

Syllabus Batch 2022



**NATIONAL ACADEMY OF AUDIT AND
ACCOUNTS**
Shimla

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1 PRINCIPLES AND PRACTICE OF COMMERCIAL ACCOUNTING

Objective:

To develop an understanding of the basic concepts and principles of Double Entry Book-Keeping and Commercial Accounting, and

To acquire the ability to apply the same in understanding financial statements and simple problem solving.

1.1 Introduction

- I. Forms of Organization (Sole Proprietor, Partnership, Company, Co-operative and Club etc.) and their legal status,
- II. Meaning and Scope of accounting, stakeholders of Accounts,
- III. Accounting Concepts, Principles and Conventions,
- IV. Concept of Accounts from Owners'/ Shareholders' point of view (Financial Statements); Accounts from Managers' point of view (Cost Management Accounts); Accounts from Finance point of view (Cash Flow),
- V. Accounting terminology – Glossary,
- VI. Capital and revenue expenditure, Capital and revenue receipts, Contingent assets and contingent liabilities,
- VII. Accounting Policies,
- VIII. Accounting as a Measurement Discipline – Valuation Principles, Accounting Estimates,
- IX. Indian Accounting Standards – Concepts and Objectives.

1.2 Accounting Process:

Journal entries, Cash Book, Subsidiary Books, Ledger posting, Preparation of Trial Balance, Final Accounts of Sole Proprietors - Elements of financial statements, Closing Adjustment Entries,

Trading Account, Profit and Loss Account and Balance Sheet of Manufacturing and Non-manufacturing entities.

1.3 Bank Reconciliation Statement

Introduction, reasons, preparation of bank reconciliation statement

1.4 Rectification of Errors

1.5 Concept and Accounting of Depreciation

Concepts, Methods of computation and accounting treatment of depreciation (*Straight Line Method, WDV Method, Depletion Method*)

1.6 Inventories

Cost of inventory, Net realizable value, Basis and technique of inventory valuation and record keeping.

1.7 Accounting for Bills of Exchange (Simple transactions to test concepts)

References:

1. NAAA's Text Book: Commercial Accountancy (Book-Keeping in Private Sector)
2. Advanced Accountancy: S. P. Jain and K. L. Narang
3. Advanced Accounts: M.C. Shukla , T. S. Grewal, S. C. Gupta
4. Study material published by ICAI for Professional Education-PE-I (Fundamentals of Accounting)
5. Study material published by ICAI for Professional Education-PE-II (Accounting)
6. T.S. Grewal's Double Entry Book Keeping
7. OTs are expected to read at least one financial newspaper and one business magazine on a regular basis

Examination:

* **Internal Assessment:** Consists of 03 Tests/ Assignments

* **External Assessment:** Marks 100, Duration 3 Hours

Books Allowed for External Examination: Nil

2 PRINCIPLES OF PUBLIC SECTOR AUDITING

Objective

This module aims at providing an understanding of the concept and principles of public sector auditing, constitutional mandate of the CAG and its role, and elements of audit process.

2.1 Core Principals of Public Sector Audit

- a) Independence and Objectivity
- b) Accountability
- c) Competence and Due Professional Care
- d) Ethics
- e) Audit Risk and Materiality
- f) Quality
- g) Value Creation

2.2 Constitutional and Legal Framework for Public Sector Audit in India

2.3 Duties and Powers of C&AG:

- a) C&AG's (DPC) Act, 1971;
- b) Regulations on Audit and Accounts, 2007(Only Introduction).

2.4 Structure and Functions of Indian Audit & Accounts Department (IA&AD) to deliver the mandate (Latest organizational Structure)

2.5 Elements of Public-Sector Auditing

- a) Types of Engagements (Attestation vs Direct Reporting, Financial vs Performance vs Compliance audits);
- b) Confidence and Assurance (Need, forms and levels).

2.6 Elements of Auditing Process:

- a) Audit Planning;
- b) Identifying Audit Risk (including Internal Control and Risk Model);
- c) Audit Cycle;
- d) Strategic and Annual Audit Plan;
- e) Planning individual Audit Assignments;
- f) Audit Scope, Objectives, Criteria and Methodology;
- g) Sampling (Sampling Methods and their relative advantages and disadvantages);
- h) Audit Guidelines, Audit design and finding matrix;
- i) Entry meeting/ conference;
- j) Analytical Procedures;
- k) Substantive Testing;
- l) Evidence gathering;
- m) Components of Audit Observations;
- n) Drafting of Audit Report;
- o) Drafting of Audit Recommendation;
- p) Communication with Audit client;
- q) Exit meeting/ conference;
- r) Documentation.

2.7 Introduction to CAG's Compliance Auditing Guidelines

- a) General Principles for Compliance Audits
- b) Compliance Audit Plan
- c) Planning Compliance Audits
- d) Conducting compliance audits
- e) Reporting compliance audits

2.8 Introduction to CAG's Performance Audit Guidelines

- a) Mandate and General Principles for performance audits
- b) Strategic audit planning and selection of audit topics
- c) Planning individual performance audits
- d) Implementing the performance audits

- e) Evidence and Documentation
- f) Reporting Performance Audits

2.9 Audit Products:

- a) Characteristics of a good audit product and its communication;
- b) Inspection Report (IR);
- c) Departmental Appreciation Note (DAN)/ Management Letter;
- d) Draft Paragraphs (DPs);
- e) Audit Report (AR);
- f) Separate Audit Report (SAR);
- g) Audit Certificate;
- h) Drafting Executive Summary, Recommendations, etc.;
- i) Style Guide;
- j) Follow up Audit

2.10 Follow up:

- a) Objection book/ Registers of outstanding paras;
- b) Response to Inspection reports and Audit Committee Meetings;
- c) Structure/ Functions/ Role of Legislative Committees for Audit Reports: Public Accounts Committee (PAC), Committee on Public Sector Undertakings (COPU), & Committee on Local Bodies;
- d) Action Taken Notes (ATNs), Vetting of ATNs;
- e) PAC recommendations and their follow up;
- f) APMS and other State initiatives.

