

**Manual of Economic Services (ES-I)**

**Audit Department**

**Part –I**

**(Constitution & Control, General Principles  
of Audit of Civil Departments excluding  
Public Works and Forest Department)**

# ECONOMIC SECTOR AUDIT MANUAL

## PART –I

(CONSTITUTION & CONTROL, GENERAL PRINCIPLES OF AUDIT OF CIVIL DEPARTMENTS EXCLUDING PUBLIC WORKS AND FOREST DEPARTMENT)

### TABLE OF CONTENTS

<b>Chapter</b>	<b>Topics</b>	<b>Paragraphs</b>	<b>Page</b>
<b>Chapter 1</b>	<b>Constitution and Control</b>	<b>1.1 to 1.10.4</b>	<b>1 to 27</b>
<b>Chapter 2</b>	<b>Principles And Procedures of Audit to be Followed In Headquarters Section</b>	<b>2.1 to 2.24</b>	<b>28 to 61</b>
<b>Chapter 3</b>	<b>Conduct of Local Audit</b>	<b>3.1 to 3.23</b>	<b>62 to 94</b>
<b>Chapter 4</b>	<b>Audit of Accounts of Agriculture Department</b>	<b>4.1 to 4.13</b>	<b>95 to 115</b>
<b>Chapter 5</b>	<b>Audit of Accounts of Cooperation Department</b>	<b>5.1 to 5.12</b>	<b>116 to 124</b>
<b>Chapter 6</b>	<b>Audit of Accounts of Sericulture And Horticulture Departments</b>	<b>6.1 to 6.14</b>	<b>125 to 138</b>
<b>Chapter 7</b>	<b>Audit of Accounts of Animal Husbandry Department</b>	<b>7.1 to 7.17</b>	<b>139 to 152</b>
<b>Chapter 8</b>	<b>Audit of Accounts of Fisheries Department</b>	<b>8.1 to 8.8</b>	<b>153 to 169</b>
<b>Chapter 9</b>	<b>Audit of Accounts of Industries Department</b>	<b>9.1 to 9.4</b>	<b>170 to 175</b>
<b>Chapter 10</b>	<b>Audit of Accounts of IT &amp; Communications Department</b>	<b>10.1 to 10.3</b>	<b>176 to 178</b>
<b>Chapter 11</b>	<b>Audit of Accounts of Infrastructure &amp; Investment Department</b>	<b>11.1 to 11.4</b>	<b>179 to 181</b>
<b>Chapter 12</b>	<b>Audit of Autonomous Bodies or Authorities</b>	<b>12.1to 12.3.2</b>	<b>182 to 189</b>
<b>Chapter 13</b>	<b>Audit of Centrally Sponsored Schemes</b>	<b>13.1to 13.4.7</b>	<b>190 to 195</b>
<b>Chapter 14</b>	<b>Audit of World Bank/Externally Aided Projects</b>	<b>14.1to 14.3.9</b>	<b>196 to 225</b>
	<b>APPENDICES</b>	<b>I to V</b>	<b>226 to 243</b>

**CHAPTER -1**  
**CONSTITUTION AND CONTROL**

**1.1 Constitution**

Economic Services (ES-I) Audit department is responsible for audit of transactions of the following departments:

<b>S. No.</b>	<b>Name of the Department</b>	<b>No. of Units for Audit</b>
1.	Irrigation and Command Area Development	332
2.	Transport, Roads & Buildings (excluding transactions relating to Transport wing allotted to Revenue Sector)	69
3.	Environment, Forests, Science and Technology	66
4.	Agriculture and Cooperation	262
5.	Animal Husbandry, Dairy Development and Fisheries	99
6.	Energy department (Only Principal Secretary Office)	1
7.	Industries and Commerce excluding Mines and Geology	56
8.	Infrastructure and Investment	2
9.	Information Technology & Communications	1
10.	Finance (Project Monitoring Units/Units concerned with the above departments in the Secretariat)	35
	<b>Total No. of Units</b>	<b>923</b>

The transactions of the above departments include the transactions related to World Bank / Externally Aided Projects, State Autonomous Bodies except APERC(30) and Departmental Undertakings (2). The scope for Audit includes local audit of Engineering divisions of State Public Works Departments, PAOs and other departmental officers such as State Port Officer rendering accounts on the pattern of Public Works.

**Note:** Consequent on functional reorganisation of Audit into two Service sectors i.e. General & Social Services Audit (G&SSA) and Economic & Revenue Services Audit (E&RSA), the group-wise distribution of departments was revisited in 2013. Consequently the existing Works & Forest group was expanded to accommodate the other Economic Service departments listed above and the group was renamed as ES-I group with the ten departments included in it.

[AG(E&RSA)/Admn./Postings/2013-14/O.O.M.48 dated 18.10.2013]

## **1.2 Basis for categorization as Economic Service Department**

The system of classification structure and heads of account is recast w.e.f 1.4.1974 to reflect broad function and major programmes of Government so that programmes, activities and projects of all the departments and organisations are clearly identified in the accounts. The Government operations were accordingly aggregated under broad sectors into which services or functions will be grouped as 'General Services', 'Social & Community Services' and 'Economic Services'. Such an aggregation will give an overall picture of resource allocation at the State level among the three sectors. The outlay under each sector is allocated among a number major heads reflecting the function of the allocation, for which departments/divisions are established by the Government. Each major head wise allocation is subdivided to reflect the programme (minor head) scheme (sub-head) and object (detailed head).

The system of classification was reviewed by Government of India and marginally revised w.e.f 1.4.1987, whereby certain new sub-sectors were introduced and a few major-heads were raised to the level of sub –sectors and certain minor heads to the level of major heads because of their importance. The broad structure of the accounts namely sectors, sub–sectors and major heads was retained. The sector 'Social & Community Services' was renamed as 'Social Services'. In Economic Services, number of sub-sectors was raised from five to nine sub-sectors. The sub-sectors under the sector 'Economic Services' are:

- Agriculture and Allied Services
- Rural Development
- Irrigation and Flood Control
- Energy
- Industry and Minerals
- Transport
- Science, Technology and Environment
- Communications
- General Economic Services

The basis for categorisation of department as 'Economic Service department' is thus the economic character of the function of the department.

The major- head wise classification of Accounts in the departments allotted to ES-I group is given below:

Department	Sub-Sector	Major Heads Operated		
		Revenue	Expenditure	Capital
(1) Irrigation & Command Area Development	Irrigation & Flood Control	0700 - Major Irrigation	2700 - Major Irrigation	4700- Capital Outlay (COL) on Major Irrigation
		0701- Medium Irrigation	2701- Medium Irrigation	4701- (COL) on Medium Irrigation
		0702- Minor Irrigation	2702- Minor Irrigation	4702-(COL) on Minor Irrigation
		-	2705- Command Area Development	4705-(COL) on Command Area Development
		-	2711-Flood Control Damage	4711-(COL) on Flood Control Projects
(2) Transport, Roads & Buildings (excluding Transport)	Transport	1054-Roads & Bridges	3054- Roads & Bridges	5054-COL on Roads & Bridges
(3) Environment, Forests, Science & Technology	Agriculture & Allied Services	0406-Forestry & Wildlife	2406- Forestry & Wildlife	4406- COL on Forestry & Wildlife
	Science, Technology & Environment	1425- Other Scientific Research	3425- Other Scientific Research	5425- COL on Other Scientific & Environmental Research
	-	-	3435 - Ecology & Environment	-
(4) Agriculture & Cooperation	Agriculture & Other Allied Services	0401-Crop Husbandry	2401 - Crop Husbandry	4401- COL on Crop Husbandry
		-	2402 - Soil and Water Conservation	4402-COL on Soil and Water Conservation
		0407- Plantation	2407- Plantation	4407- COL on Plantation
		0415- Agricultural Research & Education	2415- Agricultural Research & Education	4415- COL on Agricultural Research & Education
		-	2416- Agricultural	4416- COL on Agricultural

			Financial Institutions	Financial Institutions
		0425-Cooperation	2425-Cooperation	4425- COL on Cooperation
		0435-Other Agricultural Programmes	2435-Other Agricultural Programmes	4435- COL on Other Agricultural Programmes
(5) Animal Husbandry, Dairy Development and Fisheries	Agriculture & Other Allied Services	0403- Animal Husbandry	2403- Animal Husbandry	4403 - COL on Animal Husbandry
		0404- Dairy Development	2404- Dairy Development	4404 - COL on Dairy Development
		0405- Fisheries	2405- Fisheries	4405- COL on Fisheries
(6) Energy	Energy	0801-Power	2801- Power	4801- COL on Power Projects
		0802-Petroleum	2802- Petroleum	4802- COL on Petroleum
		0803-Coal & lignite	2803- Coal & lignite	4803- Coal & lignite
		0810-Non-Conventional sources of Energy	2810- Non-Conventional sources of Energy	4810-COL on Non-Conventional sources of Energy
		-	2820-Energy Coordination & Development	-
(7) Industries & Commerce (excluding Mines & Geology)	Industry and Minerals	0851-Village and Small Industries	2851- Village and Small Industries	4851-COL on Village and Small Industries
		0852-Industries	2852-Industries	Industries
		0875- Other Industries	2875- Other Industries	4852-COL on Iron and Steel Industries 4875- COL on Other Industries
(8) Information Technology and Communications	Communications	1275-Other Communication services	3275-Other Communication services	5275- COL on Other Communication services

(9)Infrastructure & Investment	These are the administrative departments located in Secretariat /HODs, dealing with Policies and Planning of expenditure by the departments.
(10)Finance	

## 1.2 Control:

**1.2.1** The ES-I Audit Department comprising the following branches is under the overall supervision of Sr.DAG(ES-I):-

- i) ES-I Inspection parties.
- ii) Inspection Report Cell (I.R.Cell) and
- iii) ES-I Co-ordination Section.

**1.2.2. Strength:** The revised sanctioned strength of the group including all the four branches mentioned above is shown below:

<i>Sl. No.</i>	<i>Name of the section</i>	<i>Sr.Aos/AOs</i>	<i>AAOs/ Supervisors</i>	<i>Sr.Ars./ Auditors</i>	<i>DEOs</i>	<i>MTS</i>	<i>Total</i>
<i>1.</i>	<i>Coordination Section and IR Cell</i>	<i>3</i>	<i>5</i>	<i>12</i>	<i>2</i>	<i>3</i>	<i>25</i>
<i>2.</i>	<i>Field Parties</i>	<i>15</i>	<i>27</i>	<i>6</i>	<i>---</i>	<i>---</i>	<i>48</i>
	<i>Total</i>	<i>18</i>	<i>32</i>	<i>18</i>	<i>2</i>	<i>3</i>	<i>73</i>

**(A.G (E&RSA) /Admn/Postings/2013-14/OOno.48 dt:18.10.2013)**

**1.2.4 Functional Distribution:** The distribution of work among various sections is as indicated in **Appendix-I**.

**1.2.5 Co-ordination:** ES-I Co-ordination section is primarily responsible for co-ordinating and guiding the audit activities in all sections to ensure uniformity in approach and also in procedures at all levels. It functions also as a liaison section to interact with other groups in the office.

**1.2.6** The section is required to examine all important cases and cases involving general items such as delegation of powers, questions relating to conduct of audit including delays in receipt of vouchers, settlement of objections in order to avoid conflicting views in the matter of interpretation of rules and orders. The cases shall be referred to co-ordination section for critical examination with the approval of DAG and the officers concerned shall invariably record their views, while seeking the expert advice of the Section. In all deserving cases self contained notes shall be submitted by the Section to the Accountant General for orders before communicating any decisive views to the departmental authorities or Government. The

Section should maintain a Register of Cases in the form indicated in Annexure-I and submit it to the Branch Officer on the 5<sup>th</sup> of every month.

### **1.3 Re-orientation of Central and Local Audits**

**1.3.1** The scheme of re-orientation of Central Audit and Local Audit was approved by Headquarters office in Lr.No.741-Audit-II/119-86-III dated 31-3-88 for implementation from 16-4-90. The primary object of re-orientation is to suitably combine Central Audit and Local Audit in order to accomplish all the audit requirements in an effective and purposeful manner. The Central Audit should serve the overall interest of audit by supplementing it with the Local Audit processes. Thus Central and Local Audits should assume complementary and Supplementary roles. The scope of the re-orientation scheme is detailed below:-

- i) In central Audit, Systems Audit and Scheme Audit should be intensified,
- ii) Visits to Secretariat/Heads of Departments should follow the Central Audit of Sanctions, contracts and vouchers,
- iii) Comprehensive audit of sanctions and agreements should be conducted under the guidance and supervision of the Branch officer,
- iv) Collection of sanctions and maintenance of data files for schemes,
- v) Maintenance and updating portfolio files.
- vi) Audit Sections should provide feed back to field parties by making available copies of orders, instructions, and rules for undertaking a thorough and in depth scrutiny of various orders, sanctions and their correct application.
- vii) Findings and recorded objections in Central audit as a result of examination of files and documents pertaining to secretariat/Heads of departments should be furnished to field parties for their use during inspection.
- viii) The inspection reports should be pursued by the Audit sections.

**1.3.2** As the integrated audit system is intended to ensure co-ordinated audit activity by suitably interfacing central and local audits, there should be periodical interchange of staff between the related Audit Units and the local audit parties.

(Hqrs letters i) D.O.No.326-Audit II/119-86-II dated 2 March 1987 and ii) 741 – audit II/119-86-III dated 31 March 1988)

**1.4 Duties:-** The functions and responsibilities of the Sr.Auditors/Auditors, AAO /Supervisors and Branch Officers in regard to the audit and review of expenditure are detailed in the subsequent paras.



#### **1.4.1 Deputy Accountant General (ES-I)**

The ES-I Audit department is under the control of DAG (ES-I). He /She will exercise all the powers of DAG as detailed in M.S.O. (Audit) for the purpose of waiving of objections. Selection of months of account to be test-audited, works to be analysed, and accounts of sub-division/Ranges/Units to be test checked during local inspection of P.W. Divisions, Forest Divisions and other ES-I Offices, are also done under the orders of the DAG (ES-I).

**1.4.2 Branch Officer:** It is essential that the Branch officer should be thoroughly well-informed of what is going on in his sections and be in personal touch with staff working under his control. He should devote his personal attention to the disposal of outstanding Inspection Reports and Audit Notes and take such effective steps as are necessary for keeping the outstanding at the minimum. He should be specially vigilant to spot out serious irregularities which should develop into draft paragraphs for inclusion in the appropriation Accounts and Reports of Comptroller and Auditor General thereon. He should ensure that all progress reports, books, registers etc., maintained in the section are kept in proper order and not allowed to fall into arrears, and to this end, he should personally inspect the books and records under his control and take suitable notice of any short comings on the part of the staff that may be detected by him. The Branch officer is responsible to the Deputy Accountant General for the satisfactory working of the sections entrusted to him.

#### **1.4.3 AAO /Supervisor:**

He is personally responsible to the Branch Officer in-charge for the efficiency of the internal arrangement and the expeditious performance of the work in his section as a whole. He is particularly responsible for the proper maintenance of the sectional Calendar of Returns and for seeing that each return is submitted/despached on its due date. Besides exercising the checks prescribed in paras 4.2.7 to 4.2.9 of MSO(Audit) he is responsible for seeing that-

- a) The Executive Engineer has accepted or scrutinised the monthly accounts;
- b) Any undue delay in the receipt of accounts, vouchers etc., is brought to the notice of competent authority in A&E Office.
- c) There has been no undue delay in any audit process.
- d) The audit of accounts and returns is conducted with due regard to prescribed rules.
- e) All necessary special reports have been issued and all objections arising out of audit have been incorporated in the Audit Note and the monetary value of objection in the Audit Note and the Inspection reports kept in the objection books.

- f) The papers etc., received in the section are properly distributed and references and other correspondence arising in the sections are promptly disposed of.
- g) The desks of Auditors are inspected once in a month to ensure that the papers disposed of have been properly filed or transferred, as the case may be;
- h) Inspection Report received back with replies is correctly and promptly disposed of; all arrears in disposal of audit notes etc., are promptly brought to the notice of the Branch Officer in-charge;
- i) Notes suggesting amendments to ES-I Manual, APWA code, APWD code etc., in respect of any important order, etc., received by him are submitted through ES-I Coordination and
- j) A suitable note book is maintained by him which should be submitted to the Branch officer on the 3<sup>rd</sup> of every month.

#### **1.4.4 Sr.Auditors/Auditors:**

The Sr.Auditor will be held entirely responsible for complete audit of Divisional accounts entrusted to him. Among other things, he will be responsible for:-

- a) Watching the punctual receipts of the monthly Divisional Accounts, returns, statements etc., and for issuing reminders for those not received in time.
- b) Examining and exercising necessary checks, in respect of monthly accounts including the tallying of the figures in the schedules and other documents accompanying the accounts with those incorporated in the monthly accounts:
- c) Putting up the registers of selection of vouchers for audit/review together with the schedule dockets and vouchers received.

**NOTE 1:** Contractor's bills which are adjusted by; credit/debit to P.W.deposit/Misc. Works Advances in terms of Art.138 of Account Code Vol.III should be treated as contractor's bills and not as transfer entries.

**NOTE 2:** The list of vouchers due should be indicated in the register at the time of its submission to the AAO/ Supervisor and when the voucher are received the list should again be put up to the section head for selection.

- d) Auditing in detail the monthly accounts (including schedule dockets and vouchers and the check of contra references noted in schedules, dockets etc.,) and the periodical returns and statements in accordance with the prescribed rules (vide also provisions in Chapter 6 of this Manual).

e) (i) Preparing the Audit Note Part I, disposing it on its return from the divisional officer and maintaining the Objection Book vide instructions contained in paras 4.4.2 to 4.4.4/ and 4.4.8 of the MSO(Audit).

ii) Writing up the Audit Note part II in accordance with the instructions laid down in para 4.4.3 of the MSO (Audit) and disposing it of on its return from the Divisional officer; putting up special reports of pending objections to the Government where necessary and writing up progress registers of Audit notes;

f) Scrutinising all sanctions to estimates and other sanctions and orders with reference to their propriety and regularity.

Scrutinising and disposing of all completion reports and annual Certificate of Balances, as provided in paras 4.3.28 of the MSO (Audit).

g) Scrutinising with due vigilance, all expenditure brought to account towards the close of the year, specially during March.

h) Scrutiny of Land Compensation Payments with Land award statements and entries in the land charges register maintained in the (A & E) Office vide para 4.3.36 of MSO (Audit).

i) Attending to correspondence, filing of papers, disposal of cases etc., with reference to orders issued from time to time and submitting to the AAO/SO/Supervisor all returns, registers, etc., on the due dates and in the prescribed manner;

j) Issuing reminders in cases of delay in reply to letters, return of Audit Notes parts I and II:

k) Issuing reminders to get replies to Inspection Reports or rejoinders thereto till all the points noted therein are settled;

l) Maintaining the registers showing progress in disposal of Inspection Reports, financial irregularities and points for examination in local audit.

m) Furnishing material for appropriation Accounts, Audit Reports., etc., as required by ES-I Co-ordination and I.R.Cell;

n) Furnishing the Half Yearly statement of objections and paras of Inspection Reports to D.P.Cell/ IRCeIl for communication to Govt./Heads of Departments.

o) Attending to any other item of work that may be entrusted to him by the Branch officer/Section head.

**1.4.5 Clerks:** They are responsible for

a) Diarising, Indexing, referencing and filing

b) Preparing weekly reports of letters outstanding and various returns to ES-I Coordination and other controlling sections;

- c) Sending old cases, paid vouchers, schedules etc., to old records/A&E office.
- d) Maintenance of sectional libraries;
- e) Typing work or sending to Type section approved drafts and watching their return or fair copying small drafts which are not sent to type section.
- f) Maintenance of case register incorporating the cases emanating in the section to be submitted to the BO on the 5<sup>th</sup> of every month.
- g) Copying audit notes.
- h) Any other duties as enjoined in other Manuals or entrusted to him by the Branch officer/Section Head.

## **1.5 Maintenance of Manual of ES-I Audit Department**

**1.5.1** The responsibility for keeping this Manual up to date devolves on the ES-I Co-ordination Section but the Audit Sections are also responsible for proposing corrections wherever considered necessary. Instructions/decisions/rulings and orders of the Comptroller and Auditor General of India, Govt. of India, State Government, Accountant general and Deputy Accountant General (ES-I), of permanent nature relating to ES-I audit should be incorporated in this Manual with full reference to the number and date of letter, the case No. etc., in taken of authority. Whenever corrections to the Manual are required as a result of acceptance of orders by Works Co-ordination Section, the corrections ; may be drafted by the Section. In respect of cases arising in other Audit Sections requiring manualisation, the draft corrections thereto should be furnished by that section to ES-I Co-ordination Section.

**1.5.2** The draft corrections in all cases should be submitted to Accountant General through Branch Officer in charge of ES-I Co-ordination Section and the Group officer.

**1.5.3** A separate register for noting the corrections to the Manual should be maintained in ES-I Co-ordination Section. The corrections slips should be serially numbered and entered in the register. The Register should contain the subject, reference to the para in the manual, number and date of authority requiring the correction and the case number, file number etc.

**1.5.4** Copies of correction slips to ES-I Manual, A.P.W.A., Code, A.P.W.D. Code and orders of the State Government and Central Government received in ES-I Co-ordination Section should be supplied to all officers and sections as soon as they are approved/ received.

## **1.6 Calendar of Returns**

**1.6.1** A Calendar of Returns should be maintained by the AAOs/ Supervisors of all sections in the form prescribed in **Appendix II**.

**1.6.2** The Calendar of Returns with the actual date of completion of each item of work duly noted therein, should be submitted to the Branch Officer every Tuesday indicating the reasons for delay in submission or non-submission of the returns due upto the preceding Saturday. The Calendar should be submitted to the Deputy Accountant General (ES-I) through the Branch Officer on the 3<sup>rd</sup> of every month, along with the Monthly Arrear Report. The Branch Officer should check the correctness of the date of submission of return in the Calendar of Returns to the extent of 10% of the total items and these test checked items should be indicated before submission to Deputy Accountant General (ES-I).

### **1.7 Monthly Arrear Report**

**1.7.1** A detailed report on the state of work in each section should be submitted to the Branch Officer on the 3<sup>rd</sup> of each month in the prescribed form given in **Appendix III** to this Manual. This report should be prepared carefully and it should reflect the true state of work in the section as it stood on the last day of the month. The actual position of a particular item of work remaining to be completed should be taken into consideration and correct estimate of the arrears in terms of mandays should be computed and indicated in the report on the basis of the formula given in the sub-para (e).

For items of work which are not covered by this formula, assessment of arrears may be done on adhoc basis. The arrears should be assessed in terms of man-days as accurately as possible keeping in view the number of days actually required to overtake them.

**1.7.2** Arrears in current review by AAO/SO/Supervisor may also be shown separately in the monthly report indicating the opening balance, additions, clearance and balance pending.

**1.7.3** While approving the arrear reports, the Branch Officer should verify the actual position of arrears in the sections and exercise proper check over the correctness of arrears reflected in the reports.

**1.7.4** When audit alone is completed, it cannot be said to be completed in all respects till the connected review is also completed and the objections communicated to the divisions. (WMC/I/14-2-/129, dated 12-3-1980)

**1.7.5** The arrears, internal as well as external, should be calculated in terms of mandays at the rates indicated in **Appendix-IV**.

**1.7.7** The AAOs/Supervisors should maintain a systematic record of the arrears of their sections in order to keep a watch over the arrears and their clearance. Moreover, a suitable record of the various returns sent to Works Co-ordination Section etc., should be maintained either in the form of a register or by retaining an extract in a separate file, so that it may be readily available for reference at the time of preparation of the next report, as also to enable the AAOs/ Supervisors to keep a watch over the state of work in their sections.

**1.7.8** In submitting the arrear reports, the AAOs/ Supervisors should personally satisfy themselves that no letters, Audit Notes and other documents received in the office up to 22<sup>nd</sup> of the preceding month and remaining undisposed of on the last day of the month even though they are disposed of subsequently are excluded from them.

**1.8 Upkeep of Note Books:** Each Senior Auditor/Auditor should maintain a separate note book in the form indicated in **Annexure-I** for noting therein all points which have to be kept in mind as requiring action to be taken thereon. (Para 4.2.12 of M.S.O.(Audit). Each entry made therein by the Sr.Ars/Ars should be initialled by the AAOs/ Supervisors who should also see that points noted therein are cleared within a reasonable time. When final action has been taken against each item, both the Sr.Auditors/Auditors and the AAO/Supervisor should set their initials in token of check. Similarly each AAO /Supervisor should maintain a note book (Para 5.18 of Manual of General Procedure). It should be submitted to the Branch Officer on the alternate month commencing from 25<sup>th</sup> April.

**1.9 Maintenance Of Register Of Statistics for calculating Staff requirements and the Standard Rate for Determining the Staff**

**1.9.1 Register of Statistics:-** For keeping a record of statistics of work done in each month on which calculations of staff requirements will be based, each Works Audit section should maintain a register. The register should show the statistics of work done division-wise, category-wise, month by month for all months including March (Supplementary). Additional particulars such as the number of divisions rendering accounts, inward letters outward letters etc., which are required for the purpose of statistics to serve as fair index of work done should also be recorded month-wise and unit-wise, in this register. The register should be submitted to Branch Officer on 20<sup>th</sup> of every month.

**1.9.2 Standards to be followed for calculating the staff requirements:-** The standard rates for determining the staff requirements approved as per C&AG's circular no. 3-O&M/1990 No.4026-O&M/30-89-II dated 31-8-1990 are shown in **Appendix -V**. Annual review of staff position based on the statistics is to be sent to the C&AG by the end of June each year. For this, all the sections in works audit group should furnish their staff requirements duly supported by complete details to ES-I Co-ordination Section by 16<sup>th</sup> June. In case any section intends to propose staff on adhoc basis in respect of any item of work, this should be supported by complete details.

**1.9.3** The ES-I Audit sections should send proposals to ES-I Co-ordination Section on the 16<sup>th</sup> of every month in case there has been any consistent upward trend in the work load necessitating increase of staff. Consolidated proposals shall be sent by ES-I Co-ordination Section, if necessary to the Administration section for getting extra staff on adhoc basis.

**1.9.4** The work connected with items of the Annexure to Para 2.2.46 of M.S.O.(Audit) in so far as it relates to ES-I Audit Department, should be done by ES-I Co-ordination section.

**1.9.5 Registers to be maintained by the Auditor**

Each Auditor has to maintain the following Registers and submit the same with closings on the due dates to the Branch Officer as indicated below:

1. Purport Register	Every Monday
2. Despatch Register	18 <sup>th</sup> of Every succeeding month
3. Weekly Progress Register of audit of Accounts	Every Month
4. Auditors Note Book	25 <sup>th</sup> of alternative month
5. Objection Book	15 <sup>th</sup> of every month
6. Adjustment Register	15 <sup>th</sup> of every month
7. Register of Objections pending over six months	15 <sup>th</sup> of every month
8. Register for watching progress in settlement of Inspection Reports	25 <sup>th</sup> of every month to the D.A.G.
9. Register of points for verification in next local audit	5 <sup>th</sup> of every month
10. Register for marking for local audit	To be reviewed by Section Head as frequently as possible
11. Register of contracts agreements	1 <sup>st</sup> /16 <sup>th</sup> of every month

12. Transit Register :	To be reviewed by Section Head as frequently as possible
13. Register of Project Estimates	3 <sup>rd</sup> of every month

### 1.9.6. FILING

Filing of Sanction Orders, Estimates, Agreements, Audit Notes, etc., is an important item of work. All possible care should be taken to see that these records are properly filed and maintained so as to enable every officer of the section to locate them at any time without any difficulty. The Auditor should see that the records in his Unit are dusted regularly and kept neatly.

### 1.10 Computerised systems in Audit

#### 1.10.1 Software Package:

With a view to building up suitable data base for planning of audit assignments and also effective monitoring/pursuance of the results of audit, the following software packages in relation to ES-I audit activity have been developed:-

Sl.No.	Code	Item
1	AU 01	Audit Planning
2	AU 02	Profile of auditees
3	AU 04	IR Monitoring
4	AU 06	Monitoring recoveries at the instance of audit.
5	AU 07	Data base of sanctions.

**1.10.1.1** It is responsibility of the ES – I Coordination to ensure that the required data base is built up systematically and the software packages developed are put to profitable use. The user manual issued for the packages (by the Computer Cell) are to be kept in the custody of ES – I Coordination for reference and consultations by the user sections.

**1.10.1.2** The common components used in the software packages namely- "Departments", "Directorates", "Sub-ordinate offices", "Districts", "Audit Section" have been codified as given in **Annexure – II**.

**1.10.1.3** The department code is in four characters. The first two characters are numeric indicating the department. The third and the fourth characters are alphabetic, the third character representing sub-department or sub-division according to audit requirements and the fourth character the head of the Directorate namely - 'Chief



Engineer', 'Director of Accounts etc. The office code also consists of four characters (all numeric), the first two digits indicating circle and the next two digits division.

**1.10.1.4** The register of codification (Common codes) shall be maintained by the ES – I Coordination Section and whenever a new auditee unit is to be codified, the codification given should be entered in the register and got attested by Sr.A.O incharge.

**1.10.1.5** As regards codification for any particular component relevant to individual packages, the user manual concerned shall be referred to. The codification given for audit objections in is indicated in **Annexure III**.

### **1.10.2 Particulars to be furnished by Field Parties**

The particulars required for date entry in respect of i) Sanctions to Projects/Schemes (ii) Technical sanctions to works (iii) Sanctions to contract agreements (iv) all other sanctions accorded by Govt./Heads of Department/Others viz., Administrative sanctions, sanctions for maintenance of Reserve Stock, sanction for sale, Write of orders, sanction for relaxation of contract conditions, sanctions for payment of special nature and other sanctions, shall be collected by the local audit parties visiting the offices of Secretariat Departments, Chief Engineers and Superintending Engineers. Sanctions with a monetary value of more than Rs.10 lakhs above will be included in data-base.

### **1.10.3 I.R. Main**

**1.10.3.1** a) Draft Inspection Reports shall invariably be accompanied by a "Data Entry Sheet" in the form as given is **Annexure IV** consisting 3 formats A,B,C (IR Main).

b) The details of items I, II & III of the format 'A' are to be filled in by I.R.Cell headquarters.

c) The details of Items IV, V, VI & VII of format 'A' are to be filled in by Inspecting Officer. These should be checked and modified by IR Cell Headquarters where necessary after editing of the report is completed.

**1.10.3.2** The "Date Entry Sheet shall bear the same number as that of the LAR. IR Cell shall make arrangements with computer cell to enter the date in the system already loaded. A Certificate to the effect that the date entry has been completed in respect of LARs issued to the end of each month shall be recorded over the signature of the AAO/TR Cell at the time of closing the register of LARs.

**1.10.3.3** Whenever paras of the previous Inspection reports are settled either by audit committee or by Audit Section, the details thereof shall invariably be furnished by Audit Sections to co-ordination section in the format 'B' by 15<sup>th</sup> of every month. The due date for submission of return on data entry may be noted by Audit Sections in the "Calendar of returns". If the particulars for any month are 'NIL', the section shall send 'NIL' Return.

**1.10.4 Updating**

Whenever auditee unit is programmed for inspection, the data base relating to that particular auditee unit in IR Main shall be updated adopting the revised codification and the computerised list of paras outstanding communicated to the inspection party in the Format 'C'.

(Authority: Circular No.7 of CWAC in file No.CWAC/B/15-52A/98-99 dated 5-10-98)

**ANNEXURE I**

**Form of Note Book**

**(referred to in para 1.8 of the Manual)**

Item No.	Reference to letter or document	Action to be taken (Note: each should be made concisely but containing all points)	Initials of the Section Head	Action taken Reference to entry in Accounts or letter number and date etc.	Initials of Auditor/ Sr.Auditor	Initials of Section Head
1	2	3	4	5	6	7

## ANNEXURE-II

(REFERRED TO IN PARA 1.10.1.2)

### CODIFICATION OF AUDITEE UNITS AND OTHER COMPONENTS

#### I WORKS & PROJECTS

##### A Department

Code NO	Name of department
10 RX	Principal Secretary, Fin.&Plg.(PW) Department. PAOs under RA setup
10 XX	Principal Secretary, Fin.&Plg.(PW) Department Other PAOs
17 AA	I&CAD - Chief Engineer, Major Irrigation.
17 AB	I&CAD - Chief Engineer, Major Irrigation.(PMU)
17 AC	I&CAD - Chief Engineer, Major Irrigation.(VIPP)
17 AD	I&CAD - Chief Engineer, Project Tungabhadra.
17 AE	I&CAD - Chief Engineer, TGP Somasila Unit.
17 BA	I&CAD - Chief Engineer, Medium Irrigation.
17 CA	I&CAD - Chief Engineer, Minor Irrigation.
17 FA	I&CAD - Chief Engineer, (Irrigation Branch), T.B.Board.
17 RA	I&CAD - Chief Engineer, NS Project
17 RB	Administrator-cum-Chief Engineer, NS Right Canals.
17 RC	Administrator-cum-Chief Engineer, NSLC
17 RD	I&CAD - Chief Engineer, Sriramsagar Project
17 RE	Administrator-cum-Chief Engineer, SRS Project.
17 RF	I&CAD - Chief Engineer, NSRS Project
17 RH	I&CAD - Chief Engineer, (Mechanical wing)
17 RI	I&CAD - Chief Engineer, (Major Irrigation) SACB.
17 XA	I&CAD - Engineer-in-Chief (Admn. Wing) Irrigation.
17 XB	I&CAD - Engineer-in-Chief (Irrigation Wing).
17 XC	Chief Engineer (Investigation)
17 XD	Chief Engineer, Central Designs Organisation.
17 XE	Commissionerate of Tenders.
17 XF	Chief Engineer(Mechanical) other than RA setup.
17 XX	Common code-Irrigation Circles/Divisions.

22 XA	MA & UD, Engineer-in-chief, Public Health.
24 RX	Revenue-Commissioner, Land Revenue Offices under RA setup
24 XX	Revenue-Commissioner, Land Revenue, other offices.
27 AA	TR&B-Engineer-in-Chief (R&B) Administration & EAP
27 AB	TR&B-Engineer-in-Chief (R&B) roads
27 AC	TR&B-Engineer-in-Chief (R&B) Buildings
27 AD	TR&B-Chief Engineer (R&B) APHM & ECRP.
27 AE	TR&B-Chief Engineer, NSBARD.
27 BA	TR&B-Chief Engineer, National Highways.
27 CA	TR&B-Project Director, Chief Engineer, Kakinada
91 AX	Ministry of Water Resources-Chief Engineer, CWC.
91 BX	Ministry of Water Resources-Central Ground Water Board.
92 XX	Ministry of Works, Housing & Urban Development-chief Engineer, CPWD.

## B. AUDIT SECTIONS

<i>Code No.</i>	<i>Audit Section</i>
<b>(A) Works Audit Department</b>	
10	Co-ordination
11	Inspection Reports Cell
<b>(B) DISTRICTS</b>	
<i>Code No.</i>	<i>District</i>
30	Mahaboobnagar
31	Medak
32	Nizamabad
33	Adilabad
34	Karimnagar
35	Khammam
36	Rangareddy
37	Nalgonda

38	Warangal
39	Hyderabad
40	Karnataka State

### ANNEXURE-III

(REFERRED TO IN PARA 1.10.1.5)

#### CODE NUMBERS FOR AUDIT OBSERVATIONS

<b>Subject code</b>	<b>Description</b>
100	Establishment
101	Drawal without sanction
102	Pay fixation/Additions
103	Compensatory Allowances
104	Travelling Allowances
105	Leave Salary
106	Loans and Advance
107	Surplus staff
108	Work Establishment
109	Estt. Sanction wanting
110	Estimates
111	Incorrect Provisions/Rates
112	Admn. Sanction wantings
113	Defective Investigation
114	Revision of Estimates
115	Excess over estimates
116	Expenditure without estimates
120	Tenders and Agreements
121	Tender/Calls
122	Acceptance of Tenders
123	Agts. Defects/Deviations
124	Nominations
125	Supplemental Agreements
126	Terminations and Revocations
127	Balance works Execution
128	Tenders and Agts. Other Irregularities
130	Contractors securities

131	Earnest Money
132	Bank Guarantees
133	Retention Money
140	Execution of works
141	Advances to contractors
142	Unauthorised Aid
143	Materials Issued
144	Hire charges short recoveries
145	Excess/Recoverable Payments
146	Avoidable payments/Expenditure
147	Arbitration awards
148	Infructuous expenditure
149	Work exe. Other Irregularities
150	Works Accounts
151	Contractors Ledgers
152	Materials Accounts Maintenance
153	Materials Accounts Shortages
154	Unutilised Materials
155	Works Registers
156	Completion Reports
160	Land Acquisition
161	Land Acquisition Advances
162	Delayed acquisition
163	Incorrect Compensation
164	L.A.Other Irregularities
170	Reserve Stock
171	Sanctions
172	Acquisitions/Purchases
173	Stock Accounts Maintenance
174	Issue/Storage Rates
175	Stock Verification
176	Shortages/Losses



177	Surplus/Obsolete stock
178	Res.Stock other irregularities
180	Plant and Machinery
181	Avoidable/unnecessary acquire
182	Surplus/Idle machinery
183	Performance of machinery
184	Hire rates fixation
185	Plant Accounts
186	Machinery disposals
187	Idle crew
188	Plant & Mech. Other Irregularities
190	Workshops
191	Accounts Maintenance
192	Workshop suspense
193	Idle capacity/Labour
194	Performa Accounts
195	Misc.Works Advances
200	Purchases
201	Cash settlement
202	Purchases
203	Cash Settlement Suspense
204	AG advises
205	Deposits
206	Sus.Accounts other Irregularities
210	PW Revenue
211	Toll Auctions
212	Toll Collections
213	Rents Buildings
214	Misc.Revenue
215	Accounts Maintenance
216	Non/Delayed Remittances
217	PW Rev.Other Irregularities

220	Budgetary Control
221	Funds Advance Drawal
222	Substantial Savings
223	Rush of expenditure
224	Fictitious adjustments
225	Contingency fund
226	Budget Other Irregularities
230	Cash Accounts
231	Cash Accounts Maintenance
232	Securities
233	Settlement with Treasury
234	Cash Accounts other Irregularities.
240	Miscellaneous
241	System Lapses
242	Tools and Plant
243	Initial Accounts Arrears
244	Documents not produced
245	Other Irregularities.

**Annexure IV**  
**(Referred to Para 1.10.3.1)**  
**FORMAT 'A'**  
**DATA ENTRY SHEET**

**Software Packages (Works)**

- 1)AU01 - Audit Planning
- 2)AU02 - Profile of Auditees
- 3)AU04 - IR Monitoring
- 4)AU06 - Monitoring Recoveries at the instance of Audit.

IR CELL (HEADQUARTERS)	
I. IR Main MST 1 DBF	IR Main MST 2 DBF
1. DEP CODE	1. DAYS ALLOTTED
2. DEP. NAME	2. SCH. DATE OF COMMENCEMENT
3. OFFICE CODE	3. DATE OF COMMENCEMENT
4. ADDRESS	4. DATE OF COMPLETION
5. D	5. IR - APPROVAL DATE
6. SOURCE OF DRAWAL	6. IR - TO - TYPE
7. DISTRICT CODE	7. IR - FROM - TYPE
8. PERIODICITY	8. IR - ISSUED
9. LAST INSPECTION	9. IR - NO
A. MONTH AND YEAR	10. IR - YEAR
B. NO.OF WORKING DAYS	11. REF NO.
C. EXPENDITURE	12. IR - SUB
D. LAR NO.	13. IR - PERIOD
10. PARTY DAYS	14. STATUS
11. DPC SECTION	
12. SECTION CODE	

**IR CELL (HEADQUARTERS):**

**III. PROFILE OF AUDITEES (CURRENT ENTRY)**

1. IR MONTH
2. NO.OF WORKING DAYS

3. EXPENDITURE

4. LAR NO.

5.

