Planning audit procedures:***

Based on an understanding of the individual entity (after the desk review), the SAO/AO in charge of the audit party should prepare a plan of audit procedures for the specific entity detailing the audit objectives, scope of audit, main focus areas for audit and assignment plan for the team members, which should be approved by the respective Group Officer before the audit is undertaken. A recommended format for planning audit procedures is provided at **Appendix VII**. Where a specific subject matter has been selected, an audit design matrix as envisaged in the



Compliance Auditing Guidelines, should also be prepared. Mandays required for the purpose of carrying out desk review and planning audit procedures may be appropriately factored into the annual audit plan to the extent required. It is expected, however, that this would not adversely impact the overall audit coverage.

**(c) Data Analytics**

Data analytics is another procedure to be adopted before embarking on audit. The Data Analytics involved the following steps

- i) Map (Identify) the relevant audited entity database and third party database (Refer the Big Data Management Policy);
- ii) Collect the Database; and
- iii) Analyse as per data analytic guidelines (which will be issued by Hqrs Office)

**3.3 Conducting audits**

During this process, monitoring the field audit parties and supervising the quality of audit and documentation of the field audit work are the most critical processes. The audit procedures that should be followed to achieve better process outcomes are:

**3.3.1 *Interface with Headquarters:***

An effective two-way interface between field audit parties and Headquarters needs to be established during the field audit process whereby Headquarters can effectively monitor the field audit process and the audit parties can report on audit challenges being encountered and also follow up on Headquarters directions. This would involve the following:

- (i) Issues emerging from Group Officer supervision should be effectively followed up and reported in the prescribed format as part of the Title Sheet to the Draft Inspection Report.
- (ii) Any systemic issue observed during audit should be communicated to other parties carrying out similar audits to enable a holistic assessment across all audited entities.

**3.3.2 *Certification of field audit process:***

The SAO/AO of the field audit party should certify that the audit process was conducted as planned in accordance with the Auditing standards and Code of Ethics and that documentation requirements have been adhered to. The certification may be part of the Title Sheet that the field audit party submits along with the Draft Inspection Report. The revised format of the Title Sheet is provided as **Annexure VIII**.

*(Hqrs guiding note for improving the quality of IRs vide No.226-09-PPG/2017 dated 23 August 2017)*

### **3.4 Entry Meeting**

Audit Team should hold entry Meeting(s) with the head of audit units before the commencement of audit. During these meetings, the audit team should explain the purpose, objectives of audit timeliness and cooperation expected from the head of the audit unit.

*(Para 3.21 of Compliance auditing Guidelines 2016)*

### **3.5 Calling for records**

- i) Asstt. Audit Officer must call in writing for registers and other accounts records for audit purpose.
- ii) The Administrative authority is required to afford all reasonable facilities to the Inspecting Officer for the discharge of his function and furnish fullest possible information required by him for the preparation of any official account or report, and shall not withhold any information, books or other documents required by the Inspecting Officer.

If any, information books or other documents, or a part thereof, are of a secret nature, these should be sent by name to the Principal Director of Audit /Accountant General and he will deal with them in accordance with the standing instructions for handling and custody of such documents.

*(Rules 2, 10 & 11 of General Financial Rules and Rule 18 & 19 of Sikkim financial rules)*

- iii) If records are not supplied within a responsible time or if there are any other serious hindrances to the conduct of local audit, the Inspecting Officer should immediately report the matter personally or on phone to the Group Officer/Branch Officer, followed by a detailed report in writing to OAD Headquarters, who would take up the matter with the Head of the office or higher authorities for removing the difficulties or for suspending the local audit.

### **3.6 Extension of time for Local Audit**

**3.6.1** The time allotted for each audit is fixed in terms of man days after taking into consideration risk factor of a particular unit.

- a) The programme as approved, should not be changed without prior approval of the Head quarters section. If any change is considered inevitable and there is no time for getting the approval of the Head quarters Office, the changes may be carried out with due information to OAD Hqrs/Group Officer with reason thereof.

- b) It is necessary that Headquarters section be kept informed of the progress of audit and the same should also be duly incorporated in weekly Reports as prescribed **Annexure VII**. In case of any problem, by parties are advised to bring to the notice of the Headquarters section, the difficulties, if any, faced by them immediately for remedial action/guidance.

c) The number of days allowed for audit of an office/unit should not be exceeded except for very special reasons and with the prior approval of the GO. While making a request for an extension of the duration of audit, the audit party should explain fully the reasons for the necessity of an extension.

### **3.7 Method of ticking**

In auditing the accounts, all entries checked should be ticked or cross-ticked by the A.A.O./Sr. Auditor/Auditor with audit pencil. The A.A.O./Sr. Auditors/Auditors are forbidden to make notes, corrections or remarks in any of the registers or documents of the office, which they may audit.

### **3.8 Review of the work done by the auditors during local audit by the Supervisory staff**

With a view to ensuring that the items of work allotted to the Auditors have been checked adequately during the local audit, it has been decided that the AAO in charge of the party (Senior most among the two if there is more than one AAO) should conduct a test check of the work done by the Auditors/Sr. Auditors including the check of totals expected to be made by the latter.

### **3.9 Collection of information, copies of documents in support of objections etc.**

i) All objections detected during the course of local audit should be communicated to the Head of the Office inspected through Audit Queries /Preliminary Objection Slip (POS) issued over the signature of the Inspecting Officer/AAO. The Audit Queries / POS should be brief, precise and to the point. They should only seek confirmation/information and not suggest any conclusion or pre-disposition. It is emphasized that Inspecting officer should invariably obtain the reply to these Audit Queries/POS and incorporated in Inspection Reports.

ii) Paras for the draft Inspection Report should be prepared after considering the information/arguments advanced in the replies to Audit Queries/POS. Where no replies are received, the Para should be prepared on the information gathered from records and making a mention of non-receipts of replies.

iii) The Supervising Officer and the audit party should try to get all the information through accounts and other connected records.

iv) The Inspecting Officer should ensure that Paras which merit inclusions in the CAG's Audit Report are fully supported by photo copies (in quadruplicate) of all the key documents referred to in the Paras. The views of the Administrative department on the Paras and other relevant facts and arguments also obtained, so that there is no difficulty at OAD Headquarters in processing and finalising of the Paras for the Audit Report.

- v) When statistics are given in the draft Inspection Report, current year's figures should also be given showing the upto date position in addition to the figures for the year of accounts which is being audited.
- vi) The amount of overpayments or other irregular payments, which have to be kept under objection, should be worked out, to the extent possible, during the inspection itself and not left to be calculated by the office inspected and intimated to Audit later on.
- vii) The full financial implications of each objection, or approximate value thereof, calculated from the data in hand should be brought out in the Inspection Report to stress the significance and gravity of the audit objection.
- viii) The reason for observation pointed out in para should be obtained and included in para. This should not be left for the office inspected to inform the reason leading to such observation.
- (ix) Where important initial records e.g. cash book, pass books, security registers etc. are not maintained properly, the Inspecting Officer and the audit party, besides mentioning the technical defects and shortcomings in keeping those records, should make a probe to see whether the defective maintenance or non-maintenance indicate any misappropriation etc.

### **3.10 Compilation of Result of Audit**

The results of each local audit should be compiled and sent to OAD Headquarters, within 7 days from the date of completion of audit, in the form of an Inspection Report together with a title sheet and the duty list. The proforma for Title sheet & Duty list are given in **Appendix VIII**. The Inspection Report should be set forth in the following parts:-

#### **PART – I:**

- Introductory
- Budget & Expenditure with comments if and in case of Revenue IR Target & Achievement of Revenue
- Scope of audit with Party formation and date of audit.
- Sampling procedure & audit Sample
- Audit Objectives
- Audit Criteria
- Audit mandate.

#### **PART IIA**

(Significant audit findings)

**PART IIB**

(Incidental findings)

**PART III**

Follow up on findings outstanding from previous Reports

**PAR IV**

Best Practices

**PART V**

Acknowledgement

**3.11 Drafting of Inspection Report**

It is the responsibility of the Inspecting Officer to ensure the following:-

- (a) The report should be brief. A lengthy report, as compared to the material it contains, throws an unnecessary burden on OAD Headquarters in vetting, typing and issue, and on the administrative authority in examination and furnishing replies. Brevity should be achieved by economy of words and avoidance of repetition.
- (b) The report should be couched in polite language. Offensive or strong words, sarcastic language etc. should on no account figure in the report.
- (c) No suppositions, assumptions or allegations should be included in the Report. Only facts should be mentioned and inevitable conclusions drawn. There should be no reference to responsibility being fixed for any irregularity; it is for the administrative authority to take action in this respect.
- (d) No abbreviations should be used. If a set of words, for which an abbreviation is commonly used in the office locally audited, occurs repeatedly in the report, the words in full should be used on the first occasion, with the abbreviation in brackets, and thereafter only the abbreviation may be written.
- (e) Paras in the draft Inspection Report should be self-contained and written in simple language so that they are intelligible to one not familiar with the details of the working of the office locally audited and not fully conversant with audit language. It should be remembered that the Paras are to be dealt with by higher administrative authorities and the concerned Ministry.
- (i) The Inspecting Officer should take up the work relating to discussion of outstanding Paras of previous Inspection Reports with the Head of Office and other concerned authorities soon after the audit commences and follow up the discussions with actual settlement of objections on the spot. This aspect of the Inspecting Officer should devote considerable portion of his time and attention to this work. Any difficulty in getting co-operation from the Administrative authorities should be promptly brought to the notice of the Group Officer.

(ii) When an objection of a procedural nature such as non-maintenance of a record, or non-obtaining of a certificate relating to personal claims is outstanding in one or more previous, Inspection Reports, and the irregularity has continued during current audit, the outstanding objection in previous reports may be removed and a Para included in the current report, mentioning that it was pointed out in earlier Inspection Reports.

Occasion, may, however, arise when an outstanding paragraph in a previous report may have to be examined at the time of current inspection and the original paragraph as a separate paragraph in PART III of the current report as a result of spot inspection and discussion. It may be permissible to treat the outstanding objections appearing in the original report in such cases as settled, but such a procedure should be adopted only in exceptional cases, where outstanding paragraphs in a report are very few.

(iii). Where on receipt of a satisfactory reply from the office, objections pointing out overpayment short/non-realisation of stores, equipment and machinery, irregular purchases and other serious irregularities, are treated as settled by OAD Headquarters “subject to verification at the time of next Audit” and are abstracted on a separate sheet for verification of compliance by the Inspecting Officer during local audit, the Inspecting Officer should verify compliance and record his remarks against each item in that sheet. In case compliance stated to have been made is not in order, the objection should be continued in the current Inspection Report.

(iv) The Inspecting Officer, before treating objections in the previous Inspection Reports as settled should ensure that the office concerned has furnished written reply/explanation for each objection as settled and their reply is placed on record. Based on replies/discussion with the authorities, he should also record brief justification for dropping the objection in the original Inspection Reports.

In no case should an outstanding objection be treated as settled merely by recording ‘discussed and dropped’.

(v) Where a large number of Paras regarding non-production of records pertaining to previous local audits are shown as outstanding in Part – III of the current Inspection Report, all these cases should be listed again in part II also of the current Inspection Report as a para with a heading production of records prominently in a consolidated way, including records not produced during the current audit.

(vi) Objection in the Test Audit Notes of previous years, if not disposed off by the department, and if the points raised therein continue from year to year it should be included in Part III of the Inspection Report under the heading ‘outstanding test Audit Note objections from the previous reports’ and should be brought to the notice of higher authorities.

(viii) Para settled as a result of discussion should be shown in a form of Review sheet in the IR.

### **3.12 Exit Meeting**

- i) The draft Inspection Report should be discussed with the Head of the office inspected or in his absence with his deputy in the technical or administrative side on the last day of audit of the office. The discussion should not be postponed and the Inspecting Officer should make prior arrangements with the head of office or his deputy for discussion. In case where no time for discussion is given the last working day or written seven days thereof, a written intimation should be given that the report is being finalized accordingly. In local audits at outstations, the discussion should be held on the last day of audit and the report also finalized on the last day with or without discussion.
- ii) When the supervising officer remains absent then the draft Inspection Report should be discussed and finalized by the A.A.O. as the case may be due to circumstances beyond his control.
- iii) The results of discussion should invariably be indicated against each Para of the report. Where there is a difference of opinion, the reasons for not accepting the view of the head of office or his deputy should be fully recorded against the relevant Para.
- iv) The signature of the Head of the Office or his deputy should be obtained, on the original copy of the draft Inspection Report in token of his having perused and discussed the report.

### **3.13 Submission of Draft Inspection Report to OAD Hqrs**

- i) The draft Inspection Report with its title sheet connected files and documents etc. should be submitted to the OAD Headquarters within 7 days of the completion of audit.
- ii) When Audit parties are on continuous tour, the draft Inspection Report along with its title sheet should be sent to OAD Headquarters by registered post AD.

### **3.14 Documents to be appended with the Inspection Report**

The following documents should invariably accompany the Inspection Report.

- i) Title sheet in form shown in **Appendix VIII** and **Annexure** attached thereto duly completed in all respects and signed by the Inspecting Officer/Asstt. Audit Officer.
- ii) Proforma containing various details as shown in **Appendix IX** duly filled in and signed by concerned authority of the Department
- iii) List of Service Books checked, alongwith the list of Service Books in respect of the persons who are likely to retire during the next five years.
- iv) Copy of all the Annexure in quadruplets
- ii) List of BR/challans as verified from the PAO's/Banks records, where necessary.
- iii) Draft Paras proposed for inclusion in the Report of the C.A.G. alongwith copies of all relevant papers/key documents giving reference to the concerned Paragraphs of the Inspection Report.

- iv) Assurance memo as indicated under **Annexure F** of Title Sheet.
- v) Minutes of Entry & Exit meetings as indicated in **Annexure A** of Title Sheet.
- vi) Review of old outstanding paras incorporating the reply of the unit & suggestion of the IO of the Party
- vii) Detail months check list
- viii) List of records checked as indicated under **Annexure D** of Title sheet.
- ix) Duty list with distribution of work among the members of Audit Party as **Annexure B** alongwith Title sheet.

### **3.15 First Audit of an Institution**

In all cases where the local audit or inspection of an office or institution is conducted for the first time, the adequacy and suitability of the initial system of accounts, forms, registers, internal supervision by higher administrative officers, the scope of internal audit and the desirability of local audit in future years, should be properly examined. The defects and, improvements, if any, in the initial accounts and the extent of supervision should be pointed out in the Inspection Report as usual.

### **3.16 Postponement and suspension of local audit**

Request for postponement of audit should be considered only in exceptional circumstances and should be approved by Group Officer.

### **3.17 Pattern of holidays and working hours to be observed by field audit parties.**

**3.17.1** The local audit party will observe the working hours and the pattern of holidays of the office/ department visited by them subject to the condition that the total number of holidays/closed days enjoyed by them during a calendar year does not exceed the admissible number of the holidays under the Government of India orders and there is no shortfall in the total number of working hours. No member of a field party can therefore, prefix or suffix Saturday or any central government holiday, as in the case of staff posted at OAD(Hqrs.) Section, except where the Saturday is also a state .government holiday.

**3.17.2 Attendance Register:** The AAO of each party is supplied with an Attendance Register wherein he and his assistants should mark their daily attendance. This register is to be submitted to the Inspecting Officer whenever work of party is supervised by him.

### **3.18 Weekly diaries and review of work done by Sr. Auditors/Auditors.**

**3.18.1** Every member of a field party should submit his weekly diary to OAD (Hqrs.) Section in the prescribed proforma under **Annexure E** under Title sheet. The weekly diary of Sr. Auditors/ Auditors should be countersigned by the AAO, who should record a certificate to the effect that the work of the Sr. Auditors/Auditors was reviewed and found satisfactory or otherwise as the case may be. Weekly diaries should be forwarded to OAD (Hqrs.) Section on the last working day of the week.



**3.18.2** In case where extension has been allowed or duration of local audit exceeds number of working days programmed, the weekly diary should be put up to the Group Officer. Other weekly diaries should be scrutinised by the BO of OAD (Hqrs.) Section.

(C & AG's letter No. 173-0LM/12-75/1. dated 24.9.75)

### **3.19 Supervision of field audit parties by the Group Officers**

**3.19.1** The need and importance of supervision of the field audit parties by the Group Officers has been emphasized by Head quarters from time to time. Appropriate direction is crucial for maintaining quality of audit evidence and documentation in these times of transparency and accountability. This crucial role of supervision can only be fulfilled if Group Officers responsible are dedicating sufficient time for this term of work. To balance the responsibilities of duty station and field supervision, the span of supervision each month could ideally vary from 5-10 days depending on the number of field audits in progress. As instructed under guiding note of Hqrs Office vide letter No 226-PPG/2017 dated 23 August 2017, the field parties have to incorporate the follow up of supervision by GO in Title sheet as **Annexure C**.

**3.19.2** A quarterly return indicating the time spent on supervision of field audit parties by Group Officers may also have to be sent to Hqrs Office giving appropriate explanation for significant variations, if any.

(No.III/P/5-300-PPG/30-2013 Dated 25-09-2013)

#### **Appendix VII**

( Para 3.2(b)

Format for planning audit procedure

Sl No	Description	Details
1	Name of the Entity	
2	Period of audit	
3	Duration of audit	
4	Have the documents of the Entry (such as the Financial budgets/Outcome budgets/Result Framework Documents/Annual Reports/New Policies and changes in policy, previous Inspection Reports/Performance Audit Reports Concocted earlier etc) been desk reviewed	
5	Have documents and data from secondary sources (such as Reports of the Sate and Union Governments and of various Commissions/Census data/Statistics put out by Government/NSSO data digitized data available in data. govt. in, VLC data, Beneficiary data,( if applicable) etc. and other sources like media reports, research reports, academic reports etc.) been desk reviewed.	
6	Potential risk/focus areas that emerge of the review conducted as at (4) and (5)	
7	List of audit objectives that are intended to be pursued both on regularity and propriety aspects.	
8	Summaries the planned scope of audit	
9	Audit procedures that are intended to be applied (review of records, physical verification, joint inspections, external evidence collection etc.	
10	Broad Assignment Plan for each party member	
11	Other remarks	

Group Officer

**Appendix VIII**

(Para 3.14)

**TITLE SHEET****(TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT)**

	<b>PART A</b> <b>Summary of audit results</b>	
1	Name of the organization audited	
2	Name of party personnel	
3	(i) Sr. Audit Officer/Audit Officer	
4	(ii) Asst. Audit Officer/Supervisor	
5	(iii) Senior Auditor/Auditor	
6	Period of audit	
7	Dates of commencement and completion of audit (Extension of time, if any, granted may be separately indicated)	
8	Whether Entry Conference was held with the Audited Entity? If yes, enclose Minutes /Record of discussions. If no, provide reasons	
9	Number of potential paras (drawing reference to para nos) included in Part -IIA of the Inspection Report	
10	Number of paras (drawing reference to para nos) relating to fraud or misappropriation, presumptive fraud and leakage of revenue etc	
11	Whether Exit Conference was held and draft Inspection Report discussed with the Head/Nodal Officer of the Audited Entity. If no reasons may be indicated.	Minutes as per <b>Annexure A</b> to be enclosed
12	Date of submission of Draft Inspection Report and all working papers to Hqrs. (may be submitted within a period of 7 working days from the date of conclusion of audit)	
13	Reasons for delay in submission of draft IR etc. to Hqrs with reference to the allotted time period, if any.	
14	General remarks, if any	
	<b>Part B</b> <b>(Details of Audit Process followed)</b>	

1	Whether the allocation of duties amongst each member of the Audit Team (SAO/AO/AAO/Sr. Auditor/Auditor) was prepared in line with the planned broad assignment plan and acknowledged by the respective party members? If no reasons and justification may be provided.			Allocation of duties as per <b>Annexure B</b> to be enclosed
2	Sampling methodology adopted (Use as many rows as needed)			List of files vouchers/other documents reviewed may be enclosed
	SI No	Section/wind being audited	Nature of document	No selected for review
		Purchase/woks/Establishment etc.	File/ Voucher	( Indicate actual number selected)
3	Whether focus areas identified and procedures applied were as planned (with reference to the plan as approved by Group Officer before commencing the audit)? If no, reasons and justification may be provided			
4	Whether all issues marked for examination by Group Officer on supervision/Hqrs section have been addressed?			Compliance to Group Officer comments on supervision to be enclosed as per <b>Annexure C</b> .
5	Whether all work assigned as per allocation of duties were completed? If no, provide whether the reasons & justification are provided			Certificate as per <b>Annexure D</b> to be enclosed
6	Briefly indicate the potential focus areas for next audit			
7	Whether daily diaries indicating the documents/records checked by team members of the Audit Team have been prepared, signed and enclosed?			Daily Dairy as per <b>Annexure E</b> to be enclosed for each member
8	Whether a certificate of obtaining sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report has been provided?			Certificate as per <b>Annexure F</b> to be enclosed
9	Whether the key documents have been referenced in the para and the source of evidence has been provided as footnotes?			
10	Please indicate the position of outstanding paras of Inspection Reports			
	Period of Inspection Reports	No of paras outstanding (opening)	No of paras outstanding (closing)	Reason for the paras remaining outstanding
	1	2	3	4
11	Whether a certificate that the audit was conducted in accordance with the CAG's Auditing Standards 2017 has been provided?			Certificate as per <b>Annexure F</b> to be enclosed
12	Whether a certificate that the audit party has complied with the Audit Quality Framework and Code of Ethics has been provided?			Certificate as per <b>Annexure F</b> to be enclosed
Dated :				<b>Sr. Audit Officer/Audit Officer</b>

**ANNEXURE TO BE ENCLOSED WITH TITLE SHEET**

**Annexure A**

Sample Format of Minutes/Record of Discussion at the conclusion of Audit

Minutes of the Meeting held on \_\_\_\_to discuss audit observations to be included in draft inspection Report for the period\_\_\_\_\_relating to the Ministry of \_\_\_\_/Audited Entity\_\_\_\_\_

Present

From Ministry/Department side	From audit Side

(Note:- The minor and procedural irregularities which were noticed during the course of audit have either been settled on spot after taking assurance from the auditee or have been issued to the Ministry in shape of Test Audit Note).

The audit observations were discussed in detail and necessary clarification, wherever sought, were given from the audit side.

It was pointed out by Audit that initial replies from the Ministry in respect of \_\_\_audit observations were still awaited and the same may be furnished on priority. In response, the Ministry assured to send the replies at the earliest possible The meeting ended with vote of thanks

(Signature)	(Signature)
(Name & Designation)	(Name and Designation)
From Ministry's side	From Audit side

**Annexure B**

Proforma for Duty list each member of the Audit Team

Duties Assigned	Noted and signed ( Acknowledgement)
SAO/AO: Name 1.	
AAO/Supervisor: Name 1. 2.	
Sr. Auditor/Auditor: Name 1. 2.	

**Annexure C**

**Follow up of supervision by the Group by Group Officer**

Name of the Audited Entity	Date of Supervision	Comments/Queries of the Group Officer	Action Taken by the audit Team on Comments/Queries

**Annexure D**

**Certificate at the conclusion of Audit**

We have examined all the issues as per the duty list (except the following) and necessary audit observation based on audit scrutiny, have been issued

Sl No	Brief particulars of the issues which could not be seen in audit	Reasons therefore [non availability of records, time constrains, shortage of manpower, other constrains/reasons] etc.
-------	--	---

**Sr. Audit Officer/Audit Officer**

**Annexure E**

**Daily Diary of each member of the Audit Team**

Date	Brief details as such files number, items of work done, records seen and examined etc.

(Signature)

(Name of the Officer & Designation)

**Annexure F**

**Certificate**

**It is certified that:**

- a) Sufficient and appropriate evidence (key documents) for audit observations included in the Draft Inspection Report have been obtained and have been submitted along with the Draft Inspection Report.
- b) That the audit was concluded in accordance with the CAG's Auditing Standards 2017
- c) The audit party has complied with the audit Quality Framework and Code of Ethics

**Sr. Audit Officer/Audit Officer**

**Appendix IX**

**FORMAT- I**

1. Name of the Head of Office (HoO)/Head of Department during the period covered by audit:

Full address of office:

Telephone number :

e-mail address:

2. Name and Designation of the Drawing and Disbursing Officers during the period covered by audit.

Telephone number :

e-mail address:

3. Details of expenditure on foreign travel by any official during the period covered by audit.

4. Details of vehicles under the control of the HoO (Touring and Non-touring) along with the History Sheet and Log Book of the vehicles.