References

1. NAAA's Text Book: Principles of Public Sector Auditing
2. CAG's (DPC) Act, 1971
3. Regulations on Audit and Accounts, 2020
4. INTOSAI Principles (INTOSAI-P series)
5. ISSAIs issued by INTOSAI
6. Latest Auditing Standards of CAG, MSO Audit
7. Relevant Articles of the Constitution of India

8. Guidance Notes and Practice Guides issued by the CAG

Examination

* **Internal Assessment:** Consists of 03 Tests/ Assignments

* **External Assessment:** Marks 100, Duration 3 Hours

Books Allowed for External Examination: Nil

3 PUBLIC FINANCE, LAW AND POLICY

Objective

This module provides understanding of how Government aims to deal with allocation of resources in the economy, resource mobilization for public expenditure, distribution of income & wealth, developmental goals and employment, and how it deals with associated issues of stabilization - fiscal policy, monetary policy, inflation, foreign exchange, balance of payments, etc.

Part A: Public Finance

3.1 Money and Banking

- a) Demand for and supply of Money
- b) Monetary Policy and the RBI

3.2 Legislative Control over:

- a) Resource Mobilization
- b) Resource Allocation
- c) Expenditure Management

3.3 Principles of taxation and tax structure

- a) Horizontal and Vertical equity
- b) Tax Incidence
- c) Efficient Tax Design
- d) Tax Structure

3.4 Expenditure Framework

- a) Classification of Expenditure
- b) Finance Commission
- c) NITI Aayog

3.5 Fiscal Policy and Stabilization

- a) Principles of Fiscal Policy and Stabilization
- b) Budget Deficits, FRBM

3.6 Trade, Balance of Payments, Foreign Exchange Rates

Part B: Commercial Law

3.7 Law of Contracts

- a) Communication Acceptance and Revocation of Proposals
- b) Contracts, Voidable Contracts and Void Agreements
- c) Contingent Contracts
- d) Performance
- e) Breach of Contract
- f) Indemnity and Guarantee
- g) Principal and Agent

3.8 Introduction to Sale of Goods Act

3.9 Introduction to Arbitration

- a) Definitions
- b) Procedures

3.10 Limited Liability Partnership (LLP) Act

Part C: Public Policy:

3.11 Stakeholders in Public Policy

- a) Individual and Institutional Stakeholders
- b) Power-Interest Matrix
- c) Power Cube (John Gaventa)
- d) Understanding Outcomes and Public Value (Strategic Triangle – Mark Moore)

3.12 The Policy Cycle

- a) (James Anderson Model – Basic definition of each stage)
- b) Agenda Setting
- c) Policy Formulation
- d) Adoption/Decision Making
- e) Implementation
- f) Evaluation

3.13 Concepts in Policy Making

- a) Rational Model
- b) Incrementalism
- c) Public Choice Theory

3.14 Policy Evaluation

- a) Evaluation Criteria:
 - Effectiveness
 - Efficiency
 - Economy
 - Adequacy
 - Responsiveness
 - Appropriateness
 - Sustainability
- b) Output, Outcomes and Impact

3.15 Project Management

- a) Program (Project) Evaluation and Review Technique (PERT)
 - Construction of PERT Network
 - Time Estimates
 - Network Analysis
 - Forward and Backward Pass
 - Slack
- b) Critical Path & Critical Path Method (CPM)

- Definitions
- Network Construction
- Critical Path
- Fundamental Rules
- Determination of Project Schedule
- Activity Time Estimates
- Float
- Debt Sustainability Analysis

References:

1. NAAA's Text Book: Public Finance Theory (with Introductory Economics)
2. Indian Contract Act, 1872
3. Sale of Goods Act, 1930
4. Limited Liability Partnership Act, 2008
5. Microeconomics: Daniel Rubinfeld and Robert Pindyck,
6. Microeconomics: Pearson 8th Edu., 2012: Chapters 1, 2 (except 2.5), 3, 4 (except 4.5,4.6, appendix), 6, (except 7.6, 7.7, appendix), 8, 10, 12 (except 12.3-12.7); recommended (not tested) chapters 5, 9, 11)
7. Macroeconomic Analysis: Edward Shapiro, Chapters 1-6, 8-9, 11-12, 21- 23.
8. Public Finance in Theory and Practice: Richard Abel Musgrave and Peggy B. Musgrave, Mc-Graw Hill,1989, Chapters 1, 2, 4, 6,7, 12-16
9. Latest report of Finance Commission for resource transfers to States and PRIs
10. Budget Document of GOI.

Examination

* **Internal Assessment:** Consists of 03 Tests /Assignments

* **External Assessment:** Marks 100, Duration 3 Hours

Books Allowed for External Examination:

1. Indian Contract Act, 1872
2. Sale of Goods Act, 1930

4 GOVERNMENT ACCOUNTS

Objective

This module aims to impart knowledge about essentials of accounting in Government, interpretation of accounting entries and their linkages with broader management of finances of the Union & State Governments.

4.1 Framework of Government Accounting

- a) Constitutional Provisions relating to Budget
- b) Constitutional Provisions regarding Accounts and Audit of Accounts
- c) Relevant provisions related to Accounts in the CAG's Duties, Powers & Conditions of Service Act
- d) Budget process in GOI, including components of Budget
- e) Authorities responsible for preparation of Annual Accounts of the Central Government, State Governments/ UTs
- f) Accounting policy in brief, as laid down in Government Accounting Rules (GAR), 1990 and General Financial Rules (GFR), 2017 (Chapter 3 and Chapter 4)
- g) Form of Accounts as laid down in Articles 266, 267, 283 of the Constitution of India, Rules 23-28 of GAR and List of Major and Minor Heads (LMMH)
- h) Accounting Standards, Role of Government Accounting Standards Advisory Board (GASAB) and Indian Government Accounting Standards (IGASS) for cash system of accounting notified by Government
- i) Duties of the Chief Accounting Authority
- j) Constitutional role of the CAG - advice on accounting procedures received from Government of India (GoI)