**INSPECTION PARTY & IR CELL HEADQUARTERS**

MST 3 DBF

PARA NO	PARA SUBJECT	SUBJECT CODE	MONEY VALUE	PDP IND
1	2	3	4	5

MVOPD (Money value objected para details)

PARA NO	PART	SUBJECT	MONEY VALUE OBJECTED	A/C YEAR
1	2	3	4	5

**INSPECTION PARTY & IR CELL HEADQUARTERS**

VI MST 3 DBF (SETTLEMENT OF OLD PARAGRAPHS)

DEP CODE OFFICE CODE	NAME OF THE OFFICE	IR YEAR	IR NO.	PARA NO.	CLOSE D	DATE CLOSE D
1	2	3	4	5	6	7

**VII. RECOVERY AT THE INSTANCE OF AUDIT**

Dep Code Office Code	Name Of The Office	IR Year	IR No.	Para No.	Closed	Date Closed
1	2	3	4	5	6	7

Already Recovered	Recovered Now	Month/Year	Total Recovered	Balance
8	9	10	11	12

AO/Inspection Party

AO/IR CELL

DAG

**Explanatory Note:**

**I. IR main MST 1 DBF**

6. Source of drawal : Treasury / PAO / Divl. Accountant.

9. Expenditure : Indicate in lakhs of rupees.

**II IR Main MST 2 DBF**

10. IR Year - Indicate year of issue - eg. 1998 for 98-99 .

12. IR Subject - Local audit report / Special report.

13. IR Period - Period accounts covered by audit Eg. 4/01, 3/02

**IV. MST 3 DBF**

5.PDP Indicator - Yes/ No

**V. MVOPD (Money value objected para details)**

5 A/c Year - Indicate the financial year to which the objected money value relate.

6. Date closed - Indicate the date of settlement of the para

**FORMAT ' B'**

IAU Sn. Data entry for paras settled during the month of

**VI. MST 3 DBF (Settlement of old paragraph)**

Dep Code Office Code	Name Of The Office	IR Year	IR No.	Para No.	Closed	Date Closed
1	2	3	4	5	6	7

**VII. Recovery at the instance of audit**

Dep Code Office Code	Name Of The Office	IR Year	IR No.	Para No.	Subject
1	2	3	4	5	6

Money value objected	Already recovered	Recovered now	Month/Year	Total recovered	Balance
7	8	9	10	11	12

FORMAT 'C'

Paras outstanding in previous inspection reports

Dep.Code Office Code	Name of the office	IR Year	IR No.
1	2	3	4

  

Para No.	Subject Code	Subject	Money Value
5	6	7	8



## CHAPTER 2

### PRINCIPLES AND PROCEDURES OF AUDIT TO BE FOLLOWED IN HEADQUARTERS SECTION

#### 2.1 INTRODUCTION

The scope for Audit of Economic Services (ES-I) departments is varied and vast as it involves the audit of very large departments like Environment, Forest, Science & Technology (EFS&T), Irrigation & Command Area Development (I&CAD) and Roads & Buildings(R&B) apart from seven other equally important departments. The accounts of the departments subjected to audit are broadly of two types – works accounts under the control of PAO and Civil Accounts under the control of Treasuries & Accounts department. The Audits of the accounts of the following departments, which encompass both works and civil accounts, are so complex and technical that they require comprehensive and exclusive set of instructions to be followed in Audit:

- (i)Irrigation &Command Area Development
- (ii) Roads & Buildings
- (iii)Environment, Forests, Science & Technology

Hence for the audit of the above departments, exclusive sets of instructions covering all aspects of Audit (Principles of Central Audit and local audit, Audit Planning, Conduct of Audit, raising & pursuance of Audit observations etc.) are issued in two separate parts of the Manual as follows:

ES Manual Part II- Forest Audit

ES Manual Part III- Works Audit

For the audit of accounts of the other seven civil departments, which comprise of only civil accounts, the principles and procedures of audit to be followed in Headquarters sections are explained in the succeeding paragraphs.

#### 2.2 Audit Planning

It is a plan for the year or years ahead of the activities that an office requires to undertake on regular basis by utilising the manpower optimally with special thrust on more important units and at the same time not ignoring relatively unimportant units or taking



them up for audit with less frequency. Auditing standard 11.2 promulgated by the C&AG in May 1994 requires that the Audit Organization should prepare, plan and prioritise inventory of audit assignments with reference to outlays, contemporaneous relevance and administrative and socioeconomic importance as well as quality and quantity of available audit resource and skills.

An efficient audit plan would involve interalia:

- (a) de novo examination of periodicity of audit and duration of individual audits,
- (b) prioritization of audit assignments,
- (c) matching the available audit resource with the audit requirements and
- (d) acquiring in depth knowledge on the auditee organisation and developing appropriate data base.

In the AG's (Audit) conference held in July 1993 following suggestions on prioritization were noted for general guidance:

- (a) Audits necessary for certification as sole auditor of accounts including Finance and Appropriation accounts.
- (b) Audit under Section 19 of CAG's (DPC) Act, 1971
- (c) Audit under Section 20 of the Act *ibid*
- (d) All India reviews and local reviews.
- (e) Audit under Section 13,16 and 17 of the Act *ibid* likely to give rise to paragraphs for Audit Reports.
- (f) Audit under Section 14 and 15 of the Act *ibid* likely to give rise to paragraphs for Audit Report.

The requirements at (a), (b) and (c) are mandatory and admit no flexibility. The requirement of (d) should be the next charge on available audit resources. The remaining audit resources should be utilized on audit mentioned at (e) and (f) after carefully reviewing the necessity and potential of each audit assignment and number of party days required for it. The key to planning efficient audit is in understanding the auditee organisation and its environment as prescribed in Auditing Standards 8.3 *ibid*.

Necessary data bank and documentation covering reports of various committees, study reports, Plan/Budget documents, news paper and journal clippings etc. should be

carefully built up under functional heads or subjects wise; as these will be of immense help in planning for audit and for detailed audit. It should interalia contain complete details of the programme covering the objectives, financial and fiscal targets, performance standards, time schedule for the different components of sanction and copies of sanctions, etc.

*(HQrs Circular No.4/Audit plan/94 No.822 (Aud.Plg) 93-94 dt.22.12.94).*

### **2.3 Forecast and tour programmes**

(i)A Programme Register of Local Audits in Form S.Y.336 should be maintained by the ES-I Section to show, department-wise (i) the names of offices (ii) location (iii) periodicity of audit (iv) party days allotted (v) date of last audit, (vi) when due for next audit and (vii) remarks. Separate pages may be set apart in this register for each category of audit, i.e., annual, biennial, triennial, quadrennial. The Register should contain suitable columns to record the dates of audit for three years after which it should be revised and prepared afresh.

(ii) This register forms the basis and permanent record of the inspection of the various offices and should be maintained carefully. The month of actual audit in subsequent years should be accurately posted against each office with a view to obviating chances of double booking.

(iii) The detailed quarterly tour programme of field parties and supervisory programmes of Gazetted Officers are chalked out by the programme unit of Section with reference to the annual forecast approved by Accountant General, and Programme Registers. For the purpose of administrative convenience, the programmes are chalked out quarterly, the year being divided into four quarters for this purpose, viz., April to June, July to September, October to December and January to March.

(iv) Whenever, under the orders of competent authority, any particular audit is suspended or its periodicity is altered or any new audit is taken up, the necessary corrections or additions should be made immediately in the Programme Register.

(v) The column "date of last audit" in the registers in question should be filled in against each item recorded therein, as soon as an event occurs relating to such audit. Thus, when an item is included in the programme of local audit, the date fixed for local audit should be entered in pencil in the first instance, and inked over in Programme Registers when the date expires and the local audit is carried out. Again, if an audit is postponed to a future date at

the instance of the office to be audited, or due to abolition or shifting of an office, the facts should be noted in a register called the Register of Cancelled Audits as well as the District-wise and Programme Registers for guidance. The entries to this effect in these registers should be posted up to date so that they may provide correct information about the audits done and those remaining to be conducted during the year and then it would be materially helpful in chalking out the programmes. The programme for each quarter should be chalked out not later than 5<sup>th</sup> of the last month of the previous quarter.

(vi) The tour programmes of the field parties including Inspecting Officers should indicate the following particulars: (i) Party No, Names of Section Officers and Auditors attached to the party, (ii) names, Code No. and locations of offices to be locally audited, (iii) particulars regarding periodicity and last audit, (iv) duration of audit, (v) dates of commencement and termination of each audit, (vi) particulars regarding transit dates, if any, for periods of transit from one station to another, (vii) names of Gazetted Officers who will supervise the programmes of local audit (wherever applicable) and (viii) closed holidays. The supervisory programmes of Gazetted officers should indicate the (i) names and locations of offices to be supervised (ii) number of party days allotted, (iii) number of supervision days allotted, (iv) duration and particulars of supervision i.e., first, middle, last or full, (v) number of party to be supervised and (vi) particulars of transit dates, if any, for periods of transit from one station to another. No separate programme is necessary in case where the officer has to supervise only two parties. A copy of the programme of the parties supervised will serve the purpose.

(vii) The quarterly tour programmes of field parties are approved by D.A.G (ES-I). No hard and fast rules can be laid down in regard to chalking of the programmes, but the fulfillment of the following requirements should be ensured.

(1) An office should normally be scheduled for audit in the month and year in which it is due for local audit in accordance with the cycle of local audits.

There may be institutions due for local audit in a particular year but which cannot be taken up for various reasons. A list of all such arrear audits should be drawn up in December every year at the time of preparation of the tour programmes for the fourth quarter and these institutions should be taken up for audit in the first instance in the course of the subsequent quarters. The extent to which such arrear audits have been provided for should be indicated while submitting the draft programmes for every quarter to Group Officer to take a decision about judicious distribution of the available staff, reduction of frequencies

and duration of audit to ensure that audits of all important institutions are taken up on priority basis and less important audits are rescheduled with lesser frequencies viz., Triennial or Quadrennial or even once in five years. The idea will be that audit of all offices, however infrequently it may be done, will be completed once in five years.

2) As far as compatible with the requirements elucidated above, all local audits to be carried out in a particular station or area and due in that quarter should be conducted in a single visit to ensure maximum economy in travelling allowance. Normally, the movement of parties should follow the shortest and direct routes, and there should be no overlapping or retracing of the same route by the same party.

3) To ensure maximum output as also economy in time transit days for field parties and Inspecting Officers should be allowed on Sundays and non-prominent holidays whenever feasible.

*(Lr.No. 14 (4)-E(Co-or) 1/67, dated 21<sup>st</sup> July, 1967 from G.I.M.F Dept. of Expenditure addressed to all Ministries/Departments etc., filed in confidential case regarding regulation of D.A for halts exceeding ten days \_ of O.A.D (Civil Headquarters).*

4) Supervised audits should be sandwiched between non-supervised audits in such a way that the Inspecting Officer may be able to supervise the important audits at a particular station in a single visit in each quarter.

5) Climatic conditions and accessibility of places to be visited should also be taken note of in programming local audit, i.e., remote and inaccessible spots should be visited in seasons of fair weather. Similarly days when summer and winter are severe at the various places in the State should be made out and kept on record. Localities known for extreme heat during summer as Kothagudem, Ramagundam, etc., and agency areas where winters are severe, are to be covered in inspection in winter and summer respectively.

*( Orders of Sr.D.A.G (Inspection Civil) dated 27<sup>th</sup> June, 1973).*

6) The programme should be drawn up in such a manner that one party may not visit the same station more than once in a particular quarter.

7) Care should be taken to ensure that field parties are not ordinarily required to stay at a particular station in excess of thirty days.

8) No field party should remain away from headquarters for more than two months.

9) The same party may not inspect an office on two successive occasions.

- 10) The office of the Controlling Officer should first be taken up for local audit, when several of his subordinate offices are also to be visited.
- 11) Where, in any office, stores and stock accounts are to be audited, the programme of local audit should not be arranged, before such accounts are made ready. Wherever possible, a previous enquiry should be made as to the readiness of these accounts prior to fixing up the inspection of the offices concerned.
- 12) **Supervisory programmes:** Immediately on drawing up the tour programmes of field parties, the supervisory programmes of Inspecting Officers for the quarter should be chalked out.

While preparing the supervisory programmes the following consideration should be borne in mind.

- 1) Gazetted supervision should be provided in all cases where it is obligatory and for all other important audits.
- 2) All new items of audits taken up by the audit parties (except the minor and unimportant ones) should be supervised as far as possible.
- 3) All important items of audit should be adequately supervised either in one or more spells.
- 4) The supervision should be arranged, as far as practicable towards the close of audit to enable the Inspecting Officer to settle on the spot, the observations made during local audit, to the extent possible, and to discuss the draft Audit Report with the head of the office.

#### **2.4 Duration of audit**

(i) Though it is not proposed to lay down the duration of audit for various types of offices, it is very essential that the existing time allocation should be closely reviewed. A review of the time allocation should, therefore, be made every third year, after taking into account the comments of the field staff, in order to ensure that time allowed for each inspection is not more than adequate.

The duration of local audit should not ordinarily exceed 50 working days. In all cases in which it is considered absolutely necessary to allow a local audit party more than 50 working days, full facts of the case with a detailed justification should be reported to Headquarters office."

*(D.O Letter No. 673-T.A.I/JD(TA)75, dated 5.08.76 of the Additional Deputy Comptroller and Auditor General).*

(ii) Before an Audit party proceeds to a particular Institution/Office for conducting important/long duration audit, all the members of the party should be briefed by a Senior Officer/Group Officer from Headquarters about the functions, nature and extent of activities and the magnitude of the financial transactions of the Offices/Organisations to be inspected. The inspection staff may also be provided with suitable guidelines on the salient points to be examined during such audits. The audit party should contact the Headquarters to receive such instructions as stated above before the commencement of important/long duration audit inspections.

*(D.O.Letter No. 184-T.A.I/13-80, dated 6.3.80 of the Joint Director, Comptroller and Auditor General's office).*

## **2.5 Review of frequency, duration etc. of local audit**

In order to facilitate the review of the frequency, duration, etc., of local audits, the Inspecting Officers and Asst. Audit Officers of the field parties should record in a separate report, their impressions regarding the state of accounts and the time required for its audit and make suggestions for increasing or decreasing the extent of local audit of the institutions inspected by them. There may be some offices where improvement in the maintenance of accounts have taken place in which case it is but proper that the frequency and quantum of local audit are reduced. Where the offices have shown no marked improvements or where there are other special circumstances which call for such action, it would be necessary to intensify the local audit of the institutions concerned. It should, however, be noted that the object of the report and its review in the Main Office is to ensure that the limited manpower at our disposal is utilised to the maximum advantage. In any office, where the Inspecting Officer, Asst. Audit Officer of the party finds that the time allowed for local audit is in excess of the requirements, he should instantly bring the fact to the notice of Headquarters for considering a reduction in time. Similarly, if he finds that the transactions in any office are too small even to justify the expenses of a local audit, he should report the facts to Headquarters Section for orders. The factual position in this

regard should invariably accompany the Inspection Reports sent to the Main Office by the field inspection parties.

**2.6 (A) Deviation from tour programmes, and extension of time for local audit:**

The time allowed for local audit should not be exceeded without the prior approval of Group Officer and the time schedule should be adhered to scrupulously. The Assistant Audit Officers in charge of the field parties should be in a position to gauge the quantum of work in a day or two after the commencement of local audit, and any extension of time, found necessary, should be applied for immediately. In applying for extension of time in any particular case, the circumstances which render the extension necessary should be fully narrated for consideration and orders. It should be especially noted by the field staff that extension of time will not be granted as a matter of course in all cases. When extension of time is absolutely necessary, it should be applied for sufficiently in advance, with the definite recommendations of Inspecting Officer (in the case of supervised inspection) so that orders of Group Officer on the application for extension of time may be communicated in time before the extension is availed of. Unauthorized extension of time will entail forfeiture of daily allowance unless the case for extension is sanctioned by Group Officer. The programme as scheduled should be adhered to by making extra efforts, if necessary.

NOTE : The local audit of an office undertaken should not be left unfinished on the plea that time allotted is insufficient. The field parties should promptly initiate action as above and obtain the required extension lest it should lead to deputing another party to complete the unattended items of work.

*(Circular No. O.A.D .I/X/1-13/65-66/2, dated June 1966).*

**(B) Requests for postponement of audit:**

Requests for postponement of the programmes of local audit are considered only in exceptional circumstances. In case, where the departmental office fails to produce the records on the scheduled date, the Inspecting Officer should ascertain the reasons for non-production of records in writing. In cases, where an office is abolished or shifted to some other station, the party should take up the audit of the next item of programme, if the next office on schedule is located at the same station, or proceed to the next station, in accordance with the scheduled programme, under telegraphic intimation to Headquarters

section in this regard, instead of staying at that station awaiting instructions from Headquarters Section to obviate waste of party days. A comprehensive note in regard to the movement of the party along with sufficient proof of the circumstances, leading to the non-production of records etc., should then be sent to Headquarters Section for post facto approval of the deviation in the party's tour programme.

*(O.A.D.Civil Headquarters Circular No. O.A.D./Civil/X/1-3/69-70/15, dated 21<sup>st</sup> July, 1969 and OAD/Civil/X/1-11/70-71/35, dated 28<sup>th</sup> January, 1971 - File No.s 1-3/69-70 and 1-11/70-71 of O.A.D.(Civil) Headquarters Section)*

**(C) Computation of arrears in respect of local audits not conducted and their exhibition in the quarterly reports on the state of works:-**

Arrears in respect of local audits scheduled in the forecast but which were not actually conducted during the year should be completed at the end of the year with reference to programme for the year and exhibited in the report on the state of work for the year or quarter ending March of each year. The arrears, however, need not be carried to the subsequent quarterly reports.

When deviations are made from the approved programmes to provide for certain special and urgent items, requiring investigation, the time consumed for such special investigation should be shown separately in the arrear report and not deducted from the arrears of inspection, scheduled but not conducted.

*(C.A.G's Lr. No. 111-Admn.II/286-62, dated 18<sup>th</sup> January, 1963 and Lr.No.1095-Admn-II/282-62 dated 21<sup>st</sup> June, 1965)).*

**2.7 Intimation of the dates of local audit:**

Intimation of local audits should be issued by the Programme Unit of ES-I Coordination at least two months in advance before the date of commencement of audit (vide Form I given in **Annexure I** to this section) to the head of the office to be inspected. A notice to the departmental office about programme of local audit, is provided for so that the required documents may be kept ready for audit, as otherwise the time of the field staff is liable to be wasted.

A surprise inspection of the cash of an office wherein temporary misappropriation is suspected is, however, a different matter and no previous notice of inspection need be given. Such inspections may, in view of the absence of the notice, have to be confirmed to the limited purpose of check of cash and of the books relevant to that purpose.



*(Comptroller and Auditor General's D.O No. 70-Admn.I/54, dated 26<sup>th</sup> July, 1954 read with CAG's No. TA.II/222-82 dated 7.9.82)*

Intimation regarding local audit of accounts of Government Secretariat is to be authenticated by Audit Officer Headquarters Section, while the other intimations are signed by Assistant Audit Officer (Programme Wing) of Headquarters.

NOTE: While advising the District Agriculture Officers regarding dates of local audit, the names of depots selected for test-check should be specified in the intimation, and a copy of the intimation, should also be endorsed to the Assistant Audit Officer of the field party concerned.

**2.8 Period of accounts to be locally audited:**

(a) The period of accounts to be locally audited is the period (a) upto the month preceding the month in which inspection/local audit takes place from the last audit, the period so covered should invariably be indicated under "Scope of Audit". The first audit of an institution should, however, cover the accounts from its inception or at least the accounts of the last three years.

*(CAG's orders dated 20<sup>th</sup> November, 1964-File No.38-6/64-65)*

(b) The local audit and inspection should be complete and thorough in respect of the transactions covered by them. It would be a pity if frauds and misappropriations failed to be detected by audit are detected by administrative authorities in the accounts relating to a period covered by local audit. The field staff should bear this fact in mind and must be vigilant and searching in their work.

*(CAG's D.O Lr.No. Nil, dated 6<sup>th</sup> June, 1955-and Dy.CAG's D.O.No.1307-Admn.I/388-55 dated 24<sup>th</sup> June, 1955 read with CAG's Confidential. D.O No. 2045-Admn.III/479-60, dated 5<sup>th</sup> December, 1960).*

**ii) Field staff not bound to confine their investigation to the nominal period prescribed for audit:** The field party or Inspecting Officer need not confine their investigation to the nominal period prescribed for audit. They may pursue a transaction to any period when a serious irregularity is noticed.

**2.9 Selection of months for test audit :** (a) The selection of the months of account for detailed check during local audit should be governed by the following principles.

Nature of Audit	No. of months for which detailed check should be conducted.
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1. Half yearly and annual audit except when they are taken up for the first time.	One month's accounts
2. Biennial and first audits	Two months accounts (one month to be selected from each financial year).
3. Triennial and Quadrennial audits	Two months accounts (one month to be selected from the financial year immediately preceeding the local audit and another month from the other 2/3 years).

*(AG's Orders dated, 4<sup>th</sup> July, 1964 File No. 38-6/64-65 O.A.D (Civil) Headquarters).*

**(b) Selection of Sub-Units/Subordinate Offices for test-check:**

The marking and selection of independent sub-units/subordinate offices will be done by Headquarters Section and communicated to field parties along with the programme itself. If any difficulty is felt in auditing the accounts of the unit marked, Inspecting Officers/Assistant Audit Officers may mark another sub-unit and communicate the fact to Headquarters Section immediately for incorporation in the relevant records.

*[ IC(H)Circular No.22, dated 19.8.1976].*

**(c)** In case of local audits in arrears for more than 4 to 5 years, the selection of months for detailed check be enhanced suitably, preferably one month's check of cash book for each year of audit keeping in view the importance of auditee units, transactions involved and defalcation of Government cash if found during check of cash book depending upon the availability of staff and at the discretion of the Accountant General.

*(CAG's Circular letter No. 16 Audit II/91 No 1415-Audit II/5691, date 4.12.91).*

**2.10 Transmission of vouchers etc. to field parties.**

(i) In view of the existing safeguards in Central Audit and further considering the practical difficulties in collection and transmission of General Provident Fund vouchers, it has been decided by Comptroller and Auditor General in partial modification of earlier instructions, that the Provident Fund payment vouchers need not be taken up for local verification with cash book.

*(Comptroller and Auditor General's Letter No. 364-TA.I/225-73, dated 30.5.74 and Circular No. Officer Order No. 11. dated 23.7.1974).*

**(ii) Documents necessary for local audit**

The under mentioned documents should invariably be supplied to the Assistant Audit Officer of the party/Inspecting Officer concerned (as the case may be) sufficiently in advance of the date of commencement of local audit, as otherwise the efficiency of local audit is liable to be impaired in the absence of the same.

- 1) The previous Audit Report with the connected notes and papers together with list of outstanding paras and paras dropped subject to verification during next audit.

NOTE: A thorough review of these reports should be conducted in Headquarters Sections beforehand and all possible assistance should be rendered on the following lines to the field staff, to facilitate compliance with the above instructions:

- (a) Statement of outstanding objections and objections dropped subject to verification in next audit should be prepared or should be referred to if there is already one on hand ;
- (b) A synopsis regarding the important points that require specific investigation in the light of the previous reports.

- 2) Intimation of the month or months and names of subordinate offices selected for test-audit by the Branch Officer of the audit section concerned along with connected vouchers including vouchers received through Inward Settlement/Ex-change Accounts adjusted during the months and also relating to loans, Personal Deposit account and Provident Fund payments for the selected months.

*(Fund payments for the selected months (CAG's Lr.No. 2928-TA I/563-68, dated 23<sup>rd</sup> August 1968).*

- 3) Memorandum of special or important points requiring special attention or examination on the spot furnished by Central Audit :

- 4) A list of outstanding objections raised in Central Audit with a brief indication of the points relating to each objection for possible settlement by the Inspecting Officer, (Civil).

*(CAG's Circular No. 1784-Admn.I/173-61(II), dated 8<sup>th</sup> August 1962 referred to in CAG's D.O.No. 51-TA (O&M) 11-65, dated 5<sup>th</sup> January, 1965 file No.IV-45/64-65-71,O.A.D (commercial).*

**(iii)** The documents sent for local audit should be utilised as follows :

- (1) Any point in the previous Audit Report marked for the current audit should be investigated. If the point was settled since the last audit, this should be recorded with due attestation on the previous report. Otherwise, it should be included in the current report and a certificate should also be recorded in the previous report that all outstanding paras therein are included in the draft Audit Report.
- 2) The points, required by Central Audit to be verified in local audit, should be investigated in detail and the report thereon should be sent directly to the Audit Officer of the "Central Audit" section, copy thereof being enclosed to the Audit Officer (ES -I) Coordination Section also.
- 3) Establishment vouchers received from Central Audit should be verified, in detail with the initial accounts (Pay bills, Acquittance rolls, etc) in the local office.

**(iv)** The Inspecting Officer and his assistants should always set their dated initials on all vouchers, accounts and documents in the course of their scrutiny.

Note: Cases of non-production of vouchers, accounts and documents required for audit should be prominently mentioned in the Audit Reports.

## **2.11 Receipt and disposal of Audit Reports**

**(a)** The receipt of the draft IRs within the prescribed time limit, i.e., within 5 days of the completion of local audit is watched in Headquarters Section. The Section Officers of Headquarters Section are responsible for ensuring prompt receipt of Audit Reports and for obtaining specific reasons for delay, in respect of belated receipt of reports, through timely issue of reminders. As soon as the report is received the auditor should check up whether:-

- (i) all the audit enquiries have been received in-tact,
- (ii) report and the rough notes are properly page-numbered,
- (iii) cross reference to audit enquiries and annexures are given in the margin against each para,

- (iv) statements if any, furnished both in the body of the report and in the annexure are arithmetically accurate,
  - (v) the particulars of dates of conduct of local audit and dates of supervision agree with those in the schedule of tour programmes (the fact of having ensured this agreement should be recorded in the editing slip),
  - (vi) the forwarding document is properly filled in, and
  - (vii)** all the certificates required to be given by the parties are furnished.
- (b)** After exercising the above mentioned checks, the report should be submitted to the Assistant Audit Officer/Supervisor along with the preliminary check memo in form given in **Annexure II** for further scrutiny and submission to Audit Officer and Group Officer. The Auditor should not take more than one working day for this purpose.
- (c)** The draft IRs should be carefully scrutinized to see that "-
- (i) items of the previous Audit Reports marked for "next inspection" are duly brought over to the current reports, if not finally disposed of ;
  - (ii) important points which are likely to go into the Audit Report are specially brought to the notice of the Deputy Accountant General (ES-I);
  - (iii) audit is carried out to the extent necessary, and
  - (iv) the report is discussed with the Head of the Office.

## **2.12 Time limit for the issue of Audit Report and for first reply**

- (a) Audit Reports should be issued within one month from the date of completion of the local audit.
- (b) (i) It should be made clear in the letter covering the Audit Report issued to the Department that the first reply should be received within a month of its issue. As the timely submission of reports is of vital importance, the time-limit prescribed for issue of Audit Report should be strictly observed.

*(CAG's Circular No. 1895-Admn.III/268-60, dated 20<sup>th</sup> September, 1960 read with Secret letter No. 964-TA,I/98-71, dated 12<sup>th</sup> April, 1971 File No. IV 45/64-71 O.A.D. (Commercial) Headquarters Section).*

For this purpose the following time table should be adhered to:

5 working days for the receipt of the draft Inspection Report from the Audit Party (The draft IR is expected to be discussed with the Officer-in-charge before the closing days of inspection).

5 working days for the Section to submit the report.

4 working days for Gazetted Officers to pass the report.

10 working days for typing and issue of the report

Total 24 working days or say one month.

*(Hqrs. Lr.No.125-Audit(AP)/109-95 dt.2.8.2004 and LA-I Circular No.PAG(CA)/ LA-I/Genl/2004-05/11 dt.31.8.2004)*

- (ii) CAG desired to reduce the period of one month to less than 3 weeks by strict monitoring at the level of Group Officer.*(Lr.No. 282-Audit-II/83-85 Dated 19.2.86).*

In order to achieve the desired result, it has been decided that Inspection Headquarters Sections would submit to Accountant General through the concerned Group Officers on 7<sup>th</sup> of every month a report (as given below) on issue of Inspection Reports in respect of audits conducted in the preceding month.

Name of auditee unit	Dates of audit conducted	Dates of receipt of draft IR in Hqrs	Date of submission of IR to the Group Officer	Date of IR passed by Group Officer	Date of issue of IR	Brief reasons for delay
1	2	3	4	5	6	7

*(CAG's Office Circular letter No. 823-(Aud.Plg) 105-95, date 3.11.1995).*

- (c) The compliance of the above time table should be watched through resubmission, within a week after the issue of each Audit Report, of the preliminary check memo to the Branch Officer attending to the marginal remarks if any and indicating the dates of transmission to Type Section, receipt from Type Section, date of issue etc. In all cases where the Audit Reports were not issued within the time limit prescribed in sub-paragraph (a), the reasons for the delay should be clearly indicated in the space provided for this in the preliminary check memo and the memo submitted to Group Officer (Inspection Civil) also.

- (d) The reports drafted are vetted and approved by Deputy Accountant General(ES-I)

before issue.

(e) The fair copies of Audit Reports, as finally issued to the Administration or Head of the Office inspected, after scrutiny and vetting in the Headquarters Section, should be formally signed by Group Officer and worded "I forward herewith the report on \_\_\_\_\_". The report proper should also be duly attested lest it should give an impression that the Audit Report which is being sent, is a copy and not the original. If more than one copy is sent, the forwarding letter should make it clear that the Audit Report on the accounts of the office locally audited is being sent with the required number of spare copies.

*(CAG's Letter No.76-Tech. Admn.I/385-65, dated 14<sup>th</sup> January 1966 and Secret D.O No. 418-Admn.I/66-557, dated 9<sup>th</sup> February, 1959).*

NOTE: Necessary entries at the various stages of receipt/disposal of the reports should be made in the Register for watching the receipt and issue of Audit Reports and Progress register of settlement of Audit Reports.

### **2.13 Despatch of Reports to departmental authorities**

(a) In addition to the copy or copies sent to the Head of the Office or institution locally audited a copy of the report should also be sent simultaneously to the next higher authority and /or Head of the Department and their/his attention invited specially to any important items or serious irregularities or other points requiring his special attention if the next higher authority happens to be an official other than the Administrative Ministry/Department of Government. It is for this office to consider the necessity of forwarding a copy of the Audit Report to the Ministry or Department, in whole or in part. It is not necessary for Audit to send a copy of the Audit Report to the Administrative Ministry/ Department separately unless a request is made by the Ministry or Department.

*(CAG's Letter No. 2205-Admn.II/608-Admn.I/58, dated 11<sup>th</sup> September, 1959-Govt. U.O Note F.D.No. 136853/Accounts/58-5 dated 1<sup>st</sup> April, 1959-and CAG's Letter No. 468-Admn.II/608-Admn.I/56, dated 1<sup>st</sup> January, 1960).*

(b) The return of the Audit Reports with the replies of the Departmental Officers to the objections taken therein should be watched by Headquarter Sections.

(c) The following procedure should be adopted for issuing reminders in the case of non-receipt of prompt replies to the Audit Reports and rejoinders, and in regard to particulars necessary for drafting a para for inclusion in Comptroller and Auditor General's Report.

- 1) First reminder- after two months from the date of issue of the Audit Report.
  - 2) Second reminder-after three months from the date of issue of the Audit Report with a copy to the Head of the Department.
  - 3) Third reminder-demi-officially, after four months from the date of issue of the Audit Report, to the Head of the Department with a copy to Government. In regard to important cases the demi-official reminders may be issued over the signature of Group Officer (Inspection Civil).
- (d) Demi-official reminders should be issued thereafter at intervals of one month. Delay over six months should be reported to Government.
- (e) Further remarks on Audit Reports:-
- (1) First-reminder - after one month from the date of issue of further remarks.
  - (2) Second reminder - after two months from the date of issue of further remarks.
  - (3) Third reminder-demi-officially - after four months from the date of issue of the audit remarks to the Head of the Department. In regard to important cases the demi-official reminders may be issued over the signature of the Group Officer /IC.
  - (4) Demi-official reminders, should be issued at intervals of one month; thereafter delays over six months should be reported to Government.
  - (5) In regard to items noted in the Register of Financial Irregularities for considering draft paragraphs for inclusion in the appropriation accounts, the matter should be taken up even in the first instance with the Head of the Department. Care should be taken to ask for all the particulars necessary to finalise a para. Reminder should be issued over the signature of Group Officer (Inspection Civil) every fortnight.
- (f) Other correspondence not covered by item (i) above:
- 1) First reminder - after one month from the date of issue of the letter over the signature of the Branch Officer.



- 2) Second reminder - after two months from the date of issue of the letter.
- 3) Third reminder - after three months from the date of issue of the letter demi-officially to the Head of the Department. In respect of important cases the demi-official reminders may be issued over the signature of Group Officer/IC.
- 4) Demi-official reminders should be issued at intervals of fifteen days thereafter. Delays over six months should be reported to Government.

*( OO.No. O.A.D. (Civil)/34-I/59-60/23, dated 29<sup>th</sup> December, 1959).*

- 5) No replies to the points included in the audit notes need be called for. The number of points contained in each audit note may be recorded in the register maintained for this purpose in the C.A. Sections of the Main Office. The action taken by the departmental officers on the points mentioned in the audit note should, however, be scrutinized by the Assistant Audit Officer/Supervisor conducting the next local audit and the number of points settled, communicated by him to the Main Office for recording the progress in clearance in the said register.

#### **2.14 Receipt of replies from departmental authorities to the Audit Reports**

(a) Replies to the Audit Report on the accounts of the subordinate offices should be transmitted through the Heads of Departments to the Prl.Accountant General to enable the Heads of Departments to scrutinize replies carefully and to give necessary instructions to the subordinate officers for avoiding recurrence of the mistake and strict compliance with the rules.

*(Govt. of A.P. F.D. Memo No. 61845/Acts/58-1, dated 11<sup>th</sup> July, 1958).*

(b) Similarly, replies to the Audit Reports on the accounts of the Heads of Departments should be routed through the appropriate department of the Secretariat in the Government who scrutinize and forward the replies to this office with their remarks.

*(Govt. Finance Dept. U.O.Note No.136856/Accounts/58-5, dated 1<sup>st</sup> April, 1959).*

#### **2.15 Disposal of replies to Audit Reports**

The receipt of replies to the reports with the comments of the Head of the Department/Government should be watched. The replies to reports should be scrutinised

and a review submitted to Group Officer together with a draft of letter for approval conveying further remarks where necessary to the Head of Office for compliance and report. Further correspondence on important and controversial points should be made with the Head of Department or Government.

Note 1 : The work of receipt of replies and the disposal of the same, in respect of the Inspection Reports of P.W. Divisions is done by I.R.Cell Sections, respectively.

NOTE 2 : All cases of important irregularities, overpayments, suspected frauds, embezzlements, etc., and cases reported to Government, and the Head of the Department should be vigorously pursued till they are suitably settled under the orders of the Group Officer (Inspection Civil) who may obtain the orders of the Prl.Accountant General, wherever considered necessary. Routine observations on the rejoinder to the Audit Report should be issued over the signature of the Branch Officer. Efforts should be made to finalise cases of fraud, embezzlement, etc., by preparing suitable draft paras without waiting for their settlement.

## **2.16 Filing of Audit Reports**

All rough notes, Audit Enquiries and Draft Audit Reports should be filed and in one file the office copy of the report as issued to the Department/Government and further correspondence thereon should be filed separately. The time-limit for destruction of records applicable to the Audit Reports would apply to the corresponding file of rough notes also.

*(O.O.No. O.A.D./Civil/XII/38, 13/70-71, dated 5<sup>th</sup> July, 1971-File No. 38-13/70-71 O.A.D (Civil Headquarters).*

## **2.17 Report to Government on outstanding Audit Reports**

(a) All Audit Reports outstanding for more than six months should be reviewed and reports thereon should be sent to Government on 1<sup>st</sup> August and 1<sup>st</sup> February listing out in each outstanding paras of the various reports as were outstanding to end of December and June, respectively.

(b) To enable the Administrative Ministries to have a better appreciation of the types of audit objections remaining outstanding for dealing with them promptly and effectively, the

objections to be included, in the half-yearly lists due to the Administrative Ministries as per the Ministry of Finance, O.M.No.F-27(7)-E.G.I/53, dated 19<sup>th</sup> December, 1953 and in similar yearly and half-yearly returns due to State Government should be grouped under the following broad categories, besides being prepared Office-wise or Department wise as at present.

- i) Want of sanctions to establishment or to continuance of establishment.
- ii) Want of sanctions to miscellaneous and contingent expenditure.
- iii) Want of sanctions to estimates or excess over sanctioned estimates.
- iv) Want of detailed contingent bill, vouchers, payees receipts, stamped acknowledgments or other documents.
- v) Advances not recovered and adjusted within the prescribed period.
- vi) Want of agreements.
- vii) Non-recovery of overpayments or amounts disallowed in audit.
- viii) Irregularities in payments with reference to contracts.
- ix) Want of sanctions to write-off of losses or irrecoverable amounts.
- x) Objections raised on grounds of financial propriety, and
- xi) Other reasons

*(CAG's Letter No. 669.T.A.I/71-67 II, dated 16<sup>th</sup> May, 1969-File No. IV-45, 64-71 O.A.D(Civil) Headquarters).*

c) "All important audit objections and paras of Inspection Reports which have not been included in the Audit Report may be brought to the notice of the Head of the Departments and Administrative Secretary concerned demi-officially quarterly/half-yearly. These objections should be discussed by the Senior Deputy Accountant General/Deputy Accountant General with the Heads of departments and by the Prl.Accountant General with the Administrative Secretary concerned with a view to seeking their early settlement".

*(CAG's Circular No.29.T.A.I./82-No. 962-T.A.I/45-Vol.II dated 2.8.82-File No.G.I.-100/81-83).*

## **2.18 Clearance of outstanding audit objections/paragraphs of Inspection Reports**

A review of the outstanding objections/paragraphs of Inspection Reports has to be conducted by the editing units periodically for the clearance of these items with reference to the guidelines issued by the Comptroller and Auditor General as detailed below:

- a) Paragraphs where departmental views have not been accepted may be discussed with the concerned Secretary to Government at the level of Group Officer and pursued further if they are likely to be mentioned in the Audit Report, otherwise these having been reported to Government may be dropped.
- b) Paragraphs which have lost significance with the passage of time may be dropped.
- c) Paragraphs relating to initial and subsidiary accounts in Audit Reports may be clubbed with or merged in the paras on the same points in the latest reports. Paras which were dealt with the subject matter vaguely or where no specific action or rectification or improvement has been suggested may be dropped.
- d) Paragraphs containing objections on grounds of propriety but not likely to be included in the Audit Report either because the amount involved is not much or the impropriety is not serious and which have remained outstanding for more than 2 years may be removed from the list of outstanding paras after bringing them to the notice of the Secretary of the concerned Departments.
- e) Objections remaining outstanding for more than 8 months from the date of issue may be reviewed and joint meeting with the concerned Departmental Officers and Accounts Officers may be arranged for linking up of the records/papers sent by former (especially in regard to objections outstanding for want of payees receipts and detailed contingent bills) and settlement. The objections remaining outstanding even after informing the Heads of Departments/Administrative Departments and those which are significant, may be proposed for inclusion in the Audit Reports.
- (f) Petty items and other items for which details are not available can be dropped. In respect of items where the audit observation is not accepted by Government, the Prl.Accountant General can either mention these in the Audit Report or drop the items depending upon the magnitude and nature of these observations. Objections on accepted

overpayment and disallowances, the departments can be pressed to expedite the recovery. Items which have become irrecoverable can be reported to Government for regularization after necessary investigation.

g) Power of waiver of petty objections should be exercised "ab initio" freely.

h) Significant observations involving substantial amounts or gross lapses or failures of system can be commented upon in the Audit Report individually or collectively. Where assurance is given by the Government for regularisation, the items can be dropped.