5. Cases of loss, theft, embezzlement, fraud etc. during the period covered by audit, if any, details thereof.

6. Manpower deployment

Name of Post	Sanctioned / Approved strength of Staff	Men-in position	Excess / Short (date from which the excess / short )	Reasons

i) Whether Service Book opened for all the regular employees. If not reasons may be stated.

ii) Name of the officers, if any, likely to retire within the coming 2 years.

If so service book of the officers may be made available.

- iii) Whether General Provident Fund Account No. allotted to all the regular employees who have completed one year of regular service. If not reasons may be stated.
- iv) Service book of employees joined during the last 2 years, if any.
- v) Name and designation of the officer placed under suspension, if any.
- vi) Details of Muster Roll / Casual employees.

**7. Purchase of stationery, store and stock, furniture etc. and maintenance of Register of Stock of consumables and dead stock registers.**

Information may please be furnished as to

- i) Whether any bulk stationery articles, store and stock, etc. were purchased by inviting tenders / quotations etc. during the period covered by audit.
- ii) Whether physical verification of stationery items, store and stock, etc. was carried out. If so, the verification report may be furnished.

iii) Whether any shortage in stock or discrepancy between closing balances as recorded in stock register and physical balance was detected during the period covered by audit.

**8. Whether any Personal Ledger Account / Separate Bank account is being operated? If so following information may be furnished**

- i) Bank Account Number
- ii) Whether Savings, Current Account or otherwise
- iii) Whether approval of Accountant General exist, if so details of approval be given.

Whether any Term Deposit /Fixed Deposit /Short Term Deposit Receipt etc., or any other Negotiable Instrument of Financial Institution exist. If so, i) When acquired

- ii) Whether approval of competent authority obtained.

(Signature of Head of Office)

**FORMAT- II**

**9. Replies to the outstanding Paras of previous Inspection report as per list enclosed (Annexure II )**

**10. Details of departmental quarters with occupation list (in the given proforma at Annexure III)**

**11. Financial position**

**A. Details of Establishment Expenditure incurred during the last 4 years**

Details of expenditure Head								
	Budget Provision	Actual Expenditure	Budget Provision	Actual Expenditure	Budget Provision	Actual Expenditure	Budget Provision	Actual Expenditure
Salaries etc.								
Traveling Exp.								
Motor Vehicle								
Office Expenses								
Entertainment & Hospitality								
Total								

**B. Detail of Expenditure incurred under SPS, CPS, CSS EAP & other Schemes during last 3 years**

Details of expenditure Head								
	Budget Provision	Actual Expenditure	Budget Provision	Actual Expenditure	Budget Provision	Actual Expenditure	Budget Provision	Actual Expenditure
SPS								
CSS								
CPS								
EAP								
Outside Budget Schemes								
<b>Total</b>								

**4. Revenue receipt**

Major Head of receipt	Estimated receipt of the year	Total receipt during the period covered by audit	Total amount deposited to Bank	Shortfall if any

**5. Details of contract / agreement made during the period of audit**

Name of the Contractor	Name of works	Estimated value of work	Date of commencement	Schedule date of completion	Revised Cost , if any	Upto date progress	
						Financial	Physical

**6. Details of works executed (show all those works which have either been completed during the period of audit or pending for completion as on the last day of the period of audit)**

Sl. No	Name of the work	Source of funding, whether from CSS/CPS etc. (specify the name of the Scheme)	Sanctioned cost of the work	Date of commencement of work	Target date of completion as per estimates	Revised cost and date of completion	Expenditure up to date	Physical progress up to date

**7. Details of Court cases / Vigilance cases, if any**



**Questionnaire on government quarters.**

Name of the office:

Name of the Department:

Name and designation of the head of office:

Name and designation of the head of department:

Table I

**Details of government quarters under the administrative control of the auditee****Department**

Type of quarter	Number of quarters under the category	Number of allottees under the category	Number of quarters under the category lying vacant	Date since lying vacant	Reasons for non-allotment of vacant quarters
(1)	(2)	(3)	(4)	(5)	(6)

Table II

**Serving employees to whom government quarter stands allotted****From the Department**

Name & designation of the employee	Entitled type of quarter	Type actually allotted	Since when allotted	Whether rent assessed, if note mode of fixation of rent	Rent/License fee due for the period **	Rent/License fee actually realized for the same period	Whether HRA also drawn
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Table III

**Employees occupying departmental quarter who are retired /transferred**

Name & designation of the employee	Entitled type of quarter	Type actually allotted	Since when allotted	Whether rent assessed, if not mode of fixation of rent	Rent/License fee due	Rent/License fee actually realized for the same period	Whether HRA also drawn	Date of transfer/retirement
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

SURVEY QUESTIONNAIRE FOR IT APPLICATION

NAME OF UNIT \_\_\_\_\_ LOCATION \_\_\_\_\_

SL NO	Name of IT Application	Functional Area covered*	IT system Architecture**	Details of Software			Details of Software	
				Operation System(s)	Application System(s)	Networking Software	Hardware including terminal employed	Networking Hardware employed
1	2	3	4	5(i)	5(ii)	5(iii)	6(i)	6(ii)

\*Accounting System, financial Management System, Inventory/Stock Management System, Decision Support System( MIS), Manufacturing / Engineering System, Payroll, Personnel and Administrative, Marketing, Sales, ERP, R&D and Other( Please specify)

\*\* File Server System, Client Server System, Distributed processing System or Web based/ EDI)

Level of dependency on the Application	Systems bearing on Financial and Accounting aspect (yes/no)	Date of System becoming operational	Total investment (Rs. in Lakh)		Current status of IT system (if system under development)	Total project cost( Rs. in lakh)	Target date of completion (if system under development)	Methodology adopted in developing the application system
			Hardware	Software				
7	8	9	10 (i)	10 (ii)	11 (i)	11(ii)	11(iii)	12

*Signature*

**CHAPTER-IV**  
**PROCESSING OF INSPECTION REPORTS AT OAD HEADQUARTERS SECTION –**  
**PURSUANCE AND SETTLEMENT OF AUDIT OBJECTION.**

**4.1 Receipt of Inspection Reports**

The field parties are required to submit to OAD Headquarters the draft inspection reports, after having discussed it with the departmental officers concerned within seven days from the date of completion of audit. In case the discussion cannot be held on the last day of audit and is deferred at the request of the Administrative authority this fact should be reported to OAD Headquarters within three days from the date of deferred discussion.

**4.2 Control register for watching the Receipt and Issue of Inspection Reports**

**4.2.1** In order to ensure timely submission of the Inspection Reports to OAD (HQ) by the field audit parties, and timely issue of Inspection Reports to the concerned authorities, a Central Register for watching the receipt and issue of Inspection Reports (IR) should be maintained by OAD HQ Section as IR Index Register as shown in **Form I** as Shown under **Appendix X**.

**4.2.2** Where the Inspection Reports are not received on time, reasons therefore shall be ascertained by a reference to the concerned Inspecting Officer and steps taken to ensure early submission of the reports to OAD Headquarters. All cases of delay in submission of Inspection Reports by field parties should be brought to the notice of Group Officer /OAD.

**4.2.3** The Control Register shall be submitted to the Branch Officer/Group Officer on the 15<sup>th</sup> of each month with a report indicating the number of Inspection Reports outstanding at the end of the previous month, the number of Inspection Report received during the month, the number of Inspection Reports issued and the number of Inspection Reports outstanding on the last day of the month, indicating (i) No. of reports under typing (ii) No. of reports with Ars/AAO/AO/DAG etc. (iii) No. of reports delayed for a month, two months etc.

**4.3 Processing of Inspection Report.**

After the Inspection Report is diarised in the Control Register for watching the receipt and issue of Inspection Report are completed, the Inspection Report shall be subjected to preliminary examination by the Head Quarters section to ensure that the Inspection Report is complete in all respects. The reports shall be carefully scrutinized /reviewed to see that:

- i) all the columns of the title sheet have been properly filled in and the Inspecting Officer and Section Officers have signed at all places provided for in the title sheet;
- ii) the local Audit has been carried out to the extent prescribed. In particular, it should be seen that detailed checks were exercised in respect detail months.
- iii) the Part III of the Inspection Report (list of outstanding audit objections of previous year) has been correctly drawn up and is available in the Inspection Report.
- iv) adequate reasons have been recorded for each objection treated as settled.
- v) all statements certificates and proforma etc as required/envisaged in the title sheet and also in all Paras of the Inspection Report have been received;
- vi) the points in the Register of Important points have been attended to by the field audit party.
- vii) the Inspection Report has been discussed with the head of office;
- ix) all files relating to the Inspection Reports for previous years;
- x) list of service books checked is attached;
- xi) Guard file relating to the institution inspected is received back;
- xii) in respect of institution which prepare Annual Accounts, true copies of the Annual Accounts duly signed in ink by the authorized officers of the institution alongwith certificate of audit duly recorded on one copy of the Annual Accounts by the Inspecting Officer is attached; and
- xiv) In respect of Government offices, a list of challans as verified from the PA.O'S Bank records is attached.

#### **4.4 Vetting of the Inspection Report**

Inspection Reports of supervised audits should be vetted and issued by B.O./OAD (HQrs) with due approval from Group Officer.

Important Paras which in the opinion of SAO /AO/ AAO merit inclusion in the Audit Report of the Comptroller and Auditor General shall be processed on the lines as directed by him while unimportant Paras which are considered fit for transfer to the Part II B shall be so transferred in accordance with the procedure laid down.

The reports shall also be carefully examined to see that;

- i) every finding is supported by sufficient and appropriate evidence and conclusions reached should be reached in the circumstance;
- ii) whether IR paras have been categorised appropriately as Part II A & Part II B paras respectively;
- iii) whether “Department Appreciation Note” to be brought to the notice of “Executive” by PAG/AG submitted in the IR in case of persistent irregularities;
- iv) Whether in case of “Nil IRs” it has been ensured by the parties that requisite process rigour has been adhered to.

*(Hqrs office guidance note on improving the quality of Inspection reports vide Letter No 226-09-PPG/2017 dated 23-August 2017)*

Apart from above it should also be ensured that:-

- v) there are no blanks, omissions of any data, adequate reference /or dates;
- vi) the captions of various Paras are correct;
- vii) there are no anomalies / ambiguities or misconstruction of sentences;
- viii) financial implications of each objection are clearly brought out;
- ix) the objections are based on financial rules/accepted cannons of financial propriety; and
- x) the objections are based on facts and not merely on presumptions and apprehensions.

#### **4.5 Time Schedule for processing of Inspection Reports.**

The Inspection Reports should be issued within one month from the date of completion of the inspection. To ensure this, the following time schedule is prescribed:-

- (i) For the receipt of IR by OAD HQrs from Audit party 7 days from the date of completion of audit;
- (ii) For the Section to put up Report 5 days;
- (iii) For Gazetted officers to pass the reports 4 days;
- (iii) Typing and issue of Reports 10 days (26 days say 1 months) Any departure from this time schedule should be brought to the notice of Group Officer and his order obtained.

*(Letter No 106/NER/Sik/Peer Review/2012/84 dated 08/08/2012 under para 5.8.3 ).*

#### **4.6 Grading of Inspection Report Paras**

The Inspection Reports should be graded so that their quality can be bench marked. A scoring methodology has been defined to measure the efficiency and effectiveness of critical audit processes against a maximum score of 100, which would consequently be translated into a grade to evaluate the quality of Inspection Reports on a scale of 10. The process of scoring methodology and grading, matrix of Inspection Reports is provided in **Appendix XI**

*(Guidance Note issued by Hqrs Office vide No 226-09-PPG/2017 Dated 23 August 2017)*

#### **4.7 Issue of Inspection Reports**

##### **4.7.1 State Government Offices**

After scrutiny and editing at Headquarters, the draft Inspection Report as finally approved by the Group officer shall be got typed in quadruplicate. One copy shall be sent to the office inspected and another to the next higher authority i.e. Head of the Department of concerned unit for inviting his attention. One copy should be sent to Director Internal Audit of Finance Revenue & Expenditure Department of government of Sikkim for pursuing the observation raised in the IR. One Copy should be sent to Financial Audit Wing (FAW) for incorporation in audit Certificates in case of necessary. The sample forwarding letter of Inspection Reports has been given in **Appendix XII**

#### **4.7.2 Central Government Department/Central Autonomous Bodies**

In case of Central Government Department, IR should be printed in Triplicate. One copy should be sent to office inspected and one copy should be sent to Hqrs of concerned Central Unit.

#### **4.7.3 Bodies or authorities getting grants-in aid/loans from Government**

(i) In the case of bodies or authorities audited under provisions of Section 14 of the CAG's (DPC) Act, 1971 a copy of the Inspection Report shall be sent to the Government in the concerned department, endorsing a copy simultaneously to the body or authority whose accounts are audited under Section – 14.

(ii) In the case of bodies/authorities the accounts of which are audited under Section 15 of the CAG's Act, 1971 Inspection Report shall be issued to the sanctioning authorities and not to the recipient institutions.

(iii) Where audit of a body or authority is undertaken under Section 20 (i) of the CAG'S Act 1971, the results of audit shall be communicated to the Governing Body or Council who shall submit a copy of the Inspection Report, along with its observations thereon to the Ministry/Department of Government of India and to the Council. If unit is Central autonomous Body a copy of the Inspection Report shall also be forwarded to Office of the Director General of Audit (Central expenditure, New Delhi

#### **4.7.4 Management Letters**

Management letters should be issued to Chief Secretary/ Departmental heads by the Principal Accountant General (Audit) highlighting the irregularities which was not reported in CAG's Reports but still require attention and corrective measures at executive level. Compendium of all such letters should be published at the end of the year along with action taken, if any.

*(Hqtr Letter No : 62-69//RS (NER) /Coordn./ATR/SrOffr Meet/ 2010-12/291/ KW dated 13 April 2012)*

#### **4.6.5 Issue of Inspection Reports to the High Court**

All inspection reports involving audit of personal entitlements of High Court Judges should continue to be cleared by the office of the C & AG of India as per the existing practice and AG should take personal care to ensure that no inspection report is issued without Headquarters clearance.

After Headquarters has cleared the inspection report, if any objection or overpayment in respect of a Judge is noticed, the matter should be brought to the notice of the Judge through a D.O. letter by the AG. A model draft letter, as below, may be used for this purpose. On receipt of the reply, a final view in this regard should be taken. If the Judge agrees to the audit view point, the point may not be included in the Inspection Report and the matter treated as closed. In case the Judge does not agree to the point, the matter should be referred to Headquarters.

*(C&AG's D.O. letter No. 61 O-Rep(S)/98-99 dated 23.6.99).*

Model draft demi-official letter( refer para 4.27.2 above)

*Dear Shri*

*As part of our routine audit scrutiny of the expenditure incurred by the establishment of the High Court pertaining to the period, the following points (enclosed statement) pertaining to the personal claims on your behalf were noticed in audit. Since these points may relate to deviation from the rules and the prescribed procedure and may involve over payment, I am bringing these to your personal notice at this stage with the request that you may kindly go through the audit comments and wherever necessary, arrange to adjust the overpayments etc. as pointed out in audit. In case you are not in agreement with audit observation, I would request you to kindly let me have the benefit of your views in such matters before a final decision could be taken. The draft report is yet to be issued and this is to assure you that due regard will be paid to facts etc. which may be pointed out by you in response to these audit observations, while arriving at final conclusions. If you so consider the points can be discussed at your convenience.*

*Yours sincerely,*

*AG (Audit)*

*To*

*Justice ...*

*High Court of. .... .*

#### **4.8 Watching receipt of replies to Inspection Reports**

The Heads of the offices inspected is expected to furnish replies to the Inspection Report through his Controlling Officer/Head of the department within 4 weeks of the receipt of an Inspection Report.

i) Unusual delays should be brought to the notice of the next higher administrative authority, and the following time-schedule observed for issuing reminders:-

a) Ordinary reminder should be issued if reply is not received within six weeks of the issue of the Inspection Reports.

b) D.O. reminder should be issued to the Head of the Office, if reply is not received within two months of the issue of the Inspection Report.

- c) Follow up reminders should be sent from BO level for furnishing the replies

#### **4.9 Record of Outstanding Inspection Reports/Paras**

**4.9.1** In order to watch the progress of settlement of outstanding objection, the OAD Head quarters shall maintain three numbers of Registers for each category of unit such as State works, State Civil, State Autonomous, State Revenue and Central Civil, Central Works and Central Autonomous.

In Outstanding Para (OP) Register all types of paras are recorded and yearwise progress of paras are watched. Through Objection Book (OB) register, money value paras which are recoverable in natures are recorded and watched. In Adjustment Register only settled paras are recorded. Proforma of the Register are given in **Appendix XIII**

#### **4.9.2 Monthly closing of Register**

Final position of Inspection Report/objections outstanding and settled shall be abstracted and shall be submitted to the Branch Officer on monthly on the 1<sup>st</sup> Week of each month. Proforma for such closing are given under **Appendix XIV**.

*(Para 4.4.20 MSO (Audit) 2<sup>nd</sup> Edition 2002)*

#### **4.9.3 Quarterly closing of Registers**

The abstract of such unsettled and settled Inspection Reports/objections outstanding should be submitted to Group Officer on 1<sup>st</sup> week of every quarter.

#### **4.10 Settlement of paragraphs relating to the Inspection Reports**

(i) Under the provision of MSO (Audit), paras already included in the Inspection Reports must be settled with the approval of the Group Officer concerned irrespective of the fact whether paras are settled on the basis of replies received from audit units or through discussing an adhoc Committee /Audit Committee Meetings.

*(Hqrs Letter No. RS(NER)/Coordn/VoIII/2013-16/383-396 dated 08 July 2016).*

(ii) OAD Section has thus been vested with the responsibly of scrutinizing the replies received from the units/ suggestion put forth by Inspection Officers of the field parties and submit the matter to Group Officer for his perusal approval for settlement of Inspection paras.

#### **4.11 Follow up of old Inspection Reports & Paras**

The objections pending for settlement for long period should carefully be reviewed by the Assistant Audit Officer of the OAD Hqrs Section and details thereof should be communicated to the Administrative Department (i.e. Finance revenue & Expenditure Department in case of State Government Department and Concerned Hqrs Office in case of Central Government Department) through DO Letter from Group Officer level for pursuing the concerned unit for furnishing replies for holding Departmental Audit & Accounts Committee Meetings /Audit Committee Meetings.



**Appendix X**

**PROFORMA OF THE CONTROL REGISTER OF INSPECTION REPORTS**

**Register of watching receipt and issue of Inspection Reports.**

**(Para 4.2)**

Sl.No	Name of the Institution	Name of the officer/official	Period of audit	Date of audit	IR submission date	Dealing unit	Signature	Dispatch No & date
1	2	3	4	5	6	7	9	9

**Appendix XI**  
**Matrix for grading the Inspection Reports**  
**(Para 4.6)**

SI No	Process Parameter	Allocated score	Scoring methodology	References to Compliance Auditing Guidelines
<b>1</b>	<b>Planning</b>	<b>30</b>		<b>Chapter 4</b>
<b>1 (a)</b>	<b>Desk review- Understanding the auditable entity</b>			
	Review of guard file, data analysis and understanding internal controls. This should comprise review of both internal documents and external applicable data bases/data.	10	<p><b>This has two dimensions.</b></p> <p><b>Review of internal documents (Max score- 5):</b> A comprehensive review of the entire range of available documents would yield the maximum score of 5 and a limited/restricted review would have to be correspondingly scored lower than 5. Review of internal documents include budgets-financial and outcome, rules/regulations, past audit findings etc.</p> <p><b>Review of relevant external data bases (Max score-5):</b> A comprehensive review of the entire range of available data/data sets/reports would yield the maximum score of 5 and a limited/restrictive review would have to be correspondingly scored lower than 5.</p> <p>Review of external data includes data analysis of relevant external databases, reports/statistics of Govt. etc.</p>	<b>Paras 4.3, 4.10 to 4.15, 4.20 and Hqrs guidelines on Data analytics and compliance audit</b>
	Identification of potential risk/ focus areas	10	<p><b>This has two dimensions.</b></p> <p><b>Focus areas from past audits (Max score -5):</b> Identification of persistent irregularities, systemic issues emerging from past audit findings would be scored based on the range of areas identified upto a maximum of 5.</p> <p><b>New focus areas (Max score- 5):</b> Identification of any new focus area(s) would yield a score of 5.</p>	
<b>1 (b)</b>	<b>Audit plan - Planning audit procedures</b>			
	Determination of scope of audit and Audit Objectives	05	Determining the scope and audit objectives duly approved by the Group Officer (as per the prescribed template) prior to	<b>Paras 4.6 to 4.8</b>

			commencement of audit would fetch a score of 5. Not doing so would yield a score of zero.	
	Deciding the assignment plan for team members, audit procedures and preparation of audit design matrix if applicable	05	Deciding the assignment plan and broad audit procedure duly approved by the Group Officer (as per the envisaged template) prior to commencement of audit would fetch a score of 5. Not doing so would yield a score of zero.	<b>Paras 4.16 and 4.17</b>
<b>2</b>	<b>Conducting the audit</b>	<b>45</b>		<b>Chapter 5</b>
<b>2 (a)</b>	<b>Findings and evidence</b>			
	Extent of findings from identified risk/focus areas	25	<p><b>The score against this parameter would have to be determined on the basis of the percentage/rate of conversion of risk/focus areas identified (as at 1(a) above) into findings in the Inspection Report. The specific findings from other than focus areas included in the Inspection Report would also be considered.</b></p> <p>A) Clear cases of overpayments/ wasteful or infructuous expenditure /leakage of revenue/ revenue foregone or short collected/ frauds or presumptive frauds /losses /non-compliance with laws or rules/ violation of contractual obligations/ undue favour to contractors/service providers (scoring to be based on proportion of such paras to total paras in IR eg if all paras in the IR fall in this category it would fetch full score of 25. If 60% of the paras fall in this category it would fetch a score of 15 i.e 60% of 25 ) - (Max score 25)</p> <p>B) Clear cases of idle investments/blocking of funds/delays in procurements, commissioning of equipment, project execution and diversion or mis-utilisation of funds (scoring to be based on proportion of such paras to total paras in IR eg if all paras in the IR fall in this category it would fetch full score of 15. If 20% of the paras fall in this category it would fetch a score of 3 i.e 20% of 15) - (Max score 15)</p> <p>C) Procedural issues either not involving financial implications or having financial implications lower than materiality (scoring based on proportion of such paras in IR eg if all paras in the IR fall in this category it would fetch full score of 5. If 20% of the paras fall in this category it would fetch a score of 1 i.e 20% of</p>	<b>Para 5.10 to para 5.15</b>

			05) - (Max score -5) In case of 'NIL' Inspection Reports, the conduct of audit has to be evaluated against the nature of the audited entity (high risk/medium risk/low risk) focus areas that have been pursued against applicable audit criteria. The scoring would be based on proportion of focus areas that were pursued vis-a-vis that were identified during planning stage and compliance to the envisaged audit process (if all areas were satisfactorily pursued against applicable audit criteria and the audit process was followed it would yield a full score of 25 else the score would have to be proportionately reduced)	
	Extent of sufficient and appropriate Evidence (Key documents) obtained and evaluated.	10	<b>Part II A- (Max Score -8):</b> The score against this parameter would have to be determined on the basis of the percentage of paras in the Inspection Report for which sufficient and appropriate evidence have been obtained and evaluated. (e.g. If the IR has 20 Part IIA paras and full set of KDs (evidence) have been obtained for only 14 paras (70% of paras), this parameter would fetch a score of 5.6 (70% of the maximum allocated score of 8) <b>PART II B - (Max score 2)</b> The score against this parameter would be on similar basis as envisaged for Part IIA paras above.	<b>Paras 5.5, 5.6, 5.10 to 5.14</b>
<b>2b</b>	<b>Documentation</b>			<b>Paras 5.15 to 5.19</b>
	Preparation of Audit file and documentation of Working papers -Extent of field work done-	10	Preparation of Audit file comprehensively as envisaged in Compliance Auditing Guidelines and containing the audit strategy, scope and methodology, sample selection, audit procedures applied, Audit Design and Audit Findings matrices (where applicable) etc and documenting the working papers comprehensively as envisaged in Compliance Auditing Guidelines and detailing the extent of work done, contracts/agreements examined etc would yield the full score of 10. The score against this parameter would have to be proportionately reduced based on the extent of gaps in documentation observed during the process vetting the IR. This is applicable for NIL IRs also.	