4.2 Principles of Government Accounting

- a) Rules and provisions relating to classification:
 - i. Introduction to classification in Government Accounts
 - ii. Concept of Service and DDR heads
 - iii. Capital-Revenue classification
 - iv. Voted and Charged
 - v. Plan and Non-Plan
 - vi. Recoveries of Expenditure
 - vii. Refunds of Revenue
 - viii. Recoveries of Overpayments and Refunds of unspent balance of grant/contribution
 - ix. Receipts and Recoveries on Capital Account
 - x. Recovery of charges for services rendered by Government Departments
 - xi. Losses
 - xii. Classification of Pay and Allowances
- b) General principles regarding credit into and withdrawal from Government Account and general principles regarding handling of cash
- c) Salient features of Accrual Accounting as compared to Cash-based Accounting

4.3 Cash Management

- a) Banking arrangement of the Government: role of Reserve Bank of India (RBI)
- b) RBI as the banker to the Government - Banking arrangements, flow of information in Union & State Governments
- c) Cash Management
 - i. Meaning of Cash Balance
 - ii. Understanding the components of Cash as depicted in Accounts

- iii. Role of RBI in maintenance of Minimum Cash Balance, WMAs/ Special WMAs/ ODs, management of surplus cash balances
 - iv. Role of Central Accounting System (CAS), Nagpur, maintenance of Principal Government Deposit Account, Inter- Government transactions - RBI Advice procedure - Types of transactions and examples
- d) Reconciliation of cash balance as arrived at in AG office with that intimated by RBI - reasons for discrepancy.

4.4 Debt Management

- a) Debt Management
 - i. Components of Debt - Public Debt (Internal and External Debt / Loans from GOI in case of States)
 - ii. Concept of overall Debt (Public Debt plus other Liabilities on public account); Contingent Liabilities
 - iii. Disclosure of Debt related information in Finance Accounts
 - iv. Role of RBI in Debt Management.
- b) Interface between Debt and Cash Management

4.5 Accounting for Central and State Governments

- a) Central Government

Role of the Controller General of Accounts (CGA); Main features of Departmentalisation of Accounts
- b) State Governments
 - I. Responsibility of the Accountant General (A&E)
 - II. Maintenance of initial accounts in State Governments
 - 1) Role of the DDO with respect to maintenance of initial records relating to receipts and disbursements.

- 2) Role of the DDO with respect to Budgetary allocations
 - 3) Main features of accounting in Treasuries
 - 4) Role of the Treasury Officer with respect to rendering accounts and watching over budgetary allocations
 - 5) Treasury computerization / IFMIS
 - 6) Liaison with the Accountant General (Audit)
- c) Process of compilation of Monthly and Annual Accounts**
- I. Receipt of initial records from Treasury
 - II. Sanctions, Receipt of List of Payment/ Cash Accounts and vouchers/challans from Treasuries, types of vouchers, checks to be exercised in A&E offices
 - III. Receipt of Monthly Accounts from Works and Forest Divisions
 - IV. Main components/ forms
 - V. Checks exercised in A&E offices
 - VI. Inter-Government and Inter-Departmental adjustments; Work of the Account Current Section
 - VII. Receipt of RBI adjustments
 - VIII. Periodical Adjustments/ Transfer Entries
 - IX. Preparation of intermediate books of account towards preparation of Monthly Account (Compilation Sheet, Classified Abstract, Consolidated Abstract, Abstract of Major Heads Total/Detail Book)
 - X. Reconciliation of accounts between Accountant General and Controlling Officers
- d) Quality of Accounts**
- I. Suspense and Remittance balances
 - II. Loan and Deposit Accounting
 - III. Accounting for Reserve Funds/ Provident Fund
 - IV. Review of Balances
 - V. Checks regarding AC / DC Bills

- VI. Provisions regarding Grants-in-Aid; Utilisation Certificates
- VII. Plan Budget Link - Certification of Plan Scheme expenditure
- e) Finance and Appropriation Accounts of the Union and State Governments - Content, interpretation and utility of individual statements in the Accounts.

References

1. NAAA's Text Book: Government Accounting (Book-Keeping in Public Sector)
2. General Financial Rules, 2017
3. Government Accounting Rules, 1990
4. List of Major and Minor Heads
5. Accounts Code for Accountants General
6. Central Government Receipt and Payment Rules, 1983
7. Central Public Work Accounting Code
8. MSO (A&E): Volume - I & II
9. Government of India Budget
10. Civil Accounts Manual
11. Latest Finance & Appropriation Accounts of Union and State Governments

Examination

* **Internal Assessment:** Consists of 03 Internal Tests

* **External Assessment:** Marks 100, Duration 3 Hours

Books allowed for external examination

1. Government Accounting Rules, 1990
2. General Financial Rules, 2017
3. List of Major and Minor Heads
4. Accounts Code for Accountants General
5. Central Government Receipt and Payment Rules, 1983
6. Central Public Work Accounting Code
7. MSO (A&E): Volume - I & II

8. Government of India Budget
9. Civil Accounts Manual
10. Latest Finance & Appropriation Accounts of Union and State Governments

5 ADMINISTRATION & PUBLIC EXPENDITURE

Objective

This module aims to provide an understanding of all the Rules and Regulations through which the Government intends to safeguard all public resources at all stages from the risks of theft, loss, misappropriation, misuse, abuse, waste, etc. The rules relating to Government of India are laid down in General Financial Rules (GFR) 2017, Delegation of Financial Powers Rules (DFPR) 1978, Fundamental Rules and Supplementary Rules (FR&SR), CPWD Works Manual 2012, Draft Public Procurement Bill, Draft Public Private Partnership Rules, various Tax Acts and Acts relating to Natural Resources.