*(CAG's Circular No. 22-TA.I/82-No.748 - TA -3/45-82, dated 19.6.1982 File No. GI-100/81-83).*

## **2.19 Files required by audit for reference**

Files required by the Audit Officers for the preparation of audit paragraphs should be readily made available to them. If the contents of the file or any part of it is "Secret" or "Top Secret" the file should be sent, specifying this fact, to the Accountant General by name who then deal with it in accordance with the standing instructions for the handling and custody of such documents.

*(Circular Momo No. 68940-A/764(Rev)/60, dated 14<sup>th</sup> November, 1968 of Government of Andhra Pradesh (Fin) (Rev) Dept. Circular No A.O. Cell/14-2/67-69/12, dated 8<sup>th</sup> December, 1968-File No. 11-1-/68-69 of Report Section).*

The following instructions are issued in this regard by Comptroller and Auditor General.

(i) Files dealing with policy matters may be called for by Audit only where it is considered absolutely necessary. The decision to requisition such files for scrutiny in audit should be taken at a fairly high level, preferably by the Accountant General himself and in any case, not lower than by a Deputy Accountant General.

(ii) The files may reveal contradictory views expressed at various levels on various matters before final decisions were taken. In such cases Audit should not make unfair use of such contradictory views/opinions expressed in the course of formulation of policies by citing them legal or financial advice rendered in a case may, however, be cited where necessary, if it had been overlooked or ignored in arriving at the impugned final decision without good and sufficient justification at the time when the final decision was taken.

(iii) Audit should so far as possible judge the executive actions on the basis of the facts available to executive authorities at the time decisions were taken and should not normally take into account facts or circumstances which were not known at the time of decisions taken.

(iv) A contention may be raised in some cases that files requisitioned by Audit contain matters of such secrecy that it may not be in public or national interest to disclose them in Audit Reports. Such files should be obtained and examined at the level of the Accountant General or Director as the case may be. Whenever it is considered that the matter should find a place in the Audit Report, though the Government might advise against making a mention of the same in the report on the ground that national or public interests would suffer or be jeopardized thereby, full details should specifically be brought to the notice of Comptroller and Auditor General's office demi-officially at the appropriate level so that the orders of the Comptroller and Auditor General may be obtained before commenting on the case in the Audit Report. In cases where it is decided not to mention the irregularity in Audit Report, it would be desirable to report the matter to the Secretary and Minister concerned personally, in writing through a demi-official letter together with a note prepared, in the same manner as a draft para, supported by a key. It should, however, be ensured that petty objections having no consequential potential are not raised.

(v) In interpreting tax law and rules, if Audit does not agree with the views or orders of the Government, the matter should be taken up with the Head of the Tax Department, Board of Revenue or Government rather than with lower authorities. Before the dispute on the interpretation given by the Executive is taken up with the aforesaid higher authorities, the case should be considered at a sufficiently high level. The views of the Law Ministry (and of the Law Department of the State Government) should normally be accepted in matters of interpretation of law but cases in which the legal opinion goes against judicial decisions or is otherwise considered unreasonable or incorrect on the face of it, should be reported to the Comptroller and Auditor General for examination and advise before being challenged.

*(Comptroller and Auditor General's Secret Letter No. 1115-TA.I (RGL/10-76, dated 21.11.78).*

## **2.20 Registers maintained in Headquarters sections**

The following registers should be maintained in Headquarters Sections:

### **(1) Register for noting points to be examined during local audit:**

This register is maintained for noting points which should be examined during the course of local audit. When in the course of day to day work, other sections come across points which merit examination in local audit, full particulars relating thereto should be furnished to Headquarters Section. Cases so reported for examination in local audit are included by the Headquarters Section in this register. The outstanding points from previous Inspection Reports are also to be briefly noted in this register, after a prescribed period, say three months before the next inspection. Not more than one entry should be attested by the Section Officer. The register should be submitted to the Branch Officer on the 5<sup>th</sup> of each month.

Extracts from this register are sent to the Inspecting Officer along with the connected file or Inspection Reports for his examination and report. On receipt of his report, the points are dealt with in the usual manner and the final disposal recorded against each point in the register under the dated initials of the Section Officer giving reference to the orders on the connected file.

NOTE: The points in this register which could not be finalised through next local audit, should not be cleared but should be watched till their final clearance or settlement of the issue involved in a subsequent local audit.

At the time of monthly closing of this register, an abstract should be drawn up indicating the number of items pending as on date of closing.

*(Order No.O.A.D./Civil/XII/Misc/29, dated 1<sup>st</sup> January, 1971-File Misc, 38/70-72/ O.A.D (Civil) Headquarters).*

## **(2) Register for improving quality of Inspection Reports**

Copies of the Local Audit/Inspection Programmes of each Quarter, duly updated should be submitted to the Prl.Accountant General through the Secretary on the 10<sup>th</sup> April, July, October and January. While submitting programmes care must be taken to single out those items of the programme which were not actually carried out stating the reasons there for, items in respect of which the Inspection/Local Audit Reports are yet to be issued, and with suitable remarks against the relevant items where the "Report" portion is Nil. At the same time, audits which were not included in the quarterly programme originally drawn up, but subsequently programmed and carried out due to deviations from the original programme should also be included with adequate reasons for such inclusion. The Inspection Reports selected for test check should be promptly submitted for perusal and

review and observations on each report should be attended to promptly and a compliance report furnished to the Secretary and to the AO/Report.

A register in suitable proforma is to be maintained noting therein the reports selected for test check, the observations arising out of the test check and note of follow up action taken on the same. The date of submission of the programme for selection, the date of completion of review by Prl.Accountant General and the date of compliance with the observations of Prl.Accountant General have to be indicated in this register.

*(I.A.U/C.A.C.D.II/88-89/Office Order No. 14, dated 6.7.1989).*

**(3) Points cum-Progress Register of Settlement of IRs:** This register should be maintained in each unit of the Headquarters Sections for watching replies to Audit Report from departmental authorities after it's issue from Headquarters Sections.

This Register should be maintained with the following columns and the information should be noted in the appropriate column of the Register.

<i>Gist of the Para</i>	<i>Date by which first reply has to be received</i>	<i>Actual date of receipt of reply</i>	<i>No. and date of reminder issued</i>	<i>Issue of further reminders</i>
(1)	(2)	(3)	(4)	(5)

This register should be closed and submitted to Audit Officers/IC Headquarters Sections on the first of every month and submitted to Group Officer for review.

*(Circular No.LA-I/Genl/1999-2000/18 dt.29.2.2000)*

**(4) Register of draft paragraphs for incorporation in the Comptroller and Auditor General's Report:** This register should be maintained with the following columns.

<i>File.No and subject</i>	<i>Para in brief</i>	<i>Wanting particulars</i>	<i>Action taken</i>	<i>A.O.</i>	<i>Sr.D.A.G</i>	<i>Action taken</i>	<i>A.O.</i>	<i>Sr.DAG</i>
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Such items of observation in the Audit Report as are found worth incorporation straight away in the conventional Report of Comptroller and Auditor General are entered in this register. The register aims at collection of material wanting expeditiously on a priority basis and processing of the draft paras for inclusion in the Report of Comptroller and Auditor General. It should be submitted to Group Officer/Prl.Accountant General through the Group Officer on the 21<sup>st</sup> of every month.



*(O.O.No. O.A.D (Civil)/34-1/59-60/25, dated 30<sup>th</sup> December, 1959 and D.P.Cell Note dated 2.1.96)*

**(5) Objection Book:** (a) The activities of Audit department should not end with the presentation of Audit Report. Audit should keep a continuous watch on the action taken by the Administration on the irregularities and defects pointed out therein. This will, inter alia, enable Audit to ensure that -

- (i) effective action is taken by the Administration in rectifying defects, etc.,
- (ii) disciplinary action has been taken against the officials responsible for the irregularities and losses and
- (iii) cases under the consideration of Administration and those sub-judice are finalised expeditiously and adequate action taken.

*(CAG's D.O Lr.No. 838-Rep/71-51,II, dated 18<sup>th</sup> August, 1953).*

(b) The action to be taken by Audit in the matter of pursuance of the objections should be on the lines indicated in paras 7.1.10 to 7.1.12 of M.S.O (Audit).

A separate Objection Book should be maintained in the Headquarters Sections for recording observations raised in local audit and money value should also be assigned as far as practicable.

(c) The following are the categories of money value observations which should be registered in the Objection Books maintained in Headquarters Sections.

- (i) Outstanding dues to Government on account of credit sales made by the departments and other outstanding dues in respect of which accounts are kept by the department for the purpose of effecting recoveries, provided they are pending for over two years from the date of expiry of the period allowed for payment.
- (ii) Recoverable amounts which have been omitted to be included in the departmental records for watching recovery as well as under assessments of amounts due.

- (iii) Advances including loans made by departmental agencies not debited to a debt, deposit or advances Head of Account provided they are pending for over one year after the last installment fell due for payment.
- (iv) Specific cases of shortages in departmental balance of stock for which responsibility was not fixed and action for recovery was not taken.
- (v) Want of vouchers, sub-vouchers and payee receipts.
- (vi) Want of sanctions to advances, loans etc.
- (vii) Want of any other specific sanction required by rule.
- (viii) Expenditure placed under objection on grounds of financial propriety.
- (ix) Want of allotment and excess/over allotment.
- (x) Expenditure on 'defunct works' debited to Miscellaneous Works Advances.
- (xi) Excess over sanctioned limit of reserve stock in PWD.

*(CAG's Letter No.1047-T.A.I/687-64, dated 7<sup>th</sup> April, 1965-File No. 47-1/65-66 O.A.D (Civil) Section and LA-I Circular No.LA-I/Genl/1999-2000/22 dt.29.2.2000).*

NOTE: The Objection Books should be closed by all the units, and submitted to the Audit Officers (Inspection Civil) Headquarter Sections on the 29<sup>th</sup> of every month.

**NOTE (1) Maintenance of Objection Books in respect of Autonomous/ Statutory Bodies set up under specific Acts of Parliament/State Legislature:** The audit of accounts of autonomous bodies entrusted to the Comptroller and Auditor General under the relevant Acts or other orders setting up these bodies is conducted in accordance with same general principles and rules as are prescribed to regulate the audit of Government accounts. Hence, the recording of observations in the Objection Book would be necessary in respect of observations arising out of the audit of Government undertakings not coming within the purview of Commercial Audit.

The Objection Book and Adjustment Register should be maintained by Headquarters sections in Form M.S.O (Audit)10, (Audit)12 respectively.

*(CAG's Letter No. 692-T.A.I/635-66 dated 1<sup>st</sup> March, 1967-read with Circular No.O.A.D.I/47-1/65-66 dated 29<sup>th</sup> March, 1967 File No. IV-45/64-71 of O.A.D Commercial Headquarters effective from 1967).*

**NOTE (2):** Money value observations should figure in the quarterly arrear reports and accordingly in the monthly reports of state of work also wherefrom the material for the quarterly reports is collected.

**(6) Register of Special Audits :** A separate Register of Special Audits should be maintained incorporating full particulars regarding i) name of the office, ii) reasons for undertaking special audit, iii) authority for taking up audit , iv) period covered by audit, dates of audit etc.,

**(7) Register for watching recovery of Audit Fees:** The realisation of audit fees should be watched through the Register in Form Nos S.Y.338. Columns 1 to 11 of the Register should be filled in on receipt of the Audit Report relating to the Institution from which the fees is recoverable. A demand notice is to be issued to the Head of the Institution concerned, requesting him to deposit the amount into local Treasury or Sub-Treasury. On receipt of intimation of the fact of remittance into Treasury, the same is got confirmed by tracing the recovery into the Monthly Treasury Account and the remaining columns of the Register should be filled in and put up to the Audit Officer (Inspection) Headquarters. The register should be closed by the Headquarters Sections and submitted to the Audit Officer (Inspection) Headquarters Section on the 5<sup>th</sup> of every month.

**2.21 Production of official documents in a Court of a Law:** In each case, when a Government servant is summoned to a Court to produce official documents for the purpose of giving evidence, the Accountant General would consider, in the light of the instructions contained in Annexure to Chapter-II of M.S.O(Admn.) Volume I whether the records (original copies, rough memos, etc.,) asked for by the Court are such that privilege should be claimed. Only in such cases where the Accountant General is of the opinion that privilege should be claimed, the matter may be referred to the Comptroller and Auditor General explaining the grounds on which it is considered necessary to claim privilege.

*(CAG's Letter No. 868-Admn.I/154 -63 dated 2<sup>nd</sup> April, 1963).*

NOTE: In this connection Note below para 96 of M.S.O (Admn) Volume I may be referred to.

**2.22 Impounding of documents :** According to the instructions issued in Comptroller and Auditor General's Letter No.C/9/321/Admn.I/53-PT.III dated 23.11.1954, in the case of frauds suspected during local audit of the accounts of the departmental offices, the original documents were to be taken away by the inspecting parties after furnishing an acknowledgement to the Head of the Office and returned after taking photostat copies in the Audit Office to the Head of the Office, in case it was clear that personally he was not

involved in the fraud, or to his superior in all other cases. This position was reviewed and it was decided by the Comptroller and Auditor General in August, 1976 that the responsibility of the Audit Department would be over by taking note of the original documents in question and bringing the matter to the notice of the superior departmental authorities.

Accordingly, it would not now be necessary for the inspecting parities to bring the documents relating to cases of suspected frauds to the headquarters for taking photostat copies. The field parties should however, ensure that all cases of suspected frauds that come to their notice during local audit and details of particular document on the basis of which fraud is likely to be established are promptly brought to the notice of next superior authority and wherever necessary, to the Head of the Department.

The field parties should, however, obtain a copy of the voucher or other document in question duly authenticated by departmental authorities wherever possible and in cases of difficulty they may be attested by the Inspecting Officer /Assistant Audit Officer.

*(D.O.Letter No. 684 - TA.I/164 - 75 dated 2<sup>nd</sup> August, 1976 of Joint Director (TA) of the Comptroller and Auditor General's office and Circular No.23 dated 3.9.1976).*

**2.23 Treatment of requisitions to members of this office to appear as witnesses before Investigating Officers, etc.:** The Audit Reports issued by this office, represent collectively the views of this office as a whole and not those of any particular member. Appearance of member as witness is, therefore not desirable.

**2.24 Acceptance of summons:** It is bounden duty of the parent Ministry/Department notwithstanding the change of nomenclatures to accept the writ summons/notices served by a Court of Law and in case of doubt to accept the same first and forward to the department concerned immediately and process the matter expeditiously in usual manner.

*(O.M.No.F.22(4)/71-J, dated 30<sup>th</sup> March, 1971 from the Solicitor to the G.I Ministry of Law (Department of Legal Affairs) addressed to all Ministries/Department of G.I. Communicated with Endt. No. 38/22/71/Judl.B., dated 13<sup>th</sup> April, 1971 of G.I , M.H.A File No.F 17/68-72/Vol.II of T.M.I. Section).*

ANNEXURE I



BY REGISTERED POST/FAX

Fax No.

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT),  
TELANGANA, HYDERABAD-500004**

No. PAG(A)/ES-I Cordin/D/2019-20/

Date: -----

***Intimation of Inspection***

To

[Auditee Unit]

In accordance with our Annual Audit Plan and the quarterly Audit Programme communication to your Head of the Department vide this office letter. As modified vide our office letter No. -----dated:----- (as also displayed on our office website www. under the caption ) Compliance Audit / or transactions of your division/office will be taken up by the audit team of this office from ----- to -----


1. **Broad objectives of audit are as under:**

(i) To confirm whether the activities of Government/public sector entities are in accordance with the relevant laws, regulations and authorities that govern such entities. More specifically, it may involve examining to what extent the audited entity follows rules, laws and regulation, budgetary resolutions, economy instructions, policy, established codes, or agreed upon terms, such as the terms of a contract or the terms of a funding agreement.

(ii) System of internal control internal audit in relation to budgetary assumption, financial statements, compliance and financial reporting:

(iii) To audit Transparency and competitiveness in contracts and procurements;

(iv) To examine and report upon propriety in expenditure that has a significant bearing on mandate/operations and budgetary grants of the organization/entity;

(v) Value for money derived from individual or a set of material transactions;

(vi) To examine the stores and stock accounts, etc. where applicable;

(vii) Banking and cash management issues (in case of autonomous bodies);and

(viii) Audit the IT applications etc.,

2. The period covered under the audit shall be which may also included examination of documents/ transactions of the previous year's considered relevant by the audit team.

3. Consistent with contemporary professional practice and provision in CAG's Regulations on Audit and Accounts 2007 (Regulation 183) our audit team would seek an entry conference at appropriate top/senior level, having control and authority over the subjects under the present audit. The entry conference will be an opportunity for the audit team to explain the audit objective criteria and examination of the internal control system. It is desirable that the entry conference is held on the first working day of the audit period.

On the conclusion of the audit, the team would request you for an exit conference (Regulation

191) in which audit findings communicated to the auditee will be discussed.

4. The request for entry and exit conferences will be made formally by the Head of the Audit team. We request. you to kindly make it convenient to hold the meeting on the opening and closing days of audit respectively

5. Our audit shall be conducted with reference to the Auditing Standards and Regulations on Audit and Accounts-2007 issued by the Comptroller and Auditor General of India.

6. Under Section 18 of the, Comptroller and Auditor General of India's (Duties Powers and conditions of Service) Act 1971 it is the responsibility of the person in charge of any office or department, the accounts of which have to be inspected and audited by the Comptroller and Auditor General of India to afford all facilities for inspection by the audit team and comply with the request for information in as complete as a form as possible and with all reasonable expedition. Our audit team shall request for information and documents, indicating the expected time within which these may be provided. We expect that the documents held by the auditee should be available within the same day and the information would be made available within the time indicated in the information seeking memo.

7. Attention is drawn to Regulations 169, which provides that the form, type and extent of data, information and documents required for audit test and the nature of shall be determined by audit officer and that the data, information and documents would be also include those obtained by auditable entity from the third party and relied upon by the auditee in its performance of functions.

8. We also draw your attention to Regulation 172, which enjoins that where required by audit in special circumstances the auditable entity shall conduct physical verifications of stores, stocks etc, in the presence of the audit officer.

9. We request you to please provide appropriate and reasonable office accommodation and other office amenities to the audit team similar to the facilities available for the personnel of the organization.

10. We suggest that you may nominate a liaison officer sufficiently senior level for day to day coordination in the audit functions.

11. We bring to your kind notice that in the event of unreasonable delay in supply of information and documents leading to partial, selective or complete withholding of data/information leading to material scope limitation, the audit team may be compelled to suspend the audit after bringing it to the notice of the head of the office in writing and bring the matter to the notice of higher management.

12. While compilation of information requested for by audit may require sometime furnishing of documents held by the auditee organisation should be made within the same day since these are readily available.

13. It may be mentioned here that failure to produce necessary records/documents or to respond to the clarifications sought by the audit team would tantamount to preventing a Government office from performing his/her duties and could. Therefore, invite under Section 175-186 of the Indian Penal Code.

14. Our audit teams have been directed to return the documents as soon as their examination is over. We expect to issue an inspection report containing the results of audit within 30 days of conclusion of audit for the response of the department.

15. We will acknowledge the acceptance of audit findings and conclusions and remedial measures assured/ taken by the auditee organizations in our inspection report if remedial measures are taken during the course of audit itself.

16. We hope that your office maintains a file register / register of documents held along with the cash book will be required on the very first day of audit. These and other, documents forming the basis of information furnish with reference to the questionnaire (as per Annexure).

17. Depending upon the volume of work and supply of information / documents the period of audit maybe extended.



18. We bring to your kind notice that our team would expect only working environment assistance in their day working and documents and information and nothing more. Should you feel it necessary to contact senior officers you are most welcome to contact the Sr. Deputy Accountant General (ES-I) and, if necessary, even the Principal Accountant General (Audit), Telangana.

19. In case you have any doubt in regard to the genuineness of audit team reporting for audit in your office please feel free to request them to confirm their identity with reference to valid ID cards issued by this office to its audit inspection staff.

Looking forward to a constructive engagement.

Kindly acknowledge the receipt.

**Yours faithfully,**

**Sd/-**

**Asst. Audit officer/ES-I Co-ordn.**

**DATA AND DOCUMENTS TO BE KEPT READY BY THE SCHEDULED DATE OF COMMENCEMENT OF AUDIT.**

1. List of Account-records maintained.
2. (a) List of all Non-Gazetted employees in the office with particulars for whom service books/service rolls with leave accounts are opened and are available.  
(b) No. of N.G.O's scheduled to retire within 5 years from the scheduled date of commencement of audit with names.  
(c) Names of persons entrusted with handling cash/stores.
3. Names and designation of Officers-in-charge of the office since the date of previous audit.
4. Departmental Inspection Reports, if any, and latest action taken thereon.
5. List of purchases each in excess of Rs.500/- together with relevant files containing purchase orders, comparative statements, Agreements, Bonds etc.,
6. (a) Budget and actual expenditure for 3 years preceeding the current year (The figure may be shown under each budget Head of Account opened by the office).  
(b) Statement of month-wise expenditure under each detailed Head of Account since the date of last audit.
7. Particulars of cash balance as on 1<sup>st</sup> April and 1<sup>st</sup> May of the current year together with analysis of cash balance (The amount drawn from the Treasury in the preceding months of February and March and lying undisbursed should be shown separately).
8. Permanent advance sanctioned for the office and acknowledgement from the subordinate offices, if any, obtained in the month of April last.
9. List of temporary advances, if any, pending adjustment.
10. List of abstract bills with date and amount for which detailed account have not been submitted to Accountant General (A&E), indicating the reasons thereof.
11. The previous Inspection Reports and test-audit notes with replies indicating the current position in regard to outstanding points.
12. List of cases of loss, theft, misappropriation, defalcation etc, together with the

relevant files.

13. Details of receipts of money other than by drawal of bills from the Treasury.
14. List of Non-Government accounts maintained and their accounts.
15. Certificates of verification of stock, stores, etc, the last position together with the relevant stock Registers and the result of latest verification indicating latest action taken.
16. List of persons from whom security deposit is due to be collected according to the Financial Rules and the persons from whom it has actually been collected (together with the amounts actually due to be collected).
17. List of G.P.F Accounts of Class IV of Central Government.
18. Loans records and files.
19. Register of G.P.F deductions/office copies of pay bills for the month of March immediately preceding the inspection.
20. List of Personal Deposit accounts, if any, or any banking account together with Pass Books, vouchers, etc.,
21. Investments in the shares of Statutory Corporations, Government Companies, Co-operative Societies, or any securities of Central or any of the State Governments”

**ANNEXURE II**

[Referred to in Para 2.11(b)]

***Office of the Principal Accountant General (Audit)/TS/ Hyderabad-500 004***  
*Preliminary Check Memo*

Draft Inspection Report submitted for approval

1. Name of the office inspected: :
2. Dates of inspection: :
3. Name of Section Officer(s)/ : Shri.:  
Asst. Audit Officer(s) Shri.:
4. Name of Supervising Officer : Shri.:
5. Dates of Supervision :
6. Due date for receiving the report :  
(within 5 working days of  
completion of audit)
7. Date of receipt of report in :  
Headquarters
8. Report drafted by : Shri.:
9. Report discussed on :
10. Whether certificate of discussion :  
has been recorded
11. Whether certificate of verification :  
of withdrawals /remittances with  
Department/Treasury records has  
been furnished ?
12. Preliminary check conducted by : Shri
13. Draft Audit Report from page : To
14. Test Audit notes from page : To
15. Remarks :

Resubmitted after issue of Report

16. Report approved on :
17. Report sent to Type Section on :
18. Report received from Type Section :  
on
19. Report issued on :

20. Reasons for delay in cases where the report could not be issued within a month from the date of completion of audit :
21. Special Notes/Marginal remarks on page : Attended to on
22. Objection carrying money value :

**A.AO**

*A.O*

**Sr.Dy.Accountant General (ES-I)**

## CHAPTER 3

### LOCAL AUDIT

#### *SECTION I*

#### CONDUCT OF LOCAL AUDIT

**3.1 General :** 1) The primary objects of inspection and local audit are as follows :

- (a) to assure the Inspecting Officer of the accuracy of the original data, on which the accounts rendered to him and his audit work are based and to enable him to apply a test-check to such accounts, vouchers etc., are not audited in the audit office;
- (b) to enable the Inspecting Officer to conduct on the spot a test-check of the accounts maintained in certain Government and non-Government Institutions and Offices; and
- (c) to review the manner in which (i) contracts have been negotiated, and (ii) Plans and programmes of the various departments are being implemented.

*(CAG's D.O Letter dated 6th June, 1955- and Dy.C.A.G's D.O.Letter No. 1307-Admn.I/388-5, dated 24th June, 1955).*

Before taking up the audit of any particular institution, the inspecting staff should make themselves conversant with the nature of the transactions, the system of accounts, the account books prescribed, the budget, the relevant codes and manuals, departmental or otherwise, and the administration report or any other publication, in order to make their audit both intelligent and useful, instead of allowing it to become merely a routine process of checking registers in a disconnected and mechanical way.

2) (a) The fundamental responsibilities of officer-in-charge of local audit have been laid down by Comptroller and Auditor General of India in the following terms:

The Inspecting Officer must acquaint himself with the system of finance of any institution the accounts of which he is auditing i.e., what makes up its receipts and how its money is expended. He must then make up his mind roughly what system of accounts is necessary for these receipts and expenditure, what registers are necessary for internal check purpose and how far the existing system conforms to this standard. This is the elementary

and primary responsibility of the Inspecting Officer to be discharged at whatever stage he comes in on the local audit.

(b) The Comptroller and Auditor General considers that an Inspecting Officer or local audit party which does not do this, fails to appreciate the first responsibility of audit.

*(CAG's letter No. T./962-Admn, 74-40 dated 25th September, 1940).*

(c) When an auditor feels that he has touched on a matter which may require investigation he should look into it with an exhaustiveness which will leave no details undiscovered, and he must take nothing for granted during such an investigation. The auditor should take particular care to collect all relevant information, clinch all issues involved and also take attested copies of such documents which are likely to be useful in pursuing the matter with the higher authorities.

**(d) It is most undesirable that in local audit the check of the important initial records should be neglected in favour of material which may provide cases for "higher audit". In a case of embezzlement of money by a Clerk of an office, it was found on investigation that a comparison of the entries in the Cash Book with the counterfoils of receipts granted and the Treasury remittance book would have enabled the audit inspection to detect the fraud. The audit party, however devoted most of their time to the examination of executive financial orders, service books, etc., and the important initial records viz., the Cash Book was not examined at all. In the zeal for finding material for higher audit by examining such cases, etc., the examination of the initial accounts which is the primary object of local audit did not receive sufficient attention.**

*(Auditor General's Lr.No. 31-Admn.I/205-36, dated 15.1.1937).*

(e) In an Audit Report, deliberate falsification of accounts was alleged without a single concrete case being urged in support of the allegation and the reply was to the effect, that general instructions were issued. This reduced the local audit to a farce. Deliberate falsification of accounts is a very serious charge to make and should not be alleged unless the facts disclosed can readily substantiate the charge. Further the word "falsification" should not be used unless the act is done to benefit the officer responsible. Otherwise, the term 'manipulation' should be used.

*(A.G's Orders dated 11th November, 1913 in the notes on A.G's Lr.No. 239-RA and A. 548-1, 21st October, 1915-Ar. G's No. 623-A and A.543-13 dated 7th July, 1914-communicated No. 700-A and A-549-13, dated 7th July, 1914).*

**3.2** In conducting audit of accounts, auditors should deal only with matters which have a financial bearing. Points which come under the principles of audit but which cannot be substantiated by formal audit rules, as also cases of transgression of the universally accepted standard of official conduct of financial administration (standard of financial propriety) should be investigated. The auditors must be careful never to interfere in executive matters, not to take up questions of administration which have nothing to do with audit and accounts, or which are otherwise outside the province of legitimate enquiry by audit.

The audit should be conducted with tact and discretion so as to avoid possible or unnecessary irritation to the departmental authorities.

**3.3** The following instructions should also be observed while conducting local audit.

- i) Every observation noticed in the course of local audit or test-audit should be recorded then and there.
- ii) The defects noticed should be classified as "Important or Minor".
- iii) The minor defects should, as far as possible, be disposed off on the spot by pointing out the errors and getting them rectified.
- iv) Important defects and irregularities should be incorporated in the report which should be narrative and descriptive in form.
- v) If a really fragrant case of irregularity is detected it should be investigated with utmost care and set out in such detail as to ensure that the gravity of the breach of the rule is clearly brought to the notice of the superior authority, so that the audit office may be in a position to press for proper action.



- vi) While the field staff should not make any relaxations on their own accord, it is very important that the prescribed checks should be observed in the spirit and not in the letter as opposed to the audit.
- vii) Replies to enquiries on doubtful points or calling for information should be obtained in writing on audit enquiry forms from the ministerial Head of the Office inspected before the field staff leaves the office. If the replies are not received promptly, the fact should be brought to the notice of the Head of the Office and the result communicated to the Headquarters.
- viii) Audit observations which are simple directions and instructions for future guidance should be included in the Test Audit Notes. All minor errors, which are of no consequence to the finance of the State and can be set right on the spot, should be settled and the notes carefully filed. The value of local audit is enhanced more by the number of points thus settled on the spot than by what is loaded in the Audit Report.
- ix) All statements and allegations made and all figures furnished should be based on clear documentary evidence so that the Audit Office may be in a position to press for proper action. Copies or correspondence or other important documents having a bearing on the points should be collected and sent along with the Report. Reference to the orders or rules which have been violated should be quoted.
- x) The audit staff should go through all the inspection notes of departmental officers during the period of audit as valuable hints are likely to be obtained from these sources. This point requires special attention during audit.
- xi) The field staff should tick or cross tick all entries checked by them and initial all vouchers accounts and documents. It should be borne in mind that where more than one "tick" has to be placed against the same items, different varieties of ticks should be used, each one denoting that a special part of the audit has been performed. The ticks should be small and neat so as not to give the books an untidy appearance.
- xii) The field staff should not make rough notes, corrections or remarks in any of the registers or documents of the office under audit.

### **3.4 Procedure of simplification of initial accounts, etc.**

The field parties should assist the local officials with advice in matters affecting accounts and financial regularity of transactions. They may even show by practical illustration, if necessary, how the accounts registers should be maintained and how a proper check should be exercised in order that there may be no possibility of mistake or omission due to ignorance on the part of local officials. The proposals if any regarding simplification should not, however, be embodied in the Inspection Reports, but submitted separately to the Accountant General through the Group Officer. If however, in any case, the head of an office desires some special help from the inspection staff or requests for some type of investigation to be conducted which is likely to take more time and consequently dislocate the audit programme, the matter should be promptly referred to the Group Officer for orders.

### **3.5 Special investigation and independent enquiry by audit :**

(a) No Inspecting Officer or Assistant Audit Officer is competent to undertake any investigation which is not strictly within the scope of test-audit, at the instance of administrative authorities, whether such an investigation results in extra time being taken or not. If any such important point is noticed in the course of an audit, the Inspecting Officer/Asst. Audit Officer should bring it to the notice of the Group Officer and seek his orders.

(b) They should not also make independent enquiries from the general public as such action amounts to an encroachment upon the functions of the administration (also see para 2.1.10 of M.S.O (Audit)). Audit should confine itself to calling upon the executive to furnish the necessary information and in the case of difficulty it should confer with the executive as to the best means of obtaining the evidence which it requires and, if necessary, the Inspecting Officer/Asst. Audit Officer should obtain specific orders of the Group Officer on the point.

**3.6 Calling of files and records for checking:** The inspecting staff should call, in writing, for all registers and accounts of the offices inspected required for audit purpose. If any of the records cannot be produced, the reasons for non-production thereof should be ascertained in writing and the production of such records should be insisted upon during the following audit.

**3.7 Action to be taken when accounts are not ready for audit:** When it is found that the accounts of an office are not written up-to-date and are not ready for audit or there are any other facts which are likely to seriously retard the progress of audit, the Inspecting Officer of the field party should at once report the full facts and seek instructions from Headquarters.

**3.8 First audit of an institution:** In all cases where the local audit 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 central audit by the Main Office and the desirability of local audit in future years should be properly examined. The defects and improvements, if any, in the initial accounts and supervision should be pointed out in the Report as usual. The suggestions in respect of the central audit, if any, should be incorporated in separate note to be submitted to the Group Officer.

**3.9 Report on defalcations, frauds etc.:** (a) All cases of defalcations or other types of serious financial irregularities noticed or suspected during local audits and inspection should be promptly reported confidentially by the head of the audit party to the Group Officer and also to the Head of the Office concerned or to his next higher authority if it is suspected that the Head of the Office himself has something to do with the irregularity. The report should also indicate whether any assistance, e.g., the personal intervention of the Group Officer or additional hands and records necessary for full and complete investigation, is required. The progress of investigation should be regularly reported through interim reports. When the fraud or embezzlement has been fully investigated by the audit party, a complete report on the case should be submitted to the Group Officer explaining clearly how the fraud was committed and whether there is any reason to suspect that a detailed examination of the accounts would bring to light further cases of fraud by the same or other persons. It should also be stated whether the fraud was discovered during or prior to the audit.

(b) The report should contain inter-alia, information on the following points :

1. The dates or period of occurrence and the date of detection of the cases by the Department/local authority.
2. The circumstances which led to the defalcation/misappropriation/loss.

3. The defect in or the neglect of the rules which rendered the misappropriation/ defalcation/loss possible.
4. Whether the case was reported to the Finance Department and to this office immediately on detection by the Department in accordance with Art.284 of A.P.F.C Vol.I., if not, reasons for the same.
5. Whether recourse to judicial proceedings is considered necessary by the Department, and, if so, action taken by the Department.
6. Action taken to recover or to obtain Government sanction for the write off of the loss.
7. Steps taken to prevent recurrence of similar case.
8. Disciplinary action taken against the official (s) held responsible.
9. Whether the findings of the party during the course of local audit in respect of the amounts misappropriated/defalcated/lost have been verified with reference to the facts reported to audit office and found correct. If not, a comparative statement should be furnished with reasons for the differences.
10. Whether departmental officers have a regular programme of inspection of field offices under them where financial aspects such as checking the accounts as frequently as possible in order to see that their subordinates do not commit misappropriation or any other irregularities.

*(U.O.Note 12421-B/132/PF.II/7879/ dt. 10.9.87–File 62-165 ICH/Gel./86-87)*

*(Circular Nos O.A.D.IV/38-1/64-65/21, dated 2nd November, 1964 and O.A.D.IV/ 38-1/66-67/26, dated 20th January, 1967-File Nos. 38-1/64-65 and 66-67 of Unit.V of O.A.D (Civil Hqrs).)*

(c) In addition to the instructions contained in the foregoing paragraphs, the following guidelines may be kept in view by all the field parties while reporting cases of fraud.

- (1) Audit should apply its own judgement to determine the extent of audit investigation to be undertaken in cases of suspected fraud.
- (2) Audit should actively consider adopting a formal policy and strategy for deterring fraud.

(3) Audit should highlight any deficiency in the applicable/acceptable accounting standards, which the management discloses cases of fraud.

(4) Audit must evaluate and report on the adequacy and competence with which the management discloses cases of fraud.

(5) Audit must highlight the adequacy/shortcomings in the internal control systems and report the same.

(6) Audit should make the management aware that the absence or lack of application of reliable and valid performance measures and indicators could increase the possibility of fraud

(7) Audit should consider establishment of means to receive and process information from the public on suspected cases of fraud

(8) Audit should exercise due care in arriving at an audit conclusion since complete evidence about cases of fraud may not be available to it.

(9) Audit should develop policies including a comprehensive supervision checklist regarding supervision levels and procedures to be adopted for dealing with actual cases of fraud.

(10) Audit should particularly study and evaluate during audit, the changes and improvements in the internal control systems made by auditee units where previous instances of fraud have been detected.

(11) Whenever a material instance of failure to comply with the applicable laws and regulations is observed, audit should investigate the control.

(12) When audit intend to report on cases of fraud, they should ensure the reliability of audit evidence by verifying it with source documents including third party evidence.

(13) The audit report should contain auditors recommendations for the changes in the system and procedures that could prevent recurrence of such instances.

(The above guidelines were approved during the IX ASOSAI Assembly held in Manila, Philippines from October 20 to 26, 2003 and circulated by Headquarters Office)

NOTE: All notes of a confidential nature should be in manuscript; if at all, a typed note is necessary, it should be typed by a member of field staff only.

*(Cir.O.A.D.Civil/X/1-7/67-68/32, Dated 6th December, 1967-File No. 1-7/67-68 Unit X O.A.D (Civil. Hqrs)*

**3.10 Certificate of cash balance :** A certificate of cash balance held in the office locally audited on 1st April or 1st May or any subsequent day, if they happen to be holidays, should be obtained from the Head of Office. Mention of the cash balance held need not be made in the report unless the amount held is unjustifiably large or the certified balance is different from the book balance, etc., in which case it should be strictly commented upon. Certificate of physical cash balance by actual count as on the date of commencement of audit should also be obtained. It should be verified whether the balance so certified agrees with the book balance as per the cash book. Any variation between the two should be looked into thoroughly and necessary comments offered.

NOTE: Fact of compliance with these instructions should be clearly indicated in the forwarding memo and the cash balance certificate as on the above two dates invariably furnished with the Audit Report/Note.

*(O.A.D. Cir.No.19, dated 26th February, 1956-O.A.D File No. 12-10/55-56).*

**3.11 Matters dealt with by audit parties to be kept confidential:** All members of audit parties should carefully note that matters which they have to deal with during the course of their professional duty are kept confidential. The audit is intended to be for the assistance of local offices and Government and the Audit Department is not justified in permitting their short comings to become public.

**3.12 Distribution of work in inspection:** a) It is always convenient in the interest of practical results to entrust the more routine portion of the work to the Auditors, the Assistant Audit Officer/Supervisor doing the more important work and pursuing other intelligent investigations.

(b) The Inspecting Officer should distribute the work between the Asst. Audit Officer/Supervisor and Auditor and also indicate the items of work that he has done personally. The distribution of work should be recorded in the Inspection Report. The Assistant Audit Officers/Supervisors and Auditors should record a certificate to the effect that

they have completed the work assigned to them individually. Full particulars regarding the nature of work allocated to each member of party should be included in a proforma attached to the Report so that the responsibility for failure of audit can be fixed at a subsequent date, if necessary.

*(CAG's Lr.No. 3010/Admn.I/436-60, dated 2nd November, 1962).*

(c) with a view to ensuring that the items of work allotted to the Auditor have been checked adequately during the local audit, it has been decided that the Assistant Audit Officer in charge of the party (senior most among them in case there are more than one Assistant Audit Officer should conduct a test check of the work done by the Auditor including the check of totals expected to be made by the latter. The quantum of test check in this regard shall be fixed by the Accountant General at his discretion according to local needs.

*(CAG's Lr.No. 48-TA.I/2-79 dated 17.1.1979).*

NOTE : It has been decided that 10% of the work done by the Auditor should be test checked by the Assistant Audit Officer during the local audit and where major irregularities are noted the percentage should be increased suitably depending upon the needs of the occasion. The items of work mentioned below may be entrusted among other items, to the Auditor during local audit for this purpose.