<b>3</b>	<b>Reporting</b>	<b>25</b>		<b>Chapter 6</b>
<b>3a</b>	<b>Drafting and Presentation</b>			
	Drafting quality	05	The score against this parameter would have to be determined on the basis of extent of revision that was necessary while vetting the IR. This is not applicable for NIL IRs.	<b>Para 6.5 and Hqrs guidelines</b>
	Appropriate classification of paras into Part - II A and Part- II B.	05	The score against this parameter would have to be determined on the basis of the proportion of paras that were incorrectly classified to the total paras. (eg if two out of six paras in the IR were incorrectly classified (which had to be rectified during vetting process) ie. 30% incorrectly classified and 70% correctly classified, the score to be awarded would be 3.5 (70% of the total score). This is not applicable for NIL IRs.	<b>Guidelines issued by Hqrs</b>
	Mortality of paras	05	The score against this parameter would be determined on the basis of percentage of paras retained (number of paras retained wrt total paras in Draft IR) during the vetting process. i.e if 80% of the paras have been retained, the score to be awarded would be 4 (80% of the total score). This is not applicable for NIL IRs.	
<b>3b</b>	<b>Timeliness</b>			<b>Para 6.4</b>
	Submission of Draft IR	05	Despatch of Draft IR / emailing the Draft IR promptly (7 days) would yield the full score of 5, which would be proportionately reduced for delays as under: Delay upto five days: 4 Delay upto seven days: 3 Delay upto nine days: 2 Delay of 12 days : 1 Delay > 12 days : 0 This would apply to NIL IR also	Submission of Draft IR
	Issue of IR	05	Issue of IR promptly within the specified time (30 days) would yield the full score of 5, which would be proportionately reduced for delays as under: Delay upto five days : 4 Delay of one week : 3 Delay of 10 days : 2 Delay of two weeks : 1 Delay > two weeks : 0 This would apply to NIL IR also	Issue of IR
<b>Total</b>	<b>Total</b>	<b>100</b>		

**Grading of IR**

Score of IR	Less than 25	26-30	31-35	36-40	41-45	46-50	51-60	61-70	71-80	81-90	91-100
<b>Grade IR</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>



**APPENDIX XII**

(Para 4.7)

**Proforma for forwarding of Inspection Report to concerned Department/Unit**



कार्यालय महालेखाकार (लेखापरीक्षा),सिक्किम,  
लेखापरीक्षा भवन, देवराली, गान्तोक . 737102

*Office of the Accountant General (Audit), Sikkim,*

**Lekha Pariksha Bhawan, Deorali, Gangtok-737102**

ओ.ए.डी/ निरीक्षण प्रतिवेदन संख्या .../...../

OAD/IR.No .....

Dated: .....

सेवा में,

To,

The .....

.....

महोदय,

मुझे आपके कार्यालय के .....to ..... तक की अवधि के लेखों से संबंधित निरीक्षण प्रतिवेदन संलग्न करने और यह अनुरोध करने का निर्देश हुआ है कि इसकी व्याख्यात्मक प्रति, जिसमें प्रत्येक पैरा के सामने की गई कार्रवाई का उल्लेख करते हुए निरीक्षण प्रतिवेदन प्राप्त होने के चार सप्ताह के अन्दर इस कार्यालय को भेज दी जाय ।

कृपया पावती भेजें ।

Sir,

I am to enclose an Inspection Report relating to the audit of the accounts of your office for the period from ..... to .... and to request that an annotated copy of the same showing action taken against each para may kindly be sent to this office within four weeks of the receipt of the same.

भवदीय,

Yours faithfully,

व लेखापरीक्षा अधिकारी/ओएडी  
Sr. Audit Officer / OAD (HQ)

***Disclaimer: The Inspection Report has been prepared on the basis of information furnished and made available by office of the ..... The Office of the Accountant General, Sikkim disclaims any responsibility for any misinformation and for non-information on the part of auditee.***

**Proforma for forwarding of Inspection Report to allied Department/Unit**

(Para 4.7)



कार्यालय महालेखाकार (लेखापरीक्षा),सिक्किम,  
लेखापरीक्षा भवन, देवराली, गान्तोक . 737102  
*Office of the Accountant General (Audit), Sikkim,*  
**Lekha Pariksha Bhawan, Deorali,**  
**Gangtok- 737102**

ओ.ए.डी/ निरीक्षण प्रतिवेदन संख्या. ....

OAD/IR. ....

Dated: .....

सेवा में,

To,

The .....

.....

महोदय,

मुझे आपके कार्यालय के ..... to ..... तक की अवधि के लेखों से संबंधित निरीक्षण प्रतिवेदन संलग्न करने और यह अनुरोध करने का निर्देश हुआ है कि इसकी व्याख्यात्मक प्रति, जिसमें प्रत्येक पैरा के सामने की गई कार्रवाई का उल्लेख करते हुए निरीक्षण प्रतिवेदन प्राप्त होने के चार सप्ताह के अन्दर इस कार्यालय को भेज दी जाय ।

कृपया पावती भेजें ।

Sir,

I am to enclose an Inspection Report relating to the audit of the accounts of your office for the period from ..... to ..... and to request that an annotated copy of the same showing action taken against each para may kindly be sent to this office within four weeks of the receipt of the same.

भवदीय,

Yours faithfully,

वरिष्ठ लेखापरीक्षा अधिकारी/ओएडी  
Sr. Audit Officer / OAD (HQ)

**Disclaimer:** The Inspection Report has been prepared on the basis of information furnished and made available by Office of the ..... The Office of the Accountant General, Sikkim disclaims any responsibility for any misinformation and for non-information on the part of auditee.

संख्या: ओ ए डी / निरीक्षण प्रतिवेदन सं -

No. OAD /IR- /

दिनांक:

Dated:

प्रतिलिपि प्रेषित,

Copy forwarded to

वरिष्ठ लेखापरीक्षा अधिकारी/ओएडी  
Sr. Audit Officer / OAD (HQ)

**APPENDIX XIII**



**Proforma for OP, OB and Adjustment Register**

**OP Register**

**(Para 4.9)**

Month.....

Sl No	Name of the institution/unit	IR No /Year	Part IIA.	Part II B	Subject in brief	Amount in ₹ (if OB)	Remarks
1	2		3				4

**OB Register**

**( Para 4.9)**

Month.....

Sl No	Name of the institution/unit	IR No /Year	Part IIA.	Part II B	Subject in brief	OB Amount in ₹	Remarks
1	2		3				4

**Adjustment Register**

**(Para 4.9)**

Month.....

Sl No	Name of the institution/unit	IR No /Year	Part IIA.	Part II B	Subject in brief	Amount in ₹ (if OB)	Remarks
1	2	3	4	5	6	7	8

**APPENDIX XIV**

**Monthly/Quarterly closing of OP /OB Register**

(Para 4.9.2, 3)

Monthly Report of OP (Category) for the month of .....

	IRs	Part II A		Part II B		Total	
		Para	Money value	Para	Money value	Para	Money value
Opening Balance	.....	....	.....	.....	.....	....	.....
Addition during the month							
Total							
Clearance							
Balance outstanding							

**Details**

Year	IRs	Part II A		Part II B		Total	
		Para	Money value	Para	Money value	Para	Money value
	.....	....	.....	.....	.....	....	.....

*NB: in case of OB only OB IR/Pars should be entered*

**Monthly/Quarterly closing of Adjustment Register**

(Para 4.9.2,3)

Year	IRs	Part II A		Part II B		Total	
		Para	Money value	Para	Money value	Para	Money value

## **CHAPTER V**

### **GENERAL PRINCIPLES AND PROCESS OF LOCAL AUDIT**

**5.1** The instructions in this chapter are of a general nature and deal with important records of accounts which are common to all government departments. These instructions are explanatory and supplementary to the rules and instructions contained in C&AG's M.S.O (Audit) Volume I and other rules and regulations issued by C&AG or the various authorities of Government of India. Although audit checks envisaged in this chapter covers a wide field in the scrutiny of the various initial records in local audit, yet these are merely illustrative and not exhaustive. Intelligence and discretion of the inspecting staff will play a vital role in the conduct of local audit/inspection of government offices/institutions.

#### **5.2 Intelligent proof where maintenance of accounts records are defective**

**5.2.1** Where important initial records like cash books, pass books, security registers, work register, contractors ledgers are not maintained properly, it will not be sufficient simply to state in the inspection report that such records were not maintained properly. Improper maintenance or non-maintenance of important initial records having direct bearing on cash transaction prima-facie strengthens the apprehension that all may not be well with the cash transactions of the office inspection. The Inspecting Officer and the field party should in such cases, besides mentioning the technical defects and shortcomings in keeping the accounts should also make an intelligent probe to see if the defective maintenance or non-maintenance is a case to hide fraud and misappropriation.

**5.2.2** It would be a matter of serious concern if frauds and misappropriation occurring during the period covered by local audit are later detected by administrative authorities, and which the local audit had failed to detect.

#### **5.3 General security of records**

**5.3.1** The nature of accounts records kept in an office depends upon the nature of business the department has to transact. Nevertheless every office handling cash and establishment matters is expected to maintain the following basic records:

- (i) Cash Book
- (ii) Bill Register
- (iii) Contingent Audit Register
- (iv) Service Books
- (v) Stock Registers
- (vi) Salary Audit Register
- (vii) Postage Stamp Register
- (viii) Telephone Register.

- (ix) Log Book of various machineries and vehicles
- (x) Purchase files
- (xi) Works files.

**5.3.2** Immediately on taking up the audit, all accounts registers and records for the entire period covered by the audit should be checked/ examined with a view to seeing:

- (i) The registers under scrutiny are maintained in the prescribed form.
- (ii) The registers are page numbered and certificate of page counting is recorded by a responsible officer on the front page.
- (iii) All the columns provided therein are correctly filled in.
- (iv) The transactions recorded therein are entered in chronological order.
- (v) The registers have been written up-to-date, are complete in all respects and are susceptible to audit.
- (vi) The writings in the register do not indicate any attempt to tamper with the records or to evade the requirement of the rules. The recorded transactions should be reviewed intelligently and any abnormal and doubtful features should be investigated in details.
- (vii) There are no overwriting, erasures etc. and all corrections are properly made by drawing a line through the erroneous entry and inserting a fresh entry under proper attestation by the competent authority.
- (viii) Each register is reviewed by the competent authority at regular intervals as provided in the rules.

#### **5.4 Audit of receipts**

**5.4.1** Departmental receipts of Central and State Government civil departments are generally in the nature of receipts for the services rendered, supplies made, issue of licenses; receipts of miscellaneous nature, sale proceeds of condemned dead stock, etc. These receipts are checked while conducting audit of expenditure of the concerned departments. In this scrutiny, in addition to the checks and guidelines already in practice, the basic aim should be to see whether:

- (i) The amounts collected as service fees etc. are in accordance with the provisions.
- (ii) The procedures prescribed by Government or any other authority (specified in the act) have been followed.
- (iii) Instructions or orders issued by higher authorities have been complied with.

**5.4.2** Audit of receipts consists in seeing that:

- (i) Sums due are regularly recovered and checked against demand.
- (ii) Sums received are duly brought to credit in the accounts.

Adequate regulations and procedures have been framed to secure an effective check on the determination of revenue realisable for the services rendered at the prescribed rates.

- (iii) Where any financial rules or order prescribes the scale or periodicity of recoveries, there is no deviation without proper authority from such scale on periodicity.
- (iv) A register of all recurring and non-recurring demands is kept in accordance with the rules and the collections are watched against it.
- (v) Arrangement for collection is satisfactory and there are no outstanding requiring special notices.
- (vi) Payees are invariably granted machine numbered receipts in the prescribed form, a proper receipt account is kept of all receipt books, the stock thereof is physically verified, certificates of count of receipt form is recorded before a receipt book is issued from the stock.
- (vii) Moneys received are brought to account immediately and ordinarily there is no undue delay in their remittance into the bank. The return of counterfoils of used receipt books is properly watched and the counterfoils are recorded after check to ensure, that there has been no delay or omission in bringing the receipts to accounts.
- (viii) There is a system of internal check and the responsibility of conducting internal check is entrusted to some responsible officials and there is recorded evidence to the effect that he exercises these checks.
- (ix) The receipts are not directly appropriated to departmental expenditure, except to the extent provided in the rules.
- (x) Any remissions granted are duly supported with the sanction of the competent authority.
- (xi) For cancelled receipts, both the original and duplicate foils are in records.
- (xii) The amount realised on a receipt has been clearly written in words and figures. Any distinct and doubtful entry should be viewed with suspicion and further proof regarding the amount from the *office* inspected.
- (xiii) The amount realised as per receipt issued has been correctly noted in the Demand Register.

## **5.5 Audit of Demand Register**

**5.5.1** The Demand Register should be examined to see that:

- (i) All demands have been correctly noted in it.
- (ii) All sums due are received and checked against demand.
- (iii) The demands are properly and fully realised.

**5.5.2** It should be examined whether the names of all persons from whom taxes, fees or other revenue are due have been noted in the Demand Register. The register should therefore be crosschecked with any other register, roll or other records maintained to ensure correctness of entries made therein. It should further be seen that closing balances of the previous demands have been correctly brought forward, and all amounts shown in the counterfoils of receipts granted to the parties have been noted in the Demand Register and also credited in the Cash Book.

## **5.6 Audit of receipt books**

**5.6.1** The stock account of receipt books should be examined to see that: The number of blank receipt books agrees with the indent or requisition sent to the press or other authorities, and that all such receipt books are kept under lock and key by a responsible officer.

Only one book is issued to an individual officer on return of the previous used up book and the issues are in chronological order. The number receipt forms contained in each book have been counted and a certificate to the effect recorded in the covering page under the initial of a responsible officer and all the forms are machine numbered.

The issue of the receipt book and the return of a used up book are duly recorded and acknowledged. For cancelled receipt forms there should be both the original and duplicate portions in the receipt books.

The stock is periodically verified and the closing balance in the stock account is verified by head of the office by actually counting the numbers of receipt books in hand periodically and a certificate to that effect is recorded in the stock account.

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

## **5.7 Audit of cash**

It should be seen that:

- (i) The arrangements for obtaining cash from treasuries and realisation from other Sources and for the custody, payment and accounting thereof are in conformity with the prescribed rules.
- (ii) No money is drawn in anticipation of demands or to prevent lapse of budget grants.
- (iii) Advances paid for departmental purposes do not remain unadjusted for unduly long periods for want of accounts supported by vouchers or refund as may be necessary.
- (iv) Accounts of imprest or temporary advances, if any, should be examined to see that they are regularly closed and rendered punctually every month and they are properly examined by the recouping officer, before recoupment.

## **5.8 Audit of Cash Book**

**5.8.1** The Cash Book should be checked in detail for the selected months and for other months a General scrutiny should be made. General Examination of the Cash Book should be conducted to ensure that it is being maintained properly in the prescribed form and provisions of the rules in this regard are being observed. It should be seen inter alia that:

- (i) All transactions of receipt and payments are correctly recorded in the Cash Book strictly in the order of occurrence and on the dates they actually took place and attested by the head of office in token of check.

- (ii) The totals of the Cash Book if not checked by the officer in charge of the Cash Book are verified by a responsible subordinate other than the writer of the cash book who initials it as correct.
- (iii) The Cash Book is closed and balanced on the prescribed date.
- (iv) At the end of each month cash is verified by the officer in charge of the Cash Book who has mentioned in his own handwriting and over his dated signatures cash actually found at the time of verification and whether the same tallies with the balance appearing in the Cash Book.
- (v) There are no erasures and interpolation and those errors are rectified properly.
- (vi) There is no tendency to keep unduly large cash balance into the cashier.
- (vii) A complete account of the permanent advance held, if any, is available in the Cash Book; full details of cash in hand and unrecouped vouchers worked out and recorded whenever the Cash Book is closed.
- (viii) Expenditure has not been incurred in excess of the permanent advance by spending irregularly from departmental receipts or other undisbursed balances of amount drawn from bank.
- (ix) In the case of undisbursed amount of pay and allowances the dates of their withdrawal are recorded and no item is held in hand undisbursed for more than three months.
- (x) There is no evidence of removal of or tampering with the pages of the Cash Book.
- (xi) The pages are duly machine numbered and that certificate of count of pages contained in the Cash Book are recorded under the signature of head of the office in the fly leaf before the same is used.
- (xii) When the Cash Book is closed at the end of the financial year it is to be seen that the permanent advance is fully recouped and does not exceed the sanctioned amount of advance.
- (xiii) Apart from checking of totals of the selected month/months, checking of the opening balance for proper carry forward and that of the correct closing balance of the month to the next month should also be carried out.

## **5.9 Audit of Accounts of permanent advances**

**5.9.1** The permanent advance account should be examined to see that:

- (i) The amount of permanent advances held by various disbursing officers are not in excess of their normal monthly requirement as judged from the expenditure incurred out of these advances.
- (ii) 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.
- (iii) Where an officer spares small portions of his own advance for use by his subordinate officers in the same office who may require petty sums, acknowledgement therefore are obtained and retained properly on record.

## **5.10 Register of Valuables**

**5.10.1** In the case of officers/departments which receive a sufficient number of valuables such as bank drafts, cheques, postal orders, etc., it should be seen that all the valuables are noted in a Valuables Register maintained for the purpose. The register should be examined to see that:

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

### **5.11 Audit of expenditure**

**5.11.1** Before commencing the audit of expenditure in local audit, the budget estimates against the actual expenditure incurred by the office under various heads of account should be examined to gauge the nature and extent of audit to be carried out under each head of account. The financial rules, delegation of financial powers, and other orders specifically pertaining to the office for the regulation of its expenditure should be ascertained and audit effectively conducted against them.

The general principles for the audit of expenditure are:

- (i) That a proper voucher, complete in all respects and in proper form where one is prescribed, exists in support of every item of expenditure and bears evidence of due scrutiny of the claim and "pay order" by the head of the office concerned.
- (ii) Full details of each item of expenditure is either recorded on the voucher itself, or is available in reliable and recognised subsidiary records.
- (iii) That expenditure incurred does not contravene any financial rules and procedures laid down by the government and all pre-requisites to the incurring of expenditure have been complied with.
- (iv) That there is provision of funds for expenditure duly authorised by competent authority.
- (v) Expenditure is in accordance with the sanction, either special or general, properly accorded and is incurred by an officer competent to incur it.
- (vi) Expenditure sanctioned for a limited period is not incurred beyond that period without further sanction.
- (vii) The rules regulating the method of payment have been duly observed by the disbursing officer.
- viii) That payment has, as a fact, been made and has been made to proper persons and that it has been so acknowledged and recorded in connected records so that a second claim on the same account is impossible.



- (ix) The charge is correctly classified and that if a charge is debit to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order, it is recorded as such in a prescribed account.
- (x) Payments have been correctly brought to account in the original account.
- (xi) Expenditure has been incurred with due regard to financial rules and in conformity with the canons of financial propriety, as for example, supplies in excess of requirement have not been obtained, the purchases have not been made at higher than reasonable prices and the expenditure has been incurred only for legitimate objects.
- (xii) Rates paid for work done or supplies made are in accordance with scales or schedules prescribed by the competent authority.
- (xiii) Sub-vouchers and acquittances not required to be sent to the Audit Office are on record and are cancelled or so defaced after payment in such a way that they cannot be used again to prefer a second claim and are not destroyed before the expiry of the period of preservation.
- (xiv) Expenditure has not been incurred to prevent the lapse of budget allotment or that the charges incurred in the year have not been met from the budget allotment of the next year.

## **5.12 Bill Register**

**5.12.1** A bill register in the prescribed form is maintained by every officer authorised to draw money from the Pay and Accounts Office (PAO) on bills signed by him. In examining the bill register it should be seen that:

- (i) No bill drawn on the PAO escapes entry in the bill register.
- (ii) The bills are entered in chronological order and on the day on which it was actually signed by the competent officer.
- (iii) The details of encashment of bills and the amounts of the bills are correctly traceable in the cashbook.
- (iv) All the columns provided in the bill register are filled in and the entries made therein are attested by the DDO.
- (v) The register is reviewed monthly by a gazetted officer and results of the review are recorded therein.

## **5.13 Rush of expenditure**

**5.13.1** The expenditure brought to account during the month of March should be scrutinized to see that:

- (i) The charges against the appropriations of the year brought to account are regular; (ii) The liabilities of one year are not brought to account to another year;

(ii) Irregular methods of dealing with the assets and liabilities of the year have not been resorted to, which might either have caused actual loss or extra expenses or might possibly result therein or otherwise not conducive to financial efficiency.

**5.13.2** The irregular liabilities likely to occur at the fag end of the year are

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

#### **5.14 Registers of Immovable Property**

Adequate attention should be paid to the Immovable Property Registers so that an effective audit of property records is conducted to safeguard the financial interests of government. The following points should be kept in view:

- (i) The register of lands and buildings should be maintained in the prescribed form and are correct and up- to-date.
- (ii) The cost of residential buildings shown in register agrees with that shown in the last capital and revenue accounts of such buildings.
- (iii) The cost of land, fittings and their installation have been shown separately from that of the cost of the buildings.

##### **5.14.1 Lands**

- (i) It should be verified in cases of purchases of land whether the procedure for the acquisition of land through land acquisition officers was followed.
- (ii) In case of new purchase of land, whether assessment of land was proper as per Rules & Act applicable;
- (iii) Whether unnecessary solatium was not paid;
- (iv) Whether mutation deeds have been obtained and are on record.
- (v) In case of land having agricultural cultivation, fruit trees, gardens, etc., it should be looked into whether the receipts realised there from was properly accounted for.

##### **5.14.2 Buildings**

- (i) In the case of buildings leased out to private individuals and government servants on rent, it should be ascertained that the rents are being properly realised and there are no outstanding arrears.
- (ii) It should be seen that proper estimates for annual repairs (special and ordinary repairs etc.) are prepared and repairs carried out.

#### **5.15 Register of Forms**

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

## **5.16 Register of Telephones and Trunk Calls**

**5.16.1** It should be seen that instructions issued by the government regarding expenditure on official as well as residential telephones are being followed and the registers meant for keeping records of calls made, bills paid for telephone calls etc. are properly being maintained in forms prescribed for the purpose.

**5.16.2** It should further be seen that:-

- (i) All trunk calls have been made under proper authority and signed by the person making the call.
- (ii) Dues have been paid without delay.
- (iii) In the case of private calls necessary recovery has been made and credited to government. The receipts should be traced in the cashbook.
- (iv) The bills should be checked with trunk call registers to ensure that the trunk calls have been recorded and over charging, if any, has not gone unnoticed.

## **5.17 Audit of Contingent Expenditure**

**5.17.1** The audit of contingent expenditure requires the detailed knowledge on the part of auditors of the rules or orders governing the transactions of the department whose account is inspected. All financial rules, delegations and orders affecting expenditure must be scrutinised before the audit of transactions is conducted. This should be done with a view to see that they don't conflict with the orders of any higher authority and in case a competent authority has not separately approved them, the issuing authority possesses the necessary powers. If these powers are clearly defined it should be ascertained that the orders defining the powers are exactly obeyed in every instance.

## **5.18 Contingent Register**

The Contingent Register should be examined to see that:

- (i) It is maintained in the prescribed form.
- (ii) No bill for contingent expenditure drawn at the treasury is left unentered in this register.
- (iii) Charge represented by each sub voucher is correctly entered in the column provided for the head to which it relates.
- (iv) Appropriation for each head of the Contingent Register has been noted at the top of the column allotted to it.
- (v) Progressive total of all columns are struck monthly.

- (vi) It is an accurate record of the contingent expenditure incurred in cash as well as by book adjustment.
- (vi) Charges are recorded properly under the detailed heads of contingent expenditure and no items have been omitted.
- (ix) Each entry is initialed by drawing officer.
- (x) The total expenditure during the year under each head of classification does not exceed the allotment noted at the top of respective columns.