5.1 Governance Structure

- a) Allocation of Business
- b) Overview of structure of State & Central Government

5.2 Rules of Public Expenditure

- a) Delegation of Financial Powers Rules, 1978
- b) General Financial Rules
 - i. General System of Financial Management
 - ii. Works
 - iii. Procurement of Goods and Services
 - iv. Contract Management
 - v. Inventory Management

5.3 Fundamental & Supplementary Rules

- a) Classification of Services
- b) Creation of Posts
- c) General Conditions of Service
- d) Service Book & Verification
- e) Pay
 - i. Definitions
 - ii. Pay Fixation
 - iii. Increments
- f) Deputation
- g) Retirement

5.4 Leave & Joining Time

- a) CCS (Leave) Rules, 1972
- b) CCS (Joining Time) Rules, 1979

5.5 Allowances & Advances

- a) Travelling Allowances
- b) Other Allowances
 - i. Children's education allowance
 - ii. Compensatory Allowances
 - iii. Concessions when posted to NE region
 - iv. DA and HRA
 - v. Transport Allowance
- c) Advances
- d) Medical Claims
- e) CGHS
- f) Medical Attendance Rules
- g) LTC

5.6 General Provident Fund

- a) Concepts
- b) Advances
- c) Withdrawals

- d) CPF
- e) Final Payment
- f) Practical Exercises

5.7 Pension

- a) NPS
- b) CCS (Pension) Rules, 1972
- c) Various kinds of pensions
- d) Family Pension
- e) DCRG
- f) Commutation and Restoration of Pension
- g) Procedure for Sanction
- h) Authorisation and payment of pension
- i) Practical exercises

5.8 Disciplinary Matters

- a) CCS (Conduct) Rules, 1964
- b) CCS (CCA) Rules, 1965
- c) Dismissal, Removal & Suspension

5.9 Promotions, Reservations

- a) Departmental Promotion Committee
- b) Reservations
- c) Rosters

References

1. NAAA's Text Book: Public Expenditure, Revenue & Resource Management (in Government of India)
2. General Financial Rules (GFR) 2017
3. FR&SR Part-I (General Rules)
4. FR&SR Part-III CCS(Leave), Rules, 1972
5. CCS (Conduct) Rules, 1964
6. CCS (CCA), Rules, 1965
7. CCS (Pension), Rules, 1972
8. FR&SR Part-II (TA), Rules

9. General Provident Fund Rules, 1960

Examination

***Internal Assessment:** Consists of 03 Tests/ Assignments

*** External Assessment:** Marks 100, Duration 3 Hours

Books allowed for External Examination

1. General Financial Rules (GFR) 2017
2. FR&SR Part-I (General Rules)
3. FR&SR Part-III CCS(Leave), Rules, 1972
4. CCS (Conduct) Rules, 1964
5. CCS (CCA), Rules, 1965
6. CCS (Pension), Rules, 1972
7. FR&SR Part-II (TA), Rules
8. General Provident Fund Rules, 1960

6 INFORMATION SYSTEMS

Objective

This subject aims to equip the trainees with basics of Information systems including the technology components and architecture, their acquisition, development, and operations. The subject also aims to provide basics of database systems.

Section A: Development and operation of Information Systems

6.1 Technology Components and Architecture

- a) Client versus Server Infrastructure
- b) Operating System
- c) Typical IT system Components: DMS (Document Management System); BPM (Business Process Management) Components; and BI (Business Intelligence), etc.
- d) ERP Systems
- e) Mobile platforms/ apps
- f) Software models (Open Source, Open Standard, Open Architecture and Open Data models)
- g) Software Licensing Types
- h) Cloud Computing basics (IaaS, PaaS, SaaS)

6.2 Information Systems Acquisition, Development and Implementation

- a) Project Management
 - Structures
 - Roles and Responsibilities
 - Project Planning, Execution, Monitoring and Closing
- b) Business Case and Feasibility Analysis
- c) System Development Life Cycle (SDLC) Phases (Feasibility Study, Requirement definition, Software selection and acquisition,

Design, Configuration, Development, Testing and implementation, and Post implementation review)

- d) Software Development Methods
 - Traditional Waterfall vs others
 - Agile Development ((Scrum) – Product backlog; user stories; sprint development; sprint review/ demo, tech. design documentation)
 - Low code development
- e) Hardware/ Software Acquisition
 - Acquisition Steps
 - RFP Contents
 - Business Objectives and Design Considerations
 - Vendor Evaluation
 - Strategy to minimize vendor lock-in (Configurability, Replace ability, Bespoke vs Off-the-shelf)
- f) Testing Methodologies and classification
- g) Change Management
- h) System Migration, Infrastructure Deployment, and Data Conversion
 - Data Migration Scenarios
 - Changeover (Go-Live or Cutover) Techniques
 - System Change Procedures and Process (Critical success factors and end user training)
- i) Reasons for failure of IT Projects in the Government/ public sector.

6.3 Information Systems Operations and Business Resilience

- a) Systems Performance Management
- b) Problem and Incident Management
- c) Change, Configuration, Release, and Patch Management
- d) IT Service Level Management
- e) Database Management
- f) Business Resilience
 - i. Business Impact Analysis (BIA)
 - ii. System Resiliency

- iii. Data Backup, Storage, and Restoration
 - iv. Business Continuity Plan (BCP)
 - g) Disaster Recovery Plans (DRP)
-

Section B: Database Systems

6.4 Database Systems

- a) Data models
 - a. Entity Relationship (ER) Model,
 - b. Relational Data Model
 - i. Relations
 - ii. Integrity Constraints (keys, foreign keys, etc.)
- b) Query languages
 - a. Relational algebra
 - b. SQL
 - i. Data Definition Language
 - ii. Data Manipulation Language
 - iii. Data Control Language
 - iv. Transaction Control Language
- c) Basic concepts of Data warehouse

Practical exercises in SQL Developer. Officer Trainees will also be introduced to other alternatives: Toad and DBeaver.

Section C: Productivity tools

6.5 MS Word

- a) Document Navigation
- b) Manipulating Text
- c) Formatting Characters
- d) Formatting Paragraphs
- e) Themes and Templates
- f) Preparing Documents for Printing

- g) Organizing Content
- h) Tabs, Columns, and Charts
- i) Links, Headers, and Footers
- j) References
- k) Visual Content
- l) Reviewing Documents
- m) Protecting and Sharing Documents

6.6 MS Excel

- a) Creating and saving worksheets
- b) Format cells
- c) Format rows and columns
- d) Protection of worksheet/Range
- e) Data Sort
- f) Data Filter
- g) Using formulae
- h) Pivot Tables
- i) Power-Pivot

References

1. Study material provided by NAAA, Shimla

Examination

***Internal Assessment:** Consists of two Tests/ Assignments each on theory component (Section A) and practical component (Section B and C)

*** External Assessment:** 40 marks theory paper (on section A) and 60 marks practical paper (on section B and C)

7 HINDI

This paper is divided into two levels, i.e. Hindi-I (Lower level) and Hindi-II (Higher Level) and is conducted in two parts (Written Test and Viva Voce).