- 1) Collection of expenditure figures from Treasury/P.A.O and verifying the same with initial records.
- 2) Collection of remittance particulars from initial records of the office and verifying the same with the records of the Treasury/P.A.O.
- 3) Tracing of vouchers received from Main Office with initial records.
- 4) Pay bills and Acquittance rolls.
- 5) Any other miscellaneous items.

The fact that the prescribed percentage of the work done by the auditor has been checked by the Assistant Audit Officer should be certified by him in the forwarding document accompanying the Inspection Report and the particulars of the items test-checked should also be given in the rough working sheets.

*[IC(H)Circular No. 52, dated 3-3-1979].*

**3.13 Raising and pursuance of observations :** a) The field staff should make use of Forms 'A' & 'B' (**vide Annexure I**) for issuing observations during the course of local audit.

b) All observations for which replies are required and are important enough to go into the Audit Report or Audit Note should be noted in Form 'A'. Urgent and important information should be obtained in Form 'B'. These will be sent to the Inspecting Officer of the Field Party conducting the next audit for verification.

c) All observations, memoranda should be issued in duplicate only under the signature of the Inspecting Officer .

d) Objection memoranda should be ordinarily received back with replies within 24 hours of their issue. It should be seen that the replies are issued under the signature of the Head of the Office inspected or by the next lower officer when the Head of the Office is not in station. Before the close of the audit all the inspection notes should be received back from the Officer-in-charge.

NOTE1: (i) The Inspecting Officer should avoid issue of audit enquiry memoranda as far as possible on the last date of audit.

*(Circular No. O.A.D/Civil/IX/Misc/32-10/69-70/57, Dated 8th May, 1969).*

(ii) The term Half Margin has been changed as Audit Enquiry as replies to audit observations are not being furnished on Half Margin Forms.

*(LA-I Circular No.LA-I/Genl./2004-05/19 dt.19.10.2004)*

NOTE 2: The State Government directed in their Circular Memo No. 159556 B/Accounts/58-2, dated 24th December, 1958 that the Departments of the Secretariat and the Heads of the Departments to furnish replies to all the audit enquiries issued during the course of local audit immediately, in any case not later than one day before the date of completion of audit. They are further directed to issue necessary instructions to all officers under their control.

Failure to comply with these instructions should be mentioned clearly in the forwarding letter for taking up the matter with the departmental heads by Inspection (Civil) Headquarters.

*(O.O.No. O.A.D.II/8, dated 20th January, 1959).*

Such situation should be tackled with tact and persuasive approach by the field staff with a view to obtaining replies on the spot. The Inspection Reports should be finalised on



the basis of material available in audit enquiry memoranda issued and forwarded to Headquarters Section in accordance with the time limits prescribed for transmission of reports (Three days for offices situated at Headquarters and five days for other offices).

*(O.O.No. O.A.D.IV/6-13/58-59/19, dated 24th September, 1963 and Cir.No. O.A.D.I/X/1-7/66-67/29, dated 2nd February, 1967-File No. 1-7/67-68 of Unit X. O.A.Dm (Civil) Headquarters.*

NOTE 3: It should be understood that only replies enabling an observation to be totally withdrawn can be accepted. Replies such as 'noted', 'will be done' etc., and partial answers to objections are of no value.*(O.A.D. Gen.No.3 dated 14th March, 1957).*

NOTE 4 : Replies to Memoranda in Forms A and B should be carefully scrutinised by the Inspecting Officer and an attempt made to settle as many observations as possible during the course of audit. Whenever an item is settled a marginal note of the same should be made and initialed by the Inspecting Officer.

If, however, in any case it becomes absolutely unavoidable to leave the observation statements with the departmental authorities, only copies should be left so that the original will always be available with the party from which the draft report may be prepared in case the replies are not received in time.

NOTE 5: If the replies to the audit queries are incomplete or inadequate, the pages concerned should be reissued to the local officer with a request to return the same with further remarks to clarify the point. The Gazetted Officer in the course of their inspection should also impress upon the Heads of the Offices, the paramount importance of returning the observation statements promptly to the audit party.

**3.14 Interview with the Head of Office inspected :** a) Soon after taking up an audit, the Inspecting Officer if he is present on the first day of audit or the Asst. Audit Officer should seek an interview with the Head of Office and invite suggestions which the latter may like to offer regarding any special point for examination during audit. He should also see the Head of the Office as often as necessary and possible, with a view to discuss with him matters of importance arising out of his audit.

b) In the case of supervised inspections, the Inspecting Officer should make it a point to call on the Head of Office and ascertain from him if there are any suggestions for investigation of any portion of his initial accounts under him about which he entertains any doubt of irregularity or of the processing of these accounts for reduction of clerical or accounts work.

**3.15** The detailed process of audit of accounts of various civil departments under the control of ES-I group, is explained in Chapters 4 to 11 of this Manual (Part-I). Audit of accounts of Autonomous bodies is discussed in Chapter 12, while audit of centrally sponsored schemes and externally aided projects is discussed in Chapter 13 and 14 respectively. The contents of the Chapters may be referred to while conducting the local audit of those departments/ bodies.

## ***SECTION II***

### ***RESULT OF INSPECTION***

**3.16** a) The result of local audit and inspections is communicated through Audit Reports and Test Audit Notes as envisaged in Para 7.1.6 of Comptroller and Auditor General's M.S.O (Audit). The audit reports which include only important points and serious financial irregularities are addressed to higher authorities while the Test Audit Notes are delivered to the Heads of Offices locally audited for necessary action.

b) As soon as any of the observation statements are received back with replies from the Head of Office locally audited, during the course of local audit, suitable draft paragraphs should be prepared for the Audit Report and the Test Audit Note, each paragraph dealing with only one observation or group of similar observations in this manner, as all the observation statements are received back, the draft Audit Report and the Test Audit Note will be ready by the date of close of audit. As the time allotted for each audit includes the time for drafting the Reports, the work should be so spread out as to be completed within the allotted time. The observations/statements should also be carefully drawn up so that the task of drafting the Report might be rendered easy.

c) It is imperative that the field staff complete the drafting of the Audit Report before they leave the station where the office locally audited is located.

**3.17 (1) Form of Audit Report:** The Audit Report should be divided into five parts and each part should include the following particulars:

#### ***Instructions for drafting of Reports***

Following instructions are issued for the guidance of the Inspecting Officer/Field Parties in drafting the Inspection Reports (IR):

The Inspection Report of an audit unit should provide a perspective of the unit level compliance and may comprise the following parts:

**Part I – Introduction-** This part may commence with an overview of the audit unit and may provide its functional/geographical jurisdiction, budget, financial performance and a perspective of the relative significance of the unit in the overall hierarchy of the department in pursuit of organisational goals. This may be followed by a brief explanation of the scope of audit, the sampling procedure followed and the audit sample – including the implementing units, the subject matter(s) selected and the sources of criteria that have been adopted to evaluate the selected subject matter(s). It may be indicated that the audit has been conducted in accordance with the applicable Auditing Standards of CAG. The introductory Part-I should be preceded by the title of Audit Report/Note and should be as follows :

**“Audit Report/Note on the accounts of the office of the ..... for the year 200 .....200.....Dates of audit from ..... to.....”**

**PART – I :INTRODUCTION:**

Overview of the audit unit, its functional/geographical jurisdiction	
Budget and Financial Performance of the unit	
Relative significance of the unit in the overall hierarchy of the department in pursuit of organizational goals	
Scope of audit, the sampling procedure followed and the sample audited. (Includes the implementing unit, the subject matter(s) selected and the sources of criteria that have been adopted to evaluate the selected	

subject matter)	
Details of Divisions	
Whether the audit has been conducted in accordance with the applicable Auditing Standards of CAG (specify)	

**Part II – Audit findings**—*This part shall contain all findings – both positive and negative findings that pertain to the audit unit and may be arranged in two distinct parts - Part IIA and IIB - the first part comprising significant audit findings relating to evaluation of the regularity related subject matter(s)/ specific subject matter(s) and propriety related subject matters and the second part – IIB comprising other incidental findings relating to both regularity and propriety aspects. The audit findings should be organised in decreasing order of materiality and significance, if possible.*

*Presentation of audit findings shall conform to the Auditing Standards and other reporting principles enunciated in this chapter and clearly bring out the applied criteria, the results of evaluation of the subject matter against the criteria highlighting the cause and effect relationship. Audit findings may also appropriately indicate the extent of non-compliance and whether they involve systemic issues or represent isolated cases of non-compliance.*

**NOTE:** The following general principles should be kept in mind while drafting paras:

- ↔ Titles of the paras should be very brief and capable of covering the nature of objection being dealt within the paras.
- ↔ Comments regarding the state of initial accounts should be recorded by the Inspecting Officer in the forwarding documents after making his own assessments on the basis of the account records etc.
- ↔ The audit observations should not be vague and general in nature. Specific instances should be quoted and all relevant details duly enclosing copies of reference mentioned in the report.
- ↔ Production of documents not made available to the previous inspection should be insisted upon and the non-production of records should be specifically commented as a

last para duly indicating the check that could not be exercised due to non-production of those records.

**Test Audit Notes:**

- ➔ This part will constitute the test audit note in (form No.SY 203) which should contain the irregularities of minor nature. This will be in two sub-parts. One for remarks relating to accounts and other for service books including objections noticed in nominal audit.

The following instructions should be carefully borne in mind in this regard:

- 1) The authority in support of each objection/suggestion should be quoted.
- 2) The Test Audit Notes should be personally drafted by the Officer under whose signature it is issued.

(Para 1.07 (viii) (a) of Chapter.I, Section II Supra, may kindly be seen).

- 3) A copy of the Test Audit Note should be appended to the Audit Report and the acknowledgement of the office inspected invariably obtained on this copy.

*(CAG's Lr.No. 2374-TA.I/367-65, dated 7th August, 1965-to A.G, Kerala-read with Cir.No. O.A.D Civil/XII/Misc/65-66, dated 18th October, 1965-and O.O.No. O.A.D/Civil/XIII/Misc, 65-68/3, dated 2nd May, 1967 and also instructions issued in Annexure VIII to Circular No. 28, dated 31.1.97 issued by Prl.A.G, may be referred)*

d) The other copy of Test Audit Note shall be kept with the records and sent out to the field party concerned when the next audit of that particular office is taken up. These objections shall not be pursued from the Headquarters Section, but it is the duty of the next audit party to verify the action taken thereon by the local office concerned and incorporate the outstanding items in the next Inspection Report.

e) As no reply is to be watched for the audit notes, objections involving recoveries or regularisation should not be included in the Audit Note. But if recoveries are for small and petty amounts, the objections may be included in the Audit Note, their recoveries being verified at the time of subsequent audit.

➔ NOTE: When minor objections can be settled at the time of audit, there is no necessity for incorporating them in the Audit Note issued to the local office

**Note:** Items of the IR which are likely to develop as a draft para to be included in CAG’s Audit Report i.e., paras included in Para II Section’ A’ should be noted in the Register of Major Irregularities and pursued vigorously with higher authorities.

**PART-II: AUDIT FINDINGS**

<p>A: Significant audit findings (both positive and negative) relating to evaluation of</p> <ul style="list-style-type: none"> <li>* The regularity related subject matters</li> <li>* Specific subject matters and</li> <li>* Propriety related subject matters</li> </ul>	
<p>B :Other Incidental findings relating to both</p> <ul style="list-style-type: none"> <li>* Regularity and</li> <li>* propriety aspects</li> </ul>	

**Part III – Follow up on findings outstanding from previous reports – This part may indicate the progress of settlement of audit findings outstanding from previous Inspection Reports and list out the findings that continue to be outstanding.**

<b>Sl. No</b>	<b>Month/ year of Report</b>	<b>Para No</b>	<b>Gist of objection</b>	<b>Latest position and action taken for expeditious settlement</b>
1	2	3	4	5

All the outstanding paras of the earlier inspection report should be reviewed by the Inspecting Officer and results of review recorded in the revised sheets to be sent along with the draft Inspection Report. While reviewing outstanding paras, care should be taken to assess the position in relation to the objection raised in the previous years. The specific points raised in the para should be checked to see if they have been addressed. Only such of the paras as in the opinion of the Inspecting Officer need to be pursued should be incorporated in this para. When the latest position is commented in the report on hand, paras on the same issue commented earlier and still outstanding should be dropped.

**Part IV– Best practices – Any good practices or innovations, if noticed, during the course of audit may be mentioned.**

**Part V – Acknowledgement– This part may contain the acknowledgement of the extent of audit units’ cooperation in all matters including production of records called for in Audit. It may also contain details of persons holding the leadership positions in the audit units.**

**(Source: Para 6.5 of Compliance Audit Guidelines 2016).**

**Grading of Inspection Reports**

*The Inspection Reports (IRs) should be graded so that their quality can be benchmarked. A Scoring methodology has been defined to measure the efficiency and effectiveness of critical audit processes against a maximum score of 100, which would consequently translated into a grade to evaluate the quality of Inspection Report on a scale of 0-10.*

**3.18 How the report is to be drafted :-** (1) The following instructions should be borne in mind in this regard.

(1) As a rule, trivial matters which can be and have been set right on the spot or are of no consequence to the finance of Government need not be mentioned in the Inspection Reports. However, if a number of similar points are noticed, it may be desirable to mention the type of error or irregularity with one or more instances so that proper instructions may be issued for future guidance of the Government servants concerned. It is desirable that statements and figures in relation to any defects or irregularities discovered should be based on clear documentary evidence. Documentary evidence in support of statements and figures mentioned, in relation to any objections/defects or irregularity discovered should be cited in the Inspection Reports.

*(Authority :- C &AG Lr.No. 7215-TA-I/106-81, dated 20.6.81 and Circular No. 9, dated 30.6.81)*

(2) All the paragraphs other than the introductory and general state of accounts should be serially numbered, roman numerals be adopted for the paragraphs in audit report and arabic numerals for those in the audit note.

(3) Each item of the Audit Report and Audit Note should be a self-contained paragraph drafted after due consideration of the reply, but not merely a verbatim copy of the original observation issued and the reply recorded at the preliminary stage. Each paragraph should have a clear suggestive heading indicating the nature of observation raised or irregularity pointed out. Mere general heading such as "Cash Book" or Revenue on account of credit sales, "Outstanding Revenue" do not indicate anything, but expressive headings like "Omission to enter receipts and payments in the Cash Book" or "Outstandings due from Government Officers", give a definite idea about the subject-matter contained in the paragraphs, sub-paragraphs should also be given headings, if necessary and possible, with letters, a, b, c, d, etc.

4) Reference to the Audit Enquiry number and page number of rough sheets invariably

should be given in the margin against the paragraph in the Audit Report or Audit Note. Cross reference to the paragraph in the Audit Report or Audit Note should also be given in the Audit Enquiry.

5) If the instances quoted in support of a point mentioned in the Audit Report/ Test Audit Note are many, they should be given in an annexure. All the annexures should be serially numbered, Roman numbers being adopted. Each annexure should have a clear title indicating the nature of instance or irregularity quoted.

Reference to the number of the annexure should be given in the para in the Audit Report/Test Audit Note. Cross reference to the number of para should be given on top of the annexure.

6) If any office is particularly careless and pays no attention to directions or reports the mistakes or habitually disregards the rules, the matter should be taken up in a special letter to the Head of the Department, care being taken to substantiate the charge of such disregard of rules, etc., by sufficient evidence.

7) Wherever any irregularity or delay which was previously noticed is taken up again by the field staff, the fact should be mentioned in the report with the reasons for its inclusion.

8) Money value of observations should be specified in all cases referred to in para 3.21 of Section IV, Chapter -.III of this Manual.

9) Observations which can be waived under Paras 7.1.16 to 7.1.18 of M.S.O (Audit) should not be embodied in the Report or the Audit Note. They should be put up separately to the Group Officer for orders.

NOTE: The material for the Report should be gathered by the field staff themselves from the available records which they audited. The authorities of the institution, the accounts of which are being audited should not ordinarily, except under the specific directions of the Inspecting Officer and with the concurrence of the Head of Office, be asked to furnish details on which conclusions can be based.

10) When a letter or Government order is quoted which in the opinion of the officer of the field party may not be available in the Main Office, a copy of it should be sent along with the inspection notes for the information of Group Officer .

11) Usage of unrecognised and uncommon abbreviations should be avoided.

12) Particular care should be taken to see that the reports are so drawn up as to afford no grounds for complaint from the local authorities in regard to their tone and substance. In drafting the Inspection Reports, the language used must be moderate and impersonal, as



the effectiveness of an audit observation is more likely to be reduced rather than enhanced, by the use of strong language. As a matter of fact, the more serious the nature of an objection the greater is the need for using language which is both polite and unexceptionable. The use of such words as “should”, “must” etc., is to be strictly avoided and the words “please” and “kindly” used as freely as possible. No improper or questionable matters should be attributed in the Reports even by implication to any Gazetted Officer. All comments should, as far as possible, be in the third person and is impersonal and objective phraseology.

*(CAG's D.O.No. PS/588/56, dated 23rd October, 1956 to all Accountants General).*

13) Observations of the same nature e.g., want of payee's receipts, estimates, agreements, measurement books and of relevant entries in stores and stock register, etc., should be grouped together as far as practicable. Where there are several departments in an office, the observations relating to each department shall be shown separately.

14) All details necessary for a clear understanding of each irregularity should be given including :

- a) an explanation of the transaction;
- b) any description of the nature and magnitude of the irregularity;
- c) any extenuating circumstances that might have existed ;
- d) the defect, if any, in the system which led to the irregularity; and
- e) the adequacy of remedial action taken, if any;

15) Where the irregularities noticed in the local audit come up to the stage of their inclusion in the Report of Comptroller and Auditor General, the drafting of paras for their inclusion is at times rendered difficult due to missing links in the facts and arguments set forth in the original Audit Reports and on which the paras are based. The information which is wanting cannot be obtained except by a reference to the local records and the inevitable consequence is that the draft paras have either to be abandoned or their consideration postponed for an indefinite period. Such a situation must not be allowed to arise.

16) The name(s) of the official(s) personally responsible for any serious irregularity should not be disclosed in the Audit Report. Only in cases of very serious dereliction of duty or embezzlement, the designation or status of the officer responsible should be mentioned.

Such cases will be very rare and audit should not take upon itself the duty of fixing responsibility for any such thing on any individual. All particulars should, however, be reported to the Headquarters Section in a confidential cover.

17) Cases which are sub-judice should not be mentioned in such a way as to prejudice the claim of the defence in the Court of Law.

18) Irregularities in challans are often the subject of long comments in test audit notes. The proper and effective procedure is to proceed to the Treasury in cases of doubt and to verify the correctness of the remittances, otherwise, these items fizzle out in course of time on the strength of vague and unsatisfactory replies and are, therefore, not of much value. It is also to be remembered that it may be difficult for a departmental officer to obtain a certificate of remittance in cases of remittances by private parties.

19) Observations that should have come to notice in Central Audit should separately be listed out and sent to Headquarters.

20) Where the Departmental officers have acted in pursuance of any instructions issued by the Head of the Department or Government in the matter should not generally be subject of comment in the report but should be dealt with separately for necessary action in the Main Office.

**3.19 General assessment of the state of accounts :-** (a) The remarks about the general state of the accounts of the office locally audited should be recorded after proper appreciation of the facts disclosed in the body of the Audit Report. Defects should not be recorded in general terms and all exaggeration of language should be avoided. In bad cases, the state of accounts may be stated as “not quite satisfactory” and in other cases it may be stated that “there is scope for improvement”. When anything is noted as not quite satisfactory, the reasons should be stated in detail in the body of the Report.

(b) Remarks to the effect that the general state of the initial accounts is found to be satisfactory should not be recorded as a matter of routine but should be recorded only where the Inspecting Officer is thoroughly satisfied that the state of the accounts really merits such a remark. Otherwise, the inclusion of remarks to that effect in the face of serious irregularities is most undesirable, since such a certificate may lead to legal and other complications besides creating a sense of complacency in the administrative Department/Ministry.

*(CAG's Circular No. 336-Rep/3-51, dated 16th June, 1951 read with confidential Lr.No. 53-C-12/DD(TA)/1996, dated 15th January, 1970-Calculated in confidential Cir.No. OAD/Civil/XII/38-7/69-70/587, dated 5th February 1970-OAD (Civil) Hqrs. Case File No. 38-7/69-70/Unit XII).*

(c) The concluding paragraph should be carefully drafted with a view to bringing out a correct appreciation of the state of accounts. Special attention should be invited in this paragraph to important matters such as:-

1) Persistent irregularities, chaotic state of accounts;

2) List of long outstanding unsettled objections;

3) Misappropriations, frauds, etc.

(d) It is essential that the report should be drafted by the Inspecting Officer himself. It is not enough merely to correct the draft written by AAO. In all cases where the local audit is supervised by an officer during the last days, the Inspection Report should be drafted by the officer himself. It may also be emphasized again that apart from guiding their staff, the Inspecting Officers are expected to do certain amount of original work and to examine personally with reference to the initial documents the important points arising out of local audit.

In case, however, where no gazetted supervision is provided, the report shall be drafted by the AAO of the party. If during local audit, any serious case of misappropriation or overpayment, etc., is noticed and the presence of a Gazetted Officer is felt necessary, the Asst.Audit Officers of field parties should telegraphically request the Headquarters for arranging supervision.

*(CAG's Lr.No. 1604-Admn.II/20-65, dated 12th September, 1963).*

**3.20 Discussion of the Report :-** a) Inspecting Officers should invariably discuss the reports with the Heads of Offices inspected on the last day of inspection and endeavour to settle on the spot as many points as possible including points outstanding from the last Inspection Reports.

Opportunity afforded by local inspection should also be taken by the Group Officer or the Gazetted Officer for discussing with the Head of Office any important points referred

to by the Main Office.

*(Circular No. OAD.I, dated 24th March, 1956).*

b) The Departmental Officers have instructions from Government to take full advantage of the opportunity for discussing with the officers of the Audit Department, the objections in the reports pertaining to local audit, and to record the following certificates on the Reports and Factual Notes/Draft paragraphs prepared by Inspecting Officers of the Accountant General's Office.

**I) *Certificate to be recorded on the Report:***

“Certified that the Audit Report has been fully discussed and that all facts mentioned therein have been verified and found correct”

**II) *Certificate to be recorded on each of the factual note/draft paragraph:***

“Certified that the factual note/draft paragraph prepared by Inspecting Officer on the points has been discussed and that the facts mentioned therein have been verified and found correct.”

*(Cir.Memo No. 71287/791/Rev./68, dated 20th November, 1968 of the Govt. Of A.P, Finance (Rev) Department, File No. II-1/6869 of Report Section and circular No.OAD.II/IV/45/64-65/25, dated 31st August, 1971).*

(c) The fact of discussion in token of perusal of the report and correctness of the facts contained therein should be specifically recorded by the Head of Office locally audited on the first page of the Inspection Report under the “Introductory” paragraph/draft paragraph/factual note in all cases and if no discussion could be held, the reasons should be indicated. In cases of difference of opinion, the officer should hand over a note detailing his reasons for disagreement with audit objections as contained in the report.

*(O.O.No. OAD.I/XII/38-7/39, dated 12th February, 1970-File No. 38-7/69-70 Unit.XII O.A.D (Civil) Headquarters).*

(d) Draft Audit Reports/Audit Notes in complete shape along with the forwarding documents as indicated in the **Annexure-II** should be forwarded to the AAO/ ES-I Coordination Section, invariably by name to avoid delay so as to reach him within 5 days from the date of completion of local audit.

*(Circular No. 17, dated 28.7.1976).*

**ANNEXURE – I**

(Referred to in Para 3.13 (a))

FORM 'A'

(To be returned with reply)

No. Office

Observations or suggestions

Reply of Head of Office

FORM 'B'

(To be printed on foolscap folio)

(To be returned with reply)

No.

Reply

Office of the

From

To

Sir,

I am to request you to furnish the information, etc., required below :

Yours faithfully,

**ANNEXURE-II**

[Referred to in para 3.23(d)]

Confidential

*Office of the Principal Accountant General (Audit)  
Telangana, Hyderabad – 500 004*

Forwarding document to be submitted along with Local Audit Reports

By Registered Parcel:

Camp:

No.CP/

Dated:

The draft Inspection Report and Test Audit Note together with the Audit Enquiries and rough working sheets are forwarded to the Headquarters for necessary action.

Encl: 1.Current Report.

2. Previous Inspection Report.

File No.....

Asst.Audit Officer

Inspection PartyNo.....

**To**

Sri .....

Asst.Audit Officer

ES-I Coordination Section;

Office of the Principal Accountant General (Audit)

Telangana, Hyderabad – 500 004.

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Note: The draft Inspection Report should be sent to the Asst. Audit Officer, ES-I Coordination by name to avoid delay.

## PART-1

(This form is intended to assist the field parties and the Headquarters section to see that various duties entrusted to the field staff have been carried out)

1. Office or Unit inspected with full postal address including  
PIN Code number and Office Phone No., if any.
2. Duration of Audit indicating the actual period and No. of working days. From ..... To .....  
(working days)
3. Name of the A.A.O /Supervisor and Ars. constituting the Audit party.  
1.....AAO  
2.....AAO/Supervisor  
3.....Ar.
4. Name of the Inspecting Officer who supervised the audit. Sri .....
5. Dates of Supervision From ..... To .....
6. Whether the existing periodicity and duration of audit require revision.  
  
(A detailed note should be submitted in case the periodicity and duration is to be revised)
7. Name and designation of the Officer in-charge of the Office inspected. Sri .....
8. When last audited ?  
  
By A.G. Audit party  
By Dept. authorities
9. By whom last audited (Names of the Inspecting Officer and Section Officer/Asst. Audit Officers of the A.G. Audit party) Shri  
Shri  
Shri
10. Whether the staff of the Audit party made themselves conversant with the nature of the transactions of the Office

inspected and the system of accounts and studied the codes prescribed and the periodical administrative reports, departmental audit reports, or any other Government Publications containing the accounts of income and expenditure of the Institution.

11. Whether documents/files/vouchers required from the Central Office were received in time
12. Period of accounts audited.
13. Months of Accounts selected for test-check and whether audited.
14. Points marked by Central Office for scrutiny/verification during this audit.
  - (a) No. & date of reference of Central Office.
  - (b) Results of such scrutiny.
15. Whether all the paras marked for verification during next audit by the Central Office have been examined and action taken thereon indicated against the respective paragraphs in the report or test-audit notes as the case may be ?
16. Names of sub-units selected for test-check and whether audited ?
17. Whether outstanding paras of previous inspection Reports of A.G. have been verified and discussed with the Head of the Office and whether a statement in the prescribed proforma has been enclosed ? (Vide para 3.18(b) of the Manual )



- | Whether a gist of the pending paras has been included in part I (b) of the current Report taking into account the paras settled as result of review/discussion during local audit ?
- 18. Whether outstanding paras of previous test-audit notes (part II A & B) have been reviewed and last position indicated in the current test-audit notes ? (Vide 3.20 (d) of the Manual )
- 19. Whether the important and initial records mentioned below have been checked in accordance with the instructions issued in this regard ?
  - (a) Cash book and counterfoils or/receipt remittance challans etc.
  - (b) Receipt Books and Stock Register of Receipt Books.
  - (c) Petty Cash Book, if any
  - (d) Treasury Bills Book
  - (e) Permanent Advance Register
  - (f) Register of undisbursed Pay and Allowances
  - (g) Contingent Register
  - (h) Advances Recoverable Registers
  - (i) Acquittance Rolls
  - (j) Office copies of vouchers (Pay and Allowances) etc.

- (k) Stores and Stock Accounts and Stock Registers
- (l) Register of Revenue
- (m Tenders and contracts/agreements )
- (n) Measurement Books
- (o) Muster Rolls
- (p) Log Books
- (q) Trunk Calls Register
- (r) Register of Rents
- (s) Service Books and Leave Accounts

20. Whether any personal deposit accounts are held by the office inspected ?

21. Whether the certificate of acceptance of balances was issued by the Administrator of the P.D. Account to the Treasury Officer ?

22. Whether the records mentioned below, in respect of the P.D. Account are checked ?

- (a) Cash Book
- (b) Cheque Books
- (c) Ledger
- (d) Receipt Books and Stock Register of Receipt Books
- (e) Treasury Pass Book

23. (a) Whether Cash Book is balanced on the date of commencement of inspection and cash on hand got verified by the Officer-in-charge to test the correctness of the position ?
- (b) Whether certificates of cash balance with the office as on 1<sup>st</sup> April and 1<sup>st</sup> May of the year of Audit are also obtained from the Head of the Office and appended ? (Vide Para 3.10 of the Manual )
24. Whether security deposits have been obtained from the subordinates entrusted with cash or stores and from contractors for supplies made ?
25. Whether physical verification of stores has been conducted periodically and on the 31<sup>st</sup> March of the year, the necessary certificates of verification have been recorded in the registers and that action has been taken in respect of the surplus or shortages noticed ?
26. Whether reconciliation of departmental figures of Receipts as well as expenditure with those of the PAO/Treasury, has been done upto date ? (Figures showing unreconciled expenditure and remittances apart from the month in arrears should be furnished

27. Whether a review was made in respect of advances drawn on Abstract contingent bills, for which detailed contingent bills are due to Audit Office ? (Apart from important and significant irregularities, reasons for the pendency should be ascertained and commented. Details are to be furnished .
28. Whether there are cases of withdrawal of funds in advance of requirements in month of March ? Details should be furnished in the proforma prescribed with a necessary comment in the report.
29. Whether there are cases of retention of heavy cash balances by the Department ? Details such as dates of drawals, reasons, if any for keeping the amounts undisbursed should be furnished .
30. Whether there are cases of abandoned works ? Such works should be reviewed and commented in the report and details furnished in the prescribed proforma .
31. Whether there are cases of Plant and machinery, equipment, etc., kept idle ? Such cases should be reviewed and commented suitably in the report with full details in the proforma prescribed .

32. Whether there are cases of investments of Government in various bodies and institutions ?  
The prescribed checks are to be exercised and suitable comments included in the report where necessary .
33. Whether the checks prescribed in respect of rent recoverable from Government servants for the Government buildings allotted to them, have been exercised ?
34. Whether there is any expenditure on General/Bye Elections and the checks prescribed in para 4.69 of the Manual of Inspection (Civil) have been exercised ?
35. Whether the Stores and Stock Accounts rendered to the Head of the Department for preparation of consolidated annual Stores and Stock Accounts of the Department have been checked ?
36. Whether there are cases of advances of pay and transfer, leave salary, T.A. on tour/transfer and advances in connection with L.T.C and the like outstanding for more than two years ? Such cases should be analysed and commented suitably
37. Whether documents not produced during the previous audits have been produced and checked ?

- 37 Whether all checks in respect of centrally sponsored schemes carried out and required certificate furnished to ES-I Coordination as per Para 13.4.6 of the Manual?
- A
38. Whether the Treasury and Financial Rules are being properly followed by the Departmental Officers ?
39. Whether it was seen that the reference to the financial rules, departmental manual or standing orders or instructions the work of compilation and initial checks, etc. are actually attended to by the officials concerned ?
40. Whether Preliminary observation slips were issued and replies obtained ?
41. Items of work personally carried out by
- (a Asst.Audit Officers and
  - (b Inspecting Officer
42. Report drafted by .....
43. Whether the report was discussed with the Head of the Office ?
- (a Date of discussion
  - (b Paragraphs modified or deleted as a result of such discussion.
  - (c Certificate of discussion recorded.

44. Is any amendment to the Manual of Inspection Civil is necessary ? If so, to what paragraph ? (A detailed note in this regard has to be submitted with the report)
45. Audit fee, if any recoverable
46. Paragraphs, if any of the report which might be considered for possible inclusion in the Audit Report of C&AG
47. Remarks regarding general state of accounts

**Assistant Audit Officer**

**CERTIFICATE**

1. Certified that the remittances for the two months of ..... have been collected from the Cash Book and other subsidiary registers and the same verified direct from the Books of the Treasury/P.A.O. Hyderabad.
2. Certified that cheques issued by the Treasury/Pay and Accounts Officer, Hyderabad and Bills paid by the Treasury to the office inspected have been collected from the Books of the Treasury/Pay and Accounts Officer, Hyderabad and traced in the Cash Book and other relevant registers of the office inspected for the months of .....
3. Certified :
  - (i) that local audit of service books including those maintained for Gazetted Officers has been done in accordance with the instructions in para 7.03 of the Manual of Inspection (Civil).
  - (ii) That audit endorsements duly signed (with date) have been made in the Service Books concerned indicating therein the period covered.
  - (iii) All cases of Government servants who are due to retire within the next five years and as many cases as possible of Government servants who have put in more than ten years of service have been covered during the check of Service Books.
  - (iv) That the checks contemplated in C&AG's Confidential Lr.No.417-TA.1/785-68 dated 21<sup>st</sup> March 1969 have been exercised during local audit of the Service Books.
4. Certified that the rates in the agreement and estimates have been checked with the schedule of rates.
5. Certified that the checks regarding the correctness of deduction towards G.P.F. have been exercised and

comments regarding recovery and non-recovery included in the audit reports where necessary.

6. Certified that the maintenance of Pass Books for all G.P.F. subscribers by the Head of office in accordance with the instructions issued by the State Government has been verified and suitable comments on non-maintenance/defective maintenance included in the reports wherever necessary.

7. (a) Certified that the A.A. check of Cash Book has been conducted from the date of last audit ..... to date.

(b) Certified that A.A. check of cash book from ..... to ..... has only been conducted in addition to the months ..... marked by Central Audit/marked locally.

8. Certified that :-

(i) The nominal audit of pay and allowances has been conducted for the month/months ..... in accordance with the instructions of C&AG in Secret letter No.103 O&M/45-79-11, dated 30-3-1980.

(ii) The Office copies of the bills and acquittances in respect of the Pay and allowances of establishment have been checked for the month/months selected for test-check.

(iii) The supplementary and arrear claims of the members of establishment for the period from the date of last audit to date have been generally examined and a detailed test-check was conducted in respect of such claims in the month/ months selected for test-check; and

(iv) The case of increments sanctioned to the members of establishment of the office audited (b) cases of fixations of pay on promotion or revision and (c) all cases of drawal and disbursement of leave encashment during the periods from the date of last audit have been test-checked as prescribed.

9. Certified that the particulars of investments made by Government in various bodies such as statutory corporations, Government companies, autonomous bodies, Coop. Societies, etc. have been called for from the Head of the Office inspected and the checks prescribed in para 4.8A of the Manual of Inspection (Civil) have been exercised.

10. Certified that the items of work done by the Auditor have been test-checked by me as prescribed on CAG's Lr.No.48-T.A1/2-79 dt.17.1.1979.

11. Certified that the vouchers/paid cheques received from Deposits Section have been returned to the Section Officer ..... section vide Registered parcel No..... dated .....at.....(name of the Post Office) after test-check (vide circular No.134 dated 31.7.78 of ICH)

(i) certified that the vouchers for the marked months from R.A.Os office, P.A.Os office A.P. Hyderabad have been collected and returned to R.A.O (vide No.....Dated.....(vide circular No.1 dated 11.4.1979).

(ii) certified that the vouchers received from the District Inspector of Local Fund Audit, have been returned to him or/and acknowledgement obtained has been kept on record with the party/by registered post in letter No..... Dated.....

12.Certified that the inspection of treasuries have been conducted in accordance with the instructions issued in Secret Lr.No.1077-T.A. 1/202-78 dated 15-11-1978 and Circular No.901-TA.1/202-78 dated 10-8-1981 and that the questionnaire prescribed, in this regard has been enclosed to the report duly answered by the Inspecting Officer.

Asst.Audit Officer

(Inspection Party No.....)

Camp :

Date:

Remarks when the audit is supervised by a Gazetted Officer



Camp:

Gazetted Officer

Date:

Note :-

1. The Supervising officer will see that the local audit party has discharged its duties thoroughly. He should particularly state whether the Inspecting Section Officer/ A.A.O. has either omitted to audit any accounts or to exercise the prescribed checks.
2. Documents not produced for audit should be mentioned in the Inspection Report together with the check which could not be exercised on that account and the likely effect of this omission.

**PART III**

**(a) Details of Allocation of Work and the Records/Documents checked**

Sl. No.	Name and Designation of the member of the Audit Party	Work allotted and completed indicating the name of the records/ documents checked	Reference to paras included in report/ TAN as a result of checks exercised	Full signature	Initials
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>

Signature of the Assistant Audit Officer (Inspection Party No...)

**(b) List showing records and vouchers etc. brought from head quarters**

Sl. No.	Particulars of Records/ vouchers/ files etc. brought from Headquarters	Use put to
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>

Signature of the Assistant Audit Officer (Inspection Party No...)

## CHAPTER 4

### AUDIT OF ACCOUNTS OF AGRICULTURE DEPARTMENT

**4.1** The Commissioner/Director of Agriculture functioning under the Ministry of Agriculture and Cooperation, is responsible for planning and execution of various agricultural programmes relating to agricultural production and for organizing the supplies of various inputs and services, namely seeds, fertilizers and pesticides to the farming community. Research and training activities are attended to by the Andhra Pradesh/ Telangana State Agricultural University and engineering activities by the Andhra Pradesh/ Telangana State Agro Industries Corporation, production of seed and their supply is attended to by Andhra Pradesh State Seeds Development Corporation, while the Seed Certification agency looks after the quality of seed production.

**General:** Various branches of the Agriculture department which come under local audit of this office are:

- 1) Administrative offices like the offices of the Director of Agriculture and Assistant Directors of Agriculture.
- 2) Agricultural farms.
- 3) Agricultural depots.
- 4) Soil Conservation Schemes.

The particulars of accounts maintained in the various offices of the department and detailed instructions for their maintenance are contained in the Agriculture Departmental Manual. The local audit staff should make themselves conversant with those instructions before commencement of audit.

Under the five year plans with a view to increase the production of agricultural produce various schemes are introduced on different funding pattern depending on the soil, climate and other factors. So the schemes vary from place to place and the local audit party should first ascertain and study the schemes implemented by the office taken up for local audit. A general pattern of the department and schemes are detailed in the subsequent paras.

**SECTION – I**  
**DISTRICT AGRICULTURE OFFICES**

*4.2 Departmental setup at district level*

All the functions at the district level are centralized with the Joint Director of Agriculture. The Divisional Assistant Director of Agriculture is charged with the responsibilities of extension and development under the reorganized Agriculture Extension System. Village Extension Officers are in charge of 800 to 1200 operating farm families on an average. One Agricultural Officer supervises and guides 6 to 7 Village Extension Officers in extension work. One Agricultural Officer is exclusively in-charge of an Agricultural Depot for input work. Mostly work shops are conducted at Agricultural Research Stations where the Departmental Officers at district and divisional level and scientists of the research stations participate and formulate technical messages regarding important crops grown in the District. Assistant Director of Agriculture (Regular) and Assistant Director of Agriculture (SMS) conduct fortnightly sessions at divisional level for Agricultural Officers and Village Extension Officers and formulate messages in respect of field operations that would take place in the coming two fortnights. Agricultural Officers will hold meetings with their Village Extension Officers, one in each fortnight on specified days and discuss about the impact points or message formulated at the fortnightly training session and report feed back on field problems to their superior officers for solutions. Village Extension Officers, thus fully trained in agricultural messages and necessary skills, advise the farmers for increasing agricultural production. There is regular feedback on problems of farmers to extension and research Officers. Extension work under Y & V system is looked after by Additional Director of Agriculture (Extension), while Joint Director of Agriculture (Monitoring and Evaluation ) looks after monitoring and evaluation of this system. Under this system, about 4,000 Village Extension Officers' circles and 704 Agricultural Officers' Ranges are formed in the State. The Agricultural Officers ranges' are redeployed to work in Mandal Praja Parishads.