### **5.19 Audit of purchases**

Purchases are examined to see that:

- (i) They are properly sanctioned by the competent authority and are made subject to usual restrictions regarding the existence of necessary appropriation and to any monetary limits and other conditions prescribed in regard to specific articles or class of articles as laid down in delegation of financial powers.
- (ii) The instructions governing purchase of stores as laid down in the Sikkim Financial Rules are followed so as to ensure that they are made in the most economical manner in accordance with the definite requirements of public service.
- (iii) In so far as can be ascertained from the purchase files, demands of other indenting officers received at the time of purchase have been bulked together, as far as possible to secure the advantage of bulk supply rates and the total quantity in respect of all the individual contracts issued against the bulked indents does not exceed the quantity of bulked indents.
- (iv) Whether purchase has been made by single tender or negotiation. If so, whether action of the competent authority has been obtained and reasons recorded for resorting to this method of purchase.
- (v) All tenders were opened on the due dates and numbered and initialled with date by the officer opening them.
- (vi) The comparative statement duly Signed is on record and has been checked with original tenders.
- (vii) Whether any delay/late tender has been incorporated in the comparative statement and considered, and whether orders of the competent authority have been obtained to the consideration and acceptance of these tenders.
- (viii) Whether the lowest offer has been accepted, if not, the difference between the lowest offer and the offer accepted and the reasons recorded for rejecting the lower offer should be examined. It should also be seen whether the reasons are adequate. When favourable quotations are rejected on the ground that capability of the firm was not tried before hand it should be seen if the matter regarding placing of a trial order with a view to ensure economy in future purchases have been considered and appropriate action taken.

(ix) The successful tenderer has not indirectly derived an advantage over the other tenders by the insertion of special conditions which have the effect of raising the quotation quoted by him.

(x) The purchase price accepted is within the required limit of the estimated price of the indentor. If not, it should be examined whether confirmation about the availability of additional funds was obtained.

(xi) Suitable security as also sanction of the competent authority has been obtained.

(xii) No stores of defective and inferior nature was accepted and certified to be satisfactory in quality.

(xiv) The specifications indicated in the quotation agree with those shown in the notice inviting tenders/quotations.

## **5.20 Check of service books**

**5.20.1** The audit party should obtain from the office inspected the sanctioned strength of the non-gazetted staff under various categories as also a list of staff employed there against on the date of commencement of audit. It should be ascertained whether service books for all government servants in employment are maintained. In case service books of some of them are not maintained, reason therefore should be ascertained. The Service books of atleast 25 *per cent* of staff including those who are going to retire within 5 should be checked. In the checking of service books following points are to be seen:

(i) The service books are maintained in the prescribed form. It should be maintained for a government servant from the date of his appointment and kept up-to-date;

(ii) Whether service books are annually verified by the concerned staff and signed by him as a token of his scrutiny and acceptance of entries made in the service books;

(iii) Whether all the entries in the first page of service books are completely filled up and photo attached;

(iv) Whether certificate of verification as envisaged in Rule 81 of General financial and Rule ..... of Sikkim Financial Rules is recorded in each service books by head of the office; and

(v) Whether all the details of the promotion, fixation of pay, arrears of pay received, Period of suspension, leave sanctioned and availed and any other records which are required to be entered are properly recorded in the service books.

## **5.21 Check of leave accounts**

**5.21.1** The object of inspection of leave account is mainly to educate the local officers to maintain these accounts correctly and to discover any mistakes with a view to their ultimate rectification. The auditors should not make any correction or alterations in the leave accounts themselves but get them

corrected by the office concerned. But when these cannot be corrected on the spot, these should be incorporated in the objection memo.

**5.21.2** It should particularly be seen that:-

- Leave accounts are maintained in prescribed forms in all cases.
  - Credits afforded to leave accounts are correct and leave debitables to leave accounts are debited correctly.
- Balances have been correctly worked out.

## **5.22 Check of tenders and comparative statements**

**5.22.1** The tenders received and the comparative statements prepared should be examined to see that:

- (i) The widest possible publicity was given for calling the tenders and sufficient period of notice was allowed.
- (ii) Tenders have been obtained in prescribed form in sealed cover.
- (iii) All tenders bear the dated initials of the officers opening them.
- (iv) The rates quoted by the tenderer have not been overwritten or changed without attestation by the tenderer, and have been correctly written in the comparative statement.
- (v) Comparative statement has been duly checked and approved by the competent authority and contains his orders about the tenders accepted.
- (vi) A complete and regular stock account of blank tender forms is kept.
- (vii) The sale proceeds of tender forms have been correctly accounted for and promptly credited to government account.
- (viii) Lowest tender has been determined by working out the cost of all items of work or supplies on the basis of an estimated quantity of work to be done or supplied and not merely by usual comparison of the tendered rates, without reference to the cost of work or suppliers involved.

## **5.23 Checks of contracts and agreements**

**5.23.1** Audit is required to examine contracts and to bring to the notice of the proper authority any cases where competitive tenders have not been sought or where high tenders have been accepted or where other irregularities have come to light. Standing contracts should be reviewed occasionally and if audit has reasons to believe that rates accepted in those contracts are considerably higher than the rates prevailing at the time of review, such variations should be brought to the notice of competent authority.

**5.23.2** The contracts and agreement should further be scrutinised to see that:

- (i) The contracts are placed only after tenders have been openly invited and in cases where the lowest tender is not accepted, reasons therefore have been recorded by the officer competent to accept the tender.

- (ii) In case where formal written contract is not made, no order for supplies etc. were placed without at least a written agreement as regard to price.
- (iii) The contract or agreement has been signed by an authority which is competent to enter into contract.
- (iv) There is no omission of any important clause, e.g. inspection of stores, dates and place of delivery, dispatch instruction, name of consignee, penalty for delay, etc.
- (v) The provision for payment of 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 at what rate and on what amount.
- (vi) Acceptance of the tender placed in the later part or fag end of the financial year should be specially scrutinised and any tendency to rush of expenditure brought to notice.
- (vii) The contract has not been with or on behalf of a minor.
- (viii) The security deposit in the appropriate form and of correct amount has been deposited within the period stipulated in the contract and in the event of default, penalties leviable under the conditions of the contract have been enforced.
- (ix) All the conditions and requirements printed on the contract form have been complied with.
- (x) If the contract has been entered into with a firm, each one of the partners has signed all the documents constituting the contracts and if any partner be absent, these forms are signed by his duly constituted attorney.

## **5.24 Check of log books of government vehicles**

**5.24.1** A list of government vehicles including staff cars, jeeps trucks, motorcycles, etc. should be called for from the office inspected. It should be ascertained whether rules and regulations regarding their use and maintenance have been framed and got approved by the government. It should be examined whether these rules are being observed in actual practice. It should further be seen whether the following essential records are maintained:

- (i) Log books for each government vehicle.
- (ii) A record of repairs and replacements indicating the cost and dates of which carried out and of cost of spare parts.
- (iii) A record of cost of POL consumed and all incidental receipts and expenditure.

**5.24.2** The log books of government vehicles should be examined to see that:

- (i) The log books are maintained in respect of each vehicle in the prescribed form.
- (ii) The vehicle is used only for *bonafide* public purposes permissible under the rules and orders of government and not for any private purposes without the orders of the competent authority.

- (iii) Full details of all journeys undertaken are recorded covering the mileage done, places visited and relevant miles in meter recording.
- (iv) In the case of authorised private or non-official journeys the charges recoverable at the prescribed rates have been recovered and credited to government account.
- (vi) The purpose of each journey is always recorded in detail under the signature of officials using the vehicle, counter signed by controlling officer of the vehicle.
- (vi) All issues of petrol, oil and other lubricants and consumable stores are duly recorded in the log books.
- (vii) The log books are closed after the prescribed periodical intervals and average number of miles run per gallon of petrol or diesel oil is worked out.
- (vii) A list of equipment and tools kept with the driver of the vehicle is entered in the log book.
- (xi) That Vehicles were repaired in Government authorized garages and full details of all repairs to vehicle and replacement of parts are duly recorded in the log book.
- (xii) In case where the frequent repair to vehicles, engines or replacement of some parts have been carried out, they are not indicative of any foul play.
- (xiii) A stock account of condemned and replaced parts and accessories is maintained and their final disposal has been made to the best advantage of government.
- (xiv) The entries of mileage at the start of journey as also at the completion of the trip are noted in the log books by the officers using the government vehicle, in their own handwriting and these entries have been signed by such officers.
- (xv) All officials' journeys outside the headquarters or the jurisdiction of the vehicles are supported by the written sanction of the competent authority.
- (xvi) The government vehicles are not used for non-duty purposes to places of entertainment, public amusements, etc. and by officials on leave.

**5.24.3** The records of repairs and replacements kept in the log books or separately should be examined to see that

- (i) The cost of repairs and replacement are not on the higher side.
- (iii) The replacement of same part/parts are not repeated in quick succession.
- (iv) The reason for frequent repairs/breakdown of government vehicles are not such as to indicate negligence of the drivers or laxity of control.
- (v) Such repairs and replacement have been executed either at government workshops or by authorised dealers or garages in accordance with the orders of government. The replacement of parts, for which a life has been prescribed, i.e., engine, tyres, etc. have been made only after the completion of the prescribed life.
- (vi) The inventory of equipment is scrutinised to see that it is checked by the controlling officer every month and losses if any due to negligent or fault are promptly recovered.



## **5.25 Check of postage stamp accounts**

**5.25.1** Stock account of postage stamps should be scrutinised to see that

- (i) Balances of stock of service stamps have been correctly carried over from previous month or months and that totals and closing balances have been correctly worked out during the months selected for detailed check.
- (ii) All purchases of stamps whether by cheque/contingent bills/cash, made during the selected months are traceable in the stock register of service stamps.
- (iii) Balances of service stamp in hand at the end of each month is physically verified by the competent authority and a certificate to that effect is recorded in the stock register.
- (iv) All issue of stamps relating to the 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 account thereof are rendered by such branches/sub offices.
- (vi) Service stamps have been used only for strictly official purposes.

## **5.26 Audit of stores and stock account**

Section 17 read with Section 2(e) of the Act authorises the Comptroller and Auditor General to audit and report on the accounts of the stores and the stock kept in any office or department of the Union or of a State or of a Union Territory having a legislative assembly

**5.26.1** Audit of stores and stock account is directed to ascertaining that the departmental regulation governing purchases, receipt, issue custody, condemnation, sale and stock taking of stores are well devised and properly carried out. Important deficiencies in quantity of stores held or any grave defect in the system of control detected in audit should be brought to the notice of the government.

- (i) As regard purchases of stores, audit may call attention to uneconomical purchases of stores and to any losses which may be clearly and definitely attributed to the defective or inferior nature of stores which had been accepted and certified to be satisfactory in quality.
- (ii) Whenever any irregularity relating to the purchase of stores and materials by any purchase organisation comes to notice, the aspect whether the fault lies with indenting department or the purchase organisation or with both, should also be thoroughly investigated and brought out clearly in the objection.

**5.26.2** The account of stores should be generally examined to see that

- (i) They are kept in the prescribed form.
- (ii) Entries of receipts of all stores purchased or otherwise obtained and of their issues are made as and when the transaction actually occurs.
- (iii) Issues are supported by requisitions and indents approved by the proper authority.
- (iv) Proper acknowledgment of the recipient exists.

- (v) An accurate and detailed account of consumption of consumable stores is maintained by the indenters to whom these stores are issued.
- (vi) Where a scale has been prescribed by government or other authority for issue of stores of any particular kind, the same has not been exceeded.
- (vii) Some official is held responsible for checking that this is done properly and for seeing that balances are worked out correctly.
- (viii) The account of balances which were audited during previous inspection have been produced complete in all respects and that no entries in them have been tampered with.
- (ix) All transactions and balances in the stock registers/ledgers have been attested by a responsible officer.
- (x) The stores are periodically counted, weighted or otherwise examined, and a certificate to this effect recorded in the stock register by some responsible official, other than the custodian of stores and his subordinates, and verified with the balances in the stock book. That necessary action has been taken to adjust the surplus or shortage noticed as a result of the verification.
- (xi) System of verification adopted by the executive is adequate and proper.
- (xii) The staff responsible for the verification of stores is independent of the staff entrusted with the custody of stores or for keeping their accounts.
- (xiii) A resource limit of stock has been fixed by government or other competent authority. (xiv) The balances in hand do not exceed the maximum limit, if any, prescribed by the competent authority and are not in excess of requirement for a reasonable period.
- (xiv) Adequate action has been taken for the survey, segregation and arrangement for the disposal of surplus, obsolete and unserviceable stores.
- (xv) Where a priced accounts is maintained -
- (a) the stores are priced with reasonable accuracy and the rates initially fixed are reviewed from time to time and revised where necessary so as to bring them within the market rates.
- (b) the value accounts tally with the accounts of the works and of departments connected with stores transactions; that the total of the value accounts agrees with the outstanding amount in general accounts; numerical balance of stock materials is reconcilable with the total of value balances in the accounts at the rates applicable to various classes of stores, and
- (c) the value of the balances of stores is worked out at reasonable rates within the current market rates and includes cost of stores etc. and it agrees with the value reduced from the accounts for which purpose and adjustment entry may be made, if necessary.
- (d) The value account as a whole is correct and the allocation of debit to the various heads of account for the cost of stores issued is correct.

(e) There is a certificate recorded in all stores registers or ledgers etc. signed by a responsible officer that the articles in stores have been periodically counted and otherwise physically verified with the balance shown in the accounts.

(f) Steps are taken for adjustment of profit or losses due to revaluation, stock taking or other causes and these are not indicative of any serious disregard of rules.

### **5.26.3 Check of stock books**

The principal points to be looked into in auditing stock books are that

(i) The stock books are maintained in the prescribed form and are correctly written up. The transactions are recorded in the stock book as soon as they occur.

(ii) All purchases made or articles received from other sources have been duly recorded in the stock book.

(iii) A distribution list of government property/stores, especially of furniture is maintained to show its distribution amongst the various officers.

(iv) All losses are duly recorded immediately as they occur or brought to light and formal sanction of competent authority is obtained in this respect.

(v) Periodical verifications/valuations/reviews are duly carried out and certificates to this effect recorded in the cash book.

(vi) Articles are not held in excess of the requirements for a reasonable period and report of surplus articles classifying them as serviceable/unserviceable/obsolete is made to the competent authority as and when noticed.

(vii) Unserviceable articles are written off under the orders of competent authority and duly disposed off. Credits of sale proceeds of such articles sold should be verified.

(viii) Library and furniture registers are properly maintained and periodical examination and verification are duly made and a certificate to this effect recorded in the registers. Pages of stock books are machine numbered and a certificate of page count is recorded therein by a responsible officer.

(ix) Closing balances of previous year/stock book have not been tampered with and carried over to the current year's stock book.

(x) Full particulars of all stock articles are entered in the stock registers as are sufficient to identify the articles.

(xi) There is proper acknowledgment for stock transferred to other divisions.

(xii) Total and closing balance have been correctly worked out and there is no erasing, overwriting etc.

### **5.26.4 Other Assets and Liabilities**

Section 13 read with Section 2(e) of the Act authorises the Comptroller and Auditor General to audit trading, manufacturing and profit and loss accounts and balance sheets and other subsidiary accounts kept in any department of the Union or of a State or of a Union Territory having a legislative assembly and to report on accounts so audited by him.

Accordingly, besides store and stock, audit shall extend to all other assets and liabilities of the Union and of States and of Union Territories having a legislative assembly including ongoing and completed works, investments, loans and advances, deposits, cash balances, internal and external borrowings, guarantees given by the Governments, reserves and sinking funds.

### **5.27 Audit of the High Court**

**5.27.1** In addition to the routine checks, the C&AG of India has issued the following guidelines to be borne in mind while conducting audit of the High Court.

**5.27.2 Furnishing** - Some offices have objected to furnishing of the official residences of the judges in excess of prescribed value under the Central Act and Rules made there under. The excess furnishing was provided to the Judges in most of the cases under separate orders of State Government. It has been decided that furnishing of 'Home Office' should not be reckoned for the purpose of ceiling since 'Home Office' is in fact an office of the Judge.

**5.27.3 Free Water and Electricity** -The point regarding excess consumption of water and electricity over and above the prescribed ceiling by Judges might be due to consumption by 'Home Office' "provision of security lighting, upkeep and maintenance of garden in the residences of the Judges. The C&AG of India has proposed to take up the matter with Law Ministry suggesting provision of separate meters for residence and other purposes. This objection may therefore, till further instructions, not be included in the inspection report.

**5.27.4 Leave Travel Concession** - Some of the offices have objected to journeys undertaken by the Judges by private / own car between places connected by Rail/Air transport. However, as per the Notification dated 10.5.95 amending the High Court Judges (TA) Rules, 1956 the Judges of the High Court are entitled to use private car while availing LTC. The claim is however, to be restricted to rail fare by entitled class by shortest route. Therefore, cases which are not regulated as per rail fare by shortest route may be objected to.

**5.27.5 Staff Car** - As per section 22-8 of the High Court Judges (Conditions of Services) Act, 1954 every Judge will be entitled a car and 200 litres of petrol every month or actual consumption of petrol whichever is less. Some of the offices have objected to non- maintenance of log books to ensure in audit the actual consumption of petrol. It has been decided that maintenance of log book for the Judge car may not be insisted upon and a certificate from the Judge or his personal staff may be

accepted that the actual consumption was not less than 200 litres. Such points should therefore, not be included in the inspection report

*(C&AG's D.O. letter No. 610-Rep(S)/98-99 dated 23.6.99).*

## **5.28 Audit of establishment pay bills**

**5.28.1** Establishment Pay Bills should be checked in the local audit in the following manner.

- (i) It should be compared with Salary Audit Register/Pay Bill Register prepared by the office with respect to the names of the persons, number of persons for which pay drawn, the gross amount and net amount payable to each individual employees as also the total and the net amount drawn on the bill.
- (ii) There is proper and legally valid acquittance for each amount disbursed, duly stamped where necessary and amounts are disbursed to persons entitled to receive them.
- (iii) An account of undisbursed pay and allowances is kept in a register and accounts remaining undisbursed for 3 months is refunded either in cash or by short drawal of the bills.
- (iv) Arrears of pay, allowances, leave salary, etc., are not drawn through regular monthly pay bills but are drawn in separate bill and a note of payment of arrears in the office copies of bills for the period to which claim pertains is made.
- (v) Where pay and allowances are remitted through postal money order it should be seen that the commission due/paid on the money order has been deducted from the amount remitted and the money order acknowledgement containing the nature, particulars of remittances and the period to which pertains, are on record with the department and compared with the remittances shown in records.

**5.28.2** Manner and extent of nominal check to be conducted during local inspection:

- (i) The nominal check during local inspection is conducted in respect of pay bills of establishment for the month/months selected for test audit (in the case of annual inspection, one month is selected for detailed test audit and in the case of biennial or less frequent inspections, two months are selected for detailed test audit). The months so selected for test audit will be the months for conducting the nominal check of establishment.
- (ii) The nominal check will be exercised with reference to initial and primary records containing the authority for the events necessitating the regulation of pay and allowances of the government servant such as increment certificates sanctioning the increment, order declaring him fit to cross the efficiency bar, orders of promotion/reversions, sanctions of leave and leave salary, order of suspension, if any, and the subsistence allowance granted to him, general orders of government governing the pay scales, different types of allowances admissible and specific orders of government in regard to grant of special payor compensatory allowance to any member of establishment or type of establishment.
- (iii) Apart from comparing the pay and allowances drawn by each government servant in the pay bills of selected test audit month/months with the corresponding entries in the pay column of the

service book and the checking of the acquaintance roll to ensure that the pay and allowances drawn have been disbursed and acquaintances obtained properly and accurately, the admissibility of pay and allowances drawn by each government servant in these pay bills should be checked completely in the manner indicated above.

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

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

### **5.29 Accounts records not specifically mentioned**

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

- (i) They are maintained in accordance with the prescribed rules and are up-to-date.
- (ii) They are periodically reviewed by a responsible officer.

### **5.30 Audit of General Provident Fund accounts**

**5.30.1** General Provident Fund (GPF) accounts of state government officials are being maintained by State Finance Department. During local audit it should be seen whether subscriptions have been properly recovered and credited to the accounts of the subscriber concerned, whether interest has been calculated properly and whether advances and withdrawals from the fund have been properly sanctioned and accounted for. It should also be seen that suitable notes regarding receipt of all nominations and insurance policies have been kept and physical verification thereof carried out from time to time. Final payment cases should be specifically scrutinised. It should also be seen that various provisions of GPF rules are duly observed by the departmental officers.

**5.30.2** In local audit, 20 per cent of provident fund accounts maintained should be checked in case of annual audit and 40 per cent provident fund accounts should be selected and checked completely in case of biennial audit. Check should be completed in such a way that it should be ensured that all the GPF accounts have been checked during the last 5 years. Accounts of those officials which have not covered 5 years generally should not be selected. Maximum cases of accounts of those officials should be selected, who have completed either 25 years service or who are going to retire during the next 5 years. A list of accounts checked should be enclosed with the inspection report.

**5.30.3** The following records are to be checked in local audit.

- (i) Index Register and application for admission.
- (ii) Provident fund ledger account.
- (iii) Broad sheet.
- (iv) Statement indicating the totals of debits and credits of each month.

#### **5.30.4 Index Register and application for Admission**

- (i) The general index register is maintained in the prescribed form and is kept up-to-date.
- (ii) The account number was allotted only after obtaining the application for admission duly supported by a nomination in the prescribed form. It should also be seen that particulars of the member to whom an account number has been allotted are noted in the General Index Register and the ledger.

(iv) For each subscriber there is a nomination on record which has been accepted as valid by the officer competent to do so. The entries of nomination form are attested by the competent officer in the Index Register.

(iv) A separate ledger folio is opened for maintaining the account of each subscriber.v) Applications for admission to GPF should be examined to see that they are obtained in the form prescribed under GPF rules, duly completed in all respects and no employee whether permanent or temporary, except reemployed pensioners is admitted to GPF unless he/she has been in continuous service for more than one year.

#### **5.30.5 Nomination of the subscribers**

It should be seen that the nominations in the form prescribed under GPF rules has been received from each subscriber and a note to this effect is kept in General Index Register and the ledger account of the subscriber. It should also be seen that if at the time of making a nomination the subscriber has a family, the nomination is not in favour of any persons other than members of his family as defined in GPF rules.

#### **5.30.6 Subscribers**

- (i) The subscribers are contributing at the rate of not less than 6 per cent of the basic pay and not more than their basic pay.
- (ii) No subscriber is allowed to discontinue subscribing to the provident fund except during leave which either doesn't carry any leave salary or carries leave salary equal to or less than half pay or half average pay or during the period he is placed under suspension.
- (iii) The amount of subscription fixed by the subscriber is not enhanced or reduced more than the prescribed number of times during the course of a year.

#### **5.30.7 Withdrawals**

The refundable and non-refundable advances from GPF are sanctioned by the competent authority only for the purposes laid down in the Rules and that the advances are regularly recovered from the monthly pay bills.

#### **5.30.8 Provident Fund Ledger:**

It should be examined to see that

- (i) The ledger accounts are maintained in prescribed form.
- (ii) The name and designation of the subscriber, his account number, particulars of the insurance policies being financed from GPF and the fact of nomination having been accepted are neatly recorded in the ledger folio assigned to each subscriber; the entries relating to acceptance of nomination, are also attested by competent authority.(iii) The pay of the subscriber as on 31 st March each year is noted in the column prescribed in the ledger.
- (iii) The GPF account is maintained in whole rupees.
- (iv) The head of the office or a gazetted 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) Sanctions to withdrawal from the GPF are promptly recorded in the ledger accounts and entries made in the ledger are initialled by the head of office or a gazetted officer nominated by him while signing the bills for withdrawal from provident fund.
- (vi) Subscription and refund of advances as shown in GPF schedules are duly signed by a competent authority and the payment of advances and withdrawals as per vouchers are correctly posted in the ledger account of the concerned subscribers.
- (vii) Where balances at the credit of subscribers have been received from another office, 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 account of the subscribers.
- (ix) GPF account statements are issued regularly every year and the correct interest has been credited to the ledger account of the subscribers and their acceptance of the balance noted in their respective ledger a

#### **5.30.9 Broadsheet**

This should be seen that:-

- (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 broad sheet agrees with the total of GPF deductions made in pay bills for that month and total of the debits booked in the broadsheet agrees with total of payments made out of provident fund in that month as abstracted separately.