Written parts carries 50 marks and 25 marks is allocated for viva voce.

Hindi-I is applicable to the Officer Trainees who have no/little knowledge of Hindi

Hindi-II is applicable to the Officer Trainees who already posse adequate knowledge of Hindi.

7.1 Hindi-I (Lower Level)

Aim of the module is that probationers who have no/little knowledge in Hindi should be able to acquire and develop four basic skills- namely listening (understanding), speaking, reading, and writing adequately. They should also learn common administrative terms, phrases etc. in Hindi

References:

Glossary of Audit and Accounts terminology: CAG of India

Examination:

Internal Assessment/Test: Nil

External Assessment: 75 Marks, Duration 03 Hours

Books Allowed:

Glossary of Audit and Accounts terminology: CAG of India

7.2 Hindi-II (Higher Level)

Aim of the module is that Officer Trainees who possess adequate knowledge of Hindi should be able to prepare official notes and drafts in Hindi, able to understand audit and accounts terminology in Hindi, able to have good skill of translation techniques.

References:

1. Glossary of Audit and Accounts terminology: CAG of India
2. Karyalay Sahayika: Central Secretariat Hindi Parishad
3. Audit notes and drafts: Central Secretariat Hindi Parishad

Examination:

Internal Assessment: Nil

External Assessment: 75 Marks, Duration 03 Hours

Books Allowed:

1. Glossary of Audit and Accounts terminology: CAG of India
2. Karyalay Sahayika: Central Secretariat Hindi Parishad
3. Audit notes and drafts: Central Secretariat Hindi Parishad

8 AUDIT IN PRACTICE – I

Objective

This subject aims to equip probationers with the skills and ability to plan and conduct audits in important areas of governance including Fund Management, Public Procurement, execution of Public Works, Land Management and Bodies and Authorities including Regulatory Authorities.

8.1 Audit of Public Procurement and Contract Management

- a) Principles of Public Procurement
- b) Need assessment, formulation of Specifications, etc.
- c) Procurement Planning
- d) Supplier Relationship Management
- e) Modes of Procurement and Bidding Systems
- f) Preparing bid documents, publication, receipt and opening and evaluation of bids
- g) Forms of Securities, Payment Terms and Price Variations
- h) Contract Management including general rules and principals relating to contracts.
- i) Procurement of Consultancy/Other Services
- j) Special Types of Engagements
- k) Monitoring Consultancy/Other Services Contract

8.2 Audit of Public Works

- a) Organization of Public Works Departments and agencies;
- b) Duties and Responsibilities of various officers;
- c) Classification of works;
- d) Pre-requisites for Execution of Works;
- e) Process of Estimate approval (Administrative, financial and technical sanction);
- f) Consultancy Services;
- g) Earnest Money Deposits;

- h) Tendering and Contracts including e-tendering;
- i) Enlistment of contractors;
- j) Execution of works;
- k) Measurement Book, Contractor Ledger;
- l) Security Deposits and Performance Guarantee;
- m) Extra, Substituted and Deviated Items of Work;
- n) Extension of Time and Compensation for the Delay;
- o) Payments to Contractors;
- p) Quality Assurance;
- q) Stores;
- r) Works Accounts;
- s) Dispute Resolution;
- t) Asset management and maintenance;
- u) Execution of works through PPP: PPP models, selection of concessionaire, revenue models, etc.

8.3 Audit of Fund Management

- a) Principals of sound fund management;
- b) Grant in aids and loans to bodies and authorities including ABs, Societies and NGOs;
- c) Common issues in fund management including float, loss of opportunity cost, diversion and misutilisation, etc.;
- d) Government Guarantees and Borrowings
- e) Subsidies and Direct Benefit Transfers (Cash and in-kind).

8.4 Audit of Land Management

- a) Land registration system
- b) Land records
- c) Land use Planning
- d) Enforcement of Land Use Laws
- e) Land Development
- f) Development Authorities and Industrial corporations and their roles
- g) Land Acquisition

h) Sale, Transfer and Lease

8.5 Audit of Bodies and Authorities including Regulatory Authorities

- a) Broad Principles
- b) Audit of Bodies and Authorities substantially financed from Union or State Revenues
- c) Scrutiny in case of grants and loans given to bodies and authorities for specific purpose
- d) Audit of corporations set up by or under law made by Parliament
- e) Audit of State Corporations and other bodies and authorities entrusted to the C&AG.

References

1. Manual for Procurement of Goods, 2017
2. Manual for Procurement of Consultancy and other Services, 2017
3. Manual for Procure of Works, 2019
4. CPWD Works Manual, 2019
5. General Financial Rules, 2017
6. Land Acquisition Laws, Registration Acts and Use Acts and Rules
7. Enforcement Rules
8. Manuals, Practice Guides, Guidance Notes and Guidelines on Audit & Accounts issued by CAG (relevant chapters)

Examination

* **Internal Assessment:** Consists of 03 Tests/ Assignments

* **External Assessment:** Marks 100, Duration 3 Hours

Books Allowed for External Examination: Nil

9 AUDIT IN PRACTICE – II

Objective

This module aims to equip probationers with the skills and ability to plan and conduct performance audits. It includes familiarization with a sample of performance audits in different sectors of the Union and State Governments, i.e. the General, Social, Economic & Revenue Sectors. It also attempts to cover subject matter and concepts of Revenue audit in detail.