Various developmental programmes are implemented at the field level in close coordination with Mandal. The Agricultural Officers and Village Extension Officers (Field Assistants and Sub-Assistants) are primarily responsible for implementation of agricultural development activities.

The Department also runs training centres for plant protection and soil conservation. The State Institute of Plant Protection and Pest Surveillance at Hyderabad is headed by a Joint Director of Agriculture (Principal) and imparts training to farmers and departmental personnel in the field of agriculture.

Soil Conservation Training Centres at Hyderabad and Ananthapur impart training to the staff of the department in proper planning and execution of soil conservation works. These Training Centres are headed by Assistant Directors of Agriculture.

22 Farmers Training Centres at the rate of one per district are functioning in the State to impart training to farmers in the application of improved techniques of agricultural production.

**4.3 A.Scope of audit:** Audit of expenditure mainly consists of scrutiny of accounts relating to the -

- 1) receipt and issue of seeds, etc.
- 2) loans transactions.
- 3) hire purchase of agricultural implements.
- 4) maintenance of Government vehicles (this should receive particular attention).

**B. Accounts, Records:** Besides registers like cash book, contingent registers, permanent advance register, security deposit register, etc., following records are also maintained in the office of the Assistant Director, Agriculture.

- 1) stores and stock accounts of seeds, implements etc.,
- 2) loan records including applications, agreement bonds and loans ledgers.
- 3) records showing proceeds on account of hiring agricultural implements.
- 4) log books of vehicles.

**4.4 Process of audit:** The various accounts maintained /activities undertaken and the checks to be exercised in Audit are detailed below:

**(i) Stores accounts:** It should be seen that stores accounts are maintained in respect of permanent stores, furniture, books, forms, stationery and consumable stores like kerosene oil, etc., separately and details of articles acquired for departmental use and articles intended for sale to public are kept separately as required in the departmental manual.

NOTE: In respect of issue of seeds and manures to agriculturalists at concessional rates, it should be seen that separate registers for free supply or supply at concessional rates are maintained in the form prescribed in the departmental manual and that the supply is made under sanction of the Assistant Director of Agriculture of the concerned district after exercise of careful scrutiny of particulars in the applications.

**(ii) Procurement and sale of seeds and manures:** Agreements, vouchers and stock registers should be scrutinised so as to see that procurement is made economically and transactions relating to procurement and distribution and sale of seeds are brought to account there and then. It should also be seen that sale price is fixed as per instructions in the departmental manual and instructions issued by Government from time to time.

**(iii) Loans:** Loans granted by the department may be divided into the following categories. :-

1) loans granted on prescribed security to agriculturists: -

a) free of interest for purchase of seeds of food, fodder and green manure crops and manures.

b) with interest for purchase of agricultural machinery and implements.

2) loans for hire-purchase of tractors and pump sets.

It should be seen that a register of applications for loans in form L.F.24 giving all particulars of transactions, a separate cash book for disbursement of loans and manuscript register showing particulars of loans disbursed are maintained as required in the departmental manual.

3) loans granted to Zilla Praja Parishads and Panchayat Samithis for discharging certain functions under Zilla Praja Parishad and Panchayat Samithi Act, 1959, fall mainly under following types : -

a) purchase of seeds of paddy, millets and pulses and purchases of pesticides and their distribution to the local bodies.

b) loans under intensive manuring scheme.

In respect of loans of the first category, realisation of sale proceeds of seeds distributed should be watched by the department. Loans of the second category are repayable with interest at the rates prescribed by Government from time to time. Loans, when granted for the first crop of a year, are recoverable by end of February of the succeeding year, when granted for the second crop of a year, they are recoverable by end of June of the succeeding year. In case of default penal interest also is to be levied.

NOTE: 1 - In respect of loans sanctioned to Mandal Praja Parishads by the Agriculture Department, the register maintained by the sanctioning authority for watching repayment of these loans sanctioned to the Mandal Praja Parishads should be scrutinised to ensure that the register is maintained in the form prescribed in Circular No. Gnt. 5/2861/65, dated, 21st October, 1965 of the Director of Agriculture and to satisfy that the sanctioning authority is taking adequate steps to effect recovery of the outstanding loans from the Mandal Praja Parishad.

*(A.G'S orders, File No. 47-4/66-67).*

NOTE 2 : - Short term loans shall be disbursed by the Agriculture department to such of the needy farmers only in exceptional cases where the financial institutions or Co-operatives Societies do not come forward to assist the farmers. The recovery of such loans shall be watched by revenue department.

It should be seen in Audit that :-

- 1) proper records are maintained for watching credit particulars in respect of money remitted by Mandal Praja Parishad towards sale proceeds of seeds, etc.,
- 2) proper accounting procedure exists to watch the extent of loans utilised by these bodies and to order refund of unutilised amount.
- 3) loans are not released every year as a matter of course regardless of the fact that a major part of previous loans remains unutilised.
- 4) prompt action is taken to collect dues from mandals.
- 5) proper records are maintained for watching recovery of loans and settling repayments against penal interest, interest and principal amount

- 6) loans are not remitted by remittance transfer receipts;
- 7) they are paid only to parties concerned or to their authorised agents;
- 8) security bonds and receipts are taken ; and
- 9) amounts of loans do not exceed the limits prescribed.

The above mentioned checks apply mutatis mutandis to other types of loans such as: -

- 1) distribution of agricultural implements at subsidised rates.
- 2) loans under fruit development scheme.
- 3) loans under pilot scheme for distribution of fertilisers under rainfed crops.
- 4) supply of oil engines and electrical motors.

Many of these loans bear an element of grant-in-aid also when the loans are in kind and supplied at subsidised rates.

In respect of all such loans and grants, field staff should bring to light cases of release of loans/grants for subsequent years where reports in respect of release of amounts for previous years are not received. It should also be examined whether loans/grants are released without assessment of factual requirements resulting in locking up of Government moneys. Comments on these lines should be supported by full statistical data on the extent of unutilised grant/loan and overdue instalments of loans, as it would be difficult to establish failure of the department without the said data.

*(N.O.O.O. CAD/CIVIL/V/38-1/66-67/14, dated 4th September, 1966, of A.G.A.P. – File No. 38-1/66-67 of OAD, Civil Hqrs).*

**(iv) Subsidies**

The types of subsidies given could be the following:

- (a) Fertiliser subsidy to dry land crops in schedule castes farmers holdings.
- (b) Seed subsidy
- (c) Sprinkler subsidy
- (d) Subsidised supply of agricultural implements

(e) Subsidy of sale proceeds of compost to local bodies

In all these cases it should be seen that; a) there is provision or orders issued by the competent authority setting out the norms to be followed for the selection of beneficiaries and whether they are followed. b) whether there is enough evidence that the benefit has accrued and if it is not susceptible for verification why it is so . Any defects noted should be commented and included in the report so that the material may be used, if the scheme is taken up for a precise review subsequently.

**(v) Plant protection :-** Protection of plants against pests and diseases is vital for stabilization and boosting up of agricultural production as it is estimated that nearly one fifth of the crop cultivated is lost annually.

The plant protection scheme has been in operation in the State since 1949. The activities under plant protection include (a) pest surveillances, (b) education and training for departmental staff and farmers in regard to use of plant protection chemicals, equipment and resistant varieties of seeds, (c) quality control of pesticides, (d) supply of chemicals and equipment at subsidized rates to farmers and (e) large scale campaigns in the case of endemic areas.

***It should be seen in local audit whether :***

1. the pesticides are sold at prescribed rate, allowing prescribed scale of subsidy.
2. specific orders of Government exist where equipment of spraying pesticides is lent free of cost.
3. expenditure on aerial operations achieve results expected of it and whether results are commensurate with the expenditure .
4. that the engagement of private planes is supported by a certificate from Government of India of non-availability of their planes. (actual expenditure incurred should also be recorded in the audit reports).
5. use of mobile vans for controlling pests is in accordance with procedure prescribed therefor and that log books towards these movements do not reflect any irregularity, and that.
6. use of private vans is taken recourse to , only due to non-availability of Government vans.

Any other important irregularity that comes to light may also be commented upon.



Information on following points may also be collected and included in the audit report in this regard.

- 1) number of power sprayers allotted to each depot and how they are put to use; extent of lands sprayed and hire charges collected from agriculturists.
- 2) number of hand-operated sprayers allotted to each depot and extent of their usage together with particulars of rent collected.
- 3) the intention expressed by agriculturists in favour of a particular make of the sprayer and whether non-usage of the equipment can be attributed to non-compliance of the department to purchase the particular type of sprayers desired by them.
- 4) number of sprayers supplied on subsidised basis and cost recovered in advance before handing over physical possession.
- 5) lumpsum cost remitted by mandals in respect of sprayers supplied to them (if any amount is due, necessary data may be collected and furnished).
- 6) similar information in respect of subsidised sale of pesticides.
- 7) conformity of subsidised sale of equipment/pesticides with orders issued by Government from time to time.

*(O.A.D. Civi /N/40, dated 3rd April, 1967-File O.O.s (1966-67).*

- 8) a) period of acquisition of pesticides.
- b) nature of pesticides acquired.
- c) quantity and total cost of the pesticides.
- d) quantity disposed off so far.
- e) quantity left over as on date and its cost.

*(Circular No. O.A.D/Civil/T/70-71/46, dated 2nd march, 1971-File Misc.70-71 of Unit V.O.A.D.Civil.Hqrs).*

**(vi) Quality control** :- To implement the Insecticides Act, 1968 (enforced in the state since December, 1972) and to prevent inter alia sale of banned or misbranded pesticides harmful

to human beings as well as animals, Quality Control Inspectors (QCIs) 35 Nos. were appointed in all the districts and 4 Pesticide Testing Laboratories (Rajendranagar, Anantapur, Guntur, and Tadepalligudem) were established in the State.

For maintaining the quality of fertilisers, the provisions of Fertilisers Control Order 1985 are to be enforced and unscrupulous elements are dealt with severely. Fertiliser samples are drawn regularly from various outlets and got analysed in the F.C.O-laboratories. Whenever the samples are found to be of sub-standard, action is initiated against the offenders.

It should be seen in Audit that the provisions of the Act/Order are scrupulously followed by the department.

**(vii) Hire purchase system of agricultural machinery such as tractors and oil engines and pump sets :-** The rules framed for hire-purchase system of agricultural implements like pump sets and tractors are given in the Departmental Manual and in Government Orders issued on the subject from time to time. Local audit staff should study these rules.

It should be seen that :-

- i) Loans are granted upto the limit prescribed on proper applications and after proper enquiry;
- ii) Applications are supported by necessary solvency certificates;
- iii) Necessary agreements and surety bonds are taken from the loanees;
- iv) Recovery of transport and erection charges is made in full; and
- v) Intimation about recovery of the instalments and interest is sent to revenue authorities in all cases in the prescribed form.

Loan application, ledgers, sanctions and advice sent to the Tahsildars should be scrutinised carefully so as to ensure that instructions issued are followed strictly without any lapse.

**(viii) Accounts of Seed Farms :-** At present, there are 31 State Seed Multiplication Farms in 17 districts under the control of the Agriculture Department, to multiply high yielding and improved varieties of seeds of different crops and also to conduct adoptive research trials with new varieties and latest technology. The seed produced on these farms is supplied to

the registered seed growers for further multiplications. The seeds produced by the registered seed growers is again procured by the Department and supplied to the needy farmers.

It should be seen that :-

- i) List of seed farms is maintained;
- ii) Agreements in the prescribed forms are entered into with holders of seed farm;
- iii) An account of advance given to the farm is maintained and advances are recovered at the time of purchase of produce ; and
- iv) The Department ensure that the seeds purchased are, in all respects, of specific quality.

**4.5 Crop Insurance Scheme :-** Insurance is an in-built system of Crop Loan and therefore, insurance is compulsory for the farmers who take up loan from any financial institution for the crops covered under insurance. The scheme is looked after by Special Officer (Crop Insurance) at the State level.

The salient features of this scheme are as follows :-

**Salient features :**

**Crops :-** Rice, Jowar, Bajra, Maize, Ragi and Korra among cereals and Millets, Redgram, Greengram , Blackgram and Horsegram among pulses and Groundnut, Gingelly, and Castor among oil seeds crops during Khariff season and nine (9) Crops, viz., Rice, Jowar, Ragi, Maize, Blackgram, Greengram, Horsegram, Groundnut and Gingelly in Rabi Season are insured.

1. All farmers availing crop loans from any bank for raising the above mentioned crops have to compulsorily insure the crops. However gold loans are not covered.
2. Sum insured in respect of each farmer shall be 150% of crop loan actually disbursed to him.
3. Insurance charges payable on sum insured by the farmer is also sanctioned as additional loan.
4. Insurance charges are 2% on the sum insured in respect of cereals and millets and 1% in respect of oil seeds and pulses crops.
5. 50% subsidy on premium paid by small and marginal farmers is available which is

paid by the State Government and Government of India on matching basis.

6. 80% of average yield of a crop based on last 5 years data of mandal/group of mandals called insurance unit, is taken as threshold yield of that crop of notified area/insurance unit.

7. If actual yield of mandal/group of mandals of insured crop of notified area estimated on the basis of crop cutting experiments is less than the threshold yield, compensation will be paid to all the insured loanees/farmers according to the following formula.

$$\frac{(T.Y - A.Y)}{T.Y} \times \text{Sum insured of individual farmers}$$

Where T.Y .Threshold Yield

A.Y Actual Yield

8. Andhra Pradesh Crop Insurance Fund was set up with the amount of RS. 100 lakh each sanctioned by State and Central Governments. The State's share of compensation will be paid from the funds.

9. State Government and G.I.C of India on behalf of Government of India share premium and indemnity in the ratio of 1:2 .

(Also refer to Para 5.4 of Chapter 5)

**4.6 Maintenance of Government vehicles :-** Rules for maintenance of the Government vehicles are contained in the Departmental Manual. It should be seen that subsidiary registers mentioned therein are maintained as per instructions and the use of Government vehicles is regulated by provisions contained therein.

**4.7 Study of Rules under Rules/Acts :-** The department is implementing the Insecticide Act, 1968 and Rules, 1971 for the fertilizer and insecticide support to the agriculturists. The mode of implementation may be studied and comments, if any, may be included in the report.

**4.8 Agricultural Extension Programmes :-** The State Government formulated several schemes i.e. Rythu Chaitanya Yatras, Rythu Sadassu, Adarsha Rythu etc. for creating awareness among the farmers about technological advancements in farming. The implementation of these schemes should be studied in Audit and suitable comment on non-achievement of objectives included in the Report.

## SECTION II

### AGRICULTURAL FARMS

**4.9** Agricultural Farms maintained for dissemination of agricultural knowledge, propagation and distribution of improved varieties of seeds, demonstration of improved implements, etc., are also intended to serve as model farms where cattle, breeding bulls and milch cows are maintained. The object of maintaining these farms is not to earn profits.

The farms are classified as :-

- i) Research (Farms) Stations.
- ii) Demonstration Farms.
- iii) Experimental Farms.

**4.9.1 Accounts, Records etc.,** :- Following are important records in addition to usual registers maintained in the offices (The para Nos. indicate reference to the Departmental Manual).

1. Field register (para 124)
2. Cultivation Sheet (para 125)
3. Muster rolls (paras 139 and 135 to 137)
4. Register of hire of farm carts (para 124)
5. Stock book of produce (para 143)
6. Day book of sale (para 145)
7. Ledger of credit sales (para 145)
8. Milk record sheet (para 147).
9. Register of disposal of milk (para 146).

10. Fee transfer bills (para 147)
11. Register of live-stock (para 152)
12. Stock register of articles like pesticides, etc. (para 59)
13. Register of plant and machinery (para 54).
14. Log books of agricultural machinery.
15. Daily record sheet (para 131).
16. Cattle food register (para 155).
17. Register of rest houses.
18. Lease deeds (paras 141 and 161).
19. Register of credit notes.
20. Register of buildings.
21. Remittance Registers.
22. Cash bill book.
23. Receipt book.
24. Personal ledger.
25. Credit bill book.
26. Maistry's field registers.
27. Labour weekly abstracts.
28. Cattle census register.
29. Cart hire register.
30. Land register.
31. Furniture register.

32. Permanent labour attendance register.

33. Finance statement register.

34. Arrears of wages payment register.

### **STORES SECTION**

1. Day book of receipts.

2. Day book of issues.

3. Yields register.

4. Stock book of paddy

5. Stock book of manures.

6. Stock book of garden produce.

7. Stock book of green fodder.

8. Stock book of gunny bags and empty tins.

9. Yield register for vegetables.

10. Register of trees.

**4.9.2 Field register:-** It should be seen that the history of each field or farm is kept up-to-date showing the crops it bore, manure it received and any other information as to drainage aspect and special cultivation of value.

Entries in the register should be traced from the cultivation sheets.

**4.9.3 Cultivation sheet:-** in respect of bulk crops (non-experimental) it should be seen that the details of each operation performed from the preliminary cultivation up to harvesting of crop and cleaning the field are entered. It is also to be seen that the actual amount paid for labour, cost of maintenance of work, cattle, proportionate cost of plough share, spare parts and depreciation value of other implements is entered and loss on operation is calculated on the basis of value of produce determined at prevailing market prices.

In respect of experimental crops, it should be seen that profit and loss statement is prepared in all cases where it has been so ordered.

**4.9.4 Muster rolls:-** Muster rolls should be checked with the daily record sheet. It should be seen that :

- 1) **number of labourers tallies with that sanctioned by the Director of Agriculture.**
- 2) changes in the rate of daily wages of casual coolies are noted in daily record sheet with reasons and that overtime wages are at the rates prescribed.
- 3) wages for leave periods for regular coolies are regulated as per instructions in the departmental manual; and
- 4) that they are prepared and checked as per instructions in the above mentioned manual and contain the requisite certificate.

**4.9.5 Hire charges of farm carts:-** it should be seen that :

- 1) a register in the prescribed form is maintained;
- 2) hire charges are worked out correctly as per instructions in the manual; and
- 3) collection is made promptly and brought to account.

**4.9.6 Stock book of produce:-** This register should be checked with daily record sheet so as to ensure that all yield (grain, straw) and garden produce (vegetables, coconuts, fruits, fuel etc.) obtained from the station are accounted for . Grains for sowing are required to be kept separate from those for other purposes and accounted for separately.

It should be seen inter alia that: -

1. issues are made under orders of competent authority;
2. balances are worked out correctly;
3. sales are traceable in cash book or ledger as the case may be;
4. stock balances are verified and the losses on account of drriage and wastages, etc., are approved by competent authority;
5. bills are made out correctly for all including transfer cases.
6. produce is sold at rates fixed by competent authority or at the market rates;



7. amount of cash sales are traceable into cash book and receipt register and those of credit sales into the register of outstandings.
8. farm produce remaining unsold is weighed, recorded and valued properly at rates prescribed and duly accounted for.
9. quantities of produce as noted by staff in charge of this item of work were subjected to personal test check by superior officers and the result of such test check recorded.
10. entries of issues in the stock book agree with entries in counterfoils of receipts for cash sales and entries in bills for credit sales, and
11. the quantum of yield for each plot of farm demarcated should be compared with the yields of previous years and it should be ascertained whether reasons for any shortfall in the yield are satisfactory. Cases where it is otherwise should be commented upon in the audit report duly supported by sufficient statistical data.

**4.9.7 Crop registers:-** Scrutiny of this register is to be carried out as under :

1. It should be verified whether the cropping scheme is duly approved by the competent authority, the scheme as originally planned should be compared with crop register and it should be verified that deviations, if any, from sanctioned scheme are duly approved by the authority who sanctioned the original scheme.
2. It should be seen that all columns in the crop register are duly filled in and that the produce is accounted for in the column provided for the purpose under initials of officer-in-charge of farm; the farm produce should be traced into the stores ledger for the months selected for audit.
3. It should be seen that labour if paid in kind is according to approved scale.

**4.9.8 Bill books and credit ledger :-** it should be seen :

1. whether credit sales are restricted to approved customers in accordance with rule framed by Government for credit sale of articles from Government farms and seed depots.
2. whether bills are issued as soon as supplies are made and collected regularly.
3. whether balances from previous years' ledgers are brought forward correctly. (the outstanding amount year by year at the time of close of audit should also be reported);

4. that interest, if any, and total amount due are calculated at the time of realisation or at the end of the harvest as the case may be.
5. whether sale price is fixed in correlation with market rates, including premium for clearance charges, etc.

**4.9.9 Register of seeds:-** This should be verified to ensure that unnecessary large quantities of seeds are not stocked, that seeds purchased are accounted for, and that balance of stock is periodically verified by officers entrusted with stock verification.

**4.9.10 Stock book of garden produce:-** It should be seen that suitable accounts are maintained for garden produce sold by the gardener direct, such as plants, flowers, fruits, etc., and such sales are supervised by some superior officer.

**4.9.11 Register of trees :-** A register of trees should be maintained in the farm. This register should be examined to see that it is properly maintained and a census of trees taken periodically. The register of trees may be examined to see whether separate accounts are kept of revenue yielding (like mango trees, tamarind trees etc.) and non-revenue yielding ones and whether the income from revenue yielding trees are properly assessed and accounted for. It may also be scrutinised whether the trees felled or fallen are disposed of, to the best advantage of Government. It should be seen that proper lease agreements exist for sale of usufructs of trees and that amounts are collected from the lessees and brought to account properly.

**4.9.12 Day book of sales :-** Entries should be traced in the cash book and stock book and in the ledgers. It is to be seen that instructions contained in the Departmental Manual for sale of produce are observed strictly. It should be seen that credit sales are made only in authorised cases.

**4.9.13 Ledger of credit sales to staff:-** All credit sales should be traced in this ledger and it should be seen that they are properly acknowledged.

**4.9.14 Milk record sheet and register of disposal of milk:-** These records are to be maintained in forms prescribed in the manual. It should be seen that sales are properly

accounted and billed for. The corresponding entries should be traced in the cash book with reference to each bill.

**4.9.15 Transfer bills:-** The transfer bills should be checked with entries in stock register and it should be seen that they are covered by acknowledgement of the concerned officers.

**4.9.16 Register of rest houses:-** in respect of rents from rest houses attached to farms it is to be seen that receipts are traceable in the cash book from the counterfoils of receipts books.

**4.9.17 Maintenance of cows and she-buffaloes of the staff in the farm:-** It should be seen that : -

1. permission of Head of Office is obtained and
2. fee fixed for the purpose is collected monthly from the staff as required in the departmental manual.

**4.9.18 Lease deeds, agreements, etc:-** Delegations accorded by Government in favour of the officers of Agriculture department are given below: -

Heads of Research Sections and Deputy Directors of Agriculture are empowered to enter into contract on behalf of Government in respect of the following subjects: -

1. agreements with merchants for supply of green manure seeds and gunny bags.
2. contract for supply of small agricultural implements manufactured in India;
3. lease deed for renting private buildings for office or accommodation;
4. depot agreements relating to grazing rights.
5. agreements for usufruct right of fruit trees in Agricultural Research Stations and other like purpose;
6. lease deed for taking lands on leases in Agriculture department.

It should be seen inter alia that leases, contracts, etc, are executed according to delegations and only after obtaining sanction of the higher authorities, whenever necessary.

*(G.O.Ms.No.2186, Agriculture Department., dated 30th December, 1977 and A.G's orders in*

*D. Agriculture Section-file 220/57-58).*

**4.9.19 Miscellaneous:-** It should be examined: -

a) that if there is wide variation between allotment of funds in the budget for a scheme and actual expenditure, reasons therefor have to be justified. If actual expenditure is much more than allotment, it should be examined whether it was due to delay in working of the scheme which in its turn might be due to inefficient handling, planning and co-ordination of the work;

b) whether the entire area (acreage) targeted to be covered by the farm is actually covered, if not, the short-fall may be indicated and the reasons therefor investigated and explained.

c) whether the farm is developed to the fullest extent particularly with respect to provision of irrigation facilities, fencing, layout, etc.

**4.9.20 Functioning of Agricultural Farms attached to Gram Sevak Training Centres:-** The provisions of this chapter apply mutatis mutandis to farms attached to Gram Sevak Training Centres.

### **SECTION III**

#### **AGRICULTURAL DEPOTS**

**4.10 Scope of audit:-** As the bulk of the stores of the Agriculture department is stocked in the depots, the main object of local audit of these depots is to ensure that stores and stock accounts are properly maintained and receipts are realised and brought to account promptly.

**4.10.1 Accounts, Records, etc:-** The following important account records should be scrutinized during the course of local audit of agricultural depots.

1. Cash book.
2. Cash chitta register.
3. Bill books.
4. Challans.
5. Contingent bills.

6. Vouchers.
7. Depot register.
8. Dead stock register.
9. Transfer bills.
10. Auction sale register.
11. Purchase day book and sales day book.
12. Seal form register.
13. Register of bill books.
14. Credit notes.
15. Challans and vouchers.
16. Register of duplicate keys.

Audit of the accounts of the depots is conducted at the offices of the Assistant Directors of Agriculture by calling for original records of depots. The selection should be so made as to cover transactions of all depots in a period of three years. This should be done in addition to the normal annual audit of accounts maintained by the District Agricultural Officer.

It should be seen in Audit that :-

- 1) receipt and issue of various commodities are correctly and promptly brought to account in stock registers and balances are verified periodically and balances of stock are carried forward correctly from month to month;
- 2) receipt as per distribution by the Assistant Director are properly accounted for;
- 3) the discrepancies between the book balance and the actual balance are reconciled promptly and physical verification is effected at prescribed intervals and that prompt remedial action is taken against shortage by fixing up responsibilities.

- 4) rates adopted for sale of various commodities are according to the sale prices fixed for them;
- 5) bills are made out promptly and collections brought to account and remitted into Treasury without any delay;
- 6) free transfer bills are issued whenever necessary and issues in these cases are supported by the acknowledgement for those concerned and that transfers are promptly adjusted in accounts;
- 7) the register of bill books is maintained properly and completed bill books sent to the District Agriculture Office for record.
- 8) a proper account of empty gunny bags is kept and auction sale is conducted at rates favourable to Government;
- 9) scale prescribed for permitting inevitable shortages is by itself not on the high side and that actual shortages permitted do not exceed the prescribed scale;
- 10) movements of stores from one depot to another and consequent transport charges are not excessive and do not owe themselves in any case to defective estimation of the requirements (ab initio).
- 11) proper watch is kept by the Assistant Director on the monthly returns of the depots to ensure that all receipts and issues are properly supported and that the depots are regular in sending the periodical returns.
- 12) inter-depot transfers indicated in the returns are watched through contra entries. (a test check of contra entries should also be effected by the field parties in this regard);
- 13) inspection of the depots is effected at the required frequency. (the inspection notes should be gone through and it should be examined whether remedial action is taken promptly with reference to the irregularities pointed out);
- 14) the amount in respect of loans are drawn according to requirement and disbursed to the parties without delay under proper acknowledgement and particulars of disbursement, etc., furnished to the Assistant Director promptly.

*(Circular No. O.A.D.II/II-20/66-67, dated 4th January, 1967).*

NOTE: Checks detailed above also to be extended to the departmental stocks of closed godowns kept with the seed store of Mandal Praja Parishad. as stocks in seed stores are controlled by Agricultural Extension Officers (G.O.Ms. No. 1643, dated 18th January, 1964). The cash book, stock registers and other registers pertaining to departmental stock should be subjected to test check, if the godowns marked for audit have been closed and stocks transferred to the Mandals seed stores.

*(Circular No. O.A.D. I/V/67-68/33, dated 21st December, 1967)*

#### **SECTION- IV**

#### **SOIL CONSERVATION SCHEME**

**4.11** Certain schemes which are mainly intended for protection of top-soil from erosion and which incidentally increase agricultural production of the area besides providing labour and improving the status of inhabitants of the area are undertaken by the department in various parts of the State e.g., Machkund basin, Araku, etc.

Besides, the work of Contour Bunding or Trenching as contemplated in Land Improvement Scheme (Contour Bunding and Contour Trenching) Act, 1949, is also undertaken by the Agriculture Department for the benefit of the farmers and the amounts recoverable from the farmers are worked out and intimated to the Revenue authorities. The execution of the work is arranged by the Assistant Soil Conservation Officers through Departmental labour. These officers work under the control of the Assistant Director (Soil Conservation).

The salient features of the various Soil Conservation Schemes formulated by Government of Andhra Pradesh are indicated below :-

i) The pattern of financial assistance provides for 25% subsidy by Government on Soil Conservation works excluding establishment charges which are met from State Funds.

*(G.O. Ms.No. 2174, dated 24th August, 1965 of Government of Andhra Pradesh, F & A Department, circulated in Cir.NO. O.A.D/Civil/XII/47-11/66-67/1, dated 24th April, 1967).*

ii) Recovery of cost from the beneficiaries of the Contour Bunding Scheme :- Only the amount of takkavi loan sanctioned to the beneficiaries of the contour bunding scheme in the districts of Telangana during the period when the scheme was executed under the takkavi system, is recoverable from the beneficiaries concerned of the above mentioned scheme.

iii) Mode of recovery :- Recoveries from the beneficiaries of the Soil Conservation Schemes are made as per the following formula :

If 'A' is the cost of the conservation works and 'R' is the amount recoverable, then

$$R = \frac{A + \frac{A}{3}}{100 \times \frac{75}{100}}$$

$$\frac{A}{3} \quad 75$$

$\frac{A}{3}$  - representing the establishment charges. (The formula provides thus for a deduction of 25% of the gross cost of conservation works towards subsidy).

iv) Details of the recoveries to be made from the beneficiaries of the Soil Conservation Schemes are required to be recorded in the Register of Rights and Liabilities (vide Annexure).

v) Rate of interest to be charged and the number of installments in which the recoveries have to be effected – a) Interest at 4 ½ % per annum is added to the amounts recoverable from the beneficiaries concerned and the total amount so arrived at is recovered in fifteen annual equal installments.

*(G.O.Ms.No.1377-Agriculture Dept., dated 10th July, 1961 of the Govt. of A.P.Circulated in Circular No. O.A.D/XII/47-11/86/66/67/1, dated 24th April, 1967).*

vi) Recoveries from beneficiaries in the case of Soil Conservation schemes should commence after a period of two years from the date of the completion of works.

*(G.O.Ms.No.7, dated 2nd January, 1965 of the Government of A.:P, Food and Agriculture Department, Circular No. O.A.D/Civil/XII/47-11/66-67/1, dated 24th April, 1967).*

**4.11.1 Recovery of cost of soil conservation works:- As per para XIV of the Soil Conservation Technical Accounts Manual, 75% of the cost of Soil Conservation works executed by obtaining agreements/ bonds is recoverable from the beneficiaries in 15 equal instalments inclusive of interest at 4 1/2 %. The recovery would start 24 months after the completion of the soil conservation works. The recovery statement have to be prepared by the Assistant Director of Agriculture (S.C) furnished to Revenue Department for recovery. But the Agriculture Department is silent after submitting the recovery statements to the Revenue Department authorities, and no follow up action appears to have been taken with Revenue authorities to watch progress of recovery of dues from the beneficiaries. This aspect may, be looked into at the time of audit of Soil Conservation Offices.**

*(Circular No. 10)*

**4.11.2 Accounts records:-** Besides maintenance of usual records like cash book, contingent register, etc., the nature of work requires execution of agreements, maintenance of muster rolls and measurement books.



It should be seen in audit that: -

- 1) works records are maintained observing instructions contained in A.P.F. Code, Vol.I.
- 2) works executed are covered by proper estimates in all cases and exceptional cases are covered by sanction of Government.
- 3) tenders and agreements are executed, whenever necessary;
- 4) muster rolls are maintained properly, payments made at approved rates, and the turnover is compared with expenditure incurred on labour to see how far departmental execution resulted in savings or loss, to the Government.
- 5) check-measurements are done to the extent prescribed by Assistant Conservation officers and Assistant Director of Soil Conservation.
- 6) the records of the vehicles are maintained properly; and
- 7) recoveries due from farmers are reported correctly;

Checks prescribed in other sections of this Chapter and Chapter-4 for the scrutiny of registers in respect of stores, log books of jeeps and machinery, should also be exercised.

#### **SECTION - V**

#### **PERSONAL DEPOSIT ACCOUNTS OF THE DEPUTY DIRECTORS OF AGRICULTURE**

**4.12** In respect of State Trading scheme transactions, the Deputy Directors of Agriculture of various regions of the State operate on a personal deposit account at the concerned Treasuries. In this regard the following accounts records are maintained as subsidiaries to the personal deposit account at the offices of the Deputy Directors.

1.cash book.

2.ledger accounts.

3.cheque issue register.

4.cheque book.

The Deputy Directors are responsible to compile accounts and render them duly supported by vouchers every month to the Director of Agriculture by the due dates. they are

also responsible to reconcile differences, if any, between Treasury figures and figures of their own accounts.

**4.12.1 Scope of audit:-** It should be ensured during the scrutiny of records of the Personal Deposit Account, that: -

1.certificate of reconciliation with Treasury with full reasons for variation, if any, is furnished and is attached to the compiled account;

2.pass books are sent to Treasuries concerned in the first week of the month for writing up necessary entries and compiled accounts are submitted to the Directorate by the 10th of every month duly supported by vouchers;

3.each voucher is passed by the Deputy Director of Agriculture and its duplicate is on record of his office;

4.bills and invoices of monetary value of Rs.1000 and above in support of expenditure are enclosed to the compiled account sent to the Director and other vouchers for amounts below Rs.1000 are retained on record of the office of the Deputy Director.

5.in case of unspent balances remitted into the Treasury, reference to original debit, i.e., cheque no., is invariably furnished;

6.all vouchers relating to a particular month are accounted for in the voucher account of the same month;

7.minimum balance of Rs.1000 is retained in personal deposit account to meet urgent expenses, and surplus amount in excess of this minimum is surrendered regularly by 15th of the month, and

8.in case of transport charges and others, expenses are incurred under orders of competent authority.

*(Cir.Memo No. Budget-II(I)/1822/69, dated 25th September, 1970 of Director of Agriculture, A.P Hyderabad, Case File P.D. A/cs of Deputy Directors of Agriculture of O.A.D. Civil Headquarters).*

**SECTION – VI**  
**LOCAL AUDIT REPORT**

**4.13 Local Audit Report:-** Local Audit Report should be sent to the Officer in-charge of the office inspected and a copy thereof endorsed to the Commissioner/Director of Agriculture. In the case of local audit of office of the Commissioner/Director of Agriculture, a copy of the Audit Report should be furnished to the Secretary to the Government, Agriculture and Cooperation Department.

## CHAPTER 5

### AUDIT OF ACCOUNTS OF COOPERATION DEPARTMENT

**5.1 General set up of the department:-** According to the present setup, the Commissioner and Registrar of Cooperative Societies is the Head of the Cooperation Department functioning under the Ministry of Agriculture and Cooperation. He is assisted by three Additional Registrars, Six Joint Registrars, One Special Cadre Deputy Registrar and a team of fourteen Deputy Registrars and other subordinate staff at Headquarters for discharging various statutory regulatory functions vested in him under the A.P.C.S. Act of 1964 and for general supervision and guidance of various developmental activities undertaken by the Cooperative Societies in various fields. The three Additional Registrars have independent charge of the subjects allocated to them, and the functioning of these offices is subject to the overall control, direction and supervision of the Commissioner for Cooperation and Registrar of Coop. Societies. The intervention of the Commissioner for Cooperation and Registrar of Coop. Societies is, however, minimal and confined largely to policy matters.

The Audit Wing of the department functions as a separate unit and it is headed by an officer of the cadre of Additional Registrar designated as Chief Auditor. Chief Auditor is assisted in each district by District Cooperative Audit Officer of the rank of Deputy Registrar, and supported by other subordinate staff, i.e., Cooperative Sub-Registrar, Senior Inspector and Junior Inspector etc.

On the administrative side, each District is manned by a Senior Officer, a Special Cadre Deputy Registrar functioning as District Cooperative. Officer at District level and Deputy Registrar of Cooperative Societies functioning as Divisional Cooperative Officers at divisional level. The activities of the department at district level are carried on under the supervision of the District Collector who discharges several functions of the Registrar of Cooperative Societies delegated to him and is virtually a Registrar in the District. The financial and administrative powers conferred on the officials of the department are contained in Departmental manual. The local audit staff should make themselves conversant with those instructions before commencement of audit.

**General :-** Following points should be borne in mind while conducting local audit :-

1) It should be ensured that in respect of loans sanctioned to Co-operative Societies under various schemes of the department viz., constructions of godowns, constructions of rice mills, installation of processing units, share capital contributions, etc., moneys are not withdrawn much in advance of requirements and placed in a suspense account in the Co-operative Central Bank for subsequent release to the societies concerned on completion of the prescribed formalities, resulting in locking up of Government funds.

*i) O.O.No. O.A.D/Civil/IV/15-1/65-66/3, dated 7th May, 1968.*

*ii) Circular No.O.A.D/IV/15-41/68-69/11, dated 11th June, 1969*

NOTE :- The amounts withdrawn should not be kept with the Co-operative Central Bank for more than 45 days. If the amounts so withdrawn from the Government Treasury cannot be disbursed to the concerned institutions, within the period of 45 days, the amount should be credited to Government account forthwith.

*(Government Memo No. 3560/Co-Op.I/69-3, dated 2nd March, 1970-O.A.D., Circular No.12, dated 2nd December, 1972).*

2) Any delay in drawal of financial assistance and its disbursement to the societies and any infringement of the conditions stipulated in the respective orders of Government should be commented upon.

3) Copies of G.Os, and orders of Registrar relevant to the scheme should be obtained and enclosed to the Audit Report.

4) An assessment of actual functioning of societies receiving financial assistance should be made.

5) Any irregularity in making purchases, acquiring land, delay in construction of buildings and implementation of the scheme after receipt of financial assistance by individual societies should be thoroughly analysed.

6) Full particulars of financial assistance given to each society and dates of these drawals, etc., should be stated in the audit report.

7) Defalcation cases, already noticed by the Department or detected by the party, should be fully stated with its financial implications.

8) Machinery and tools, purchased and lying idle or acquired before implementation of the schemes should be commented upon along with the value involved.

**5.2 Share capital invested in Co-operative Societies and loans** :-(a) The accounts of investment of share capital by Government should be scrutinised in detail on the following lines. These instructions apply mutatis mutandis to sanction of loans to Co-operative Societies. Results gathered in either case (investments or loans) should facilitate expeditious preparation of comments for incorporation in the yearly report of Comptroller and Auditor General.

- i) **Objectives of Co-operative societies with particular reference to population, etc., served by them.**
- ii) How share capital contribution/loan is sanctioned to societies, i.e., whether in instalments or otherwise.
- iii) Whether conditions, if any, for release of instalments are fulfilled, in case of loans.
- iv) Whether funds are irregularly drawn from Government account in advance of requirements and deposited in Banks in suspense accounts or in deposit accounts of the beneficiaries which often result in unintended benefit to loanees, etc., apart from locking up of funds and additional commitment to Government by way of payment of interest to institutions wherefrom funds are borrowed by Government such as Life Insurance Corporation and National Co-operative Development Corporation.
- v) Whether share certificates are received by the Department and kept, as required, in safe custody either with the Head of Office or authorised custodians, like State Bank of Hyderabad, district Treasury, etc., and whether acknowledgement of the authorised custodian is obtained and placed on record.
- vi) (a) Whether any dividend is declared by the societies and if so, whether the dividend is realised and promptly credited to Government account. (Suitable comments on records maintained to watch realisation of dividends are also required to be made).  
(b) Details of arrears in realisation of dividends.
- vii) Whether adequate steps are taken to recover share capital, where the period of retirement expired.

viii) Whether, the Department takes adequate security to safeguard the interest of Government in the event of liquidation of society. Whether the assets, etc., are mortgaged and deeds thereof obtained.

ix) Whether there is any likelihood of societies being liquidated in adverse circumstances leading to dormancy.

x) Whether arrangements exist for prompt action to recover loans granted and the retireable share-capital and whether effective action is actually taken to recover the loans.

xi) Whether penal interest wherever contemplated, towards default in repayment is actually recovered.