(iv) At the end of each year the ledger balances agree with the broad sheet balances and the broadsheet is squared up to ensure its accuracy.

#### **5.30.10 Statement of totals of debit and credit**

It should be seen that statement of total of debits and credits as worked out in the broadsheet each month are correctly prepared in prescribed form and sent to the head of departments regularly.

#### **5.31 Audit of pension**

**5.31.1** 50 per cent of n payments pension finalisation cases should be checked in detail and a list of pension cases checked should be enclosed with the inspection report.

**5.31.2** Before taking up audit of pension department, the Inspecting Officer and local audit party should study the files containing orders instructions issued on the subject and make themselves conversant with all the aspects of pension. General review of ledger accounts of pension should be conducted to see that

(i) The ledger account is not a joint or survivor account.

(ii) Monthly Pensions are credited within 15 days.

(iii) Income Tax is deducted at source and a certificate to that effect issued to the pensioner in April each year.

(iv) Payments made only upto the date of death and any overpayment made is recovered and refunded to government.

(v) Payment of life time arrears of pension is made only to the legal heirs.

(vi) When payment ceases to be payable, necessary entry is made in the pension payment order and the same is returned to the CPAO.

(v) Ensure that a life certificate is obtained from the pensioners every year.

(vii) An undertaking from either recipient of family pension should be obtained for reporting remarriage.

(viii) Before commencing payments to any pensioner, he/she is called for identification.

(ix) Ensure that undertaking is obtained regarding recovery of excess payment/credit of pension. Specimen signature or thumb impression is obtained on the disbursers portion of the pension payment order.

#### **5.32 Review on action taken against corrupt official**

The cases of corruption pending with the department should be specifically examined and minutely reviewed at the time of local audit of the accounts of departments/offices with a view to see that

cases of corruption did not occur due to defect in rules. It should also be ensured that all the cases of corruption have been reported by the departments/offices to the government and this office.

### **5.33 Uniforms to employees**

Rules regulating supply of uniforms to personnel of Police Department, Forest Department, Health Department, etc. and Group 'D' employees working in all other offices should be studied to be conversant with all the aspects. Some important points to be examined in local audit are to see that

- (i) The articles of uniform have been issued in accordance with prescribed rules and only when due
- (ii) The uniforms have only been issued to employees who are eligible.
- (iii) The uniforms have been withdrawn from the employees who have been promoted to the posts where such uniforms should not be issued.

### **5.34 Audit of loans and advances**

**5.34.1** The government gives loans and advances to local bodies, private individuals and employees. The detailed accounts of all loans and advances are maintained by the Accounts Officer who also watches their recovery and ensures that the conditions attached to each loan are fulfilled.

**5.34.2** The detailed accounts of loans and advances to private individuals and government officials under different schemes i.e. scooter loan, festival advance, house building advances, warm clothing advance, gas loan, marriage loan are maintained by departmental authorities who also watch the recovery of such advances and ensure that the conditions attached to each advance is fulfilled. The various provisions governing these advances are given in the Sikkim Financial Rules in respect of state government employees and General Financial Rules in respect of the central government employees.

**5.34.3** The important records/points to be seen in local audit are detailed below.

- (i) The applications for loans are obtained in proper form and contain all the required details and documents essential for the sanction of loans.
- (ii) Loans to parties, other than state government wholly owned government companies, are sanctioned only against adequate security and the valuation of property offered as security is ordinarily at least 33.33 per cent more than the amount of loan and such property is free from encumbrance.
- (iii) The sanction for each loan exists and has been accorded by the competent authority.
- (iv) Security bonds are obtained and kept in safe custody of a responsible officer.

- (v) The fact of payment is clearly recorded with acknowledgement obtained from the loanee.
- (vi) When the loan is disbursed in instalments the conditions stipulated for release of each installment is satisfied.
- (vii) Proper utilization of loan is ensured by the sanctioning authority.
- (viii) The recovery of principal and interest is in accordance with the schedule laid down in the sanction and that in case of default, action is taken to recover the installments with penal rate of interest fixed by the authority sanctioning the loan.
- (ix) The loan ledgers and other subsidiary records are maintained in the prescribed forms.

#### **5.34.4 Advances to government servants**

The following points should be specifically looked into.

- (i) The advance has been sanctioned by the competent authority.
- (ii) The sanctioning authority acted in conformity with the general and special condition governing the grant of the advance while sanctioning the advance.
- (iii) The register and broadsheet in respect of each kind of advances are correctly maintained and recovery of these advances is being made properly.
- (iv) In case of transfer of the official, the outstanding balances and rate of recovery per month should be recorded in his Last Pay Certificate.
- (vi) Calculation of interest has been correctly worked out.

#### **5.34.5 Audit of grants-in-aid and loans**

Audit of grants-in-aid and loans is primarily an extension of audit of expenditure and the broad principles of audit of expenditure shall apply. Additionally, it examines whether the amount of Government assistance is utilised for the intended purpose.

#### **5.34.6 Verifications to be done during audit of grants-in-aid and loans**

Audit of Government assistance in form of grants-in-aid or loans shall be conducted to verify whether systems and procedures are in place and are being complied with for:

clear enunciation of purpose for the sanction of the Government assistance;

- (i) proper and transparent identification and selection of persons, bodies and authorities for Government assistance with reference to their antecedents, absorptive capacity, financial position, systems and management practices;
- (ii) determination of amount of assistance and its timely release;
- (iii) proper accounting of assistance by the grantee or the loanee including maintenance of accounts in such form as may be prescribed;
- (iv) ensuring the fulfillment of conditions of Government assistance;

- (v) monitoring and ensuring the economical, efficient and effective end use of assistance including achievement of the objectives of assistance;
- (vi) refund to the Government of any unutilised amount; and
- (vii) in the case of loans, their repayment as prescribed and recovery of loan including penal interest according to applicable conditions

#### **5.34.7 Festival Advance**

- (i) The advance is not granted to a government servant more than once in a financial year, even if the festival qualifying for advance falls twice a year.
- (ii) All bills when drawn for payment of festival advance as also all recoveries made from the pay bills are correctly noted in the register.
- (iii) Whenever a government servant is transferred to another office full particulars of the advance, if any, is correctly shown in the Last Pay Certificate.
- (iv) The advance is not paid to a government servant against whom a festival advance already granted is outstanding.

#### **5.35 Audit of transactions of Public Account and Contingency Fund**

The basic principles of audit of expenditure incurred from the Consolidated Fund apply *mutatis mutandis* to any expenditure that may be incurred from the Public Account or from the Contingency Fund. Audit may also examine the transactions for their legality, competence and propriety and: in the case of Public Account, for the availability of credit for any withdrawal; and in the case of Contingency Fund, for the availability of sufficient balance in the Fund for any amount of advance as well as timely resumption to the Fund of any such amount

## CHAPTER VI

### 6.1 Department –Centric Audit

Department Centric Audit /Chief Controlling Officer (CCO) based audit is a new concept of audit approach initiated by Hqrs office to be implemented with the Audit Plan cycle 2010-11.

This approach of audit is conducted covering a scientifically selected sample of the Drawing and Disbursing Officer (DDO) under that Department/ CCO. In a Department (CCO) based audit, all the important aspects of the functioning of the department (CCO) is examined. The approach is to assess the performance of the department with reference to its mandate and goals. The DDOs are selected in such a manner that they constitute a representative sample and the audit findings can be generalized to present the overall picture of the Department's/ CCO's functioning. The results of the audit will be collated in such a manner that a single Inspection report can be reached based on the audit findings from the sample units. The CCO based audit in addition to regularity and compliance audit focus on efficiency, economy and effectiveness aspects of performance audit.

Under CCO based audit all important aspects of functioning of department including financial management, planning and project management, monitoring, internal controls, human resource management etc are examined.

*The detail guidelines as to how CCO based audit are to be conducted, what would be the primary focus of audit and what would be the broad structure of CCO based audit are given in CCO based auditing guidelines issued by Hqrs office in June 2009 which may be taken as reference while conducting the CCO based audit.*

### 6.2 THEMATIC AUDIT

**6.2.1** This is the terminology which is being used for audits which may have both compliance and performance audit objectives. The objectives of such audit are to focus on particular audit objectives across sectors or audited entities. These audits could be basically compliance or performance audits. However, while designing the annual audit plan and also in final Audit Reports, thematic audits are also find separate space for their inclusion.

There are no specific guidelines for thematic audits. Thus, performance audit guidelines and compliance auditing guidelines are normally used for conducting thematic audits. In this office, thematic audits are being incorporated in Audit Reports from the year ending March 2013.

Under thematic audit mainly functioning of schemes/projects and their achievement are examined which include the examination of financial management, planning and project management, monitoring, internal controls, human resource management etc.

#### **6.2.2 Broad parameters:**

Some of the parameters to be looked into (only illustrative) can be summed up as follows:

- Whether prescribed guidelines, rules and orders have duly been followed in sanctioning, tendering and implementation of the scheme/projects;
- Whether objectives of the scheme/ project are appropriately conceived and benefit oriented;
- Whether the department had comprehensive data base, based on comprehensive and credible survey/ data gathering exercise.
- Whether financial, time and material management were efficient.
- Whether target set are fulfilled.

#### **6.2.3 Financial Management:**

- Whether budgeting was realistic and based on reliable information and need assessment from the field offices.
- Whether fund flow was regular and adequate
- Whether the excess or saving in the expenditure were analyzed and anticipated in advance and timely action for surrender or supplementary demand was initiated.

#### **6.2.4 Operation /Project Management:**

- Whether targeted works are taken up in time and completed as scheduled without any cost and time overrun.
- Whether tendering process and other pre- execution formalities were completed within the prescribed period, by following the due process and without adversely affecting the cost /purpose of the work.
- Whether completed works are being maintained and run efficiently without abnormal interruption.
- Whether quality control issues especially those affecting public health are being addressed adequately.

**6.2.5 Material Store Management:** In the department handling sizable amount of stores the materials management process may be analyzed. Some illustrative aspects may be examined are:

- The process of assessment, purchase and distribution of stores and the instances of inefficiency , if any
- Whether the purchase procedures, including tendering, evaluation and contracting are streamlined and full advantages of competitive bidding are being taken.
- Whether modern inventory control methods are being applied.

- Whether systems are in place to prevent wastages, thefts and pilferages, etc.

#### **6.2.6 Monitoring:**

- Whether the department has adequate infrastructure (systems, manpower ) to effectively monitor the project.
- Whether the system is operating efficiently and effectively.
- Whether as a result of monitoring, effectively and timely interventions are made at appropriate levels to bring the project on course.
- Whether the system has adequate incentives/ disincentive to ensure timely completion of the project

#### **6.2.7 Internal controls:**

- Whether internal controls are adequate and working effectively- these will include financial and internal controls.

#### **6.2.8 Supervision and audit conclusion:**

The supervision of audit should be higher level, especially at the Group officer level , at all stages of planning and execution. The audit conclusion will be arrived at on the basis of findings from the audit of selected units

#### **6.2.9 Reporting**

Broadly, the report may be structured as follows:

- Introduction : general facts about the scheme /project, its mandate, activities and broad overview;
- Audit framework: Objectives of the scheme/project criteria, scope of audit and methodology all in one.
- Audit findings
- Conclusion
- Recommendation

### **6.3 Information Technology (IT) Audit**

6.3.1 Definition and Objectives IT audit is the examination and evaluation of an organization's information technology infrastructure, policies and operations. IT audit can be considered the process of collecting and evaluating evidence to determine whether a computer system safeguards assets, maintains data integrity, allows organizational goals to be achieved effectively and uses resources efficiently.

In IT audit, planning, risk assessment, evidence gathering and methodology etc. are no different than that is required under Compliance Audit or Performance Audit. However, to

conduct IT audit effectively, four simple and important points should be remembered and analysed. These four points are (i) Hardware (2) Software (3) Training and (4) Data management.

**6.3.2 Hardware:** While analysing the hardware following points should be seen

- Whether adequate numbers of computers are purchased as per requirement;
- Whether the computer and its accessories were purchased economically and following due purchase procedure as envisaged in the Financial Rules and other Government orders and scheme guidelines;
- Whether all the computers and the accessories have been duly accounted for ;
- Whether these computers and accessories have been installed at appropriate places and due safety measures have been observed;
- Whether there are no idle computers;
- Whether there is adequate management of power supply
- Whether there is proper arrangement of AMC

**6.3.3 Software:** IT Auditor should have proper knowledge and idea about the software used for projects. Thus, it is important that some technical guidance is taken for the purpose

In analysing the software used in the programme it should be seen that

- Whether software installed is thoroughly tested and reliable;
- Whether Service Level Agreement(SLA)are properly drawn up;
- Whether General & Application controls are in consonance with management policies & procedure.

**6.3.4 Training:** Training is significant aspect of IT system

Audit need to examine:

- Whether proper training has been imparted to the concerned officer and staff for handling the software and programme and data security & management;

**6.3.5 Data management system:** Main objectives of the installation of hardware and software system is data management. Audit need to analyse that

- Whether data input are properly done;
- Whether data are properly processed;
- Whether data output /result of processing is satisfactory



## **CHAPTER VII**

### **AUDIT OF WORKS DEPARTMENTS**

**7.1 Introductory:** The following departments that have self cheque drawing and disbursing powers are categorised as works department and their functions are governed by the Sikkim Public Works Code (S.P.W) and Manuals.

1. Sikkim Public Works (Roads & Bridges) Department
2. Buildings & Housing Department
3. Rural Management & Development Department
4. Energy & Power Department
6. Urban Development & Housing Department
7. Irrigation & Flood Control Department
8. Forest, Environment & Wild life Management Department
9. Public Health and Engineering Department
10. Human Resource and Development Department
11. Health Care, Human Service & Family Welfare Department

**7.2** All the transactions relating to the establishment of the works divisions functioning under the administrative control of the above departments i.e., pay, T.A. medical, office expenses, motor vehicle expenses, other charges etc. are passed and drawn through the Pay and Accounts Office like other civil departments. However in respect of works, bills are passed and drawn by Circle/ Divisional Officers / Executive Engineers as the case may be of the Department concerned and paid by cheque directly by them. The monthly accounts of these works divisions with supporting vouchers, and schedules are submitted to the Office of the Senior Deputy Accountant General (A & E) Sikkim every month.

**7.3** The audit of works transactions should be conducted in accordance with:

- (i) General financial rules and principles (Sikkim Financial Rules, Sikkim Public Works Code & Sikkim Public works Manual)
- (ii) The special procedures applicable for each class of transaction as laid down in C&AG's, Manual of standing orders (Audit).

#### **7.4 Important items of works requiring personal attention of Inspecting Officer.**

**7.4.1** The Inspecting Officer should devote his personal attention to the following items of works:

- (i) Any arrears or confusion in accounts work of a works division should be personally attended to by the Inspecting Officer.
- (ii) Review all regular contracts and a percentage of other agreements made since the last audit.
- (iii) Review the system and extent of check of measurements by Divisional / Sub- Divisional Officer.
- (iv) Review of balances of stock, the system of acquisition of stores and of stores verification.
- (v) Review of banking arrangements to see that they are generally satisfactory. It should in particular be seen:-
  - In whose custody the cheque books are kept and by whom the cheques are filled.
  - What stock of blank cheque books and receipt books are in hand, where the books are kept and what account is kept of the items. The balance of books in stock should be verified.
  - Whether the certificate of count of cheques is duly recorded by the Drawing and Disbursing Officer on each cheque book.
- (vi) It is open to the Inspecting Officer to extend his personal scrutiny to any other points which in his opinion require such scrutiny.
- (vii) All contract works involving more than ₹ 10.00 lakh should be specifically checked by the Inspecting Officer.
- (viii) Review of the following registers and accounts (the nature and the extent of the check being left to his discretion).

- Muster Rolls.
- Transfer Entry Book
- Suspense and Deposit registers
- Schedule of Rates
- Register of Rents of building and lands
- Establishment Works
- Monthly accounts

**NOTE-** It is within the discretion of AG to add other items to the above list according to local needs and circumstances. It is also open to the Inspecting Officer to extend his personal scrutiny to any other points which in his opinion require such scrutiny.

#### **7.5 Test audit of accounts of selected month**

**7.5.1** The audited vouchers of the selected month should be examined to see that (a) the quantities for which payment have been made are traceable, with the supporting details, in the record of measurement quoted in the vouchers, (b) that in each case the record of measurement itself is in order,

(c) that the rates at which payments were made for the several items of works or supply as shown in a voucher are in accordance with terms and condition of the relevant agreement or orders etc., (d) that those terms and conditions had been duly sanctioned by the competent authorities before the liability was incurred, and are not open to any objection from an audit point of view.

**7.5.2** The counterfoils of paid cheques should be checked in detail with the cash books and vouchers so that it may be verified that payment have been made actually to the persons entitled to them. The endorsement and acknowledgement of payees on cheques should be examined intelligently as to whether they give rise to any suspicion of a fraudulent payment. The Inspecting Officer himself should exercise this scrutiny or may entrust it to his staff. The fact of the necessary scrutiny having been exercised should be recorded in the office notes relating to the inspection.

**7.5.3** It should be seen that, if any of the vouchers and transfer entries of the selected month affect the stock account or the accounts of works, the charges against or credit to those accounts are shown correctly under the appropriate sub-head and suspense account and in the contractors ledger or the materials account concerned.

**7.5.4** All transfer entries involving rectification of errors should be examined and it should be seen (a) that the rectification was necessary and in order (b) that the original error does not disclose a defect in the system of accounting or indicate any financial irregularity.

**7.5.5** The Stock Account of the selected month should be examined and it should be seen that it is maintained in accordance with rules, the points of special importance being (a) that the quantity of both receipts and issue have been taken to accounts correctly (b) that both receipt and issues are valued correctly (c) that issues to works have been classified under the appropriate sub- heads or suspense accounts and carried to the ledger or materials account concerned.

**7.5.6** After the works abstract of the month have been checked, the total charges in each work should be agreed with the total of the relevant schedule dockets and it should then be seen that the works abstract have been posted correctly into the Register of Works and that all entries in the latter were reviewed by the Divisional Officer at the proper time.

## **7.6 General examination of accounts**

**7.6.1** The initial accounts of cash and stock, the measurement books, muster rolls and detailed accounts works, for the entire period covered by the inspection, should be examined generally and it should be seen that they are maintained, and checked in accordance with the prescribed rules, and that the writing don't indicate any attempt to tamper with the records or to evade the requirement of the rules. The recorded transactions should be surveyed intelligently, and if necessary, doubtful and

abnormal items should be examined closely. Points requiring special attention are given in following paragraphs.

## **7.7 Cash Book**

**7.7.1** It should be seen in at least 50% of the entries relating to receipts of cash as shown in the counterfoil of receipt books which have been used by the divisional officer or which are still in sub - divisional offices are traceable under proper dates and with correct particulars, in the cash books. In respect of counterfoils of receipt books used by the officers other than the Divisional Officer, which have already been recorded after check by the Divisional Accountant, only a small percentage of items need to be traced.

*Note - The arithmetical accuracy of the cash book since last audit should however be checked cent percent.*

**7.7.2** It should be seen that the entries in the current month's cash book are correct, that the resultant book balance agree in each case with the cash in hand plus the amount of impress and temporary advances, which should be supported by the latest acknowledgements of the officers concerned, as recorded in the last account or elsewhere.

**7.7.3** The verification of actual balance of cash is not incumbent upon the Inspecting Officer. An Inspecting Officer is not however debarred from verifying the cash of an office if circumstances of any case warrant it. In such a case verification should be undertaken as soon as the necessity of the same is felt and this should preferably be done at a time when the officer-in-charge is present. If in any case cash balance pertaining to a cash book is counted, a simultaneous count of all cash balances (with relevant accounts). In charge of the disbursing officer or other custodian of cash chest is desirable. A note of the count, specifying the amount counted both in word and figures should be made in cash book or account concerned.

**7.7.4** It should be seen that all recent transactions relating to new imprests and temporary advances or addition to existing ones are in order and that the memorandum of un cashed cheques, etc, as recorded in the divisional cash book of a selected month is correct in all respects.

## **7.8 Stock accounts (Please refer to Para 5.26)**

### **7.9 Measurement books**

**7.9.1** It should be seen in respect of (i) a few records of measurement selected at random are correct arithmetically and (ii) that the arrangements in force for the taking of measurements and for the checking of measurements taken by subordinate officials are not such as to indicate laxity of financial control.

### **7.10 Muster rolls**

**7.10.1** It should be seen that (i) the disbursement of the labour charges, and with it the certification of the disbursements, is not entrusted, as a rule, to lower officials, (ii) there is evidence that the records of attendance is checked, at intervals, by responsible officers of the sub-division and (iii) the cost of labour is not so largely in excess of the value (at current rates) of the work done so as to indicate either loss to government or need for closer financial control.

#### **7.11 Accounts of works**

The following points should receive special attention.

- (i) Whether there has been any tendency to keep the accounts of the works open longer than necessary. If cases are found in which there has been apparent delay in the closure of the accounts, some charge should be scrutinised for verification whether they indicate any tendency to utilize saving towards unauthorized expenditure;
- (ii) Cases of marked excess over estimated rates or amounts should be examined for verification that there has been no financial irregularity or serious error in accounting;
- (iii) Whether in case where smaller quantities were executed than estimated, there has been accompanied invariably by corresponding saving in cost;
- (iv) Whether material modifications or deviations from the sanctioned estimates of large works or projects have received the sanction of competent authority;
- (v) Whether all balances in the suspense account "Secured Advances" are covered by duly executed indentures which are on record in the divisional office;
- (vi) a few old items outstanding in the suspense account "Contractors other Transactions" should be examined and any delay in their adjustment investigated, it being seen in particular that there has been no omission to make the necessary recoveries in case in which any "On Account" or "Advance" payment has been made to the contractor in connection with the work;
- (vii) If the sub head "Additional Charges for Materials issued to the Contractors" has been opened in the accounts of any works the accounts of which are kept by sub heads, a few charges falling under this category should be examined for verification that they were correctly debitable to government and not to the contractor concerned;
- (viii) Material accounts of 25% works should be examined to see that materials are not collected in excess of requirements of works without sufficient reason, that charges debit able to contractors are not shown in material accounts, that the rules relating to the verification of materials are observed and that differences are adjusted in accordance with the rules;
- (ix) If any closed accounts of completed or abandoned work were reopened, the debits or credits booked against the reopened accounts should be scrutinised to see that no irregularities have been committed.

## **7.12 Examination of works abstracts**

**7.12.1** The Works Abstracts and connected accounts relating to at least two selected works should be examined in detail from their commencement and all transactions recorded in them should be analysed and, if necessary compared with details of the sanctioned estimates, contract agreements, measurements books, stock accounts other relevant documents etc.

## **7.13 Examination of Register of Works**

**7.13.1** The entries of sanctions to detailed estimates, etc., in the Register of Works should be checked in the case of all works on which expenditure has been incurred without or in excess of the sanctioned estimates/allotments etc. In the case of all other works, it will be enough if 25% of the entries are subjected to check during local audit.

## **7.14 Accounts of interest bearing securities**

**7.14.1** Accounts of Interest Bearing Securities should be examined and it should be seen that rules relating to them are observed. A few entries of the register maintained for the purpose should be compared with those in the cash book or other account, and vice versa, with the object of ascertaining that the register is maintained correctly. The securities certified in the accounts or periodical returns, as being on hand, should be verified by inspection as far as possible.

## **7.15 Contractors Ledger**

**7.15.1** The Contractors Ledger should be subjected to 100% check in respect of selected months from the vouchers, transfer entries and stock accounts.

## **7.16 New assessment of rent**

All cases of new assessment of rent since the previous inspection should be checked.

## **7.17 Workshop account**

**7.17.1** If there is a workshop attached to the division, the system of accounts in force should be reviewed and it should be seen (i) that it is in accordance with the procedure prescribed (ii) that it is suitable and (iii) that proforma accounts are maintained with reasonable accuracy.