Section A

9.1 Structure of a Performance Audit Report

- a) Parts of a Performance Audit Report
- b) Defining Audit Scope
- c) How to frame an Audit Objective?
- d) Defining and framing Audit Criteria
- e) Various Audit Methodologies
- f) How to frame Audit Conclusions and Recommendations?
- g) Co-relation between Audit Objective, Findings, Conclusions

9.2 How to execute a Performance Audit assignment?

- a) Planning for a Performance Audit in sync with Perspective Plan & Annual Audit Plan
- b) Selecting a topic/ theme/ subject for Pilot Study
- c) Framing Audit Scope for holding Entry Conference
- d) Conducting Field Audit, ending with Exit Conference
- e) Reporting, Vetting at field level and at Headquarters Office

9.3 Performance Audits with reference to nature and mode of service delivery in different sectors of the Government

- a) General (includes Defence Audit), Social, Economic (includes Railway, Telecom, Commercial Audit) and Revenue (includes Central Revenue Audit)
- b) Services Sectors of Union
- c) General, Social, Economic and Revenue Services Sectors of States

9.4 Study and analysis of Guidelines for Performance Audit Reports, audit findings and recommendations

- a) Selected Performance Audit Reports of Union and States
-

Section B

9.5 Revenue Audit

- a) Revenue sources of Government or Government Agencies:
 - Tax Revenue – Union (IT, GST, customs, etc.), State (GST, Taxes on vehicles, Stamp duty, etc.) and Local Bodies (Property tax, Entertainment tax, etc.)
 - Non-Tax Revenue including Disinvestment, Sale or Lease and Production Sharing, User charges, Revenue Sharing Contracts, etc.
 - Revenue outside budget
- b) Basic principles of Revenue audit
- c) Case Studies

9.6 Safeguard of environmental resources

- a) Safeguard of forest, land, mines, water, air, flora fauna, etc.
- b) Safeguard of citizens from negative externalities

9.7 Political, economic and social rights of the citizens

- a) Enforcement of, and compliance with, rights-based legislation

9.8 Audit of Local Bodies

References

1. Income Tax Act, 1961 (as amended from time to time)
2. Central Goods and Service Tax Act, 2017 (as amended from time to time)
3. Customs Act, 1962 (as amended from time to time)
4. State Excise Acts and Policy
5. Regulations on Audit & Accounts, 2020
6. Performance Auditing Guidelines, 2014 issued by CAG of India

Examination

***Internal Assessment:** Consists of 03 Tests/ Assignments

***External Assessment:** Marks 100, Duration 3 Hours

Books allowed for External Examination: Nil

10 ADVANCED COMMERCIAL ACCOUNTING

Objective

To understand and apply financial reporting and regulatory requirements in corporate commercial set up.

To acquire:

- the ability to apply specific Accounting Standards and legislations to different transactions and events in preparation and presentation of financial statements,
- the skills in interpretation of such statements and
- understanding of corporate governance and corporate social responsibility.

10.1 Introduction to Companies Act, 2013

(Definitions under Chapter-I, Sections- 6-8, 11, 13, 27, 40-45, 48, 57, 68-71, 85,87 of Companies Act,2013)

10.2 Accounts of Companies - the Companies Act of India,2013

(Chapter - IX, Sections 128 to 138, along with Schedule III of the Companies Act of India, 2013; Companies (Accounts) Rules, 2014)

10.3 Preparation of Financial Statements of Companies

10.4 Preparation of Consolidated Financial Statements

10.5 Accounting of Non Profit Organizations

10.6 Accounting Standards:

- a) Companies (Indian Accounting Standards) Rules, 2015
- b) **Standard Setting:** the roles of the Ministry of Corporate Affairs (MCA), Institute of Chartered Accountants of India (ICAI) and National Financial Reporting Authority (NFRA)

- c) Ind Accounting Standards, with more emphasis on the following:
- i. Ind AS 1- (Presentation of Financial Statements)
 - ii. Ind AS 2 - (Inventories)
 - iii. Ind AS 8- (Accounting Policies, Changes in Accounting estimates and Errors)
 - iv. Ind AS 16 - (Property, Plant & Equipment)
 - v. Ind AS 19- (Employee Benefits)
 - vi. Ind AS 20 - (Accounting for Government Grants and Disclosures of Government Assistance)
 - vii. Ind AS 21 - (The effects of changes in Foreign Exchange Rates)
 - viii. Ind AS 37 - (Provisions, Contingent Liabilities & Contingent Assets)
 - ix. Ind AS 105 - (Non-Current Assets held for sale and discontinued operations)
 - x. Ind AS 109 - (Financial Instruments)
 - xi. Ind AS 110 - (Consolidated Financial Statements)
 - xii. Ind AS 115 - (Revenue from Contracts from Customers)
- d) Harmonization with International Financial Reporting Standards

10.7 Ratio Analysis and interpretation of Financial Statements

10.8 Corporate Governance

Section 149 (8) of Schedule IV 'Code for Independent Directors' and Sections 196 and 197 of Schedule V 'Appointment of Directors' under the Companies Act, 2013

10.9 Corporate Social Responsibility

Section 135 of Schedule VII

10.10 IPSAS (Exposure Topic)

List of 16 selected ratios

10.11 Profitability Ratio

- a) Gross Profit Ratio
- b) Operating Ratio
- c) Operating Profit Ratio
- d) Net Profit Ratio
- e) Return on Investment
- f) Capital Employed

10.12 Solvency Ratio

- a) Debt Equity Ratio
- b) Propriety Ratio
- c) Interest Coverage Ratio

10.13 Liquidity Ratio

- a) Current Ratio
- b) Quick Ratio/Acid Test Ratio
- c) Cash Ratio

10.14 Activity Ratio/Turnover Ratio

- a) Inventory Turnover Ratio
- b) Working Capital Turnover Ratio
- c) Debtor's Turnover Ratio
- d) Creditor's Turnover Ratio

References

1. NAAA's Text Book: Private Sector Financial Reporting
2. *The Companies Act, 2013*
3. *Advanced Accountancy*: M C Shukla and T S Grewal
4. *Advanced Accountancy*: S P Jain & Narang
5. *How to read Balance Sheet*: ILO Publication
6. *Compendium of Accounting Standards*: NFRA/ICAI/MCA and notified under the Companies Act, 2013

7. T. S. Grewal's Double Entry Book Keeping – Accounting for Companies
8. T. S. Grewal's Analysis of Financial Statements
9. OTs are expected to read at least one financial newspaper and one business magazine on a regular basis.