NOTE 1 :- The records of Co-operative Audit Officer (when his accounts are programmed for inspection) and the returns sent by him to the concerned Divisional Co-operative Officer should also be scrutinised to supplement points gathered from study of files regarding loans/subsidies. A similar study should be made of departmental inspection reports, especially at the time of test check of accounts at the office of the Registrar of Co-operative Societies.

NOTE 2:- (a) It is often noticed in respect of cases of loans where rules contemplate allowing a free period (moratorium) normally before commencement of repayment, during which loan installments are not required to be insisted to be repaid, interest too is wrongly foregone for the said period. As this is not the intention and as only principal need not be recovered interest should be assessed for such free periods too. Cases of default should be brought to light in the audit report.

(b) The comments, on above aspects, should be accompanied by copies of Government orders, proceedings of the Registrar of Co-operative Societies sanctioning loans/subsidies/share-capital contributions, etc. The dates of drawal and payment of the same to the societies with the outstanding balances, on the overdue instalments should also be brought out clearly in the report.

*(O.O.No. O.A.D./VI/15-26/72-26/72-73/21, dated 31st January, 1973).*

c) Some of the development schemes of the Co-operation Department which involve investment of share-capital by Government and grant of loans and subsidy are detailed in the ensuing paragraphs.

Besides exercising checks mentioned above and verifying whether release of loans and subsidies, investment of share-capital, and repayment of loans conform to the principles laid down, the extent to which the objective in respect of each scheme has been achieved should also be commented upon, bringing to light the ineffective functioning of societies. It should incidentally be verified whether valuation certificates are obtained from the Executive Engineers (Zilla Praja Parishad) on completion of construction works, etc. as a proof of the purpose for which loans , etc., are granted having been served and the extent to which they reflect the utility of funds.

Failure to achieve the object for which the loan/subsidy/share-capital contribution was granted by Government, often owes itself to reasons of the following type.

- 1) Improper planning and technical flaw e.g., construction of godowns in areas which face threat of inundation by floods, establishing rice mills in areas which do not grow paddy.
- 2) Lack of proper co-ordination e.g., construction of buildings for housing rice-mills which could not be started due to refusal/delay in according licence by Civil Supplies Department and/or Municipality.
- 3) Bottlenecks such as short-supply of railway wagons for transport of rice-resulting in lay off of rice mills and consequent loss in turn over.

The paragraphs on this subject in the Inspection Report should present a clear analysis of extent of failure of the respective development schemes, reasons put forth by the Department therefor, and further comments of the inspection party as to how far those reasons are tenable.

**Loans granted by the Director of Handlooms :-** General principles relating to loan schemes and loan-cum-grant schemes granted by Director of Handlooms (disbursed and watched by the Divisional Co-operative Officers ) are contained in the pamphlet of the All India Handloom Board, Government of India, Ministry of Commerce and Industry. It should be seen in local audit that the schemes falling within the scope of these instructions are implemented as directed therein. In the case of loan-cum grant for constructing houses for weavers, the conditions of payment and repayment of instalments of the loan by and to the society or payment of subsidy in instalments should be specially looked into.

### **5.3 Credit Co-operatives :-**



**i) Single Window Scheme in Andhra Pradesh :-**

The Single Window Cooperative Credit Delivery Scheme is being implemented in Andhra Pradesh since 1-4-87 and the disbursement of credit to farmers increased significantly and the Primary Agricultural Cooperative Societies at village level have been providing multi-term credit and multi functional services to farmers.

**ii) Agricultural Credit**

Andhra Pradesh is the first State in the country to implement the Single Window Credit Delivery System, integrating short term and long term credit and re-organisation of marketing structure. The scheme is to provide multi term credit (short, medium and long term) and multi functional services such as distribution of chemical fertilisers, agricultural implements, consumer articles besides providing marketing and storage facilities and undertaking processing activities to the members of credit cooperatives. Under the scheme of Single Window Credit Delivery System at one contract point, 6693 Primary Agricultural Credit Societies have been re-organised and the number is reduced to 4564 Primary Agricultural Credit Societies at Primary Level. 218 Primary Agricultural Development Banks have been abolished and merged with District Cooperative Central Banks. The District Cooperative Central Banks were also reorganised by limiting their jurisdiction to one Revenue District and 22 District Cooperative Central Banks, one Bank for one district. There is no District Cooperative Central Bank for Hyderabad District. The Hyderabad District Cooperative Central Bank is catering to the credit needs of both the Districts of Rangareddy and Hyderabad. The members of the Primary Agricultural Development Banks have been enrolled as 'B' class members of the District Cooperative Central Banks of the respective Districts. The long term and short term credit is being advanced to members through the re-organised Primary Agricultural Credit Societies and the staff of the erstwhile Primary Agricultural Development Banks are transferred to the administrative control of the District Cooperative Central Banks serving the area.

**5.4 Crop Banking :** i) The Government of India and the NABARD have formulated the new scheme of crop insurance from khariff 1985 season making it compulsory for 13 crops covering food grains, pulses, and oil seeds. The scheme is under implementation in all 22 districts of the State except Hyderabad. The sum insured would be 150% of the crop loan disbursed and risk is shared between Central and State Governments in the ratio of 2:1. The insurance premium payable is 2% on the food grains and 1% on oil seeds and pulses. The

small and marginal farmers will be given a subsidy of 50% of the premium which will be met by the State and Central Governments on 50:50 basis. The premium to be paid by the borrower is also being advanced as a loan supplemental to the crop loan. The indemnity is, however, worked out with reference to the actual average yield per hectare as a result of crop failure, arising from natural calamities at specific area according to the indemnity formula. The Director of Agriculture is monitoring the implementation of the scheme.

(also refer to Para 4.5 of Chapter 4)

**ii) Strengthening of Share Capital of Cooperative Credit Institutions :**

Share capital is an important component of owned funds of Cooperative credit institutions, as it determines their borrowing capacity. The credit limits are sanctioned on the basis of multiples of owned funds. Therefore, Government are investing in the shares of all types of Cooperative Credit institutions, in increasing measure with the loan assistance from National Rural Credit (LTC) fund of NABARD.

**iii) Farmers Service Cooperative Societies :**

68 Farmers Service Coop. Societies are functioning in the state which were sponsored by Commercial Banks, Coop. Central Banks and Grameena Banks. These Farmers Cooperative Societies would provide loans to their members. The societies have also taken up distribution of fertilisers and consumer goods.

**iv) Marketing :**

Under single window delivery of multi-credit and multi functional operations 121 good working Coop. Marketing Societies have been merged with D.C.M.Ss., and 141 Societies which were defunct have been liquidated. Similarly, 5 District Cooperative Marketing Societies which were defunct have been liquidated and new District Cooperative Marketing Societies in their place have been organised.

The functions and responsibilities of District Cooperative Marketing Societies have been increased substantially. They are expected to supply all agriculture requisites to growers through Primary Agriculture Coop. Societies, such as improved seeds, pesticides, fertilisers, implements and so on and take up procurement, processing and marketing of members' agricultural produce to ensure fair and remunerative price to their produce.

**v) Fertiliser distribution :**

In accordance with the Government policy of increasing the share of distribution of chemical fertilisers and other inputs to the farmers in the State so as to save them from the exploitation of private dealers, the District Cooperative Marketing Societies and Primary Agricultural Cooperative Societies have been making strenuous efforts to meet their requirements.

The Cooperatives have also taken up the scheme of setting up Cooperative Farmers Service Centres sponsored by the National Cooperative Development Corporation for undertaking supply of a range of inputs and also providing extension services to farmers and training to employees of Cooperatives in the 8 Districts of Visakhapatnam, East Godavari, West Godavari, Krishna, Guntur, Nellore, Mahabubnagar and Nizamabad.

### **5.5 Consumer Co-operatives :**

Consumer Cooperatives are playing a vital role in distribution of consumer articles in the State, especially in rural areas to hold the price line of the daily necessities under RDS sponsored by the National Cooperative Development Corporation. Distribution of consumer articles in rural areas has been taken so far by 69 projects (lead societies) in the districts and by A.P State Cooperative Consumers Federation Limited, Hyderabad through its 12 projects. The Fedcon and HACA propose to take up some more projects to distribute consumer articles in rural areas through the Primary Agricultural Cooperative Societies and other village level societies.

### **5.6 Housing Loan Operation**

i) Depending upon the income limit, the members are eligible to get the loans as follows :-

1. L.I.G.H (Rs. 700-1500/- P.M) Rs. 30,000/-
2. M.I.G.H (Rs.1501/- to 2500/-P.M) Rs. 60,000/-
3. H.I.G.H.(Rs.2501/- & above) Rs. 1,00,000/-

ii) **Government Concessions:**

The Government of Andhra Pradesh have been providing certain concessions to help the loanee members:

1. Exemption of stamp duty and registration fees on transactions between one Cooperative Housing Society and another Cooperative Housing Society.

2. Exemption of stamp duty and registration fees at the time of mortgage of plot to Housing Societies in respect of L.I.G.H Schemes.
3. Exemption of stamp duty and registration fees at the time of selling of plots or houses in favour of its members. The members have to pay only fee regarding transfer of property.

### **5.7 Labour Contract Co-operative Societies :**

The Programme of Labour Contract Cooperative Societies is specially designed to benefit the manual labourers who contribute the bulk of weaker sections of the community such as Scheduled Castes, Scheduled Tribes.

**5.8 The Andhra Pradesh Sahakara Vigyana Samithi Limited :** The accuracy and speed with which computers function have given them a vital role to play in modern administration. This is particularly so in the case of Cooperative Sector in Andhra Pradesh where there is a need to monitor as many as 48,000 different societies engaged in different types of activities. With this aspect in view the Andhra Pradesh Sahakara Vigyana Samithi Limited, was formed on 20th April, 1985 as the first computer organisation in the country to be set up for the exclusive use of Cooperative Institutions.

### **5.9 Rural Electric Co-operative Societies :**

In pursuance of the recommendations of the All India Review Committee and the meeting with the Chairman of the society of the State Electricity Boards, the Rural Electricity Cooperative Societies were started with the assistance provided by the Rural Electrification Corporation Limited, New Delhi to purchase electricity in bulk and supply it to agriculturists and other consumers.

With the assistance provided by the Rural Electrification Corporation Limited, New Delhi, 9 Rural Electric Cooperative Societies at the places mentioned below are functioning in the State catering to the needs of the agriculturists and others in the area of operations.

1. Sircilla                      Karimnagar District.
2. Jogipet                      Medak District.

A general scrutiny of the guarantees given by Government on behalf of co-operative societies towards loans, etc., raised by the latter should also be effected to bring to light irregularities which result in liability to Government to repay such loans to lending institutions.

**5.10 Audit fee, Execution fee, etc:** Chapter-VII (Section 58) of Andhra Pradesh Co-operative Societies Act, 1964 read with Rules 46 and 48 of A.P Co-operative Societies Act 1964 contemplates levy of different kinds of fee as audit fee, execution fee, arbitration fee, etc., During the course of local audit of accounts of the department, particularly when accounts of district audit officer and of the chief auditor (in the office of the Registrar of Co-operative Societies) are under check, it should be seen whether demands for these fees are correctly issued and are recovered promptly. Arrears, if any, with year-wise break-up should be commented upon in the Inspection Report, indicating the special course of action taken by the department/Government to clear the arrears.

**5.11 Accounts of liquidators:** Section 65 of the Andhra Pradesh Co-operative Societies Act, 1964 speaks of circumstances in which a liquidator is appointed to wind up a society. Powers of the liquidator are enumerated in Section 66 *ibid*. Orders of the liquidator can be enforced on application by any Civil Court having local jurisdiction in the same manner as a decree of that Court. The detailed procedure of appointment of a liquidator and his exercise of powers is given in Rule 51 of the Andhra Pradesh Co-operative Societies Act, 1964. During the course of test-check of accounts of a liquidator, it should primarily be verified how far the liquidation is actually effective. It should be verified whether prolonged process of liquidation renders the cost of liquidation (inclusive of pay and allowances of the liquidator and his establishment) is commensurate with net assets realised or realisable. It should be seen whether the cost of liquidation has been legitimately adjusted against assets realised, with due promptitude.

Individual cases of proven inaction in the matter of realising assets or clearing liabilities, should be highlighted in the audit report keeping in view the amounts, costs, etc., involved. A typical instance in this regard is of non-realisation of matured promissory notes, Government securities, etc., endorsed in favour of the society under liquidation. Extent to which interests of Government in the form of irrecoverable loans and retrievable share capital should be commented upon supported by facts and figures. Where it is felt that a

stagnation point is reached in the matter of realising floating assets and clearance of liabilities; the department should be advised to consider writing off irrecoverable amounts foregoing their recovery and winding up the society to avoid mounting cost of liquidation.

**5.12 Local Audit Report:** Local Audit Reports on the accounts of the District Co-operative Officers are issued to those officers endorsing a copy to the Commissioner and Registrar of Co-operative Societies. Audit Report on the accounts of the Commissioner and Registrar of Co-operative Societies is issued to the Commissioner and Registrar endorsing a copy to the Principal Secretary, Cooperation and Marketing, Government of Andhra Pradesh/Telangana.

## CHAPTER 6

### AUDIT OF ACCOUNTS OF SERICULTURE AND HORTICULTURE DEPARTMENTS

#### SECTION I

##### SERICULTURE DEPARTMENT

**6.1 Introduction :** Sericulture is an agri based cottage industry comprising four major activities viz., i) mulberry cultivation ii) silk-worm seed production iii) silk-worm rearing and cocoon production and iv) reeling of cocoon for conversion into raw silk. With this end in view the department implements programme i) to expand the area under mulberry cultivation ii) to produce and supply cross breed disease free layings (CBDFLs) to sericulturists iii) to provide marketing facilities for the produce and iv) to extend necessary technical guidance to silk worm rearers. The facilities for the above to a large extent were made available from programmes like Drought Prone Area Programme (DPAP), Integrated Rural Developmental Programme (IRDP) Special Central Assistance (SCA) Integrated Tribal Development Agency (ITDA), Interstate Tassar Project, Swiss assistance from Ford Foundation etc. At the district level, the Deputy Director/Sericulture, Assistant Director (Sericulture) and at the State level, Commissioner/Director of Sericulture are implementing the programme. The department functions under the Ministry of Agriculture and Cooperation.

**6.2 Scope of Audit:** The local audit parties besides exercising the routine check done in any office, should ascertain the details of the schemes implemented in the district, test check the records to ascertain the extent to which the objective was achieved and the extent of shortfall with reference to the norms prescribed by the Department. There is link between the various operations and the party should see to what extent the achievement was according to norms and ascertain the reasons for the variations if any and include specific comments in the report, for every operation in the development of sericulture. The flow of funds from various agencies, their accountal as per the various financial rules prescribed and the mode of utilization should receive special attention.

### **6.3 A. Varieties of Natural Silk :**

Andhra Pradesh produces the commercially known varieties of natural silk, i.e., Mulberry and Tassar.

#### **(i) Training for Mulberry Cultivation etc.**

Mulberry gardens will be taken on lease by the department to provide training in Mulberry cultivation, silk worm rearing and cocoon production. Those who have cultivable land with irrigation facilities will be selected for Training.

#### **(ii) Seed Multiplication Farms :**

In these farms silk worm eggs of pure local and foreign races will be produced and supplied to selected seed rearers for production of seed cocoons.

### **B. Grainages :**

Grainages is the place where silk worm eggs (layings) are produced. As soon as Mulberry gardens come to bearing, the sericulturists will be supplied with the disease free layings.

### **C. Cocoon market yards :**

Cocoon market yards were established to avoid exploitation by middlemen and to provide better rate to the cocoon producers. A market fee of 1% on the value of cocoons transacted will be collected from the buyer and the seller.

### **D. S.C. Action Plan:**

Under this scheme each beneficiary will be provided with free rearing shed @Rs. 5,000/- and high yeild variety of cuttings besides providing rearing equipment on loan basis.

### **E. Tribal Action Plan :**

Each beneficiary is eligible to avail 50% subsidy and 20% margin money from the unit cost of Rs. 10,500/-.

**6.4** Following are the important registers and documents maintained in sericulture farms:-

1. Cash Book.



2. Remittance Register.
3. Treasury Encashment Register.
4. A.C. Bill Register.
5. Cash Bill Book.
6. Cash Receipt Book
7. Credit Bill Book.
8. Acquittance Roll.
9. Cash Ledger.
10. Stock verification statement.
11. T.A.Bill Draft Register.
12. Seed Cocoon Register
13. Preparation Register of layings.
14. Disposal Register of layings.
15. Nominal Roll Register.
16. Imprest Cash Book.
17. Service Stamps Register.
18. General Ledger (Credit Sales, etc.)
19. Service Register.
20. Stationery Register.
21. Stock accounts of Bill Books and Receipt Books.
22. Measurement Books.
23. Garden Registers, Work and Plot Register.

24. Rearing Register.
25. File regarding rates of sale of D.F.L and F.R Seed Cocoon.
26. Bonus Bill Register.
27. Seed Rearer's Ledger.
28. Sericulture Loan Ledger.
29. Register of unserviceable articles.

**6.5 Schemes implemented :-** The schemes mentioned below present an outline of the work done in connection with sericulture farms. These are only indicative of programmes to be implemented. The Local Audit Parties are advised to ascertain the programmes actually implemented in the department/office and proceed for Audit.

1. Procurement of Mulberry reeling cocoons from the sericulturists for conversion into raw silk in the departmental silk reeling units.
2. Procurement of mulberry seed cocoon (FR &LR) from the notified seed areas of the State for preparation of CBDFLs for supply to sericulturists.
3. Procurement of tassor seed cocoons from the tassor rearers for supply of tassor layings.
4. Additional facilities to the seed farms sanctioned under various programmes during 6th Plan.
5. Additional facilities to the cocoon markets at Madanapalli and Vijayawada.
6. Establishment of Silk Reeling Unit at Vijayawada.
7. Recurring cost of continuation of the schemes sanctioned under I.S.T.R from 1986-87 onwards.
8. Additional facilities to the Chawkie Rearing Units sanctioned under various programmes.

9. Additional facilities to the tassar seed station and training cum production centre at Utanoor of Adilabad District.
10. Organisational expenses for the infrastructure sanctioned under various programmes during the 5 year plans.
11. Additional facilities to the Silk Reeling units under various programmes.
12. Crop Insurance scheme for the Mulberry seed rearers in the State.
13. Training programme, deputation of officers, staff and fresh candidates within and outside the country.
14. Subsidy for establishment of private silk reeling and twisting units in the State.
15. Free supply of mulberry cuttings to the new sericulturists.
16. Share capital investment in the Apex and Primary sericulturists and Silk reelers and Silk Weavers Cooperatives.
17. Recurring cost of continuation of the schemes sanctioned under tribal action plan.  
*G.O.Ms No. 93 Social Welfare (D) Department dated 19.5.84 .*
18. Recurring cost of continuation of the schemes sanctioned under S.C Action Plan in G.O.Ms.No. 159 Social Welfare (B1) Department dated 26.10.84 from 1986-67 onwards.
19. Additional amount for construction of tassar grainage at Venkatpur and Mahadevpur and training cum production centre at Venkatpur.
20. Cost of raising mulberry plantation in 200 acres for supply of leaf to landless people under delinking programme.
21. Establishment of 200 voluntary Chawkie rearing units.
22. Establishment of 55 Technical Service Centres.
23. Establishment of 3 Regional Training Centres.
24. Subsidy to Federation of Sericulturists, Hyderabad for establishment of sales emporia.

25. Subsidy for modernisation of silk looms.
26. Subsidy towards rebate on sales of silk cloth.
27. Interest subsidy on NABARD finance.
28. Establishment of 6 P1 seed farms for supply of P1 seed cocoons to the departmental grainages.
29. Organisational expenses for the infrastructure of supervisory staff proposed for 7th plan.
30. Raising of 400 hectares of tassar bush plantation for the rearing by tassar rearers in the State.
31. Crop insurance scheme for tassar rearers in the State .
32. Establishment of 6 tassar seed stations in the State.
33. Establishment of 4 new cocoon markets in the State.
34. Procurement of tassar cocoons from the tassar rearers for conversion into tassar fabrics in the departmental training cum production in the State.
35. Development of bivoltine sericulture in the State.
36. .Subsidy for production of raw silk in the private cottage and miniature reeling units.
37. Development of tassar reeling units in private sector .
38. Development of tassar weaving units in private sector.
39. 50% Subsidy to private seed rearers for purchase of rearing equipment @Rs. 1500 each (unit of cost Rs. 3000).
- 40.50% subsidy to private seed rearers for construction of rearing sheds @ Rs. 2000/- each (unit of cost Rs. 4,000/-)
- 41.50% subsidy for deepening wells and drilling of in wells bores for 1000 seed rearers in the State @ Rs. 2500/- each (unit of cost Rs. 5,000/-).

**6.6 Process of audit :-** Beside the general checks, the following checks have to be exercised.

(i) It should be ensured that –

(1) the cost of preparation of cocoons and disease-free layings and the cost of cultivation of mulberry leaves are not excessive. The results of four or five years should be ascertained and reviewed in this regard;

(2) the cost of appliances, etc., supplied to aided grainages is recorded promptly;

(3) the bonus due to aided grainages is calculated correctly, and that

(4) in respect of credit sales (wherever authorised) recoveries are effected promptly and outstanding reviewed.

(ii) The loan ledger should be reviewed to see whether there are cases of default and proper action has been taken for their recovery.

(iii) The expenditure incurred in seed areas, for raising seed cocoons should be critically studied and the extent to which the farms were run on a “no profit no loss” basis should be commented.

(iv) The reasons for shortfall in the targets of supply of seed cocoons should be analysed.

(v) In cases where subsidies/loans are given for sinking irrigation wells, it has to be verified from records whether wells were sunk and other conditions observed. The reasons for shortfall in target may be commented.

(vi) The recovery position of the loans advanced for mulberry cultivation for manure and purchase of rearing appliances should be mentioned in the report.

(vii) The working of the tassar seed stations and production cum-training centres should be studied and appropriate comments made with particular reference to the success of the scheme in training up the reelers-cum-weavers in the improved type of machine.

(viii) It should be seen whether the instruments purchased in connection with experimental study are put to proper use.

(ix)The working of the marketing organisations may be studied to see whether the purpose is achieved. The proper maintenance of registers for the loans advanced may be insisted and irregularities, if any, commented.

**6.7 Local Audit Report:** Local Audit Reports relating to subordinate offices should be sent to concerned officers with a copy to Commissioner of Sericulture. Audit report relating to Commissionerate should be sent to Commissioner with a copy to Principal Secretary, Agriculture and Cooperation Department, Government of Telangana.

## **SECTION – II**

### **HORTICULTURE DEPARTMENT**

**6.8 Introductory:-** In view of good potential and favourable climatic conditions existing in the State for development of horticulture, a separate Horticulture department was created by Government in 1981 and started functioning with effect from 01-01-1982. Hitherto, Horticulture was functioning as a wing in the department of Agriculture. All horticultural schemes grounded and implemented by the department of Agriculture and also horticultural farms, nurseries etc., were transferred to the control of the newly created department of Horticulture. The department functions under the Ministry of Agriculture and Cooperation.

The main objectives of the department are :-

- (a) identify suitable areas, motivate, educate and encourage the farmers to take up cultivation of various horticultural crops on large scale;
- (b) multiply and distribute pedigreed plant material, vegetable and flower seeds to the needy farmers;
- (c) organise training programmes, demonstrations, tours etc., to train farmers on cultivation aspects of crops;
- (d) provide technical guidance in the control of pests and diseases o horticultural crops;
- (e) promote use of plastics in horticulture such as drip irrigation, plastic mulching, shade nets and green houses;
- (f) train and promote mushroom cultivation in the State; and
- (g) introduce and develop new horticultural crops suitable to the State through special

programmes.

**6.9 Organisational setup:-** The department is headed by a Commissioner/Director. He is assisted by Addl. Directors (Horticulture, Soil Plan), Joint Directors (Vegetables, Human Resource Development), Deputy Directors (Fruits, Farms, Planning, Marketing & Publicity), Assistant Directors (Plastic Culture, Mushrooms) and Accounts Officer at headquarters office.

Commissioner, Horticulture also discharges the functions of Commissioner, Oil Palm which was created for the regulation of oil palm cultivation in the State.

At the district level, Assistant Directors and Deputy Directors (Chittoor, East Godavari and Khammam) are mainly responsible for implementation of programmes/ schemes undertaken by the department. The Assistant Directors are assisted by Horticultural officers and other ministerial staff at field level. The Assistant Directors/ Dy. Directors work under the overall supervision of District Collectors.

Besides, the Deputy Director of Horticulture, Government gardens is responsible for maintenance of Public gardens and other gardens in Government bungalows. He also undertakes production of ornamental plants and flower feeds and their distribution from the nurseries situated in Hyderabad and Secunderabad.

**6.10 Accounts records:-** The following main registers are maintained by the department.

*A. Commissioner office*

- i) Cash Book
- ii) UDP Register
- iii) Treasury Bill Register
- iv) Petty Cash Book
- v) Permanent Advance Register
- vi) Contingent Register
- vii) Scheme-wise beneficiaries Register
- viii) Store and Stock Register
- ix) Library
- x) Register of repairs and renewals to vehicles
- xi) Register of No. of trainings organised and personnel trained

- xii) Farm-wise plant materials produced and distributed Register
- xiii) Crop estimation survey Register
- xiv) Statistical information Register
- xv) Register of drip installations
- xvi) Spawn Register
- xvii) Mushroom production Register
- xviii) H.D.A sale Register
- xix) H.D.A expenditure Register
- xx) Pay Bill Register

#### **Tissue Culture Section**

- i) Register of stocks
- ii) Register of plant material at different stages
- iii) Register of glassware
- iv) Register of chemical reagents
- v) Dead stock Register
- vi) Register of library books

#### **Oil Palm Section**

- i) Register of list of Oil Palm Companies
- ii) District-wise and factory-wise physical progress Register
- iii) Register of oil palm inspections
- iv) Stock Register

#### *B. Assistant Director/Dy. Director offices in districts*

- i) Cash Book
- ii) UDP Register
- iii) Treasury Bill Register
- iv) Petty Cash Book
- v) Permanent Advance Register
- vi) Contingent Register
- vii) Stores and Stock Register
- viii) Register of repairs and renewals to vehicles
- ix) Dead stock Register
- x) Register of Library books



- xi) Register of stamp Account
- xii) Register of drip installations
- xiii) Register of Scheme-wise beneficiaries
- xiv) Register of auction sales
- xv) Log Book of vehicles
- xvi) Register of rent, rates and taxes
- xvii) Register of stationery articles
- xviii) Register of publicity material
- xix) Register of oils and lubricants
- xx) Register of mini-kits distributed
- xxi) Crop estimation survey Register
- xxii) Scheme-wise Register
- xxiii) Demonstration plot Register
- xxiv) Register of condemned articles
- xxv) Assets Register
- xxvi) Register of nutritional gardens
- xxvii) Pay Bill Register
- xxviii) Bill Book, Receipt books

*C. Oil Palm industries*

- i) Register of oil palm companies
- ii) Seed production Register
- iii) Stock register of lab equipment
- iv) Sale receipt register
- v) Register of inputs for supply, beneficiary-wise
- vi) Crop-wise, date-wise FFB collection Register
- vii) Tour diaries
- viii) Seed sprouts supply Register

*D. Coconut Seed Garden, Aswaraopet, Khammam*

- i) Cash Book
- ii) U.D.P Register
- iii) Treasury Bill Register
- iv) Contingent Register

- v) Stock Register
- vi) Plant material stock register
- vii) Dead stock register
- viii) Register of library books
- ix) Register of auction sale
- x) Log book of vehicles
- xi) Register of rents, rates and taxes
- xii) Register of flowers pollinated
- xiii) Register of coconut seeds obtained
- xiv) Germination Register
- xv) Bill Books, Receipt Books

**6.11 Process of audit :-** Besides the general checks in respect of general records and registers maintained, the following checks have to be exercised.

- i) Estimates are prepared correctly in respect of plant material required for coverage of new areas, departmental schemes and other schemes and produced and distributed accordingly. Wastage, if any, should be brought out.
- ii) Expenditure incurred on publicity material, training/tour/programmes should be scrutinised and irregularities pointed out.
- iii) Spawn required for mushroom cultivation is correctly assessed, produced in mushroom laboratories and distributed at the rate fixed by Government. Wastage in excess of prescribed limit should be commented upon.
- iv) The working of marketing organisations may be studied to see whether purpose for which they are established is achieved.
- v) Horticultural schemes grounded are monitored and implemented properly and yielding the results expected of them. Short-comings, lacunae in the system should be commented upon.
- vi) Periodical inspections are conducted by departmental officers to ensure that seeds/plant material/inputs supplied at subsidised rates are actually put to use by the beneficiaries. Inspection reports of departmental officers should be gone through and points of interest should be probed.
- vii) Auction sale of usufructs or condemned articles relating to nurseries/progeny orchards are conducted periodically and sale proceeds credited to Government account.

viii) Stores and stock accounts:- It should be seen that stores accounts are maintained in respect of permanent stores, furniture, receipt and bill books, forms, stationery and consumables etc., separately and details of articles required for departmental use and articles intended for sale to public are kept separately as required in the departmental manual.

ix) In respect of issue of seeds, manures, planting material, inputs etc., to beneficiaries/farmers at concessional rates, it should be seen that separate registers for free supply or supply at concessional rates are maintained as prescribed in the manual and that supply is made under sanction of proper authority.

x) Procurement and sale of seeds, mini kits, drip installations etc:- Agreements, vouchers and stock registers should be scrutinised to see that procurement is made economically from authorised organisations. Transactions relating to procurement, sale and distribution are brought to account then and there. It should also be seen that sale price is fixed as per instructions issued by Government from time to time.

xi) It should be seen that pesticides are sold at prescribed rate allowing prescribed scale of subsidy.

xii) Accounts of seed farms:- It should be seen that (a) list of seed farms is maintained (b) agreements in the prescribed forms are entered into with holders of seed farms and (c) seeds purchased are in all respects of specific quality .

xiii) Stock book of garden produce:- It should be seen that suitable accounts are maintained for garden produce sold by the gardener direct, such as, plants, flowers, fruits, seeds etc., and such sales are supervised by some superior officer.

xiv) Register of seeds:- The register should be verified to ensure that unnecessary large quantity of seeds are not stocked, that seeds purchased are accounted for and that balance of stock is periodically verified by officers entrusted with stock verification.

xv) Day book of sales:- Entries should be traced in the cash book, stock book and in the ledgers. It is to be seen that credit sales are made only in authorised cases.

**6.12** The schemes mentioned below are implemented by the department. The number of schemes actually under implementation has to be ascertained before commencement of local audit.

**(i) Food processing and training centers in rural areas:-**

Under this scheme, State Government agencies, co-operative, autonomous bodies, voluntary organisations etc, are eligible for assistance for setting up food processing and training centres in rural areas. Rs.2 lakhs per centre is given as assistance towards plant and machinery, quality testing equipment etc. The agency receiving the assistance should bear

expenditure on land and buildings, emoluments of staff etc. The trainees are provided expertise on operating and managing a small unit. The training centres also provide service for processing material brought by individuals at the rate specified.

(ii) Establishing or upgrading fruits and vegetable processing facilities:- Under this scheme, assistance is provided in the shape of grant-in-aid to co-operative societies, voluntary agencies, autonomous bodies etc, and for State Government Undertakings in the shape of contribution to the equity subject to the condition that the assistance provided by Central Government shall be less than that of State Government. Assistance up to 50% of the capital cost (non-recurring) (60% in industrially backward districts and 75% in TDDP districts) will be provided for any project by Central Government. In the case of assisted/private sector units set up in rural areas, financial assistance upto 15% of the equity capital (interest free loan) will be provided by way of seed capital subject to maximum of Rs.15 lakhs per unit/applicant.

(iii) Strengthening backward linkages for the fruit and vegetable processing industry:- This scheme aims at encouraging State owned undertakings, co-operatives, joint sector enterprises to develop and implement the contract farming system. The organisation seeking assistance under the scheme must have contracts with at least 25 farmers. Financial assistance upto 5% of purchase price subject to a maximum Rs.10 lakhs per unit/organisation is provided as grant-in-aid. In the case of new units, assistance upto 50% of the cost of extension or a maximum of Rs.5 lakhs is provided during the first two years of commercial production.

(iv) Development of infrastructure for mushroom cultivation and processing:- This scheme aims at providing assistance for meeting capital expenditure on setting up of spawn laboratories, compost pasturisation facilities and processing facilities. Assistance upto 50% of cost of setting up of special/air conditioned chambers for storage of mushrooms is provided to Central/State public sector undertakings, voluntary agencies, joint sector organisations in the shape of grant-in-aid. Assistance to private sector agencies is also provided by grant of interest subsidy for 2 years on loans for plant and machinery upto 50% of interest due subject to a maximum of Rs.10 lakh per annum. For marketing organizations, assistance in the shape of grant-in-aid upto 50% of the cost of such promotion subject to a maximum of Rs.2 lakhs is provided to each organisation.

(v) Generic advertising of processed foods and for providing marketing assistance:- Assistance is provided under this scheme to Central/State Government undertakings, co-operatives, autonomous bodies, associations of industry, voluntary organisations towards (i)

cost of literature, advertisements, awareness campaigns, (ii) buying of products from small/cottage industries and marketing under their brand name and (iii) for setting up of quality control laboratories.

In respect of item (i), if the Government/organisation concerned is willing to meet 50% of first year's cost, the balance 50% is provided as a grant upto a maximum of Rs.10 lakh per organisation.

For item (ii), upto 50% of the cost of market promotion upto two years for the products or a maximum of Rs.10 lakhs is provided to the organisation seeking assistance subject to entering into contract with farms for buy back arrangement of products of at least 20 small/cottage/home industries at least for 5 years.

For item (iii), the assistance is limited to the capital expenditure on equipment for the laboratory. Any qualified scientific organisation is also provided assistance in the shape of a grant to carry out Research and Development work on fruits and vegetables, and processing and associated fields.

(vi) Research and development in the fruit and vegetable processing sector:- The main components of the scheme are introduction of low cost and hygienic packaging; prolonging life of packaged products and pre and post harvest processing treatment.

Assistance is limited upto 50% of the capital cost for Government undertakings, co-operative and joint/assisted sector organisations. For private sector organisations recommended by Government of India/State Government, assistance is upto 25% of the capital cost subject to a maximum of Rs.25 lakhs per project.

(vii) State Horticulture Mission Programme

The Government of Andhra Pradesh constituted a State Horticulture Mission (SHM), in November,2005, to take up National Horticulture Mission(NHM) Programme in the State. The programme is a centrally sponsored scheme to promote holistic growth in horticulture through research, technology promotion, extension, processing and marketing. The programme is implemented in 18 focussed districts(Adilabad, Anantapur, Chittoor, Guntur,YSR Kadapa, Karimnagar, Khammam,Kurnool, Mahabubnagar, Medak, Nalgonda, Nellore, Nizamabad, Prakasham, Ranga Reddy, Srikakulam, Warangal and West Godavari) and two agency areas (Rampa Chodavaram and Paderu).

SHM is implemented under the broad heads of (i) Research(ii) Plantation Infrastructure and Development(iii) Post-Harvest Management (iv) Processing and value addition and (v) Mission management.

Under the programme, assistance in the form of subsidy ranging from 25 percent to

100 percent of the total cost of component is given to the farmers for focused crops –(i) Fruit crops (Mango, Sweet Orange, Sapota, Pomegranate, Guava, Acid lime, Banana, Papaya) (ii) Plantation Crops (Cashew, Cocoa) and (iii) Flower Crops (Chrysanthemum, Crossandra, Tube Rose). Credit linked back ended subsidy (which means, the beneficiary should avail a loan from a nationalized bank and the subsidy will be released to the bank after completion of the project and inspection by the officers of the SHM) is given for nurseries, post harvest management, establishment of bio-control labs.

SHM works under the chairmanship of Agricultural Production Commissioner (APC) cum Principal Secretary, Agriculture and Cooperation Department Commissioner of Horticulture is the Mission Director. In districts, District Horticulture Mission (DHM), headed by District Collector as chairman and assisted by Deputy/ Asst. Director of Horticulture, is the implementing agency. In agencies, Project Director, Integrate Tribal Development Agency (ITDA) implements the programme.

The programme was implemented with 100% Central Assistance during the years 2005-06 and 2006-07. Thereafter, the programme is implemented by the funding by Govt. of India (GOI) and the State in the ratio of 85:15. Release of funds by GOI is based on Annual Action Plans (AAP), prepared by the department. As per NHM guidelines [Para 4.8(b)], the AAP is to be prepared by the department after conducting a Base Line Survey (BLS) and feasibility study to determine status of horticulture production, potential and demand.

**6.13** The objectives of various horticultural schemes grounded and implemented by the department is for the overall development of horticulture duly tapping the favourable climatic conditions and potentials existing in the State

Besides the usual checks to ensure that accounts are maintained properly, the extent to which moneys spent by Government yielded fruitful results should also be evaluated. Reasons which lead to failure and shortfalls should be suitably commented in the audit report.

**6.14 Local Audit Report:-** Local Audit reports relating to subordinate offices should be sent to the concerned officers with a copy to the Commissioner of Horticulture. Audit Report pertaining to Commissionerate should be sent to Principal Secretary, Agriculture & Co-operation department, Government of Telangana.

## CHAPTER 7

### AUDIT OF ACCOUNTS OF ANIMAL HUSBANDRY DEPARTMENT

**7.1 Introduction:-** a) Instructions governing the working of various institutions are contained in the manual of Animal Husbandry Department.

b) The administration of Animal Husbandry Department of State is vested in the Director of Animal Husbandry, functioning under the Ministry of Animal Husbandry, Dairy Development & Fisheries. Following are the main institutions subjected to local audit:

- Veterinary hospitals and dispensaries.
- Livestock farms and dairy farms.
- Poultry farms.
- Sheep farms.
- Key Village Centres; and
- Veterinary Biological and Research Institute, Hyderabad.

The Department also undertakes Animal Husbandry schemes, some of which are partly financed by Indian Council of Agricultural Research.

c) **Animal health activity:-** Treating of all animals and control of contagious and infectious diseases are the main aspects of polyclinics, veterinary hospitals, livestock supervisory units, rural livestock units. Veterinary aid is also provided at the door step of livestock owners through mobile clinics where there are no dispensaries.

**7.2 Scope of audit:-** The main object of local audit is to check various items of receipts and accounts of stores and stock of various institutions. Detailed instructions are given in the ensuing paras.

## SECTION I

### VETERINARY HOSPITALS AND DISPENSARIES

**7.3** Each Veterinary Hospital/Dispensary is under the charge of a Veterinary Assistant Surgeon and the overall supervisory charge of hospitals in a district vests with the District Veterinary Officer.

Audit is to be conducted with reference to rules regarding admission of in-patients, feeding, fees for admission, treatment operation and ambulance charges, etc., as laid down by the department and as given in detail in the manual of Animal Husbandry Department.

**7.4 Items of receipts:** - The items of receipts are as follows:

- collections towards in-patients;
- collections towards out-patients;
- shoeing charges; and
- miscellaneous receipts such as sale of surplus milk, bonemeal, manure, collections on account of breeding operations, etc.