## **7.18 Records to be seen during works audit**

- Cash Book
- Cheque Books
- Stock Register of Cheque Books
- Register of Undisbursed Pay and Allowances -Register of Bills
- Register of Cheques drawn
- Receipt books
- Stock Register of Receipt books
- Imprest or Temporary Advance Accounts Register
- Salary audit register of work charged establishment
- Purchase order register

- Register of Rents payable
- Stores indent Gate passes, goods received sheet
- Tool & Plant account
- Register of unpaid wages of work charged establishment
- Deposit register
- Miscellaneous Public Works Advance Register
- Register of Miscellaneous recoveries
- Register of hire charges
- Transfer entry order book
- Cash suspense settlement account register -Register of estimates
- Register of Tenders
- Register of Agreements
- Register of Building and Lands
- Register of Roads
- Register of Bridges
- Contractors ledgers
- Measurement Books
- Register of M.Bs
- Register showing issue and consumption of material
- Files of periodical physical verification report
- Works files.

## **CHAPTER - VIII.**

### **GENERAL PRINCIPLES AND PROCESS OF REVENUE AUDIT**

#### **8.1 General**

Section 16 of the Act authorises the Comptroller and Auditor General to audit all receipts of the Government of India and of Governments of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being

The various processes and stages of collection and accounting should be intelligently examined in order to ascertain the weak points in the system involving risks of leakage or commissions of irregularities. It should be seen that:-

- (i) Adequate rules and regulations are framed for the imposition and collection of revenue.
- (ii) There is a proper demand register in which demands falling due periodically under such rules and regulations are regularly noted and their recovery watched.
- (iii) A system of duplicate carbon receipts books with pages counted and machine numbered for issuing receipts to the parties paying in money exists; the amount shown in the duplicate receipts being checked with the credits in the cash book and the Register of Miscellaneous Demands.
- (iv) All sums due are received and checked against demands.
- (v) The demands are realised promptly and fully.
- (vi) Receipts and proper forms are issued for all money received.
- (vii) Any remissions granted are supported by proper sanctions.



(viii) All sums received and brought to credit in the cash book and the subsidiary registers and remitted to the treasury without delay.

(ix) The receipts are not appropriated to meet the departmental expenditure unless so authorized by special rules.

## **8.2 Central revenues**

There is no Central Revenue unit to be audited under the jurisdiction of this office

## **8.3 State revenues**

The main sources of revenue in the State of Sikkim are:

- (i) Taxes on Income other than Corporation Tax
- (ii) Land Revenue
- (iii) State Excise
- (iv) Value Added Tax (VAT) and State Goods & Service Tax (GST)
- (v) Taxes on vehicles
- (vi) Entertainment Tax
- (vii) Electricity charges, rent etc
- (viii) Forest
- (ix) State Lotteries and
- (x) Mining and Geology

## **8.4 Land Revenue**

The Secretary, Land Revenue Department is in-charge of revenue administration of the State and is assisted by the District Collectors who are the in-charge of revenue administration in each district and exercise all the powers in respect of collection of land revenue from the district.

Land revenue is collected under rules/notifications issued in this regard by the state government.

Audit examination of land revenue extends to verifying whether:

- (i) adequate systems and procedures exists for the computation and realisation of land revenue;
- (ii) adequate control and monitoring mechanism has been devised to prevent loss or leakage of land revenue;
- (iii) the relevant records have been maintained properly to facilitate the raising of demands and their recoveries;
- (iv) the revenue due to the government either in the normal course or in case of default has been correctly and promptly realised;
- (v) the machinery for collection and realisation of current dues as well as arrears is adequate;
- (vi) the rules provide for payment of fine for non payment or delay in payment of land revenue. If so, whether these provisions were applied in relevant cases;

- (vii) (vii) a notice of demand was issued to the defaulter of land revenue on or after the day following that on which arrears was payable;
- (viii) after serving a return notice of demand on the defaulter, one or more of the processes were applied for recovery of land revenue, etc.;
- (ix) demand, collection and arrears of land revenue have been correctly worked out.
- (x) The opening balance of the arrears for the current year tallies with the closing balance of the previous year reported in the earlier returns;
- (xi) **the district form, which gives** particulars of arrears of land revenue and arrears of other fines, cess and other dues recoverable as arrears of land revenue recoverable by the Revenue Department, has been maintained;
- (xii) the correctness of the returns submitted by the District Collectors have been checked; The accounts figures are being reconciled with the bank figures;
- (xiii) if the defaulter failed to make payment within the specified period, a warrant of attachment was issued;
- (xiv) contrary to rules, benefits of orders of suspension of land revenue was extended to the defaulters of land revenue;
- (xv) action taken for recovery is adequate and coercive action is taken in chronic cases of non payment of revenue;
- (xvi) effective and deterrent action was taken against defaulters of land revenue; and
- (xvii) the remissions of land revenue and waiver of land revenue, penalties, fines are in conformity to extant Rules.

## **8.5 Value Added Tax (VAT)**

Value Added Tax is a major source of revenue for the Government of Sikkim. The levy of tax is on the purchase or sale of goods and the tax is payable by the dealer. The authority empowered to collect the tax both under State Act and the Central Act is the Commercial Tax Department of the state government. Under the State Act, the dealer whose turnover is in excess of the prescribed limit becomes liable to registration. Under the Central Act a dealer becomes liable to registration as soon as he make the first inter-State sale, irrespective of the amount of sale.

Under the Sikkim VAT Act, goods have been categorised for taxation purposes as

- (i) Goods exempted from VAT.

- (ii) Goods to be taxed at lower rates, being declared goods and basic raw materials.
- (iii) Luxury goods taxable at higher rates.
- (iv) Goods not specified in any of the above categories falls under the residuary or unclassified category and tax on such goods is liable at general rates.

**8.5.1 Audit of VAT Records**

Since VAT has been discontinued wef 2017-18 in Sikkim by rolling over to Goods & Services Tax (GST), Audit ..... would be to see rolling over to GST. Details checking procedure are mandated in Para 8.6

**8.6 AUDIT OF GOODS & SERVICES TAX**

Government of India introduced Goods & Services Tax (GST) from 1<sup>st</sup> July 2017. Introducing GST was a major indirect tax reform aim at reducing the complexity of the prevailing indirect taxes and removing the cascading effect of federal taxes as this will subsume all major prevailing indirect taxes including VAT, Central Excise, Service Tax and Central Sales Tax (CST). GST is dual tax with levy by both Central and State Tax administration on the same base /transaction for supply of every goods and services. The GST is levied in every stage of production- distribution chain by giving the benefit of input tax Credit (ITC) of the tax remitted at previous stages, thereby treating the entire country as one market.

GST is totally Information and Technology (IT) based system and for implementation of GST basic infrastructure required is provided by Goods & Services Tax Network (GSTN). With the introduction of GST, GSTN has been made responsible to build and operationalised the system as the only nationalized agency.

The following points should be borne in mind prior to taking up audit of GST

(i) Tax subsumed in GST

<b>Central Taxes subsumed in GST</b>	<b>State Taxes subsumed in GST in Sikkim</b>
<ul style="list-style-type: none"> <li>• Excise duties</li> <li>• Central Excise Duty</li> <li>• Additional duties of Excise</li> <li>• Excise duty levied under Medicinal &amp; Toilet Preparation Act</li> <li>• Service Tax</li> <li>• Additional custom Duty(CVD and SAD)</li> <li>• Surcharge and Cess related to supply of goods/services</li> </ul>	<ul style="list-style-type: none"> <li>• VAT (including CST and Purchase Tax)</li> <li>• Entry Tax</li> </ul>

(ii) SGST and CGST are separately mentioned in the challans and the amount are credited into respective Consolidate Funds.

(iii) In case of interstate transactions, IGST will be initially paid without bifurcation as SGST & CGST and parked in Consolidated Fund of India. At the end of every month, the apportionment of IGST amount Centre & States will be calculated through an algorithm that will run on GSTN's IT Portal and based on this calculation, authorizations will be issued by CGA for transfer to be effected by RBI.

(iv) The assesses will pay both CGST and SGST through the same challan and file a single return for both the central and state taxes. Hence it involves Dual Control i.e. division of jurisdiction and administrative powers over taxes assesseees between the Centre and the States. It was decided in GST Council that for assesses with turnover of ` 1.5 crore or less, 90% of assesseees will be assessed for scrutiny and audit by States and 10 % by Centre. Above that limit, Centre, Centre & State will assess in 50:50 ratio. Hence any scrutiny or audit by either Central Tax authority or any Sate Government Tax Authority would have implication for both CGST as well as SGST.

(v) The Hqrs office in consultation with Principal Director (Central), Chennai, Tamilnadu has developed a concept paper for End to End solution for Audit of GST. E2E IT solution for audit of GST aims at bringing in a scientific, transparent, data driven approach to the audit of GST. It also aims to leave zero paper trail and go completely paperless as far as possible from the day one of the audit of GST. The audit team should go through this concept paper.

(vi) The audit of GST would predominantly depends on analysis and analytics of data that is made available in an integrated manner. The data need to be collected from various sources such as GSTN, CBIC, Commercial Taxes Department of all states and UTs and other third party data such as customs, IT Department, Agricultural market Committee, Medical Council of India and other sources where data relating to transaction of different commodities and income or turnover of companies(buyers/sellers) are available. The centrally available data warehouse would be maintained by Centre of Excellence in Digital Audit of Revenue audit (CEDAR), Banglaore. This data warehouse would host information that are relevant to all offices. However, State specific data would be stored by respective GST audit offices in their local data house.

The GST Audit offices would both pus and pull information out of the data warehouse. The mode of accessing data can vary from stakeholder to stakeholder such as simple SQL, querying, through a reporting tools such as SAS or through other BI Tools such Knime, Tableau, Power BI or R.

The planning of audit, desk review, risk analysis for arriving at conclusion and submission of Inspection Reports in regard to GST Audit is as same as that are given in the Compliance Auditing

Guidelines issued by CAG office.

## **8.7 State Excise**

State Excise is another important source of tax revenue for the state. It consists mainly of fees for licences issued to distilleries, breweries and liquor dealers, duty on liquor, taxes and consumption fees, fines, penalties, etc. This duty is governed and regulated by the Sikkim Government Excise Act 1992. There are certain norms applicable for production, wastage, evaporation, etc. for the various stages of manufacture for different types of liquors. Different rates of duties are applicable for different types of manufactures.

**8.7.1** Audit is required to ensure that the product is properly accounted for at all stages and that appropriate duty is paid. Audit should also scrutinise that the actual production and use of rectified spirit, etc. is in accordance with the norms laid down. Wastage and utilisation in excess of norms would indicate leakage of revenue.

**8.7.2** The following records should be specifically scrutinised at time of audit of excise records:

- (i) Examination of system of auction and other procedures for allotment of retail vends and fulfillment of conditions attached to the licences.
- (ii) Checking of rates of Excise Duty levied.
- (iii) Checking whether a continuous record of permits/passes issued is maintained.
- (iv) Scrutiny of records maintained in distilleries, bonded warehouses etc.
- (v) Scrutiny of figures of sales with reference to departmental records of cases where licence fees are assessed with reference to spirits issued.
- (vi) Reconciliation of collection and deposits with the figures appearing in bank records.
- (vii) Review of Demand, Collection and Balance Registers to see that no arrears are allowed to accumulate.
- (viii) In case of refunds of excise revenue, checking whether the refund is admissible and covered by sanction.

## **8.8 Taxes on Vehicles**

The Motor Vehicles Act, 1939 as amended from time to time and the Motor Vehicles Act 1988 are applicable to the whole of India. The powers to administer the Acts, make rules there under in order to carry out the purposes of the Acts in the State of Sikkim are vested with the Motor Vehicles Department.

**8.8.1** During audit of Motor Vehicles Department, the following points should be specifically examined:

- (i) Whether the various types of fees, rates of tax for different types of vehicles have been levied correctly and whether any action to levy or waive penalty has been taken in contravention of the provisions of the Act.
- (ii) Whether the exemption from payment of tax, fees etc. applied under the government notification to the specific category of vehicles, has been correctly applied and regulated in accordance with the rules framed.
- (iii) Whether the amounts collected are duly accounted for in the cash book, promptly remitted into government account and reconciled periodically.
- (iv) Whether the compounding fees, penalties levied were in accordance with rules.
- (v) Whether the system of collection of relevant fees for renewal, replacement and registration of the vehicles and permits under the rules framed, exists and are being followed by Motor Vehicles Department.
- (vi) The quantum of uncollected revenue on account of taxes on vehicles should be suitably commented upon.
- (vii) Whether in respect of construction equipment and maintenance of motor vehicles, the Sikkim Nationalised Transport has followed the statutory provisions contained in Section 109 to 111 of the Motor Vehicles Act, 1988?
- (viii) In respect of levy of additional surcharge over and above the surcharge on tax on stage carriages it may be reviewed whether the need for continuance of the additional surcharge exists and if so, whether a fixed amount could be levied and included in the assessment as a component of the tax.

### **8.8.2 Records to be seen in audit**

The following records should be specifically seen.

- (i) Register of fees for driving licences and their renewal
- (ii) Register of conductor's licences.
- (iii) Register for maintaining records of vehicles registered in the district
- (iv) Register of permits issued.
- (v) Register of learner's licence
- (vi) Collection Register or Tax Posting Register in which particulars of amounts remitted direct into the government account along with the number and date of the bank receipt.
- (vii) Cash Book and Receipt Book
- (viii) Refund Register
- (ix) Demand, Collection and Balance Register.

### **8.9 Entertainment Tax**

The Entertainment Tax in Sikkim is regulated under the Sikkim Cinemas (Regulation) Act, 1978, the Sikkim Entertainment Tax Act, 1980, the Sikkim Cinemas (Regulation) Rules, 1979 and the Sikkim Entertainment Tax Rules, 1981. The administration of these Acts and rules vests with the Urban Development and Housing Department. Different rates have been fixed for different classes of entertainment. In course of audit, the following points are required to be specifically examined.

- (i) Whether the proprietor has applied for the licence within the time limit, as prescribed in the Acts, before the commencement of the entertainment?
- (ii) It is to be verified that licence has not been used for any entertainment other than specified in the licence.
- (iii) Whether interest on belated payment has been levied.

#### **8.10 Receipts from Mines and Minerals**

The grant of concessions and leases for prospecting, mining or extraction of major minerals are regulated by the Mines and Minerals (Regulation and Development.) Act, 1957 and the Mineral Concession Rules, 1960. The administration of the Act and the Rules in Sikkim is the responsibility of the Mines and Geology Department.

**8.10.1** Receipts from mines and minerals consists of application fees, licence fees, permit fees, royalties, fines and penalties, interest on belated payment, etc. In course of audit the following records should be specifically seen.

- (i) Register of demand and collection of mining revenue.
- (ii) Register of daily receipts.
- (iii) Register of transit passes.
- (iv) Register of mining leases.
- (v) Register of refunds.
- (vi) Register of royalties.
- (vii) Monthly returns.
- (ix) Mining leases.

Audit scrutiny of receipts from mines and minerals would extend, inter alia, to verifying that

- (i) adequate system and procedure exist for (a) the issue of mining or quarrying leases through auctions or tenders and their timely renewal on expiry, and (b) computation and realisation of various fees, rents, royalty etc. and for ensuring that the terms and conditions of leases, licences, permits etc. are adhered to;
- (ii) adequate control and monitoring mechanism have been devised to prevent loss or leakage of revenue from mines and minerals and for the timely detection of illegal extraction or exploitation of the mineral wealth;

- (iii) the relevant records have been maintained properly to facilitate the raising of demands and their recovery;
- (iv) leases and licences for mining and quarrying rights have been issued and renewed wherever necessary, in time in accordance with the procedures / schedule prescribed in this regard and there have been no avoidable delays resulting in loss of revenue;
- (v) all money due to the government for the award of mining and quarrying rights either in the normal course or in case of default have been correctly and promptly realised;
- (vi) there has been no loss or leakage of revenue on account of lacunae or loopholes in the rules framed for the purpose or on account of avoidable delays in the issue of necessary notifications;
- (vii) the machinery for detection of cases of evasion is adequate;
- (viii) follow -up action in cases of default or illegal extraction of minerals has been adequate and sustained so as to ensure that such instances are pursued to their logical conclusion.

### **8.11 Forest Receipts**

The Secretary-cum-Principal Chief Conservator of Forest is the head of the Forest Department. The principal sources of forest revenues are from cardamom, sale of different kinds of timber, fuel, bamboo, medicinal herbs, charcoal etc.

As in the case of other revenues, the auditor should be concerned with the existence and efficiency of the systems and procedures for determining forest revenues, their collection and accounting. He is required to check whether there has been any leakage or loss of revenue and this can happen in many ways, some of which are given below:

- (i) Illicit felling and removal of trees
- (ii) Non-acceptance of the highest bid
- (iii) Loss or deterioration of forest produce
- (iv) Non-enforcement of contractual terms
- (v) Adoption of incorrect conversion factor
- (vi) Non-exploitation of seasonal produce in time
- (vii) Under- estimation of forest produce and upset prices resulting in lower offers
- (viii) Non / short recovery of royalty on trees
- (ix) Non / short recovery of penalty including on compounding of offences.

### **8.12 Receipts from State Lotteries**

The Government of Sikkim introduced Sikkim Lotteries in April 1978 with the object of mobilising additional resources for developmental purposes. The lotteries are being run by the Directorate of State Lotteries functioning under the administrative control of Finance Department. The following points should be seen during the course of audit.



- (i) Selection procedure of organising agent for running the lotteries; whether the best offer keeping in mind the interests of government, past experience of the agent, his financial status, etc, has been accepted.
- (ii) Whether the agreement entered into with the agent adequately protects the interests of government and there are no clauses which unduly favour the agent or which may give him scope to exploit the agreement to his advantage.
- (iii) Whether subsequent to the signing of the agreement, any of the terms and conditions have been changed/amended at the behest of the agent, and if so, its impact on revenues accruing to government.
- (iv) Delay in payment of guaranteed profits and whether interest has been levied on the delayed payment.
- (v) Whether the lottery schemes have been drawn up and operated strictly in accordance with the scheme as approved by the government; if subsequently, at the instance of the agent there have been any changes/ modifications in the lottery scheme and its financial impact on the agent and government revenues.
- (vi) Whether unclaimed prizes have been reverted to government.
- (vii) Whether the agent has claimed/deducted from the prize monies any commission/charges, outside of the scope of the agreement entered into by him.

## **CHAPTER IX**

### **AUDIT OF AUTONOMOUS BODIES**

**9.1** Article 149 of the Constitution of India, inter alia, provides that the C&AG shall perform such duties and exercise such powers in relation to the accounts of any body or authority as may be prescribed by or under any law made by the parliament. In pursuance of this provision the

Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 was enacted by the parliament. This Act prescribes the C&AG's duties and powers in relation to the accounts of the union, the states, the union territories and other authorities and bodies. The words "body" and "authority" have not been defined either in the Constitution or in the Act. However, as interpreted by the Attorney General of India, "body" means an aggregate of persons, whether incorporated or not, and "authority" means a person or body exercising 'lower or command vested in it by virtue of provisions in the Constitution or Acts passed by the parliament or the state legislatures.

The duties and powers of the C&AG in relation to the audit of autonomous bodies are regulated by sections 14, 15, 19 and 20 of the C&AG's (DPC) Act, 1971. (here-in-after mentioned as Audit Act, 1971).

Audit of autonomous bodies/authorities covers audit of accounts and transactions of all bodies and authorities either non-commercial in nature or, though commercial in certain aspects, are intended to perform certain specified services of public utility or to implement certain programmes and policies of government.

## **9.2 General scope of sections 14, 15, 19 and 20 of the C&AG's (DPC) Act, 1971**

The audit of accounts of autonomous bodies falls under two categories- one for watch over utilisation of assistance given by the government and another for certification of annual accounts, as representing true and fair picture of the accounts of the autonomous body. Though the scope of audit of all the four sections mentioned above can cover both (the aspects, in practice, the job of certification of annual accounts is undertaken only under the provision of sections 19 and 20, while audit of utilisation of government assistance can be undertaken under all four sections.

## **9.3 Section 14 of the DPCS Act, 1971**

Under sub-section (1) of section 14 of the Act it is obligatory for C&AG to audit all receipts and expenditure of any body 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 of any union territory with legislature. A body or authority is deemed to be substantially financed if the amount of grant or loan to it in a financial year is not less than Rs.25 lakh and is also not less than 75% of its total expenditure in that year. Audit under this section is subject to the provisions of any law applicable to the body or authority, and will co-exist with and complement the audit arrangements, if any, that may be specified in such law.

Sub-section (2) of section 14 empowers the C&AG to audit all receipts and expenditure of any body or authority with the approval of the President or Governor, as the case may be, even if the amount of grants and/or loans from the consolidated fund in a financial year is less than 75% of the total expenditure of the body/authority in that financial year, provided the amount of such grants or loans

was not less than rupees one crore. If, however, the amount of grants or loans is not less than rupees one crore and also forms not less than 75% of the total expenditure of the institution, it will attract audit by C&AG under sub-section (1) of section 14. Once an institution comes under audit by C&AG by virtue of provisions of section 14(1) and 14(2), such audit will, under sub-section (3) *ibid*, continue for two subsequent years, even if the conditions prescribed in such in sub-sections (1) and (2) are not fulfilled in those years.

Thus, the essential ingredients for any institution to attract audit under this section are:

- (i) The grant or loan must be to a body or authority.
- (ii) The grant or loan must have been paid out of the consolidated fund of India or of a state/union territory having a legislature.
- (iii) The autonomous body must be substantially financed by grant or loan from Government.
- (iv) The audit will be of all receipts and expenditure of the autonomous body.
- (v) The result of audit will be reported upon by the C&AG.
- (vi) Audit will be subject to the provisions of any law, for the time being in force, applicable to the autonomous body.

The intention behind (vi) above is that C&AG's audit should take into account all the provisions of the law governing the autonomous body and it is not intended to replace any audit arrangement envisaged in the law governing the autonomous body. C&AG's audit is in addition to the audit envisaged in the relevant law; in fact both are complementary and have to co-exist.

### **9.3.1 Audit under section 14 of the DPCS Act, 1971.**

Procedures and modalities to be adopted for audit are bound to differ in respect of each organisation but the main objective of audit in all cases will have to be to ascertain how the funds provided by the government were actually utilised. The aim should also be to ascertain how well these bodies, are discharging their financial liabilities by utilising the funds in fulfillment of the objects envisaged by government. The duties of audit in respect of the institutions broadly fall under two categories, viz, (i) financial auditing and (ii) operational auditing.

(i) Financial auditing is a critical review of the controls and financial records of the organisation, that leads to an opinion on the accuracy and fairness of financial statements and adequacy of the safeguards available against errors and losses. If, however, the C&AG is not the sole auditor, the task of financial auditing is usually performed by the auditors certifying the annual accounts. The efficacy of such audit should however, be subjected to check during audit by C&AG.

(ii) Operational or management auditing is an extension of the financial auditing, going beyond the accounting function; it deals primarily with non-financial aspects. Audit under section 14 is hence

a second audit for which the organisation / government had appointed other auditors for annual certification of accounts.

#### **9.4 Section 15 of the DPCS Act, 1971**

The section has two parts: The first part imposes a statutory responsibility on the C&AG to scrutinise the procedure by which the authority sanctioning a grant/loan for a specific purpose to an autonomous body from the consolidated fund, satisfied itself as to the fulfillment of the conditions subject to which such grants/loans were given. The second part gives the C&AG the right of access to the books and accounts of the autonomous body, subject to the following restrictions:

- (i) The autonomous body is not a foreign state or an international organisation.
- (ii) The President/Governor/Administrator, as the case may be, can, where he is of opinion that it is necessary to do so in the public interest, by order, relieve the C&AG after consultation with him, from making any such scrutiny in respect of anybody/authority receiving such grant/loan.
- (iii) Except with the authority of the President/Governor/Administrator concerned, the right of access to the books and accounts of any corporation is not available, if the law, by or under which the corporation is established, provides for audit by some agency other than the C&AG.

Thus, while it is obligatory on the part of the C&AG to examine the records of the sanctioning authorities relating to the procedure adopted for ascertaining utilisation of grants or loans given for specific purposes, it is not obligatory to scrutinise the books and accounts of all grantee/loanee autonomous bodies whose records are open to inspection under this section. The C&AG has the discretion to limit the scrutiny to the extent he decides.