Examination

***Internal Assessment:** Consists of 03 Tests/ Assignments

* **External Assessment:** Marks 100, Duration 3 Hours

11 FINANCIAL AUDITING

Objective

This module aims to impart knowledge and skills of financial auditing to provide assurance on reliability of the financial statements of entities and the Governments. It explains the subtle differences in financial auditing of Civil departmental units/departments, PSUs, Undertakings, Autonomous Bodies, PRIs, ULBs, Externally Aided Projects and implementing Agencies, etc.

11.1 Introduction to Financial Auditing

- a) Relevant Concepts and Process of Financial Auditing
- b) Relevant Provisions of Regulation on Audit and Accounts 2020
- c) Financial Attest Manual
- d) Principles of Financial Auditing (ISSAI 200)

11.2 Audit of Accounts of State Governments

- a) Audit of Finance and Appropriation Accounts: Financial Attest Auditing Guidelines (Chapters 2-4), understanding concepts of risk, materiality and assertion-based audit, ability to enumerate 1 to 2 checks against each assertion in case of vouchers (Annexure E), Monthly Civil Accounts (Annexure G) and Monthly Appropriation Accounts (Annexure H). Familiarity with audit checks on Finance and Appropriation Accounts (Annexure I and J), C&AG's certificate
- b) Report on State Finances: Structure and format

11.3 Audit of Accounts of the Union Government

- a) Audit of Finance Accounts and Appropriation Accounts: C&AG's certificate, nature of audit comments on issues in Union Finance Accounts

- b) Report on Finances of Union Government: Structure and format

11.4 Financial Reporting and Audit of Accounts of Public Sector Commercial Entities

- a) Audit Mandate: C&AG's (DPC) Act, Companies Act, 2013 (Chapter X: Sections 139 to 148)
- b) Appointment, issue of directions to Statutory Auditors and assessment of performance
- c) Supplementary Audit - Certification of Financial Statements
- d) Financial Reporting requirements of Road Transport Corporations, Financial Corporations, Port Trusts.

11.5 Financial Reporting and Audit of Accounts of Autonomous Bodies

- a) Format of Accounts of Autonomous Bodies
- b) Statements, Schedules, Notes to Accounts
- c) Part-II of Volume 1 of the Manual of Instructions for Audit of Autonomous Bodies: Chapters 6 to 10, Annexure 4-6, familiarity with audit checks in Appendix 8.6 and Practice Note on Financial Attest Audit of Autonomous Bodies

11.6 Financial Reporting and Audit of Accounts of Local Bodies

- a) Urban Local Bodies - National Municipal Accounts Manual
- b) Rural Local Bodies - Model Accounting Format for PRIs
- c) Financial Audit of the Urban Local Bodies
- d) Financial Audit of Panchayati Raj Institutions (PRIs)

11.7 Audit of Externally Aided Projects

11.8 Audit of Accounts of Societies and Non-Governmental Organizations

11.9 Exposure Topics

a) Audit of Accounts of Indian Railways

- i. Introduction to financial reporting in Indian Railways (from unit level to Divisions to Zones to Railway Board, flow of accounting information and consolidation at different levels)
- ii. Appropriation Accounts: Key elements, Revenue & Capital Grants, Block Accounts, Profit & Loss Account, Balance Sheet, Depreciation Reserve Fund, and Annexure J & K.
- iii. Finance Accounts of Railways: Key elements, Account Current, Debt Head Report, and Integration into Union Finance Accounts.
- iv. Certification of Finance and Appropriation Accounts of Railways including audit of expenditure, receipts, DDR heads, Balance Sheet, understanding and applying assertion based audit - completeness, occurrence, measurement, presentation, regularity, disclosures
- v. Structure of the Report on Railway Finances: familiarity with terms and concepts

b) Audit of Defense Accounts

c) INTOSAI Standards for Financial Auditing ISSAI 1000 series

d) Audit of Financial Statements prepared on IPSAS Accrual basis

References

1. Financial Attest Audit Manual: C&AG of India
2. Manual of Commercial Audit Wing: C&AG of India
3. Manual of Instructions for Audit of Autonomous Bodies: C&AG of India
4. Practice Notes on Financial Attest Audit of Autonomous Bodies
5. Financial Attest Auditing Guidelines for Audit of State Government Accounts: CAG of India

6. Guidelines for Financial Audit of PRIs: CAG of India
7. NAAA's Text Book: **Financial Auditing**
8. NAAA's Study Materials on Auditing NGOs and EAPs

Examination

***Internal Assessment:** Consists of 03 Tests/ Assignments

***External Assessment:** Marks 100, Duration 3 Hours

Books allowed for External Examination: Nil

12 COST & MANAGEMENT ACCOUNTS AND FINANCIAL MANAGEMENT

Objective

This module aims to provide conceptual understanding of fundamentals of costing and management accounting and cost audit.

COST & MANAGEMENT ACCOUNTS

12.1 Introduction

- a) Introduction to Cost Accounting and Management Accounting
- b) Relationship between Cost Accounting, Financial Accounting and Management Accounting
- c) Objective and scope of Cost Accounting
- d) Various elements of Cost
- e) Preparation of Cost sheet
- f) Cost Centers and Cost Units

12.2 Material Accounting

- a) Methods of valuing material issues – FIFO, LIFO, Simple and weighted average
- b) Techniques of material control – EOQ, ABC, VED, JIT

12.3 Labour

- a) Computation and control
- b) Methods of remuneration and incentives

12.4 Overhead

- a) Accounting, Classification, Apportionment and Absorption

12.5 Marginal Costing

- a) Marginal Costing: Nature and Scope
- b) Marginal Cost Determination
- c) Absorption Costing verses Marginal Costing
- d) Cost-Volume Profit relationship
- e) Marginal Cost, Equations and Break-Even analysis

12.6 Budgetary Control

- a) Types of Budget: Functional, Cash and Master Budgets, Fixed, Flexible
 - b) Budget as key to planning and control
-

FINANCIAL MANAGEMENT

12.7 Financial Management: An overview

- a) Meaning and Nature of Financial Management,
- b) Objectives of Financial Management