**7.5 Levy and Collection of Receipts**

***(i) The general principles for levy and collection of hospital receipts are as follows: -***

a) animals are admitted as out-patients on payment of a week's treatment charges in advance.

b) animals are admitted as in-patients into the hospital for treatment at owner's risk on an advance payment of lumpsum amounts fixed separately according to prescribed scales for horses, cattle and dogs.

c) treatment charges are same for both the out-patients and in-patients.

(ii) Fees is levied only on such owners of animals as are in receipt of a prescribed minimum monthly income or income in excess thereof. All animals belonging to Government/or animals sent to the hospital by an officer of the Society for the Prevention of Cruelty to Animals or animals remanded to the hospital by a Magistrate and dogs sent by the police for observation for rabies (where the owner is unwilling or unable to pay) are treated free of cost.

**(iii) No in-patient is discharged from hospital until the claim upto the date of removal is paid in full.**

**7.6 Accounts, records etc.:-** Following are the records maintained at the institution which should be examined during local audit :-

1. Cash Book (Government and non-Government)
2. Register of control of expenditure.



3. Receipt Books.
4. Register of Receipt Books.
5. Admission Register.
6. Bill Book of in-patients.
7. In-patient charges.
8. Receipt Register (Out-patient).
9. Operation Register.
10. Post-Mortem Examination Register.
11. X-Ray Register.
12. Specimen Register.
13. Specimen Examination Fees Register.
14. Anthrax Free Certificate Issue Register.
15. Shoeing Register (with proforma details).
16. Breeding Bull Register (Form 41).
17. Ambulance Van Log Book.
18. Register of Feed (Forms No. 31 and 32).
19. Register of Live Stock.
20. Bone Meal Register.
21. Milk Yield Register.
22. Stock Register of
  - a) Medicine.
  - b) Library Books etc.,

c) Chemicals.

d) Laboratory equipment.

23. Manure Register.

24. Contingent Register.

25. Service Register.

26. Acquittance Rolls.

**7.7 Process of audit** :- Several items of receipts recorded in the Roll Book (In-patient), Receipt Register (out-patients), etc., should be traced into the counter-foils of receipts and those shown in the latter into the cash book. As regards hospital dues it should be seen by a check of the Admission Register, in-patient charges, etc., maintained for the purpose that charges for treatment of out-patients and in-patients for operations, for special medicines, for X-Ray photographs, for ordinary and special feed, etc., are collected in accordance with rules.

The cash book and the stores and stock accounts should be scrutinized in accordance with general principles of Audit. Following are additional points to be looked into.

- i) Feed register :- It should be seen that issues are supported by entries recorded by ward officers in the case sheets of patients.
- ii) Bone-meal register :- It should be seen that quantities issued as feed to animals are supported by entries recorded in the case sheets, that sales to the public are noted distinctly and that the collections therefor are brought on promptly into the cash book.
- iii) Ambulance Van Log Book :- It should be seen that details of journeys are recorded properly and that prescribed charges are recovered from owners of animals. The amount collected should be traced into the cash book.
- iv) Shoeing Register with proforma details :- Horses are shod at the shoeing forge at rates prescribed therefor. A stock of iron, nails and coal is kept at the forge for manufacturing shoes as and when required. Ordinary and special shoes are manufactured at the forge and the rates prescribed are inclusive of fitting charges.

The "Shoeing Register with proforma details" maintained for the record of transactions of the forge should be checked to see that:-

- a) Stock of iron, nails and coal is entered properly in the columns specified.
- b) Purchases of raw materials are entered as and when they are made.
- c) Issue of materials for manufacture of shoes are recorded promptly.
- d) Cash receipts are duly brought to account.
- e) In respect of charges recoverable from the Police Department for their horses shod at the forge, necessary book adjustment is made.
- f) Rates at which materials were purchased are duly recorded by the forge and that the pay of farriers, etc., is correctly prepared each month; and
- g) That proforma statement of receipt and expenditure of the forge including the pay of farriers, etc., is correctly prepared each month and the net gain or loss worked out.
- v) Anthrax free certificate issue register :- The register should be checked to see that rates charged are in accordance with rules and that credits are supported by challans to that effect.
- vi) Breeding Bull Register and Register of Live Stock :- It should be seen that purchase of new animals and disposal of useless animals are done as per instructions contained in Departmental Manual.

## **SECTION - II**

### **LIVE STOCK FARM**

**7.8 General :-** The livestock farms are under the control of Andhra Pradesh / Telangana State Livestock Development Agency with the object of :-

- i) Producing pedigree "Murrah" or other buffaloes/bulls/breeding bulls by the process of selective breeding for distribution in rural areas to upgrade the local inferior stock, for improved productivity and for supply to blocks and the general public; and
- ii) To meet increasing demands for wholesome and hygienic milk in hospitals and from public in the towns.

At some of these farms a small unit of sheep and poultry is also maintained. These units besides supplying pedigree bulls, rams, cocks etc., serve also as demonstration units to educate the breeders in scientific methods of breeding, feeding and management of livestock. These farms also undertake agricultural operations with a view to meeting the fodder requirements of farms. Hybrid, Napier and other fodders are also grown.

The farms consists of one or other or all of the following sections.

1. Dairy.
2. Cattleyard.
3. Poultry.
4. Sheep.
5. Pasture and Garden.
6. Stores, and
7. Engines and Motor Lorries.

**7.9 Registers, Accounts, etc.:-** The following registers/records are maintained under various sections of the farm :-

**a) General :-**

1. Cash Book.
2. Bill Books for cash and credit sales.
3. Daily Memo Book.
4. Muster Rolls.
5. Works Register.
6. Refunds Register.
7. Register of Feeds.

8. Register of Security Deposits.

9. Contingent Register.

10. Service Books.

11. Acquittance Rolls.

**b) Livestock (Cattle and Buffaloes ).**

1. Adult Stock Register.

2. Young Stock Register.

3. Animals Valuation Register.

4. Cattle Sales Register.

5. Daily Service Register.

6. Hard Register.

7. Service Record of Bulls.

8. Shoeing Register.

9. Veterniary Sheet.

10. Work Cattle Register.

11. Register of Livestock

**c) Dairy :**

1. Cattle-Yard Milk record sheet.

2. Customer's Register.

3. Daily Milk yield memo.

4. Dairy Day Book.

5. Dairy Produce out-turn and disposal.

6. Lactation statement.
7. Register of experiments.
8. Register of fat in milk of individual cows.
9. Register of milk feed to calves.

**d) Sheep :**

1. Monthly changes in flocks.
2. Pedigree register of rams and ewes.
3. Weighment of animals register.
4. Wool Yield register.
5. Young Stock register (different flocks)

**e) Pasture and Garden :**

1. Cultivation sheet.
2. Field register.
3. Fodder issue register.
4. Grazings register.
5. Hay Stack register.
6. Silage register.
7. Trees register.
8. Vegetable Sale book.
9. Vegetable Stock book.

**f) Stores :**

1. Cattle Feed Account.

2. Fuel and Log Books.
3. Machinery and spare parts register.
4. Miscellaneous Stores.
5. Register of furniture.
6. Stock Book of lime and manure.
7. Stock Book of Seeds and Grains.
8. Tools and Plant register.
9. Unserviceable articles register.

**g) Engines and Motor Lorries etc.**

1. Job register.
2. Log Book.
3. Works register.

**7.10 Process of audit :-**

Besides general checks, the following additional checks have to be exercised during local audit:

**a) Daily memo sheet**

This is an important original record maintained in the agricultural section of the farms, which is under charge of an Agricultural Demonstrator. This sheet indicates the number of permanent mazdoors on leave, the carts at rest, receipts and issues of farm produce and expenditure on fodder, concentrates, etc. All items of stock in this section are posted from this sheet into the respective stock registers. As such, this sheet should be checked carefully and items traced into respective Stock Registers.

**b) Live-stock (adult and young) Register and Cattle Sales Register**

It should be seen that all additions or sale of animals as accounted for in these registers are supported by requisite sanction from the Director.

**c) Animals Valuation Register**

Animals in the farms should be valued annually (in March) by the Deputy Director of Animal Husbandry. It should be seen that the book-value of animals shown as opening balance of the year agrees with the corresponding annual valuation fixed by the Deputy Director of Animal Husbandry for each animal.

**d) Work Cattle Register**

It should be seen that entries in this register fully agrees with those in the Register of Agriculture Section.

**e) Register of livestock**

It is to be seen that livestock are re-valued at the end of the official year with reference to market rates and old animals are disposed of promptly under the orders of competent authority. It should be seen that prescribed fees for the hiring of work animals and for services of breeding bulls are collected and brought to account promptly. The system of purchases and sale of live stock should be examined with reference to correspondence files, agreements, etc.

The main source of revenue are:-

1. sale of bulls, cows, calves and other animals
2. fees for service of bulls
3. sale of milk.
- 4 sale of manure.

It should be seen whether realisations are promptly effected and credited to Government account and that unserviceable cattle are not maintained on the farm.

**Dairy**

**f) Daily Milk Yield Memo**



This is an important original record which shows total daily milk yield of the farm. As the monthly return regulating sale of milk and milk products is prepared from this memo, this should be carefully checked with reference to milk yield of individual milch cattle.

It should be examined whether the yield of milk and other dairy produce is reviewed by a responsible officer at periodical intervals and suitable action taken in cases of low yield.

**g) Dairy produce out-turn and disposal**

This is a consolidated record of dairy produce which shows inter alia sale of milk and milk products, fat and milk fed to calves and wastage items in the registers viz., daily milk yield memo, register of fat in milk of individual cows, register of milk fed to calves, lactation statements, etc., should be traced into this register.

**NOTE:** - The dairy farm is under the immediate charge of a Dairy Assistant who is responsible for accounting daily milk yield, sale of milk and milk products, etc. As a subsidiary cash book is required to be maintained in respect of dairy sales by the Dairy Assistant, it should be seen that this subsidiary cash book is maintained properly by him and that amounts realised by him are properly accounted for and traceable in the general cash book of the farm. It should be seen in local audit that the Superintendent of the farm exercises sufficient check over cash transactions dealt with by the Dairy Assistant.

**h) Pasture and garden**

Maintenance of agricultural farm, pastures and gardens in the dairy farm is intended mainly for supply of fodder and other feeds to animals, etc.; This section is under the direct charge of an Agricultural Demonstrator.

Besides check of muster rolls and works register, it should generally be seen that: 1) the produce is properly accounted for in the stock books; 2) the fodder issue register and vegetable sales registers are maintained properly; and 3) moneys realized by cash sales are promptly brought to account.

**i) Register of working cattle**

It should be seen that the number of working cattle in the farm is not in excess of requirements which should be ascertained from the cultivation sheet and field register.

**j) General**

In respect of accounts of live-stock and dairy farms the following instructions should be borne in mind. How far the objectives of propagation of improved breeds and supply of milk to public were achieved and whether expenditure was commensurate with results. Following particulars should be gathered year-wise.

1) a) Total expenditure during the year on cattle farms (as distinguished from expenditure on sheep and poultry sections), the expenditure should be broadly classified as under : -

- i) establishment
- ii) feeding charges (the value of the fodder grown in the farm and consumed by the cattle should be shown separately).
- iii) dead stock.
- iv) labour charges.
- v) other charges.
- vi) total.

b) total number of bulls distributed/sold for breeding purposes.

c) the receipts of the farm are under the following heads: -

- i) sale of milk.
- ii) sale of live-stock.
- iii) sale of agricultural produce.
- iv) miscellaneous receipts (nature to be indicated).
- v) total.

2) Regarding production and sale of milk, following particulars should be gathered.: -

- i) total milk produced (in litres).
- ii) milk sold.
- iii) milk issued for curd making kova making, ghee making, etc., (in litres).
- iv) milk issued for other purposes (nature to be specified for e.g. feed to calves, etc., ) (in litres).
- v) loss in handling.

3) In the case of milk issued for curd-making, ghee-making, etc., it should be seen whether the end product obtained is commensurate with milk issued for the purposes, and whether the product was properly disposed of. The circumstances under which the entire quantity of milk produced could not be sold should be ascertained.

The percentages which the “loss in handling” bears to the quantity produced should be indicated.

4) Mortality rate, total number of cattle, additions due to birth/purchases, reduction due to death/sale should be indicated.

5) Expenditure incurred on agricultural operations, value of produce realised/sold should be indicated with a view to assessing the economic working of the agricultural section of each farm. Large variations between expenditure on and receipt from agricultural operations should be commented upon. Expenditure incurred on erection of farm buildings, sinking of wells and acquisition of agricultural implements should be looked into with a view to seeing expenditure was properly incurred and that property acquired was brought to use without delay.

6) Records relating to acquisition or leases of land for the farms may be specially gone into to ascertain the economy of acquisition of the land.

7) It should be examined whether: -

a) culling and disposal of useless animals is done according to rules prescribed and orders issued by Government from time to time;

b) amounts realised by sale of animals in public auction are not less than the minimum price limits fixed in each case and where the bid amount is less than the minimum fixed, the bid list is submitted to the Director or the competent authority, with reasons for low bid, for confirmation of the sale, and

c) destruction of animals is done according to rules and after obtaining sanction of competent authority.

**7.11 Intensive Cattle Development Blocks :-** i) For, implementing the scheme of “Intensive Development of Cattle” sponsored by Government of India under “Special Development Programme for Agriculture”, three Intensive Cattle Development blocks were established at Hyderabad, Vijayawada and Warangal with Regional Development units and a number of sub-units at various other centres. The scheme had 100% Central Assistance (50% grant and 50% loan) upto 1965-66 and is continued as a State Project from 1966-67.

There is also a scheme at Warangal sponsored by the erstwhile Andhra Pradesh Regional Committee.

ii) The functions of these blocks are :-

1) To improve the genetic make-up of cattle by controlled breeding.

2) To provide facilities for veterinary aid and disease control subsidies and production incentives.

3) To augment the supply of feeds and fodder to the level essential to support production of increased quantities of milk, and

4) To provide for an assessment and critical evaluation of the progress of the various phases of schemes undertaken in order to locate such aspect of development as are finding response and requiring to be intensified in order to bring about overall improvement and to achieve the target of the schemes undertaken.

Units as Semen Production Centre and Feed Mixing plants, etc., function as ancillaries to these blocks.

iii) Checks detailed in respect of live-stock farms in the preceeding paras should be exercised mutatis mutandis during local audit of accounts of these institutions.

## **SECTION – III**

### **7.12 A) Sheep Farm**

There are 4 Sheep Farms, 2 Ram Multiplication Farms, 4 Sheep Units attached to live-stock farms and 2 goat units.

The main objective of these farms are;

1. Selective breeding of certain special breeds viz., Bellary breed, Nellore breed and Bikaneri breed;
2. Cross-breeding of Bellary with Bikaneri breed ; and
3. Distribution of pure breed and cross-breed varieties of male for upgradation of local flocks.
4. Other special development programmes, commonly known as “Crash Programme” which envisage augmentation of food production and which receive assistance from Central Government.

### **B) Rabbit Rearing Centres**

To meet the increasing demand for meat rabbit rearing centres at Banavasi and Karimnagar were established.

### **7.13 Process of audit**

- 1) It should be examined during local audit how far the objective of propagation of improved breed is achieved and whether expenditure incurred is commensurate with results.
- 2) Death of sheep, especially the Bikaneri breed brought from Rajasthan, should be looked into and the year-wise figures should be indicated together with reasons for deaths. The net loss due to deaths (the book value minus the sale value of carcass) should be indicated.

3) Whether wool of the special breeds is readily marketable if not, reasons for continuance of schemes of such type should be ascertained and included in the audit report.

4) Irregularities in purchase of materials and sheep and construction of buildings, wells, etc., should be commented upon.

5) Each farm is attached with agricultural and land pastures. Expenditure incurred on agricultural operations, value of the produce realised/sold should be indicated year-wise with a view to assessing the economic working of the farm. Large variations between expenditure on and the receipts from agricultural operations should be commented upon and the reasons analysed.

#### **7.14 Veterinary Biological and Research Institute**

The institute's main objectives are to conduct experiments in connection with improving quality of vaccines for control of diseases in animals. Its constituent units are production, standardisation and investigation. Experiments are conducted on animals and reactions studied. In addition to this institute, one more Viral Vaccine Institute is functioning at Samalkot. Audit of accounts of these institutions comprises inter alia scrutiny of files or orders of purchase of laboratory apparatus, equipment, medicines, animals, meat, dealwood boxes and bottles (for transport of vaccine) to examine whether purchases are in order and made economically. Accounts of different kinds of stock, including stock of receipt books should also be examined, on the lines detailed in Chapter 4 of this Manual.

Besides the normal checks detailed above, data of results of various kinds of research, costs involved should be collected and reported to Inspection (Civil) Headquarters. This material would be utilised in including if necessary, a note in the Appropriation Accounts under "Experiments, investigation, and demonstration without fruitful results" and for correlating with return received annually in this regard, in Report Section, from Finance Department of Government of Andhra Pradesh on the subject. (See also item 7(3) under IV General Instructions of Annexure to Ruling of the A.P Madras (Public Accounts Committee).

#### **7.15 Other institutions**

Following are some of the institutions not dealt with in the preceding paragraphs. Local audit of accounts of these institutions is not a routine feature. However, a brief of the functions of each of the institution is given below. The general checks and the checks in the foregoing paras in this Chapter apply mutatis mutandis to the accounts of these institutions too.

### **1. District Semen Depots**

These centres supply scientifically processed frozen semen of superior bulls, to the artificial insemination units functioning throughout the State. The objectives are better utilisation of the breeding bulls, maintaining the sexual health of breeding bulls and to control the quality of semen and thereby improve the fertility rate. Breeding bulls of selected type are reared and periodically replaced. Young bulls are trained to respond for collection of semen. As an ancillary programme, high yielding fodder varieties, such as Paragrass, Russian Cowpea, Gunien Grass, etc., are grown in these centres.

### **Liquid Nitrogen Plants**

For preservation of frozen semen, two large size plants at Tirupathi and Mahaboobnagar were established in addition to small liquid Nitrogen plants.

### **2) Piggeries**

These Centres work for improved production of pork. Breeding also is undertaken to maintain quality in pork. Bacon factories also function as ancillary units for producing dressed pork and sausages. Sales are arranged at various superbazars and sales sections at Veterinary Hospitals. Young ones of pigs are also distributed to private pig farms under piggery development programme.

### **3) Animal bye-products plant, Kesarapally**

The carcasses of animals are utilised here with the aim of bringing out "Wealth from Waste". The products are sterilised most as a protein supplement, bonemeal as mineral feed supplement, sterilised tallow as poultry feed ingredient, liver and blood meal used in preparation of "dog biscuits" . Manufacture of "Dog Bix: (dog biscuits) and sale of horns is also undertaken.

#### **4)Goshalas and Gosadans**

These institutions are run by private bodies and philanthropic agencies. Seven Goshalas are under the control of Endowments Department. Goshalas are keeping productive animals and Gosadans are maintaining unproductive old and sick animals. Goshalas also exercise functions like experiments on cross-breeding for improved production of milk. They raise fodder like Hybrid Napier, Paragraph, Cowpea, etc., some of the institutions receive grants-in-aid from the Government. They are inspected by the Assistant Director (AR) Goshala periodically.

#### **5)School of Animal Reproduction, Mandapeta**

Training is imparted in this school in (i) Post Graduate Certificate Course (2) Artificial insemination methods for Veterinary Assistant Surgeons and (3) Refresher Course for Departmental Officers. A feed analytical laboratory and a Semen Collection Centre were established in this school.

#### 7.16 Other development schemes

##### (a) Fascioliasis Scheme

**This scheme envisages control of liverfluke disease prevalent among areas which experience water-logging, and tanks and canals. The measures taken to prevent the disease are (i) Physical collection and destruction of snails, (ii) Arrest breeding and destruction of snails by spraying of copper sulphate, (iii) Mass-treatment to live-stock with carbon tetrachloride.**

##### b) Japanese Eucephalitic Scheme

Sera samples received and collected from different areas of the State from different species of livestock and human beings were tested in Serological diagnostics laboratories for presence of antibodies against Japanese Eucephalitic, Dengue viruses.

##### c) Feed and Fodder Development Scheme

This scheme envisages educating the farmers and high-lighting the need for growing high-yielding crops to provide nutritious green fodder to the upgraded and cross-breed stock especially in areas where cattle development activities are taken up. The farmers are educated in the techniques of cultivation of improved fodder crops by organising demonstration plots. Pre-mixed feed for cattle and poultry is also prepared at feed mixing



plants under this scheme. Farms at Aswaraopet and Redipalli were functioning as Seed Production Farms.

In respect of schemes mentioned above and similar others, the accounts of respective departmental institutions which take up the schemes should be examined, to ascertain, inter alia, how far the expenditure on them has been fruitful.

#### **7.17 Local Audit Report**

Local Audit reports on the accounts of respective institutions should be addressed to the Heads of those Institutions and copies forwarded to the Deputy Director/Joint Director and the Director of Animal Husbandry. Audit reports on the accounts of Director of Animal Husbandry should be sent to the Principal Secretary to the Government, Animal Husbandry, Dairy Development and Fisheries department, Government of Telangana.

## CHAPTER 8

### AUDIT OF ACCOUNTS OF FISHERIES DEPARTMENT

**8.1 Introduction:** The natural water resources, i.e sea, rivers and lakes and reservoirs and tanks constructed for irrigation purposes in the State offer high potential for development of fisheries as one of the important primary section along with Agriculture and Animal Husbandry in the states of Andhra Pradesh and Telangana. The State of Andhra Pradesh has a long coast line of 970 kilometres .with a big continental shelf which offers huge scope for development of marine fisheries. Besides, two famous lakes Kolleru and Pulicat- are located in the State. Major rivers flowing through the States of Andhra Pradesh and Telangana and the reservoirs formed on them and about 40,000 ponds and tanks with a large water spread area of inland fisheries contribute to revenues of the States in a big way.

As part of development of marine and inland fisheries, cold storage plants are established at Nizamsagar, Nagarjunasagar Project, Tadepallegudem, Nellore and Kakinada, a deep freezing plant at Visakhapatnam and a canning plant and a shark liver oil factory at Kakinada. For quick transport of fish catches, nine refrigerated vans ply in different regions of the State. A boat-building yard functions at Kakinada for construction of country boats and also mechanized ones. Research units function at Nagarjunasagar and Pochampad. There are three Inland Fisheries Training Centres at Warangal, Kurnool and Badampudi (WG District) to give training to fishermen. About 98 fish seed farms and 150 seed production forms are functioning all over the State.

#### 8.2 Organisational Structure

The general control of the department in all its activities of regulation and development are vested in Commissioner/Director of Fisheries, functioning under the Ministry of Animal Husbandry, Dairy Development and Fisheries. At the Head office, he is assisted by Additional. Director, Joint Director, Deputy Directors and Assistant Directors. At the District level, there are two Joint Directors (Visakapatnam and Nellore), Deputy Directors (Warangal, Karimnagar and Nalgonda), and Assistant Directors (Khammam, Adilabad Headquarters at Nirmal), Nizamabad, Medak, Mahaboobnagar, Rangareddy and Hyderabad).

#### 8.3 Schemes and Programmes

Various schemes and programmes are undertaken by the Department under the categories of marine fisheries, inland fisheries and brackish water fisheries. An outline of schemes and programmes undertaken under the categories is given below:

**a) Marine Fisheries**

1. Construction of mechanized boats and their distribution to fishermen for facilitating better catch and easy mobility in the sea beyond seven kilometers.
2. Training fishermen in operating mechanized boats, attending to simple repairs and use of modern methods of fishing.
3. Rendering assistance to export-oriented private industries for processing sea-foods for export.

**b) Inland Fisheries**

- 1.Improvement of fish farms and nurseries for production of fish seed of fast-growing varieties and stocking them in tanks, reservoirs, etc., which are the main source of inland fisheries.
- 2.Amelioration of the socio-economic conditions of fishermen.
- 3.Providing proper communication facilities between the landing centers and markets.
- 4.Provision of quick transport facilities in order to facilitate movement of fish in fresh and in frozen conditions by insulated, refrigerated and other kinds of vans to both local and distant markets and
- 5.Provision of shore-based facilities to preserve and market fish to the best advantages of fishermen and consumers through the functioning of ice-cum-cold storage plants and freezing plants in the different areas of the State.

**c) Brackish Water Fisheries**

Establishment of farms and nurseries for production of alternate species of shrimp/prawn culture in coastal areas.

**8.4 Scope of audit**

The field parties should call for various accounts records in connection with all development schemes of respective institutions mentioned above. They should also go through evaluation reports of the department and bring to light, through the audit report, defective functioning of schemes in particular besides other irregularities noticed in general.

The accounts of sales section and of stores in the office of the Commissioner/Additional Director of Fisheries should be checked in local audit besides the usual audit of expenditure. It should also be seen that the amount of lease and other amounts due for recovery are duly collected and credited to Government.

The detailed statements showing income from lease of tanks and other sources are received in the Commissioner/Additional Director's office from the Assistant Director of Fisheries of the various districts. It should be checked whether income in respect of all tanks under each officer are realised and credited to Government.

### **8.5 Accounts, Registers etc.**

The following is a list of important registers and records which are maintained by respective offices besides the general accounts, registers as are maintained in offices of other departments.

Office of the Commissioner/Additional Director of Fisheries:-

#### **a) Biochemical Laboratory:-**

1. Purchase Register
2. Issues Register
3. Stock Ledger
4. Stock Register of Photographic Articles

#### **b) Sales Section:-**

1. Cash Book.
2. Stock Register (Fish)
3. Cash Receipt Book
4. Purchase Book.
5. Bill Book (Cash Sales)
6. Bill Book (Credit Sales)
7. Ledger Book (Personal ledger of sales on credit)
8. Purchase orders in respect of Marine Engines, etc.

#### **(ii) Office of the Assistant Director of Fisheries:-**

1. Cash Book
2. Contingent Register
3. Security Deposit Register
4. Stock Register:-
  - a) Stationery.
  - b) Forms.
  - c) Books.
  - d) Furniture
  - e) Nursery equipment
5. Service Books
6. Acquittance Rolls
7. Log Books
8. Register of Leases
9. Measurement Books
10. Register of Tanks
11. Stores register
12. Gunnies and lead seals account
13. Gunnies and lead seals account stock register.(despatches of empty gunnies and lead seals to other yards)
14. Form of Local Transport
15. Register of clothing for uniforms, etc.
16. Abstract Register of clothing received and issued
17. Acquittance roll for clothing supplied
18. Receipt and Expenditure on clothing in the yard
19. List of Fishery Works to be executed by Public Works Department
20. Nominal Muster Roll
21. Daily Labour Bill
22. Register of Estimates (Inspector of Fisheries)
23. Register of Estimates (Head Office)
24. Contingent register
25. Security Deposits register
26. Tenders and Agreements

## **8.6 Process of audit**

Besides general check of accounts and registers, the following additional checks should be exercised during the course of local audit.

### **8.6.1 Office of the Commissioner/Additional Director of Fisheries**

#### **(A) Biochemical Laboratory**

- (i) Purchase Register:- It should be seen whether chemicals purchased are duly accounted for in this register and there are cross-references on bills and stock registers.
- (ii) Issue Register: It should be seen whether articles are issued according to number or quantity sanctioned by the officer as shown in indents.

#### **(B) Sales Section**

- (i) Cash Book:- There is a separate cash book for this section besides the general cash book for the office. This cash book should be checked in detail to see that –
  - (a) amounts realised from sales of fish are according to rates fixed by Government from time to time and realisations are credited in the cash book daily; and
  - (b) total of the cash book for sales section is transferred daily to the general cash book.

Entries on the receipt side should be checked with reference to counterfoils of receipts. Entries regarding remittance to State Bank should be checked with challans.

- (ii) Stock Register:- Entries in this register should be checked with purchase book to see that total quantity of fish purchased or obtained from other sources on each date is entered correctly in the stock register, and that quantities shown in the stock register, as sold, tally with the total shown in the bill books (cash or credit).

#### **(iii) Ledger Book (Sales on credit)**

It should be seen that:-

- (a) Sales on credit are effected as per orders of Government issued from time to time.
- (b) Personal ledger is posted correctly; and
- (c) Amount recoverable on account of sales on credit bill book is according to

the credit and is taken correctly to the personal ledger.

**(iv) Security Deposit**

It should be seen whether security deposit as prescribed by Government is collected from the clerk-in-charge of the sales section.

*(G.O.Ms.No.1953, Agriculture, dated 2<sup>nd</sup> September 1959)*

**(C) Purchase orders**

Purchase of marine engines, nylon yarn for nets, etc., are centralised and ordered by the Commissioner/Additional Director, though the engines are delivered to the offices of Assistant Directors. It should be examined whether tenders are invited and purchases are economical and whether contracts for supply and distribution are correctly executed.

**8.6.2 Office of the Assistant Director of Fisheries**

**1. Stock register of Nursery Equipment**

It should be seen that receipts, supply, sales of fish seeds to the public and supply for stocking in tanks are effected in accordance with rules in force and under orders of competent authority.

**2. Register of leases**

It should be seen that –

**(i)** tanks are leased out to the best advantage of Government;

**Note 1:-** Leasing of tanks and the collection of lease amounts from lessees are done in Telangana State by the Fisheries Department while in A.P State the same is done by the Revenue Department, except in the case of Departmental demonstration tanks and provincial tanks acquired for pisciculture where the Fisheries Department is vested with full powers of leasing.

**Note 2:-**In cases where public auction (either by Revenue or Fisheries Department) for fishing in tanks fails, the Fisheries Department itself undertakes fishing operations. The fish catches thus obtained are sold either in public auction or departmentally at the rates fixed by Government.

Alternatively, the fish catches are disposed of at rates tendered for a year as a whole by a contractor whose tender is accepted by the Department.

- ii) necessary agreements are executed by the lessees
- iii) conditions laid down in agreements are correctly observed and
- iv) amount of lease is recovered wholly, or in instalments as the case may be and credited to Government.

### **8.6.3 Fish Curing Yards**

Salt is issued for purpose of curing fish brought to fish-curing yards established in suitable localities in maritime villages on the East Coast, at a price a little over cost price (a) to meet the loss entailed in fish-curing classes for which duty paid salt is used and (b) to meet the cost of segregating badly cured fish. This system of fish curing with salt is not being practiced by the fisher men now in view of increased availability of ice. These fish curing yards are now working for marine fisheries developmental schemes (Chapter-II para-11.5.15 of Fisheries Manual, 2003). The records maintained and the checks to be exercised are detailed below:

#### **(1) Stores register – It should be seen that:-**

- i) totals are struck once in a quarter or earlier.
- ii) Articles condemned are done so under specific sanction of competent authority;
- iii) periodical verification is conducted by competent authority ; and
- iv) condemned articles are disposed of early and realizations brought to account promptly.

#### **(2) Gunnies and Lead Seals accounts-**

- i) General: It should be seen that un-serviceable gunnies are condemned and are destroyed/sold under proper sanction and realizations brought to account without delay.



- ii) Lead seals:-It should be seen that the Inspector exercises sufficient check over netting operations and the register bears evidence of such check.

**(3) Register of uniform and clothing** – It should be seen that

- i) supply of uniform is in accordance with scale prescribed in the Departmental Manual; and
- ii) expenditure incurred is in accordance with sanction of competent authority.

**(4) Nominal Muster Roll and Daily Labour Bills** – Besides usual checks, it should be seen that measurement is done by officers not below the rank of the Inspector and check-measurements by the Assistant Director of Fisheries.

**(5) Register of Estimates** - It should be seen that tenders are called for and agreements executed by competent authority.

NOTE:- The estimates of completed works are retained in section office concerned.

**6) Tenders and Agreements**

Besides the usual checks it should be seen that:-

- i) purchases of salt is made to the best advantage of Government by calling for tenders,
- ii) agreements in prescribed form are executed by successful tenders; and
- iii) security deposit at prescribed rate has been collected from the successful tenderers;

**8.6.4 Fish Farms**

The objectives of fish farms are:

- 1) Rearing of fish in order to supply finger lings for stocking the latter in public water sources and to supply to interested pisciculturists;
- 2) Multiplication on the farm itself by maintaining breeders;
- 3) Serving as a demonstration center to extend knowledge regarding usefulness of aqua-culture as a profitable cottage industry.

- 4) Conducting research relating specially to a study of habits of both indigenous and exotic species, including experiments on fish rearing and fish breeding;
- 5) Stocking ornamental and larval fish;
- 6) Rendering technical assistance to pisciculturists; and
- 7) Collecting data of inland fishery resources.

The fish farms ( fish seed farms and seed production farms ) are spread all over the State. Closing down of old farms and opening new ones are of common occurrence. In respect of closed down farms the concerned files should be scrutinized in the office of the Assistant Director of Fisheries on whose record are kept the concerned files, reasons for closure ascertained and irregularities that led to such closure commented upon giving statistical data of loss to Government, etc, involved.

In fish seed farms mortality rate of seedfry and fingerlings should be studied and reasons ascertained. It should also be examined whether write-off orders are sought and obtained from the competent authorities in respect of mortalities in excess of prescribed percentages fixed as inevitable mortality.

#### **Mode of acquisition of land for fish farms**

Normally Government land, if available, is taken for establishment of fish farms. This land is assigned to Fisheries Department for this purpose by the Collector after ascertaining the willingness of the Department from whom the land is acquired. In the case of non-availability of Government land, private land also is acquired as per provisions of the Land Acquisition Act.

During local audit, it should be seen that expenditure on fish farms is confined to normal rules prescribed by Government therefor and any irregularities and loss incurred in fish farming should be commenced upon reporting also reasons therefor as assessed from Department.

#### **8.6.5 Storage of articles in refrigerators of Fisheries Department**

Facility for storage of perishable commodities by private parties in refrigerators is available with the Fisheries Department at various places in the state on collection of hire

charges at the prescribed rates. The working of this scheme be checked during local audit of accounts of Fisheries Department.

*(Memo No. 5253/Fish/66-4, dated 23<sup>rd</sup> January, 1967 of the Govt. of Andhra Pradesh Food and Agriculture Department circulated in Circular No.O.A.D./ Civil/XII/38-2/66-67/33, dated 20th March, 1967-File 38-2/66-67 of Unit.XII O.A.D. Civil Headquarters).*

#### **8.6.6 Hiring of departmental boats to private parties and Panchayat Samithis**

During local audit of accounts of Directorate/Assistant Directors of Fisheries, it should be verified whether necessary records are maintained in respect of hiring of boats (**vide Annexure**) and recoveries are effected at the rates prescribed by Government and accounted for promptly and whether the prescribed procedure of obtaining declaration /agreement bonds is observed. Irregularities, if any noticed in working of the scheme should be highlighted in audit reports.

*(G.O. Ms. No. 63, Food and Agriculture (Fisheries) Department, dated 16<sup>th</sup> January, 1968 circulated in Circular No. O.A.D. Civil /38-1/68-69/4, dated 7<sup>th</sup> May , 1968 of O.A.D. Civil Headquarters).*

#### **8.6.7 Loans and subsidies to fishermen**

##### **a) Supply of boats on subsidy –cum –loan basis**

The buyers of boat have to pay an initial deposit for 5% of the total value of the mechanized boat with nets. The Government will make available to the Andhra Pradesh/Telangana State Fisheries Corporation 15% of the cost of boat as a special loan. The balance of 80% could be obtained from commercial banks, on terms and conditions agreed upon by the Corporation and Banks. The special loan of 15% sanctioned to the beneficiary together with 11% interest in 60 installments spread over a period of 7 years and proposed to allot boats on the following conditions:

- i) The loan amount will be advanced by the Banks after due enquiry is made by the Corporation. To enable the Bank to advance the loan specially and conveniently, the security bonds covering the total value of the boat during the first year shall be deposited.
- ii) The loan guarantee bond, loan agreement and connected documents relating to the Government advance of 15% shall be deposited with the corporation.

- iii) The loan amounts advanced by the Banks and the Corporation, totaling 95% shall be covered by the security provided, which shall remain intact till the entire loan amount is paid back.
- iv) 50% of the total catch on every day the boat gets shall be handed over to the Corporation. The Corporation will arrange to sell 50% of the catch and credit such sale amount either in cash or in the form of cost of excessive catches may be paid into the boat operators accounts
- v) The boats are to be used exclusively for fishing purposes only.
- vi) In case of default or failure in repaying the loans advanced by the Banks or by the Corporation, the boat is liable to be seized and auctioned. Such auction will not be a bar to any other legal action that may be instituted.

**b) Subsidies in sale of High Speed Diesel Oil**

High speed diesel oil is sold at subsidized rates to fishermen who are owners of mechanized boats. Extracts of log books of these boats are kept on record in the offices of the Assistant Directors of Fisheries. It should be examined there from, during local audit, whether subsidized supply of high-speed diesel oil is spent for the bonafied purpose of plying mechanized boats of fishermen duly registered by payment of registration fee.

**c) Subsidy for purchase or construction of country boats and tackles**

Subsidies are granted by the Department for purchase of country boats and tackles or for purchase of logs for their construction. The checks as detailed in (a) above apply mutatis mutandis to these accounts also.

**8.6.8 Ice cum-storage plants**

These plants are mainly intended to regulate the flow of the product of fish into the market so as to keep the price line steady from falling down in the interest of economy of fish-trade. When catches are not sufficient enough to utilize the plants' full capacity , the procedure in vogue is that the plants are worked to produce ice and that cold storage cells are let out for products other than fish too. Plants are also leased out to private parties, bidding for the price acceptable to Government.

When such deviations as mentioned above are taken recourse to, it is only to be held that the case is not one of sound investment of Government moneys. Field staff should, therefore, study in detail the concerned files and assess reasons such as poor estimation of requirements, lack of incentive on the part of department to educate the fishermen to take to scientific methods of storage in place of conventional methods, etc., and comment in the audit report.

It should also be verified that subsidized sales to fishermen are at prescribed rates and that sales of ice to others are at markets rates. It should also be seen that-

- (i) letting of cold storage cells is done on specific conditions imposed for the purpose and hire charges are recovered promptly at rates prescribed from time to time and
- (ii) leasing of plants is done in the best interests of Government and lease-amounts are promptly recovered.

Besides the above checks, it should be seen in respect of plants run by Government, that proforma accounts are maintained properly. Loss reflected in accounts and other serious irregularities as loss/ leakage of revenue, losses due to in fructious expenditure should be commented upon in the audit report.

#### **8.6.9 Applied Nutrition Programme of UNICEF**

Under the programme of increasing nutrient content in food consumed by people by in-take of fish products, the fish catches are to be effected by advanced scientific and mechanised methods. Accordingly , UNICEF renders free gift of machinery for this purpose. During local audit of accounts of the Assistant Director of Fisheries in whose jurisdiction the scheme is implemented, it should be examined whether plant and machinery received as gifts are properly maintained and utilised for the purposes for which they are meant and whether conditions imposed by UNICEF are fulfilled. It should also be ensured that plant and machinery is not being hired out to private parties, etc., but is being directly used by the Department itself.

#### **8.6.10 Hiring of vehicles for quick transport**

The fish being a perishable commodity, quick transport for catches by private fishermen and by Department is arranged to places where there is good market , by hiring

vehicles wherever necessary. It should be examined whether vehicles hired are not in excess of what the occasion demands and that hire charges are incurred economically and quick transport, expected of is actually achieved.

Recoveries from private fishermen towards hire charges should be verified to ensure that they are effected at prescribed rates, by scrutiny of treasury challans, etc., in respect of monthly accounts selected for test-check.