The examination relates to grant or loans given for specific purposes but does not cover grants for general purposes without any condition or purpose being specified. Grants given for maintenance, purchase of tools, plant, etc., grants given to cover deficits, subsidies for purchase of tools, plants, etc., are all to be treated as specific purpose grants. In case of doubt whether a grant or loan, the original sanction should be consulted.

##### **9.4.1 Audit under section 15 of the DPCS Act, 1971**

Audit under section 15 has two parts, (i) a statutory responsibility to scrutinise the procedure by which the sanctioning authority of grants and loans for specific purposes satisfied itself as to the fulfillment of the prescribed conditions of the grant and loan, and (ii) an enabling right to scrutinise the records of the grants receiving body subject to certain specified limitations. Since audit under the enabling right is rarely conducted, audit under section 15 is mainly restricted to the scrutiny of the records of the sanctioning authority. Emphasis of audit should be on scrutiny of procedure and the first step would be to find out whether adequate rules and regulations have been framed by the sanctioning authority or the government for ensuring that the objective of the assistance is achieved, avoiding the risk of mis-utilisation. The rules and regulations should cover aspects like verification of

antecedents and the capability of the grant-receiving authority to implement the programme with efficiency and economy.

Inherent in the system of scrutiny of the procedure is the need for examining the adequacy of prescribed returns and reports from the grant-receiving authorities in assessing the proper utilisation of the assistance.

In order to formulate an opinion about the efficacy of the system and procedure, scrutiny of individual cases through proper sampling should be made. In the audit of the system, an analytical approach would enable Audit to locate the weakness and deficiencies in the system of controls.

The second part of the audit i.e., scrutiny of the books of accounts of the autonomous body should preferably be deferred until they are audited and certified by the auditor of the autonomous body. The absence or deficiencies in arrangement for such audit should be commented upon in the conventional Audit Report. During audit under section 15, audit should see that (i) the autonomous body has actually complied with the procedure prescribed for reporting utilisation of the grant / loan, (ii) the grant / loan has actually been utilised, and (iii) the conditions governing the grant / loan have been strictly observed.

Some of the specific points to which audit can direct its attention are detailed below. The list is by no means, an exhaustive one.

- (i) Has the sanctioning authority prescribed clear-cut procedures to satisfy itself that the grants / loans are being utilised for the purpose for which these were given? Such procedures may provide for submission of periodic progress report, audited statement of accounts of the grantee / loanee institutions, and inspection of the grantee institutions by the sanctioning authority.
- (ii) Are all the conditions of the grants / loans being fulfilled?
- (iii) Are reports / returns received from the autonomous bodies, and are they scrutinized and reviewed, and appropriate action taken thereon by the sanctioning authority?
- (iv) What action was taken on the irregularities, if any, noticed during inspection or scrutiny of records of the grantee/loanee bodies.
- (v) Are the registers of grants/loans, as prescribed in financial rules, properly maintained, reviewed at appropriate levels and action taken?
- (vi) Is any register of assets created out of government grants maintained and is it ensured that the assets are put to intended use?
- (vii) Are there cases of diversion of use of assets or their sales? If so, what action was taken?
- (viii) What action is taken in case where utilisation certificates are not received?
- (ix) Is the excess grant/loan worked out and recovered?

(x) Is any legal or other coercive action taken against defaulting grantees/loans and is the payment of subsequent grants/loans to them stopped?

(xi). In regard to loans, what is the position of recovery and whether the control over itadequate?

(xii) How is it ascertained that the general objective of a scheme is being fulfilled? Is there any system of obtaining performance/achievement reports and scrutiny thereof?

Audit under section 15 being primarily, the result of audit of the books and accounts of the autonomous bodies receiving specific purpose grants / loans should be pursued with the sanctioning authorities and / or their higher authorities and government; the objections need not be conveyed to or corresponded with the autonomous bodies directly, though the facts will have to be got confirmed by such bodies

### **9.5 Section 19 and 20 of the DPCS Act, 1971**

Section 19 of the Audit Act, 1971 has three sub sections. Section 19(1) which deals with audit of government companies provides that the duties and powers of the C&AG in relation to the audit of accounts of government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 1956 (it should be noted however that in Sikkim, the Companies Act,1956 is not in force). Section 19(2) of the Audit Act, 1971 deals with the audit of the accounts of the corporations established by or under law made by parliament, which shall be performed by C&AG in accordance with the provisions of the respective legislation. Section 19(3) of the Audit Act, 1971 deals with the entrustment, in public interest, of audit of accounts of corporations established by Acts of state and union territory legislatures and where the Governor/Administrator, as the case may be, may request the C&AG, only after prior consultation with him and also after giving reasonable opportunity to the corporation to make representation with regard to the proposal for such audit, to audit the accounts of the corporation and where such request has been made, the C&AG shall audit the accounts of such corporation and shall have right of access to the books and accounts of such corporation.

Section 20 of the Audit Act, 1971, is an enabling provision of the Act whereby audit of the accounts of certain bodies on authorities, not covered by section 19 or whose audit has not been entrusted by or under any law made by parliament to the C&AG, can be entrusted to him. Audit under section 20(1) shall be conducted by C&AG, on such terms and conditions as may be agreed upon between him and the government concerned, if the President/Governor/Administrator, as the case may be, after consultation with C&AG, makes a request to him in this behalf. SUB-section (2) of section 20, on the other hand, empowers the C&AG to propose to the President/Governor Administrator, as the case may be, to authorise him to undertake the audit of accounts of any body or authority, not entrusted to him for audit, if he is of opinion that such audit is necessary because a substantial amount has been

invested in or advanced to the body or authority by the government concerned. Sub-section (3) of section 20, like sub-section (3) of section 19, provides that audit under section 20(1) and section 20(2) shall not be entrusted to the C&AG except where the President Administrator/Governor, as the case may be, is satisfied that it is expedient to do so in the public interest and except after giving reasonable opportunity to the concerned body or authority to make representations with regard to the proposal for such audit.

#### **9.5.1 Audit under sections 19 and 20 of the Audit Act, 1971.**

While it is not obligatory on the part of the C&AG to certify the annual accounts under section 14, in cases where he has decided to undertake audit under sections 19 and 20 the certification of annual accounts will be involved. In cases where the C&AG is the sole auditor, it will be advantageous to combine the audit of transactions and audit of annual accounts in one spell. Where, however, the audit is undertaken as superimposed or as supplementary on the basis of entrustment, the certification will be done by the statutory auditor appointed by the institution according to the provisions of the Act concerned.

#### **9.5.2 Sanctions of grants and loans and forwarding of copies**

Government departments and other officers empowered to sanction grants and/or loans to any body or authority shall:

- (i) Endorse a copy of each letter of sanction of grant or loan to the audit office; mention in the sanction, the amount of the budgeted expenditure of the body or authority; and
- (ii) Ensure that the assisted body or authority makes available all the relevant records to the audit officer for audit, wherever and whenever necessary, and that a requirement to this effect is incorporated in the letter of sanction to the grant and/or loan.

#### **9.5.3 Forwarding of statement of bodies and authorities receiving assistance**

Governments and heads of departments which sanction grants and/or loans to bodies or authorities shall furnish to the audit office by end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating rupees ten lakh or more were paid during the preceding year indicating (a) the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority

#### **9.6 General scope of audit**

Audit is an examination of the books of accounts to ensure that the final accounts as drawn up, exhibit a true and fair view of the working and the state of affairs of the organisation subjected to audit. The examination involves verification of the authority for and the accuracy of the book figures with the help of vouchers, invoices, receipts and other documents. Audit should, therefore, conduct independent investigation into the affairs of the body or authority and satisfy itself that the state of

affairs, as shown in the final accounts at a given date, reflects a true and fair picture according to the facts available to him, information obtained by him, and explanations given to him.

### **9.7 Audit in public interest**

Most of the autonomous bodies under audit in Sikkim have little income of their own moreover, organisations like Khadi and Village Industries Board, Housing Board, etc., which earn income by rendering services, or sale of products or properties also depend on government to a considerable extent for financial assistance. Because of this, audit of these autonomous bodies cannot be considered complete in public interest merely by a certification that the accounts as made available to audit present a true and fair picture of the autonomous body on a particular date. It is essential to go beyond the stage of certification of annual accounts and to probe into aspects relating to efficiency, performance, propriety, etc., in relation to the utilisation of resources made available to them by government.

It has been held by the Law Ministry that inherent in the powers of C&AG to make the regulations under section 23 of the Audit Act, 1971 is his right to prescribe and conduct efficiency-cum-performance audit of any "body" or "authority".

As regards grants, loans and other forms of assistance by government, audit of autonomous bodies in public interest will not be complete unless such audit is linked with audit of transactions of government in relation to release of such assistance and watch exercised by government over the utilisation, return of loan, etc.

### **9.8 In Sikkim, the audit of the following units are conducted under sections 14, 19 (3) and 20(1) of the Audit Act, 1971.**

#### **Section 14:**

- (i) Sikkim Research Institute of Tibetology
- (ii) Sikkim Rural Development Agency.
- (iii) Sikkim Urban Development Agency
- (iv) Institute of Hotel Management
- (v) National Aids control society
- (vi) State Leprosy Society and District leprosy societies.
- (vii) Sikkim State Illness Fund Association
- (viii) State Institute of Rural Development, Karfector
- (ix) Sikkim State Illness Assistance Fund, Gangtok.
- (x) State Health and Family Welfare Society, Gangtok
- (xi) Sikkim Renewable Energy Development Agency, Gangtok
- (xii) Prevention and Control of Blindness, Gangtok



- (xiii) State Council of Science and Technology, Gangtok
- (xiv) Small farmers Agriculture Business Consortium, Tadong
- (xv) Sikkim State Commission for women, Gangtok
- (xvi) Sikkim State RajyaSainik Board, Gangtok.

**Section 19 (2)**

- (i) Sikkim University, Tadong
- (ii) Central Agriculture University, Ranipool
- (iii) State Legal Service Authority

**Section 19 (3):**

- (i) Sikkim Mining Corporation
- (ii) State Trading Corporation of Sikkim
- (iii) State Bank of Sikkim
- (iv) Sikkim Housing Development Board ,Gangtok

**Section 20 (1):**

- (i) Sikkim State Social Welfare Board.
- (ii) Sikkim Khadi and Village Industries Board
- (iii) Sikkim Livestock Processing and Development Corporation
- (iv) Sikkim Milk Union
- (v) Nehru Yuva Kendriyas
- (vi) Kendriya Vidyalaya Gangtok and Singtam
- (vii) Central School for Tibetans.
- (viii) Sikkim State Cooperative Supply and Marketing Federation Limited
- (ix) Jawahar Navodaya Vidyalayas.
- (x) Sikkim Tourism Development Corporation
- (xi) Sikkim Power Development Corporation
- (xii) All India Radio, Gangtok
- (xiii) National Horticulture Board, Gangtok
- (xiv) National Institute of Technology, Rabongla
- (xv) Prasar Bharti (HPT), Doordarshan)
- (xvi) Regional Research Institute (Ayurveda ) Tadong
- (xvii) Indira Gandhi National Open University, Tadong
- (xviii) National Research Centre for Orchid, Tadong
- (xix) Building & Other Construction Worker's Welfare Board

**9.9 Form of annual accounts.**

Except where otherwise specifically authorised, every organisation that receives assistance from government in the form of loan / grant must compile the following three sets of accounts.

- (i) Receipts and Payments Account.
- (ii) Income and Expenditure account.
- (iii) Balance sheet

Income and Expenditure Account is to be prepared on accrual basis where all the income whether received or not pertaining to the period under audit is taken credit for and the expenditure, whether paid or not, relating to the period is charged.

**9.9.1 The essential features of the audit of accounts would be:**

- (i) to make a critical review of the system of book-keeping, accounting and internal control;
- (ii) to make such tests and enquiries as the auditor deems necessary to form an opinion as to the reliability of the basic records where from accounts are prepared;
- (iii) to compare the income and expenditure account and the balance sheet with the underlying records to ensure that they are in accordance therewith;
- (iv) to make a critical review of the income and expenditure account and the balance sheet in order that a report may be made stating whether, in the opinion of the auditors, the accounts are presented and the items are described in such a way that they show not only a true but also a fair view.

**9.9.2** Certification of annual accounts involves verification of the accounts with reference to the books of original entries, ledger etc., to see that the accounts pertain to the organisation, represent legitimate charges, and the books themselves recorded fully and faithfully all transactions of the organisation for the period and nothing is left out. This can be ensured only by test Check of transactions incorporated in or related to (a) cash book (b) receipts (c) payment vouchers (d) bank reconciliation statement (e) payment of salaries and wages (f) office contingencies (g) stock accounts (h) works expenditure (i) advances to staff/suppliers and contractors U) funds and investments thereof by the autonomous body etc. etc.

**9.10 Reports to be drafted by the audit party.**

In the case of audit for certification of annual accounts, the audit party will compile four documents :- (a) draft separate audit report which will form part of the audit certificate on the audited accounts; (b) draft inspection report containing other points which need not form part of audit certificate and audit report; (c) list of points treated as settled, subject to check at the time of next audit; (d) a statement by the audit party that the prescribed audit certificate can be issued. The documents at (a) and (d) are, however, not required to be compiled in case of audit under sections 14 and 15.

In addition, if in respect of all audits (whether under sections 14,15,19 and 20) the audit party feels that there are points which may merit inclusion in the conventional Audit Report separate draft paragraph should be prepared, duly supported by key documents and replies of the management to the

preliminary audit memos. The Separate Audit Report and the Inspection Report should invariably be drafted by the Supervising Officer of the audit party, and a copy of the list of points treated as settled, subject to check/verification during next audit should be handed over to the autonomous body and acknowledgement taken.

### **9.11 Meaning of Separate Audit Reports**

The Audit Reports of autonomous bodies are required to be placed before the Parliament or State Legislature in several cases. To distinguish these from the conventional Audit Reports presented by the C&AG to the President/Governor/ Administrator, as the case may be, under Article 151 of the Constitution, these reports on autonomous bodies are termed as "Separate Audit Report".

#### **9.11.1 Types of audit comments:-**

Where Separate Audit Reports are prepared, such reports are expected to contain the following points, though these are not to be considered as exhaustive:

- (i) All points that vitiate the certification of accounts as representing a true and fair picture of the working and state of affairs of the organisation.
- (ii) Observations on utilisation of assistance given by government. These would cover under-utilisation, diversion to purposes not indicated by the sanction, excess release or late receipt of grants and assistance.
- (iii) Non-fulfilment of the objectives of the scheme of assistance.
- (iv) Cases of avoidable or infructuous expenditure, losses, delays in execution of works and schemes, irregularities etc.
- (v) Omission to take remedial action on persistent irregularities.
- (vi) Absence of internal controls and checks which reduce the degree of reliability of the accounts, non maintenance of basic records, delay in recovery or adjustment of advances, etc.
- (vii) Inaccuracies in accounts and in classification (i.e. capital expenditure and revenue expenditure not properly recorded and accounted for)
- (viii) Observations on over-all financial position and necessity for continued dependence on government assistance.

### **9.12 Cases of inability to certify the accounts**

In some cases the audit party may feel that it is undesirable to certify the accounts even subject to observations for reasons such as (i) correctness of the cash book is in doubt, (ii) large number of vouchers, receipt books, and other supporting documents have not been made available to audit, (iii)

basic records have not been maintained, (iv) there are clear indications of fraud, misappropriations or misrepresentations of facts in accounts, or (v) accounts as compiled are materially inaccurate requiring revision, etc. In such cases the audit party must bring the points to the notice of chief executive of the autonomous body and also address the head office for taking proper action. In such cases, where it is not considered safe to certify the accounts, the C&AG's office must be informed of the position indicating the reasons for non-certification of accounts.

However, it would not be advisable to take a stand that audit certificate would not be issued, if the government or the autonomous body insist on such certificate. What is open to audit is to certify the accounts with observations making abundantly clear in the certificate that in view of the observations in the separate audit report, the accounts cannot be said to exhibit a true and fair picture.

### **9.13 General check list for certification of accounts of autonomous bodies**

The following general checklist has been prescribed by Headquarter office for certification of accounts of Autonomous Bodies and preparation of separate audit reports vide letter No. 353/Rep(AB)/2-2011/trng dated 7.6.2011.

#### **9.13.1 Previous year's balance sheet and audit report**

- The auditor must inspect the last year's balance sheet to ensure that balances have correctly recorded in the books of account.
- Corresponding figure of last year is given in the Inspection Report.
- Auditor should inspect the previous auditor's report and ensure that assurances given by the management last year has been duly carried out by the entity.

#### **9.13.2 Certificates required to be taken from the management while conducting audit.**

- Tally the opening balances of all ledgers with the previous year's balance sheet and verify the General Ledger, Debtor's Ledger, Creditor's Ledger and other subsidiary ledgers for this purpose.
- Tally the opening balance of cash with cashbook maintained by the entity.

#### **9.13.3 Journal Vouching**

- Why debit balances have been written off or credit balances written back. Verify whether all these types of entries are duly authenticated by the management.
- Check and verify that all the journal vouchers have correct head of account.
- If there are entries relating to earlier or subsequent period, please check for their authenticity.
- Check that all general vouchers are duly supported by necessary evidence or explanation.
- Verify whether all vouchers are properly authorised by a responsible officer.

#### **9.13.4 Stock records**

- (a) Check the opening stock from the preceding year's inventories.
- (b) Check the receipt of raw materials while checking purchases.
- (c) Trace closing stock with physical inventory sheets.
- (d) Correlate consumption with production records.
- (e) Check and ensure that slow moving ,obsolete and damaged items have been properly identified.
- (f) Reconcile opening stock production, sales and closing stock.
- (g) Verify and examine the basis on which the inventories have been valued by the company.

#### **9.13.5. Capitalization of items**

- (a) Check all addition to assets with accounts heads and approvals and ensure that no inadmissible expenditure has been capitalized .
- (b) Make sure that the Guidelines of the ICAI regarding the capitalization of interest during construction period has been duly complied with by the entity.
- (c) Examine the sale and disposal records of the assets sold or disposed off and the capital gain/ loss thereof.
- (d) In case the advances given to contractors are transferred to relevant asset account, check whether these are transferred only after the security deposit has been withdrawn.
- (e) Verify whether proper basis and rate of construction have been applied while capitalising the advances given to contractors.

#### **9.13.6 Ledger Scrutiny**

- (a) Examine the expenses account properly to ensure that non-accrual expenses during the year have not been recorded and only expenses relevant to the period under audit have been entered in such account. Also examine revenue accounts to ensure that all revenues during the year are duly accounted and credit has not been taken for any revenue not accruing during the year.
- (b) Verify the assets and liabilities and ensure that all assets and liabilities have been properly accounted and there is nothing included in these account, which does not represent assets or liability of the entity.
- (c) Ensure that contingent liabilities are not included in the liabilities.

During scrutiny of the creditors ledger, the following should be ensured

- (d) The advances against goods have properly been adjusted against such goods. If not adjusted for more than a reasonable time , they must be noted separately.
- (e) If credit balances lying with creditors have remained unpaid for more than a reasonable time, then it must also be taken care of.

(f) Separation must be made for the items, which are not in the nature of purchases but merely loans. Only authorized transactions need be recorded in such ledger.

(i) Verify the debtor's ledger by keeping the following specific point in mind.

(a) Categorization is made for debtors outstanding for more than 6 months and otherwise.

(b) Doubtful debts must be calculated by scrutinizing the overdue debtors.

(c) Sale items must be distinguished with loan items.

(ii) Following specific accounts must be scrutinized to check whether capital and revenue items have not been merged.

(a) Building Repairs

(b) Machinery Repairs

(c) Other Repairs.

(iii) Check the fixed deposits registers, receipts and its application.

#### **9.13.7. Other General Points**

(i) Verify whether provision for bonus and gratuity have been made. Check the basis of providing bonus and gratuity.

(ii) Check that the entity accounted for all the known incomes accruing during the year.

(iii) Check that income has accrued for materials processed but not invoiced/ delivered.

(iv) Check that advance income has been properly adjusted.

(v) Check that non-recurring and extraordinary items have been shown separately.

(vi) List out all major variations after comparing accounts with previous year.

(iv) Compute the raw material consumption ratio to production for the year and compare with that of the previous year. If there is any major difference, detailed investigation should be made.

(v) Ensure that a register for claims has been maintained.

(vi) Verify whether accounting policy as disclosed in the accounts have been duly followed in preparation of the accounts.

#### **9.13.8. Fixed Assets**

(i) Check whether all fixed assets are physically in existence and in the ownership of entity by checking relevant records.

(ii) Verify the repair accounts to ensure that no items of capital nature are included therein.

(iii) Examine and ensure that addition to fixed assets do not carry revenue nature items.

(iv) Verify whether government grants (including capital subsidy) are received towards cost of assets. If so, make a note on the treatment given.

(v) Check and ensure that proper depreciation is provided on fixed assets.

(vi) Verify whether all fixed assets are properly distinguished and charge, if any on any asset is properly disclosed.

- (vii) Check the payment made by reference to the invoice received from the supplier.
- (viii) Check that title of the assets belongs to the entity.
- (ix) Check that all expenses incidental to the purchase of assets have been duly capitalised .

#### **9.13.9. Cash and Bank Balance**

- (i) Cash and stamp in hand should be counted and checked.
- (ii) Verify and trace outstanding entries in bank reconciliation statements to subsequent bank statements.
- (iii) Verify whether there exists a practice of maintaining a particular minimum sum in hand. If not, reasons must be enquired.

#### **9.13.10. Debtors**

- (i) Check that Debtor's ledger trial balance agrees with the respective control account, if not , reasons thereof should be investigated.
- (ii) Verify whether adequate provision for bad and doubtful debtors and loans and advances have been made.
- (iii) Check that all secured loans have been segregated and nature of security is stated against each category.
- (iv) Verify whether review has been made for subsequent year's transactions for reversal of cheques credited during current year.
- (v) Check details of any unusually large or abnormal balances outstanding at the year end.
- (vi) If any discount is allowed on receipt of the amount from debtors then ensure that the discount is granted as per the policy of the company.
- (vii) Verify whether a responsible official has authorised the allowability of such discount.

#### **9.13.11. Loans and Advances**

- (i) Check whether loans and advances made by the entity are properly secured and that the terms on which they are made are not prejudicial to the interest of the entity.
- (ii) If the loan is given on the basis of the security, verify that the amount of the loan does not exceed the value of the security.
- (iii) Check that the entity has authority to lend.If so, are the loans and advances in accordance with that authority.
- (iv) Verify whether loans and advances made to the individual and private concerns has been shown correctly as such or as deposit.
- (v) Check advance to suppliers on capital account , for expenses and supplies.

#### **9.13.12. Inventories**

- (i) Check the opening stock from the preceding years inventory.
- (ii) Check and ensure that physical verification has been made and whether any material discrepancy has been noticed. If yes, what action has been taken after due explanation.

- (iii) Tally issues in the stock records with material issue note.
- (iv) Correlate consumption with production records.
- (v) Verify whether goods in transit have been checked with subsequent receipt.
- (vi) Check that the inventories lying with third parties have been physically verified and confirmation obtained from them directly also.
- (vii) Check and ensure that the material given/ taken on loan has been properly adjusted.
- (viii) Check and ensure that current job work- in –progress is to satisfaction.
- (ix) Make a comparison of quantities in valuation summary with physical verification stock sheets.
- (x) Check the basis of valuation of

Raw materials

Finished goods

Stores and spares

- (xi) Verify whether proper cut- off procedures are duly adopted by the entity.
- (xii) Prepare a detailed note describing components of cost and check the basis of computing net realizable value.
- (xiii) Verify whether the costs are allocated on normal production or production for the year, whichever is higher.
- (xiv) Check and ensure that excise duty and sales tax set off is not included in valuation of stock of raw materials.
- (xv) Check and ensure that proper adjustments have been duly made to eliminate any any unrealized profit on stock supplied by other units.
- (xvi) Check that adequate provisions have been made in respect of slow moving or obsolete items and damaged items.
- (xvii) Check closing stock with physical inventory sheets
- (xviii) Reconcile opening stock, production, sales and closing stock.

### **9.13.13. Corpus funds and Reserves and Surplus**

- (i) Check the transfer to/ from reserves corpus fund / reserves from the sanction /Receipt and payment Account/income and expenditure account of the body.
- (ii) Ensure that all movements of reserves have been duly shown in accounts. Such movements must be reviewed with reference to applicable rules/ regulations.
- (iii) Any transfer to general reserve out of statutory reserve must receive special attention.
- (iv) Where reserve is specifically represented by earmarked investments , then the word ‘fund should be used.