12.8 Time Value of Money, Risk Return Framework and Valuation

- a) Compounding and Discounting
- b) Time Value of Money
- c) Features of Risk and Return in Financial Management

12.9 Capital Budgeting: Principles and Techniques

- a) Nature and importance of Capital Budgeting
- b) Difficulty in Capital Budgeting
- c) Kinds of Capital budgeting
- d) Evaluation Techniques
 - a. Accounting Rate of Return
 - b. Pay Back
 - c. Net Present Value
 - d. Internal Rate of Return

12.10 Concept and Measurement of Cost of Capital

- a) Basic Concept, Rationale and Assumption
- b) Cost of Debt
- c) Cost of Preference Shares
- d) Cost of equity capital
- e) Cost of retained earning
- f) Weighted average cost of capital

Exposure topics

12.11 Cost Control

- a) Cost Audit: The Companies Act, 2013 (Section 148)
- b) The Companies (Cost Records & Audit) Rules, 2014

References

1. Cost Accounting: S P Jain & K L Narang
2. Cost Accounting: Maheshwari & Mittal
3. Prasanna Chandra: Financial Management, Theory & Practice
4. S. N. Mahaeshwari: Financial Management, Principles & Practice
5. Khan & Jain: Financial Management
 - a. M. Pandey: Financial Management
6. NAAA's Text Book: Cost & Management Accounts

Examination

***Internal Assessment:** Consists of 03 Internal Tests

***External Assessment:** Marks 100, Duration 3 Hours

Books allowed for External Examination: Nil

13 AUDIT OF INFORMATION SYSTEMS AND AUDITING IN IT ENVIRONMENT

Objective

This subject aims to make the trainees aware about the overall governance and management framework of Information Systems of Government of India. The subject also aims to give officer trainees a hands-on experience of IS Audit and Audits in IT Environment.

Section A: IS Audit

13.1 Governance and Management of Information Systems

- a) Introduction to IT-Related Frameworks:
 - i. CoBIT Version 5.0 framework
 - ii. ISOs – 27000 Series (Security); 38500 Series (IT Governance); 20000 Series (IT Services Management)
 - iii. Capability Maturity Model (CMM – SEI)
- b) Framework and governance structure for IT in Government of India
 - i. Roles/ responsibilities of MEITY, NIC/ NICS, STQC, CERT-IN, etc.
 - ii. IT Act – 2000; IT (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules – 2011, National Information Security Policy & Guidelines; Guidelines for Indian Government Websites (GIGW); STQC E-Procurement Guidelines
 - iii. Aadhar Act and Regulations; Draft Data Protection Bill
 - iv. National E-Governance Programme (NeGP) and associated Mission Mode Projects (MMPs); Digital India Programme;
 - v. IndEA (India Enterprise Architecture) Framework
 - vi. IndiaStack

13.2 Information Systems Auditing Process

- a) 2020 Standing Order on Auditing in an IT Environment
- b) Risk-Based IS Audit Planning
- c) Types of Controls
 - a) Control objectives and measures
 - b) General and IS-specific controls
- d) Types of Audits and Assessments
- e) Audit process activities
- f) Data Analytics
 - i. CAATs
 - ii. Continuous auditing techniques

13.3 Protection of Information Assets

- a) Confidentiality; Integrity and Non-Repudiability; Availability of Data
- b) Information Asset Security Frameworks, Standards, and Guidelines
- c) Privacy Principles, principles for personally identifiable information (PII) – informed consent; restricted sharing of data; access to data owner; deletion of data; securing PII data and logging access
- d) Physical Access and Environmental Controls
- e) Identity and Access Management
- f) Network and End-Point Security
- g) Data Classification
- h) Data Encryption and Encryption-Related Techniques
- i) Public Key Infrastructure (PKI)
- j) Web-Based Communication Techniques
- k) Virtualized Environments
- l) Mobile, Wireless, and Internet-of-Things (IoT) Devices
- m) Information System Attack Methods and Techniques, OWASP Top 10
- n) Security Testing Tools and Techniques
- o) Security Monitoring Tools and Techniques

- p) Incident Response Management
 - q) Evidence Collection and Forensics
-

Section B: IS Audit Practical and Audit in IT Environment

13.4 Data Analytics Process

- a) Data Acquisition (MS SQL, My SQL, Postgre SQL, IBM DB2, CSV/Text, Excel, and Access)
- b) Data Cleaning (Inconsistent datatypes, misspelled attributes, etc.)
- c) Data transformation and modelling
- d) Data Analysis
- e) Data visualization

Tools: IDEA and Tableau

13.5 IS audit case study

Case Study: IS Audit planning to reporting:

The OTs will be given dump data from an actual IT audit assignment related to e-Procurement, e-Office, Financial Management System, or Billing System. They would be given practical training demonstrating all the stages of IT audit from planning to the reporting stage.

Tools: IDEA/ SQL Developer

13.6 Data Analytics and Statistics

- a) Measures of central tendency, dispersion, skewness and kurtosis and their application and interpretation
- b) Correlation, regression; hypothesis testing
- c) Sampling

Tools: IDEA/ Excel

Exposure Topics

13.7 IT in IA&AD

Landscape of IT applications in IAAD (VLC, Pension and other entitlement related applications on the A&E side and OIOS and other applications – e.g. SAI-DT – on the Audit side)

13.8 Remote Sensing and Geographical Information System

- Introduction to QGIS
- Introduction to Google Earth Pro
- Use cases in Audit

13.9 Introduction to Data Science and Artificial Intelligence and Machine Learning:

- Use Cases in Government, Business and Scope
- Introduction to R
- Principles of Big Data
- AI Basics
- Neural Networks
- Deep Learning

13.10 Block Chain

- Emerging abstract models for Blockchain Technology
- Cryptocurrency Ecosystem including Bitcoin and Ethereum
- Use cases

References

1. Study material provided by NAAA, Shimla

Examination

***Internal Assessment:** Consists of two Tests/ Assignments each on theory component (Section A) and practical component (Section B)

* **External Assessment:** 40 marks theory paper (on section A)
and 60 marks practical paper (on section B)