(v) Verify whether the grants, contributions and subsidies received for meeting capital expenditure have shown as part of corpus fund. It may however be *shown by way of deduction from the cost of the relevant asset*.

#### **9.13.14. Creditors**

- (i) Verify whether the list of creditors, outstanding for more than 12 months, has been obtained and the reasons must also be obtained for non-payment.
- (ii) Verify whether there are disputed creditors, And if any, list must be obtained and cases examined.
- (iii) Check and ensure that direct confirmation has been obtained from selected creditors and what action has been taken, where any discrepancy has been noticed between balance as per party and balance as per book of account.
- (iv) Check and ensure that the advances have been duly segregated from credit balances of the parties and included on the asset side.
- (v) Verify whether any unusually large debit or credit balances have been noticed , if yes, then look into the reasons.

#### **9.13.15. Income and Expenditure Account**

##### **9.13.15.1 Sale**

- (i) Verify the sales- invoices with delivery Challans.
- (ii) Verify whether corresponding entries in the stock records have been duly made.
- (iii) Check that goods delivered have been duly invoiced and vice versa.
- (iv) Verify whether provision has been made for materials still to be supplied where invoice has been raised for the entire supply.
- (v) Scrutinize dates of dispatch notes prepared immediately after year end.
- (vi) Verify whether the rebates and discounts have been adjusted properly.

##### **9.13.15.2 Interest received from Banks**

- (i) Verify that entry in this regard by reference to the advice received from banks.
- (ii) Check that the deposits are in the name of the client.
- (iii) In respect of the interest on fixed deposits ensure that they are accounted for on accrual basis, as the interest is paid by the bank only after the expiry of the term of fixed deposit.

##### **9.13.15.3 Salary and Wages**

- (i) Verify whether the statutory deductions in respect of the following have been correctly made.
  - (a) Provident fund
  - (b) ESIC
  - (c) Income Tax (TDS)
  - (d) Any other item.
- (ii) Check overtime payments with the relevant registers and entity's rules.

- (iii) Check payment to contractors or casual workers. Also check whether statutory deductions have been duly made.
- (iv) Check and ensure that the employees are paid for leaves on which they have worked as per their agreement.
- (v) Check agreement with relevant approvals.
- (vi) Examine the entries in the pay roll/ wage sheets with reference to relevant records, e.g. employee's records maintained by the personnel department showing details of pay such as basic pay, allowances, annual increments, leave availed of, etc.
- (vii) Examine whether any legal, regulatory or contractual requirements having a bearing on the rate of amount of wages and salaries have been complied with. Similar consideration would also apply to payments made to a contractor for hire of labor.
- (viii) Obtain a list of employees who have retired or otherwise left the services of the entity during the period under audit and examine that they have not been included in the payroll.

#### **9.13.15.4 Bonus**

- (i) Ensure that provision for bonus is in accordance with the payment of bonus Act.1965, and / or agreement with the employees or award of competent authority.
- (ii) If bonus paid is in excess of statutory minimum limit then check for the authority for the same.
- (iii) Check the basis for providing the quantum of bonus.

#### **9.13.15.5 Gratuity and Retirement Benefits**

- (i) Verify whether appropriate provision for gratuity has been made as per relevant rules and regulations.
- (ii) Check the basis for providing the quantum of gratuity.
- (iii) Examine whether the entity is liable to pay any retirement benefits to its employees such as provident fund, superannuating pension, gratuity, etc., whether in pursuance of requirements of any law and/or in terms of agreement with the employees.
- (iv) If yes, examine whether the amount payable has been computed in accordance with the relevant legal and /or contractual requirements.
- (v) Ensure that provision for accruing gratuity / pension liability has been made properly and check the same with actuarial certificate.

#### **9.13.15.6 Depreciation**

- (i) Check whether depreciation on assets has been duly provided for by the entity. If so, check the calculation for depreciation.
- (ii) The total depreciation arrived at should be compared with that of previous years to identify the reasons for variations.

- (iii) Examine whether the depreciation policy having regard to rate of depreciation and method of depreciation followed consistently is adequate keeping in view the generally accepted basis of accounting for depreciation.
- (iv) Verify whether the method of charging depreciation has been disclosed in accounts.
- (v) Ensure that depreciation on additions and deletions is proportionate. State the basis of verifying dates for addition / deletions of fixed assets.
- (vi) Verify whether extra shift-working has been properly authorized. If yes, a certificate must be obtained.
- (vii) Verify whether additional or exceptional depreciation charges have shown in accounts separately.
- (viii) Check that all depreciable fixed assets have been depreciated accordingly.
- (ix) It must be ensured that depreciation has also been charged to Income and Expenditure Account of the entity even if there is loss because it is a charge against surplus and not an appropriation.
- (x) Where assets have been revalued, then the amount of depreciation should be checked and any excess/ shortfall should be adjusted accordingly.

#### **9.13.15.7 Travelling Expenses**

- (i) Examine the rules and regulations framed by the entity in respect of reimbursement of travelling expenses
- (ii) Check that payment is made on the basis of documentary evidence produced by the person concerned to whom the expenses are reimbursed.
- (iii) Check that the expenses are reimbursed on the basis of approval of appropriate authority.
- (iv) Check whether the expenses reimbursed by the entity are on the basis of actual amount expended or on the basis of fixed allowance per day.
- (v) In case of foreign travelling expenses, please check that the permission of RBI / government has been duly obtained for the foreign exchange outgo involved.
- (vi) In case any advance is given to employees, then check whether such advance has been appropriately adjusted.

#### **9.13.15.8 Commission paid to Agents**

- (i) Check that the rate of commission is as per agents terms and conditions and also check the correctness of the amount.
- (ii) If the commission is granted on the realization of debtors, then see that the amount due from debtors is actually realized.
- (iii) Verify the payment of commission by reference to the receipt given by the agent.
- (iv) Check whether the payment of commission to agent is authorized.

#### **9.13.15.9 Advertisement**

- (i) Check that the bill is appropriately supported by paper cutting of advertisement.
- (ii) Check the payment of advertisement on the basis of receipt.

**9.13.15.10 Interest and financial charges**

- (i) Verify the amount of interest expenses for the charges year with reference to the terms and conditions of relevant agreements.
- (ii) If the entity has paid any penal interest it should also be examined. Such interest should be disclosed as part of normal interest.
- (iii) Compare interest expenses with previous period and check for major deviations.

**9.13.15.11. Receipt and payment Account.**

**A Receipts**

- (i) Verify the opening balances from the closing balances of the cash book of the previous year.
- (ii) Verify the cash sales summary book with carbon copies of the memos
- (iii) Verify that the daily totals of the summary book agree with total cash sales recorded in cash book.
- (iv) Check whether the cash is daily deposited into bank, if yes, then verify the pay in slips.
- (v) Verify that the cash discount paid ,if any, is granted as per the policy of the auditee concern.
- (vi) Verify that the receipts issued to customers are serially numbered.
- (vii) If any discount is allowed on receipt of amount from debtors then ensure that the discount is granted as per the policy of the entity.
- (viii) If the amount is received by cheque/ bank draft then check that the amount has actually been realized.
- (ix) Check the entries regarding receipt of cash against bills receivable by reference to the corresponding entry in bills receivable book.
- (x) Check bank pay-in-slip for amounts deposited in bank.
- (xi) Check that contingent liability in respect of bills receivable discounted with bank has been correctly determined and properly recorded in the books.
- (xii) In cases where the bills have been dishonored ,check the entries made for dishonor of bills.
- (xiii) Verify the terms and conditions of loans and also vouch the receipt of payment from the receipt issued to lender.
- (xiv) Check the resolution of executing body/orders of the government authorizing to borrowing money and amount borrowed does not exceed the limits, if any , specified in the resolution.
- (xv) Verify entries in debtors account , cash/ bank book and bad debts recovered account.
- (xvi) Vouch the receipt of amount from the receipts issued to the party.
- (xvii) Verify that the sale of fixed assets is authorized by appropriate authority.
- (xviii) Check that the fixed assets account has been duly credited and the cash account has been debited with amount for which the assets has been sold.

- (xix) Check that proper adjustment has been made in profit/ loss on sale of fixed assets.
- (xx) Verify the sale proceeds from sale of investments by reference to the broker's sold note.
- (xxi) Verify that the profit or loss on the sale of investments is correctly adjusted in the accounts.
- (xxii) In case the investments are sold through bank, vouch the sale proceeds by reference to the banker's advice.
- (xxiii) In case the investments relate to any earmarked fund then please check that the profit or loss on sale of investments are duly transferred to that fund.
- (xxiv) Verify the receipt of rent by reference to the counterfoils or carbon copies of the rent receipts.
- (xxv) Check the entries made for the rent received in advance.
- (xxvi) Verify that the amount received in advance is duly credited to 'rent received in advance account' and not to rent account. In the following year, vouch reverse entry.
- (xxvii) Obtain a list of names of parties from whom the commission is receivable and also the rate of commission in each case.
- (xxviii) Check the entry regarding commission received from the bank statement.
- (xxix) In case the commission is received from a party outside India then check the same by reference to bank advice and also ensure that the requirement of FEMA have been duly complied with.
- (xxx) Insurance claim: Check the copy of the receipt issued to the insurance company for the amount received. Verify that the respective asset account has been duly adjusted for the amount of insurance claim. Verify the dividend received by reference to the dividend warrant and entry in the bank account. If the shares are purchased cum dividend then ensure that the dividend is actually received.
- (xxxi) In respect of the interest on fixed deposits please ensure that actual interest received during the year is only accounted in R & P account, the receipt of interest by reference to interest warrant, the interest is correctly credited to the interest account and the corresponding debited is raised to the cash/bank account and the rate at which interest is paid by the borrower is as per the terms and conditions of the agreement.

## **B Payments**

- (i) Check cash purchases by reference to cash memos or receipted bill.
- (ii) Check that the purchase account is duly debited. In case any discount is availed of, the net amount is only debited to the purchase account.
- (iii) Verify the payments to creditors with reference to receipts issued by the creditors.
- (iv) Check that the payment is in agreement with the invoice received from the parties.
- (v) In case the payment is made in full and final settlement, the difference should be adjusted.
- (vi) Check the statement of account. In case the payment is made in excess of the amount due or where a bill is paid twice then enquire into the reasons and the accounting thereof.

- (vii) Verify whether there is proper authority for purchase of fixed assets.
- (viii) Check the payments made by reference to the invoice received from the supplier.
- (ix) Check that the title of the assets belongs to the entity.
- (x) In case of investments are purchased then ensure that the dividend is actually received and amount of dividend is excluded from the purchase price.
- (xi) Check the purchase of investments by reference to the broker's bought note. Verify the investments physically, where investment are held by the bankers, obtain a banker's certificate .
- (xii) Check and ensure that the investments are in the name of entity.
- (xiii) Check that repair of capital nature assets are not debited to profit and loss account and the amount is included in the cost of assets .In case the repairs are undertaken by the client internally then ensure that appropriate amount is duly transferred to the repairs account.
- (xiv) Where patents and copyrights are purchased , please check the following
  - (a) To check the agreement for purchase of patents and copyrights and verify the receipt for payment.
  - (b) To check that all expenses connected with the purchase of patents and copyrights are duly included in the cost.
- (xv) Where patents are secured through research, whether all the expenses incurred in connection with the research and equipment for creation of patents are duly capitalized as part of the cost of patents.
- (xvi) Payment of travelling expenses is made on the basis of documentary evidence produced by the person concerned to whom the expenses are reimbursed.
- (xvii) In case any advance is given to employees then check whether such advance has been appropriately adjusted.
- (xviii) Income tax: Check the receipted Challans for payment and also the assessment order , wherever applicable, and order of appeal, if any. See that the ledger accounts for payment of income tax are maintained separately for different accounting years. It helps where advance tax is paid every year in installments and final assessment is completed after a few years. Whether the interest on belated payment of income tax is properly recorded and closing balance of cash /bank balances of receipt and payment accounts tally with the closing balance of the cash/ bank balances of balance sheet.

IMPORTANT FORMS APPLICABLE IN OAD HQRS & FIELD AUDIT  
(NOT INCLUDED UNDER CHAPTERS)

**FORM NO 2**

Transit Register for letters transferred to other Sections /Party Personnel

Date	SI No of TR	Particulars of letters	To whom issued	Receiver's Signature	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

**FORM NO 3**

Transit Register for Inspection Report Transferred to FAW Section

Date	TR no	IR /Year	Receiver's Signature	Remarks

**FORM NO 4**

CHECK REGISTER OF AUDIT PARTY T.A. / BILLS

(To be submitted with TA Bills of each party member to Branch officer/ OAD (Hqrs) before forwarding the bill to Administration Section )

Name & Designation of the party personnel.

Sl. No	Name and Address of deptt where the audit was conducted.	Particulars of touring.	Whether tour was done as per Approved tour programme	Whether tour diary/ weekly diary was submitted	Remarks of		
					Sr. Ar/ Ar	SO/ AAO	AO /SAO
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

**FORM No 5**

**REGISTER OF BOOKS KEPT IN OAD (Hqrs)**

Sl. No	Date of purchase/ Accession	Name of Book	Source of Receipt	Cost	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

**FORM No 9**

(Reference: para 2.1)

**AUDIT PROGRAMME REGISTER**

Sl. No	Name of audit units	periodicity	Working days	Period of last audit	Date of last audit and IR No /Year	Period of Current Audit	Date of Current Audit	IR no & year	Party personnel of current audit	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)

**FORM NO 11**

Potential Draft Para Register/ Register of serious Financial Irregularities of Civil, Revenue, Works & AB Units

Sl. No	Name of the office	I.R. NO. and period	Para no	Nature of irregularities	Amount	Date of issue of IR	Date of sending to DP cell	Date of approval from DP cell	Date of sending to Report section	Date of approval from Report section	Date of sending to Hqrs office	Date of approval of Hqrs	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)



)													

**FORM NO 13**

Special Point Register of items to be seen during local audit in r/o Civil, Revenue & AB units

Sl. No	Name of Department	Brief subject	Authority	Results of audit	Remarks

**FORM NO 14**

Casual Leave and Restricted Holiday Account Register

Name of the Officer/official	CL Account								RH Account	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(1)	(2)

**FORM NO 15**

Ordinary & C&AG's Diary  
(Reference –para 2.16)

Date	Serial number of Diary	Name, Designation and complete Address of senders	Letter no. & date	Subject	Receiver's signature	Action taken
(1)	(2)	(3)	(4)	(5)	(6)	(7)

**FORM NO 16**

FILE INDEX REGISTER

Sl. No	Brief subject of the file	Date of opening	Authority under which opened	Remarks
(1)	(2)	(3)	(4)	(5)

**Form No 17**

**Master Programme Register**  
(Reference Para 2.1)

**Sector:** Economic/Social/General/Revenue

Sl No	Name of Unit	Periodicity	Working days	Period of last audit	Date of Last audit	Whether due in current year	Whether due in next year

**FORM No.18**

***FORM ON CHECK SLIP FOR INSPECTION REPORT***

<b>Sl. No.</b>	<b>Particulars</b>	<b>Remarks</b>
1	Whether desk review is done by the party.	
2	Whether list of records duly signed by the members of the party	
3	Whether duty list is attached	
4	Whether 4 copies of Annexure duly signed by the party AAO have been attached	
5	Whether list of Service Books check is attached	
6	Whether all the columns of title sheet have been properly filled in	
7	Whether the arithmetical accuracy of annexure and paras have been checked	

8	Whether the year-wise expenditure of audited period has been submitted by the party.	
9	Whether all the POSs issued by the party have been incorporated in the I.R if not, whether those were deleted from the I.R. on the receipt of properly reply and verification of copy	
10	Whether DIR has been gone through and state if any defects in the paras have been noticed.	
11	Whether all the outstanding paras incorporated in the Part-III of the I.R.	
12	Whether KDs are properly marked by the party	
13	Whether Party has submitted the Assurance Memo	
14	Whether Minutes Exit and Entry submitted by the party	
15	Whether the party have submitted the joint physical verification report, photos and interview etc.	
16	Whether the party has analyzed the VLC data/other data before visiting the unit.	
17	Entered in Programme Register vide Page No.	

**DEO/Auditor/Sr.Auditor**

**AAO/OAD(HQ)**

**Sr.AO/OAD(HQ)**

**FORM NO. 19**

INTIMATION OF AUDIT/ REVIEW

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL, SIKKIM, GANGTOK.

No.AG/OAD/Prog/ Dated

To,

The .....

.....

...../...

Sub: Audit Inspection

Sir

An Inspection Party of this office will be visiting your office on or around..... in connection with audit of accounts of your office/ for the period ..... to .....

2. I, therefore, request you to kindly afford all the usual facilities and extend full co-operation to the Inspecting party by providing all the relevant records and fullest possible information for an effective audit.

3. You may also like to give specific direction to your officers and staff to provide the records as requisitioned by the Audit team and reply to the audit queries as expeditiously as possible to enable the audit team reflect the more rounded view.

4. It would be advantageous if you could conveniently arrange to be present at the close of the inspection so that any point of doubt or importance may be personally discussed with you.

Please acknowledge the receipt of this intimation. .

**Yours faithfully**

**Sr. Audit Officer /OAD (Hqrs)**

**FORM NO 21**

*(To be submitted with every Revenue Inspection Report)*

(Replies to items in the Title Sheet should not be given ticks or crosses but through clear statement)

PART - I 'A'

1. Name and full address of the office inspected:
2. Name of the party personnel conducting the Inspection: 

	From	To
--	------	----

  - (i)
  - (ii)
  - (iii)
- 3.(a) Name of the Supervising Officer who supervised audit and dates of supervision:
  - (b) Did the party in charge call on the head of the office at the beginning of audit.
4. Period of Audit: 

	From	To
--	------	----
5. (a) Date of Audit 

	From	To
--	------	----

  - (b) No. of working days provided:
  - (c) No. of working days actually taken:
6. Whether any change in the number of working days considered necessary? If so, detailed note may

be submitted for such change:

7. (a) Months selected for detailed audit:  
(b) Whether prescribed no. of months were selected?  
If not, was the deficiency made good by selecting  
Additional months locally?
- 8 Whether remittances into State Bank of Sikkim verified  
from records for selected months for detailed audit? In  
case only one month was selected or if there were no  
remittances during the month(s)  
selected for detailed audit, whether remittances  
for any other months (in all two) during the period  
covered by audit were checked and list enclosed?
- 9.. No. of preliminary objections / queries issued. Whether  
replies received ? Whether preliminary audit queries  
number have been marked against each para of I.R.?  
(Refer office order no. 135 dated 13.8.90)
- 10 No. of rough working sheets:
- 11 (i) Total money value of objections raised  
(ii) Part II (A)  
(iii) Part II (B)  
(iv) Under assessment of tax or excess refund (in paras )  
(v) Loss of revenue ( in paras )  
(vi ) Assessment of tax/ short refund ( in paras )  
(vii) Miscellaneous ( in paras )
12. No. of paras in the I.R. indicating Part - II /A Part - II /B  
Contributing by each member of the Para No. Para No.
- Party.
- (i) Shri  
SAO/AO
- (ii) Shri  
AAO
- (iii) Shri  
Ar./Sr.Ar.
- 13 Whether a list showing allocation of duties  
amongst the members of the party has been sent  
duly noted by them?
14. Whether all the paras marked for next audit were examined. ?
15. Whether Outstanding objections of the previous Inspection  
Reports have been reviewed.

Period of I.R.	I.R. No.	No. of paras settled	No. of paras outstanding	Why outstanding

*N.B. Total numbers of old paras settled by the party in charge vis-à-vis total number of paras outstanding from the preceding years will be reported to the Dy. Accountant General at the end of the year.*

16. Common irregularities which are still persisting in spite of the steps reported to have been taken by Department / Office.(In paras )
17. Whether the following records were received From Headquarters? Indicate action taken on each separately:  
 (i) Previous I.R. files:  
 (ii) List of Outstanding O.B. items.  
 (iii) List of special points to be seen during local audit.
18. (a) Due date of submission of I.R.:  
 (b) Actual date of submission of I.R.:  
 (c) No. of days by which I.R. was submitted late and the reasons for the same:
19. (i) Total number off write off cases  
 (ii) Total number off write off cases selected for audit.  
 (iii) Total number off write of cases in which irregularities were noticed and reported ( In paras )
20. Paras considered for inclusion in the Audit Report and state if relevant key document attached:

**Part B**

21. (a) Whatever totals of all annexure have been checked and totals correctly referred to in the Body of the Report?  
 (b) Whether quadruplicate copies of Annexure attached with the draft inspection report have been duly signed by the departmental officers or by the AAO ?
22. In case certain records were not produced to audit has it brought out in the I.R.?  
 Quote para no.:
23. Whether the draft I.R. has been discussed with the 'Head of Office' and facts got verified by him ? If discussed with an officer other than the Head of office, mention the reasons for the deviation.:
24. Whether the prescribed checks were exercised and to the prescribed percentage.?  
 Whether a daily diary indication the documents / records checked by AO/AAO//Sr.Ar./Ar. has been maintained and submitted to Headquarters:

- 25 Whether a list of records checked enclosed: ?.
- 26 Whether the Treasury and Financial Rules are being properly followed by the Departmental officers.?

CERTIFICATES

- 27 (a) Certified that a list of prescribed accounts records have been called for and cases of non- production mentioned in the report. A list of accounts records and registers checked is enclosed.
- (b) Certified that the assessments, refund, write off cases , registers, returns etc. were checked according to prescribed quantum of audit now in force .for
- ( C ) Certified that the remittances of cash into State Bank of Sikkim for the months of .....were checked in detail in the cash book from the books of the SBS or with the record of Senior Deputy Accountant General's ( A& E) office and found correct except as stated in paras.....
- (d) Certified that 5% of work done by Ar. / Sr. Ar. has been conducted.

CAMP: AAO

DATE: CIVIL OAD PARTY

28. Remarks when the Supervising Officer supervises the audit and Assurance Memo.

- (i) Has the audit been conducted satisfactorily?
- (ii) Are circulars files / Group officers orders file properly maintained by the party.
- (iii) Has item no . 11 and 12of this title sheet filled in by Inspecting Officer.
- (iv) Indicate more important items of work attended by AO/SAO or party in charge personally i.e. review of I.R s, etc.
- (v) Reference item 21 of the title sheet regarding documents not produced to audit. Mention likely effect of omission,
- (vi) Any other Remarks

CAMP: Signature of Supervising Officer

DATE: PARTY

Note: The Supervising Officer will see whether the audit party has discharged its duties. He should particularly state whether Inspection AAO has either omitted to audit, any accounts off to exercise prescribed checks:

PART - 'C'

(For use of Headquarters)

1. Entered in the Cycle Register / Programme Register on Page No.
2. Entered in the progress register on page no. .... item no. ....
3. Report submitted in time / delayed by days:
4. (a) Report of entry of money value (in Part II of I.R.) in objection book:  
(b) Whether Part I B has been revised and items of money value ommitted from O.B. have now been noted:
5. Special features to be brought to the notice of the Group Officer:

6. (a) Reference of the important points to be brought to the notice of the Government.  
(b) Whether reference to Government. put up in all cases of Part II and as per vetting remarks.
7. (a) Important points proposed to be noted in the Register of serious irregularities:  
(b) No. of paras finally approved for D.P. by OAD (HQ):
8. Whether spare copies of all documents in support of a D.P. case and paras of PART II (A) have been received from the party:
9. Certified that I have verified the time taken with reference to the weekly diaries and the orders of the A. G. sanctioning Extension of time, if any.
10. Whether changes in duration / frequency of audit recommended have been noted in Cycle Register:
11. Whether all the records required to be scrutinized during the inspections were included in the Duty List?

Ar. / Sr. Ar.

AAO

Sr A.O. / AAG

D.A.G.

**FORM 22**

**ENTRY CONFERENCE**

A meeting was held on ..... in the office of the ..... to start the audit of transactions and Accounts for the year ..... In this regard various activities and expenditure incurred were discussed. It was assured by the ..... that all co-operations will be provided in connection with audit.

Following Officer were present in the meeting –

<b>Sl.No</b>	<b>Name of Officer</b>	<b>Designation</b>	<b>Signature</b>