### 8.7 Financial Assistance by NCDs

Pattern of financial assistance to Fishermen Co-operative Society by National Cooperative Development Corporation (NCDC) for various activities is given in the table below:

Sl. No	Activity	From NCDC to State Govt.	State Government to Society.
1.	Share capital to State / Regional/Central/Primary Level Coops. For marketing and distribution	100% Loan	As share capital without any condition.
2.	Purchase of Transport Vehicle	75% Loan	50% loan ; 25% subsidy balance 25% either loan or share capital or subsidy depending on availability.
3.	Development of fish farms and establishment of seed farms.	88% Loan	100% loan or share capital or subsidy depending on availability.
4.	Processing units, boats, boat building yards, mechanised/country boats, nets.	80% Loan	55% loan ; 45% loan or share capital or subsidy depending on availability.
5.	Construction of godowns and establishment of retail	75% Loan	50% loan ; 50% subsidy or share capital or loan

	shops		depending on availability.
6.	Inputs and infrastructural facilities in integrated projects.	100% Loan	50% loan ; 50% subsidy or share capital or loan according to the availability.

**NOTE:-** It is expected that 5% of the capital cost will be raised by the society concerned. In such cases the State Government's assistance will be reduced to that extent.

### **8.8 Local Audit Report**

The Local Audit Reports on the accounts of the subordinate offices should be sent to the concerned officers with copies to the Commissioner/Director of Fisheries. The Local Audit Reports pertaining to the Commissioner Director of Fisheries should be sent to the Principal Secretary to the Government, Animal Husbandry, Dairy Development and Fisheries department, Government of Telangana.

## ANNEXURE

(Referred to in paragraph 8.6.6 of the Manual)

Terms and conditions for hiring of Departmental boats to private parties etc., for fishing operations and recovery of hire charges.

Boats of Fisheries Department are supplied to private parties, Panchyat Samithis etc., on short-term and long term basis for fishing operations, subject to the condition that the supply does not interfere with or cause inconvenience to the normal activities of the Department for which the boats are intended. The conditions and rates are as follows:-

1. The hirers shall pay the hire charges at the rates prescribed by Government.
2. The boat shall be under the control of the Department and shall be operated by the Departmental Staff and the running charges shall also be borne by the Department.
3. The hirer shall give a declaration to the Department before boarding the vessel if the hiring is on a short-term basis. In case of hiring on long-term basis he shall execute a bond of agreement and pay a Security Deposit before taking delivery of the boat. The deposit shall be forfeited if he fails to comply with the terms and conditions of the agreement bond.

### DECLARATION.

1. I, Shri ..... Son of Shri ..... aged ..... years ..... profession..... resident ..... do hereby solemnly declare that I am undertaking the trip on board the boat ..... of the Department of Fisheries, Andhra Pradesh located at..... at my own risk and on my own responsibility. Neither myself nor my heirs shall hold the Department of Fisheries or its officials responsible for the injury to the body or my life personal effects during the use of boat.
2. I shall abide by the instructions given by the officers in charge of vessel and driver from time to time, while on board the vessel.
3. I will not behave in such a way on board the boat which might endanger the boat or its other occupants.
4. I shall pay the hire charges as fixed by the Department.
5. I shall not claim refund of hire charges paid in full or part thereof in the event of the boat being brought to shore because of violation of the terms and conditions of the department by me.



Signature

## **Agreement Bond**

This agreement made on this the ..... day of ..... year and ..... between the GOVERNOR OF ANDHRA PRADESH /TELANGANA (hereinafter called the Government which expression shall, where the context admits, include their successors in office and assigns) on the one part, and Shri ..... Son of ..... residing at ..... (hereinafter called the hirer, which expression shall, where the contents so admits, include his heirs, executors, administrators, legal representatives and assigns) on the other part.

Whereas the hirer has agreed to take on hire the boat craft..... described in the schedule below (hereinafter referred to as the Machinery);

And whereas the Government have agreed to let out the same for a period from..... to .....subject to the terms and conditions hereinafter set out.

Now this deed witness and the parties hereby mutually agree as follows:-

1. The hirer shall pay the hire charges as per the rates fixed in the schedule.
2. He shall abide by the conditions laid down by the Department from to time, in the operations of the boat.
3. In case, there is any dispute between the Assistant Director, Fisheries concerned and the hirer, the decision of the Director of Fisheries (hereinafter referred to as the Director) shall be final.
4. The hirer shall deposit an amount prescribed by Government as security before the boat is taken on hire, and the deposit shall be refunded to the hirer at the end of the period of hiring after due fulfillment of all the conditions.
5. Notwithstanding anything in the above clauses, if the hirer commits any breach of the terms and conditions of this agreement or if the hirer is adjudicated as insolvent on a petition of insolvency or enters into an agreement in regard to or executed or creates any pledges or encumbrance in respect of the boat taken on hire, then and in any of the said case and, from time to time as often as any of them shall happen, the Director shall be entitled, after giving fifteen days notice in writing to the hirer to terminate the remaining period of hiring, although the Director may not have taken action on a

previous default of a condition of a like nature.

6. If the period of hiring is terminated for violation of the terms in clause 1 to 4 of this agreement, the hirer shall, at his risk and cost forthwith deliver the machinery to the Director or to any person duly authorized by him in this behalf. In default of such delivery, the Director or the other person be authorized to seize the machinery without previous notice and take possession of the same.
7. The termination of hiring under the aforesaid clause shall not prejudice the Government's right to receive the hire upto the date of such determination nor the Government's right to recover the damages for any prior breach of the terms of this agreement by the hirer.
8. The Director may, at any time, either before or after the termination of the hiring, pay any sum which he may deem necessary to pay for the protection of the machinery or for the purpose of recovering possession of the same, and there upon all such payments together with interest thereon at the rate of ..... percent per annum from the date of such payment shall forthwith become due and payable by the hirer to the Government. If, however, immediately after the termination of the expiry of the period of hiring, the hirer delivers the machinery to the Director or permits the Director to recover possession of the same at the cost of the hirer without molestation or interruption no sum as aforesaid shall become payable by the hirer.
9. Any notice required to be given by the Government or the Director under this agreement shall be in writing and signed by the Director or any officer authorised by him, as the case may be, and may be served on the hirer personally or left at the last known place of abode or business of the hirer or affixed to on the machinery or sent by registered post addressed to the hirer and any notice required to be given by the hirer under this agreement shall also be in writing and sent by registered post to the Director.

## **THE SCHEDULE**

### **Description of Machinery**

Boat of ..... type having Serial No. .... and length ..... and draft..... fitted with one Marine Diesel Engine and accessories listed below. The cost of the machinery and accessories is valued at Rs..... signed by Shri..... acting for and on behalf of the Governor of Andhra Pradesh.

In the presence of

- 1.
- 2.
- 3.

Signature

Designation.

Signed by Shri ..... the hirer in the presence of

Witness:

- 1.
- 2.
- 3.

## CHAPTER 9

### AUDIT OF ACCOUNTS OF INDUSTRIES DEPARTMENT

#### 9.1 General outline of the Department

Department of Industries functioning under the Ministry of Industry & Commerce, is responsible for planning and execution of various extension programmes relating to industrial development of the State with special attention on production of small scale industries which play a vital role in employment generation and development of rural economy.

In order to provide all services and support under single roof at pre-investment and post-investment stages to small and cottage industries, the Government have set-up “District Industries Centres” (DTC) in all the 10 districts of Telangana State. These District Industries Centres headed by General Manager function under the administrative control of Commissioner of Industries who is the Head of the Industries Department. In the direction of rural industrialization, the Department through DICs undertakes several programmes like, identifying and motivating entrepreneurs through campaigns to start new industries, training of artisans in modern techniques and use of modern tools, assisting artisans and tiny units through grants and loans etc. The Department pay special attention for development of Industrial Cooperatives, Coir and Salt Industries.

In addition to the above developmental activities, the Department attends to regulatory functions like SSI registrations, allocation of certain scarce raw-materials and watching for their proper utilisation, processing of applications for import of raw-material and equipment, administrative control over Industrial Cooperative Societies etc.

Commissioner of Industries is the Head of Department . He is assisted by Addl. Director and the following 10 Senior Officers in the cadre of Joint Directors, each looking after a specialized subject to assist the Commissioner both in regard to regulatory and development activities.

- Joint Director (Small Scale Industries)
- Joint Director (Auxiliary and Modernization).

- Development Officer (Electrical and Electronics)
- Development Officer (Foods and Chemicals).
- Development Officer (Industrial Engineering)
- Development Officer (Mineral-based Industries)
- Marketing Advisor.
- Financial Advisor.
- General Manager (Self Employment Schemes).
- Joint Director (Administration)

At the district level, a General Manager in the cadre of a Joint Director heads the District Industries Centre and he is assisted by 4 (four) Managers each looking after a specialised function in the promotion of small scale industries, cottage and village industries. A technical officer heading a growth centre also functions under the administrative control of the General Manager to carry-out extension work in the rural areas. Extension Officers (one Extension Officer for 2/3 Blocks) and Project Officers (one for each district) for preparation of 'Project Profiles' and to render technical guidance in the specialized fields are the other personnel functioning under the control of District Manager.

## **9.2 Scope of audit**

The local audit of the initial accounts maintained in the various offices of the Industries Department consists, besides checking the various records common to all offices such as cash book, contingent register, stock accounts, local purchase transactions, etc., check of records relating implementation of schemes so that a detailed review can be attempted at the appropriate time. It is also likely that some of the schemes might have been dispensed with after incurring expenditure which may likely to contribute potential material for draft para. The following is the list of schemes implemented by the department.

### **List of Schemes.**

- Investment subsidy by Centre and State for setting up of Industries.
- Andhra Pradesh Assistance Centre for Entrepreneurs.
- Gramodaya Programme.

- Artisan Complex.
- Mini Industrial Estates.
- Industrial Co-operatives.

The list is not exhaustive and the party should ascertain the schemes implemented by the office and take up detailed scrutiny.

### **9.3 Audit Checks**

The following checks may be exercised in the local audit of accounts of various offices in the department:

#### **9.3.1 Office of the Director of Industries**

(i) (a) All claims, proposals, and sanctions in the Directorate of Industries in individual cases should be scrutinised to see that (a) the amount of investment subsidy (both Central and State) or power subsidy or interest subsidy due, has been correctly assessed.

(b) The valuation of assets reckoned for the investment subsidy etc., has been done according to the rules prescribed, (The orders on reimbursement of Central investment subsidy is available in the form of booklet which should be gone through by the party during scrutiny of the claims.)

c)The ceiling for refund of Sales Tax and for payment of Sales Tax loan (under the State scheme of 1976) has been properly worked out and has not been exceeded.

ii) Accounts rendered by the Andhra Pradesh Industrial Infrastructure Corporation/APSFC should be examined with reference to details of proceedings issued by the Director to see that no unauthorized payment has been made.

iii) In the case of Central investment subsidy, it should be verified whether claims for reimbursement by Government of India have been made promptly and reimbursement obtained in all cases.

iv) In the case of interest free Sales-Tax loan, the loan ledgers should be examined to verify the progress of recovery.

v) It should also be examined whether the utilisation certificates, periodicals etc., required to be received from entrepreneurs are received and whether periodical reports required to be sent by the Director of Industries to the Government of India are being sent.

vi) With effect from 1.4.1976 the detailed account of all short term loans are to be maintained in the office of the Commissioner. The detailed accounts so maintained should be checked to see that they are properly compiled and account for all transactions involved.

### **9.3.2 The Offices of the Assistant/Deputy Directors of Industries and the District Industries Centres**

i) The recommendations, inspection reports etc., sent with the claims should be scrutinised to verify that the investment claimed to have been made or the Sales-Tax etc., claimed to have been paid, have been promptly evaluated.

ii) The affidavits, receipts, bonds, etc., obtained from the entrepreneurs at the time of payment should be examined to see whether they are in order and also the same premises is not used by different industries for claiming subsidy.

iii) It should be seen whether

a) The industrial units receiving subsidy etc are periodically inspected.

b) The utilisation certificates, annual statement of account and reports etc., required to be sent by the industrial units are being obtained promptly and

c) The recovery of subsidy is enforced in the case of misutilisation of subsidy, closure of units, etc., wherever such recovery is prescribed under the scheme.

As correlation between the reports of field officers (A.D, Industries/D.D, Industries) based on inspection reports of field subordinates and the final action in Commissioner of Industries office is essential, the field party visiting the office of the Commissioner of Industries should select certain important schemes and indicate through special note on Assistant Director /Dy. Director of Industries through which the schemes were initially investigated or recommended so that the field parties going to these subordinate offices may verify and probe the efficiency of field inspections and supervision at the level of



Assistant Director of Industries and Dy. Director of Industries regarding implementation of such schemes and comment suitably on it in Audit Report. (Circular No. 48, dated 6.3.1978).

### **9.3.3 Loan Transactions**

The Detailed Loan Ledgers to be maintained by the Head of Department for some of the loans are required to be reconciled with the corresponding figures in lump-sum broadsheets/ledgers in the Accountant General (A&E) office and certificates of reconciliation obtained. It should be seen in Audit that the detailed ledgers are maintained and reconciled as required. Deficiencies, if any, should be commented in the report. Some of the loans given by the Departmental officers other than those given to Government servants are given below.

*(G.O.No. 77, Fin & Plg (Accts & Entitlement) Dept. dated 18.3.1975).*

#### **(i) Loans granted under “State Aid to Industries Acts”**

The procedure prescribed by Government for the purpose of sanctioning loans under the “State Aid to Industries Acts” is given in the pamphlets issued by Government. The local audit staff should make themselves conversant with those Acts. The loan is sanctioned by Government, Director of Industries or the Assistant Directors according to the amount involved. The amount is disbursed through the Andhra Pradesh State Financial Corporation after settling all preliminaries such as plans, mortgages, legal opinion, agreement, etc. The recoveries are also effected through the State Financial Corporation. The Corporation, in turn, credits the amounts to the Bank and forwards the particulars to the Director of Industries for completing the ledger maintained in the prescribed form. The watching of recovery by due dates, assessment of instalments of principal, interest and penal interest to be recovered, however, devolve on the Director. It should be seen during local audit that-

- i) the conditions prescribed in the rules framed under the Acts regarding amount of loan, nature and amount of security, the period of repayment, etc., are fulfilled.
- ii) the loan ledger in the prescribed form is kept for each loan and the recovery of each installment is noted with full particulars, and

- iii) whether action is taken to recover sums which already fell due.

It should be seen that the loan amount does in no case exceed 50% of the fixed assets and share capital put together or in the alternative is paid against bank guarantees. The field parties should conduct a review and also collect details of cases where the assets or security offered by the loanees are overvalued and cases where the amounts rendered irrecoverable and particulars of amounts of recovery deferred due to stay order of Court etc.

*(Office order NO. O.A.D/Civil/VIII/17-20/69-70/32, dated 18th December, 1969 File No. 17-20/69-70 of Unit VIII O.A.D Civil Headquarters.).*

**(ii) Loans to Industrial Co-operative Societies and Registered Institutes from the allotments of Khadi and Village Industries Commission**

Co-operatives in the Cottage and Village Industries are organised with a view to encourage self-help, mutual help, and thrift among the artisans and to accelerating economic development. The loans are sanctioned by Government/Director of Industries and disbursed through the Assistant Director according to the amount involved. The general terms and conditions governing the loan are contained in Letter NO. 47/1/CPA/58-59, dated 12th December, 1958 of Khadi and Village Industries Commission.

It should be seen that :

- i) a stamped receipt and an agreement bond executed on stamp paper of appropriate value and registered are taken from the Institution;
- ii) the loan is utilised for the purpose for which it is granted; and
- iii) the progress reports and loan ledgers are kept in the form prescribed by the Director of Industries and action taken to recover overdue instalments.

**Note:** A majority of the societies are service co-operatives which, besides undertaking production activities, provide credit facilities to members, supply raw material and undertake sale of finished goods. The societies also provide workshop space to members. The services rendered generally are in the shape of introduction of better design and better technique in production. Thrust of Audit should be on the following points:

- (i) The extent of loans and grants sanctioned to the societies (year-wise details).

- (ii) Over-due amounts of loans and interest thereon recoverable from the societies as on date
- (iii) The number of societies which received the assistance the dates of their formation and the date of closure and attempts made to review defunct societies.
- (iv) Number of societies against which enquiry is instituted under Section 57 of the Andhra Pradesh Co-operative Societies Act, 1964.
- (v) Number of societies brought under liquidation and the extent of the assets paid off against liabilities.

#### **9.4 Local Audit Report**

Local Audit Reports on the accounts of subordinate offices should be sent to the concerned officers with copy to the Commissioner of Industries. Audit Report pertaining to Commissionerate should be sent to Commissioners office with a copy to Principal Secretary, Industries and Commerce Department, Government of Telangana.

## CHAPTER 10

### AUDIT OF ACCOUNTS OF IT & COMMUNICATIONS DEPARTMENT

#### 10.1 Introduction

Information Technology and Communications (IT & C) Department functions under the Ministry of IT & Communications and is headed by a Secretary, assisted by a Special Secretary in charge of the Common Service Centres (CSC). The department also has a Joint Secretary in charge of e-Governance initiatives.

The department, created in September, 2000 plays a crucial role in policy formulation in IT Sector, conceptualising and initiating various programmes for growth of IT enabled services in the State. The Information and Communication Technology (ICT) initiatives taken by the department are largely guided by the National e-Governance Policy (NeGP) approved by Government of India in 2003.

The plan seeks to make all Government services accessible to common man in his locality through common service delivery outlets and to ensure efficiency, transparency and reliability of such services at affordable costs to realise the basic needs of the common man.

The units administered by the Department are given below:

- (i) Director/Commissioner , Electronically Deliverable Services (EDS) (such as e-seva and MeeSeva).
- (ii) Director in charge of communications including State Wide Area Network(SWAN).
- (iii) A.P.Technological Services Ltd. (APTSL), a wholly state owned corporation for focussing on e-governance and providing consultancy, procurement services and implementation support to the Government entities for their Information and Communication Technology (ICT) initiatives.
- (iv) Two Registered Societies, Society for A.P Network (SAPNET) and A.P State Knowledge Networks.

#### 10.2 Audit Process

Scope for local audit is limited to the records maintained at the Secretariat Office of the department and at the two Directorates mentioned at Para 10.1 above . The third entity i.e. APTSL is under the audit control of ES-II group, while the two societies are the bodies covered by “Audit of Autonomous Bodies”.

Besides general checks to be exercised on the initial accounts of the department, the following additional checks have to be exercised on the records relating to State Wide Area

Network(SWAN), Mission Mode Projects(MMP),Common Service Centres(CSCs) and the other Electronically Deliverable Services(EDS).

(i) Whether planning, coordination and programme formulation for creation of infrastructure for e-governance are in accordance with guidelines issued by GOI, Department of Electronics and Information Technology (DEITY) and the guidelines/orders issued by Government of A.P/ Telangana.

(ii) Whether core infrastructure for SWAN, State Data Centre (SDC),State Delivery Gateway (SSDG) etc. is planned, created and operated in a coordinated manner for effective implementation of e-governance plans.

(iii) Whether support infrastructure like Common Service Centres(CSC), which provide for Citizen Centric Services and capacity building , is created for ensuring effective implementation of e-governance plans.

(iv) Whether utilisation of Funds received from Government of India for schemes such as SWAN ,SSDG etc. is effective and whether utilisation certificates are submitted promptly and properly.

(v) Whether the agreements concluded with Service Centre Agencies (SCA) as per Common Service Centres(CSC) scheme, are in order and effectively executed.

**Note:** (1) Government of India have chosen Public Private Partnership(PPP) model for implementation of State Wide Area Network(SWAN) Project in the State. The total outlay of the project is Rs 249.76 crore (GOI Share Rs 168.99 crore & GOAP share 80.77 crore ). APTSL is the State designated agency (SDA) for implementation of SWAN , SDC (State Data Centre) and SSDG (State Services Delivery Gateway). Telecommunications Consultants India Ltd (TCIL) was selected as consultant for APSWAN project.

(2) State Data Centre (SDC) is an important element of core infrastructure of National e-governance Plan (NeGP). SDC hosts services, applications and infrastructure to provide efficient electronic delivery. Some of the important functions of the SDC are Central Repository of the State, Secure Data Storage and online delivery of Services.

(3) State Services Delivery Gateway (SSDG) is conceptualised to act as a standards-based messaging switch and to provide seamless interoperability and exchange of data across the departments of Government . Gateway acts as single point of access to backend departments for all external entities. All State Services shall be listed on this directory.

(4) Common Service Centers (CSCs) are the last level of NeGP. The centres provide citizen centric services of the State and Central Governments (G2C) in a convenient and efficient manner across rural India. There are 4,687 Information & Communication Technology (ICT) enabled common service centres (CSCs) in rural areas covering all Districts / Mandals in the State . The State Government has designated the Directorate of Electronically Deliverable Services (EDS) as State Designated Agency (SDA) for implementation of CSC scheme in the state.

(5) Service Centre Agency (SCA) is the prime driver in implementation of the PPP model and owner of CSC business in villages. SCA is responsible for building, operating and managing the village network and business. SCAs have to identify Village Level Entrepreneurs (VLEs), train them and establish CSC. Each SCA would be responsible for a division of 500-1000 CSCs. SCAs would coordinate, manage and monitor the receipt and utilization of financial support from GOI/ GOAP. Financial support is provided to SCA by the SDA, for which an agreement is concluded between the two.

(6) Village Level Entrepreneurs (VLEs) are key to success of CSC operations . VLEs manage the CSC business at ground level and report to SCA. Each VLE is assured of a minimum financial support of Rs.1000/- per month from SCA (Rs 500 for recording a minimum of 60 percent uptime and an additional Rs 500 for a minimum of 50 transactions in a month). For this, agreements are concluded by SCA with VLEs.

(7) Mission Mode Projects (MMPs) are owned and implemented by various line ministries of Central Government, State Government or both.

### **10.3 Local Audit Report**

Local Audit Report (LARs) on the accounts of the Directorates of the department are issued to the Directors concerned with a copy to the Secretary to the Government, Information and Communications Department, Government of Telangana.

## CHAPTER 11

### AUDIT OF ACCOUNTS OF INFRASTRUCTURE & INVESTMENT DEPARTMENT

#### 11.1 Introduction

The Andhra Pradesh Infrastructure Policy, notified in December 2000, provides for guidelines for attracting and facilitating private investments in Infrastructure sector. Consequently, the Andhra Pradesh Infrastructure Development Enabling Act, 2001 (APIDE Act) was enacted to provide rapid development of physical and social infrastructure in the state and attract private sector participation in design, finance, construction, operation and maintenance of infrastructure projects in the State. A.P Infrastructure Authority (APIA) was constituted in accordance with this Act. The Government has also entered into an Memorandum of Understanding (MOU) with Government of India and Asian Development Bank (ADB) in April, 2007 in order to tap the advisory technical assistance of the ADB in mainstreaming PPP projects through capacity enhancement and utilizing public and potential private resources for infrastructure development. A PPP Cell in the Finance (PMU) Department was created for the purpose.

The sectors identified for financial support to PPPs in Infrastructure by GOI/GOAP are the following:

- (i) Roads and bridges, Railways, Seaports, Airports and inland waterways.
- (ii) Power
- (iii) Urban transport, water supply, sewerage, solid waste management and other physical infrastructure in urban areas
- (iv) Infrastructure projects in special economic zones (SEZ), International Convention Centres and other tourism infrastructure projects.

#### 11.2 Functions of the Department

The department of 'Infrastructure & Investments' was created essentially for achievement of growth objectives of the State through creation of adequate and 'State-of-the-art' infrastructure facilities in the State. The main objective of the department is to expedite fast track clearances and resolution of project related issues. The activities of the department, in accordance with these objectives are:

- (i) attracting investment through promotional activities
- (ii) formulating policies
- (iii) monitoring and facilitation of implementation of the infrastructure projects notified by the Government.

The department is responsible for facilitation and monitoring of the project from conceptualisation to the last stage in project delivery. For this, the department utilises the services of A.P. Invest for promotional activities; A.P. Infrastructure Authority (APIA) for facilitating PPP projects; Infrastructure Corporation of Andhra Pradesh (INCAP) for execution and monitoring of projects implemented by it; and technical support staff such as Engineering departments of respective line departments. The project teams of respective line departments of the identified infrastructure sectors i.e. Ports, Power, Roads & Bridges etc. shall report/ coordinate with the department through the Secretary concerned.

An Empowered Committee, consisting of Secretary (Infrastructure and Investment Departments), Principal Secretary (Finance), Principal Secretary (Industries & Commerce) and Secretary of concerned line department, is set up to consider issues relating to infrastructure projects and make recommendations, which will be circulated to the Chief Minister through Chief Secretary for decision and the respective departments shall issue necessary clearances /permissions based on decisions taken.

The department functions under the control of Principal Secretary, Infrastructure and Investment department, Government of A.P/Telangana. He is assisted by a Deputy Secretary and two Assistant Secretaries in charged of IID-I and IID-II sections respectively.

### **11.3 Audit Process**

Local Audit of the accounts of the department is different from the audit of Infrastructure Projects (under PPP mode or otherwise), as the department is not directly involved in the execution of the projects. It's role is confined to policy formulations, selection and approval of projects for execution, coordination with line departments of the State by which the projects are actually implemented, in the matters relating to financial support, construction, maintenance and monitoring of the projects. The field parties should therefore concentrate more on core themes of the functioning of the department localised in the Secretariat of the Government. Besides general checks on initial accounts of department, the following additional checks should be exercised in Audit:

- (i) Whether there exists a policy formulated by the Government for rapid growth of Infrastructure and attracting investments for such growth.
- (ii) Whether the procedures devised for implementing the policies formulated, ensure effective and efficient implementation.
- (iii) Whether the process for identification of projects is fair and transparent and based on feasibility studies with the assistance of legal financial and technical experts.



- (iv) Whether the selection of projects and their approval is based on Detailed Project Reports (DPR) and various agreements required for execution of the project .
- (v) Whether , in the case of PPP projects, the Project characteristics logically lead to PPP arrangement and the pattern of State funding (Viability Gap Funding /Annuity ) adopted is justified.
- (vi) Whether the financial models designed for the project are realistic.
- (vii) Whether land required for the project and provided by the Government is just and appropriate for the requirements of the project.
- (viii) Whether selection of agency for executing the project works is transparent and based on prescribed procedures.
- (ix) Whether there exists a monitoring mechanism at department level, like periodic returns on progress of implementation and whether it is functioning effectively.
- (x) Whether investments made, either under PPP mode or otherwise , are sufficient for timely completion of the project.

The Audit checks given above are illustrative but not exhaustive. The field parties may exercise additional checks, if warranted during the course of audit.

#### **11.4 Local Audit Report**

Local audit reports on the accounts of the department are issued to department with a copy to Principal Secretary, Infrastructure and Investment Department, Government of Telangana.

## CHAPTER 12

### AUDIT OF AUTONOMOUS BODIES OR AUTHORITIES

#### 12.1 Mandate for Audit

Sections 14,15,19 and 20 of the Comptroller and Auditor Generals(Duties , Powers and Conditions of Service) Act, 1971 deal with duties and powers of CAG in relation to audit of autonomous bodies or authorities . Audit under different sections is explained in sub-paras below.

##### 12.1.1 Audit Under Section 14

The audit of accounts of autonomous bodies or authorities substantially financed by grants or loans from the Consolidated Fund Of India or of any State or of any Union Territory having a legislature is covered under Section 14(1) of the DPC Act. A body or authority is said to substantially financed if the grant/ loan is not less than Rs 25 lakhs and the amount of such grant / loan is not less than 75% of the total expenditure of the body or authority. The audit of bodies/ authorities receiving a grant or loan of rupees one crore or more in a financial year may also be taken up, under provisions of sub-section (2) of Section 14, with previous approval of President or of a State or the administrator of a Union Territory. Thus, while the audit of autonomous bodies/ authorities substantially financed by the Government is mandatory under Section14(1) of the Act, the audit under Section 14(2) is conditional on the prior approval of President /Governor/ Administrator , as the case may be.

Audit of autonomous bodies/authorities once taken up based on fulfilment of conditions stated above, shall continue for a further period of two years irrespective of fulfilment of conditions during any of the two subsequent years. [Section 14(3) of the DPC Act]

##### 12.1.2 Audit Under Section 15

Audit under Section 15 of the DPC Act is essentially on the records of the Government authority sanctioning grants / loans to the bodies / authorities covered by audit under Section 14 of the Act. The Section imposes on C&AG a statutory responsibility to scrutinise the procedures by which the Government Authority sanctioning a grant or loan for a specific purpose to an autonomous body satisfied itself as to the fulfilment of conditions subject to which such grants /loans were given. For discharging this responsibility, the C&AG is given right of access to the books and accounts, of that body/authority receiving the grant/loan, after giving reasonable previous notice. But this right of access to books and accounts of autonomous body /authority is restricted by the fact that President/ Governor of a

State / the Administrator of a Union Territory may relieve the C&AG, after consultation with him, from making any scrutiny of the records of the Body / Authority.

Thus the Audit under this section is essentially audit of the records and accounts of the sanctioning authority. Further grants/loans for general purposes, without mentioning any specific purpose, area excluded from the purview of Audit under Section 15.

### **12.1.3 Audit Under Section 19**

Section 19 of the DPC Act deals with audit of accounts of Government Companies and Corporations.

While Section 19(1) deals with duties and powers of C&AG in relation to audit of accounts of Government Companies in accordance with provisions of Companies Act,1956, Section 19(2) deals with his powers and duties relating to audit of accounts of corporations established by or under law made by Parliament according to the provisions of respective legislations. Section 19(3) of the Act deals with audit of accounts of Corporations established by law made by the Legislature of a State or of a Union Territory, as the case may be, where such an audit is entrusted to C&AG by the Governor of the State / Administrator the Union Territory in public interest. Audit of State Corporations under Section 19(3) is entrusted and after giving reasonable opportunity to the Corporations concerned to make representations with regard to proposal for such audit.

### **12.1.4 Audit Under Section 20**

Section 20 deals with audit of accounts of any body or authority, not being a Government Company or a Corporation covered by Section 19 of the Act, the audit of which has not been entrusted to C&AG by or under law made by Parliament / State Legislature . The Section has two sub-sections.

Section 20(1) deals with entrustment of audit to C&AG by a request made by the President or the Governor of a State or the Administrator of a Union Territory, as the case may be. Such a request should be made in public interest only after prior consultation with C&AG and after giving reasonable opportunity to the body/ authority concerned to make representations with regard to proposed audit. The audit is conducted on such terms and conditions agreed upon between the C&AG and the Government concerned.

Section 20(2) empowers the C&AG to propose to the President or the Governor of a State or the Administrator of a Union Territory for the entrustment of audit of a body / authority to him, if he is of the opinion that such audit is necessary because of investment / advancement of substantial amount by the Government concerned. On such request being made, the President/ Governor / Administrator concerned may empower C&AG to undertake

audit of accounts of such body / authority. Such an entrustment of audit shall be in public interest and only after giving a reasonable opportunity to the concerned body or authority to make representations with regard to proposed audit.

## **12.2 Scope of Audit**

The audit of accounts of autonomous bodies falls under two categories – (i) for watch over utilisation of assistance rendered by Government (ii) For certification of annual accounts as representing true and fair picture of affairs of autonomous bodies, both in public interest.

While audit of utilisation of Government assistance can be undertaken under all the four sections i.e. Sections 14,15,19 and 20 of the DPC Act, 1971, audit for certification of annual accounts is undertaken practically under Sections 19(2), 19(3),20(1) and 20(2) in cases where C&AG functions as sole auditor.

Out of 30 autonomous bodies presently under the Audit control of ES-I group, C&AG functions as sole auditor in respect of the following autonomous bodies/ authorities:

- (1) *Environment Protection, Training and Research Institute (EPTRI) [under Section 20(1) of DPC Act]***
- (2) *Telangana Khadi and Village Industries Board (TSKVIB) [under Section 19(3) of DPC Act]***
- (3) *Telangana State Compensatory Afforestation Fund Management & Planning Authority (Telangana State CAMPA)[under Section 20(1) of DPC Act]***

In cases where C&AG functions as sole auditor, two audit reports have to be generated –

- (i) Separate Audit Report (SAR) in respect of certification of annual accounts of the body/ authority and
- (ii) Conventional audit report containing other minor points which need not form part of audit certificate and the SAR. Audit is conducted under the mandate of Sections 19(3) or Section 20(1), as the case may be of DPC Act.

In respect of other autonomous bodies/ authorities , where C&AG does not function as sole auditor, only one Audit report on the accounts of the body / authority relating to both receipts and expenditure has to be generated and issued. Audit in respect of these bodies is conducted under Section 14 of the DPC Act.

## **12.3 Procedures of Audit**

Detailed instructions for the audit of autonomous bodies/ authorities are issued by Headquarters Office in the ‘Manual of Instructions for Audit of Autonomous Bodies’. The

provisions contained therein, to the extent applicable to the bodies/ authorities under the control of ES-I group, are detailed in the subsequent paragraphs.

### **12.3.1 Procedure For Audit Under Section 14**

#### **(1) Identification of Bodies / Authorities**

The first step for taking up of audit under Section 14 is to identify the autonomous bodies/authorities which attract audit under Section 14 and prepare a list of all such bodies / authorities every year based on copies of sanctions received in Audit office duly scrutinised and reconciled with the sanctioning authorities either by personal contract or by periodical returns. The data on grants and loans to the bodies/ authorities so collected should be posted in a Register in a form to be locally adopted and from it a list of bodies / authorities which are in receipt of grant or loan or both of not less than Rs 25 lakh should be drawn. In respect of such bodies, the sanctioning authorities should be addressed to make available the accounts of the bodies for the concerned year and applicability of Section 14 examined with due regard to provisions therein.

**Note :** In computation of receipt of grants/loans from Consolidated Fund to determine the eligibility of a body/ authority to come under the purview of Audit under section 14, the unutilised grants/loans of previous year should also be taken into account.(Para 2.04.04 of the Manual)

#### **(2) Planning of Audit**

Having ascertained the autonomous bodies/ authorities that need to be audited under Section 14 in a year, with due regard to periodicities (normally once in 3 or 4 years) etc. for the audit , as determined, the list of autonomous bodies to be audited in a year should be drawn up and a suitable programme for audit chalked out. Simultaneously the concerned department of Government should be addressed to notify to the autonomous bodies concerned that the audit of their accounts would be taken up by the Accountant General under Section 14 and that for this purpose their books of accounts be made available and necessary facilities provided for.

#### **(3) Conduct of Audit**

The local audit procedure followed for inspection of Government Offices under section 13 of the DPC Act, [ issue of notice (intimation), commencement of audit, issue of Audit Enquiry Memos , discussion, drafting of report, despatch of draft report to Head Office, scrutiny at Head Office, despatch of inspection reports(IRs) and their pursual ] should be followed ‘ mutatis mutandis’ for autonomous bodies as well.

The main objective of audit under Section 14 is to ascertain how the funds provided by the Government were actually utilized and to identify factors that lead to sub-optimal use. Besides seeing that accounts present a true and fair picture of transactions of the year, it should also be examined in audit whether value for money spent has been realised and what specific lapses had accrued in this regard. For this it is necessary for audit to examine the various policies, plans and programmes to identify deficiencies in detailed planning and execution and bring to light various lacunae. Thus Audit under section 14 includes a review and appraisal of efficiency and effectiveness of the programmes and their implementation procedures. The points for scrutiny in audit shall, therefore, be the following:

(i) whether the objectives of the organisation had already been defined and whether these objectives are in conformity with Government policies and decisions and are within the knowledge of all concerned.

(ii) Whether the policies and programmes drawn up are in consonance with the stated objectives.

(iii) Whether the policies and programmes so drawn are implemented by specified and well-defined procedures.

(iv) whether an effective control exists over various areas of implemented by specified and well-defined procedures.

(v) whether a system exists for collection of reliable progress reports on implementation of programmes and policies

(vi) whether the progress is reported to the governing body/ Government from time to time.

#### **(4) Periodicity of Audit**

Having regard to scope of audit and indepth analysis required , it is 'prima facie' not possible to conduct audit every year. The periodicity of audit should be once in 3-4 years.

#### **(5) Reports to be drafted by Audit Party**

The Audit Party should draft the following two reports and send them to Head Office for vetting and finalisation:

(i) Draft inspection report.

(ii) List of Points treated as settled, subject to check during next local audit.

#### **(6) Local Audit Report**

The final inspection report, Local Audit Report (LAR) , from Head Office is sent to the organisation and the Government concerned and their replies and comments obtained.

Thereafter the final conclusions should be examined whether the results of audit are such as to be included in the C&AG's Audit Report(Conventional).

### **12.3.2 Procedure for Audit u/s 19(3) &20(1)**

Audit under sections 19(3) and 20(1) of the DPC Act is conducted essentially for certification annual accounts as in these cases, being entrusted with their audit, C&AG acts as a sole auditor . The various stages involved in the conduct of Audit are explained below:

#### **(1) Acceptance of Request for Audit**

A proposal for entrustment of Audit to C&AG under Sections 19(3) and 20(1) of the DPC Act is first considered by the Finance Ministry of the Government concerned before it is sent to C&AG. The proposal relating to State Autonomous Bodies (SABs) are received in the State Accountants General's Office. These proposals after scrutiny must be referred to the C&AG with full details and views of the Accountants General on the request. The proposals when accepted by the C&AG, should be communicated to the Government concerned. A formal request should then be awaited from Government. At the time of communicating the acceptance of proposals it is necessary to convey the terms and conditions under which audit can be undertaken.

#### **(2) Arrangement for Audit**

The Audit arrangement is complete only on receipt of formal request in the name of Governor of the State concerned addressed to C&AG . Immediately on receipt of the request , arrangements should be made to contact the autonomous body and to bring out a working arrangement for conduct of audit and issue of Audit Certificate with Audit report thereon.

#### **(3) Conduct of Audit**

The local audit procedure followed for inspection of Government Offices, as detailed in Para 12.3.1(3) above, should be followed 'Mutatis Mutandis' for the audit of autonomous bodies entrusted to C&AG under sections 19(3) and 20(1).

#### **(4) Reports To Be Drafted By Audit Party**

The Audit Party auditing the accounts of Autonomous Bodies under Sections19(3) and 20(1), should compile four documents (reports) and send them to Head Office for vetting and finalisation . These are:

- (i) Draft Separate Audit Report (SAR) which will form part of Audit Certificate on audited accounts.
- (ii) Draft inspection report containing other minor points, which in the opinion of audit party, need not form part of Audit Certificate and SAR.
- (iii) A list of points treated as settled, subject to check during next local audit.

(iv) A statement by audit party that the prescribed audit certificate can be issued.

If audit party feels that there are points which merit mention in the C&AG's Audit Report on the accounts of the Government concerned, separate draft paragraphs (DPs) should also be compiled .

The reports should be drafted by supervising officers only.

#### **(5) Separate Audit Reports (SARs) and their contents**

The audit reports on autonomous bodies are termed as Separate Audit Reports (SARS) so as to distinguish them from conventional audit reports on Government accounts.

The SARs are expected to contain the following important points:

- (i) All points that vitiate the certification of annual accounts as representing 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, excess release or late receipt of grants and diversion to purposes not indicated by sanction.
- (iii) Non-fulfilment of objectives of the scheme of assistance.
- (iv) Cases of avoidable or infructuous expenditure, losses irregularities etc.
- (v) Omissions to take remedial action on persistent irregularities .
- (vi) Absence of internal checks and control which reduce the reliability of accounts, delay in recovery and adjustment of advances etc.
- (vii) Inaccuracies in accounts and in classification .
- (viii) Observations on over-all financial position and necessity of continued assistance by Government.

#### **(6) Inspection Reports and their Contents**

Inspection reports are expected to contain minor points not meriting mention in Separate Audit Report (SAR).Some of the points that may be included in the reports are:

- (i) Non- availability of certain stamped receipts, vouchers and subsidiary register.
- (ii) Incompetency of registers/ records
- (iii) Irregularities in sanctions , procedures etc.
- (iv) Non-supply /maintenance of certain returns and defects in observance of certain procedure.

The points raised in inspection reports should be complied within 3 months and the compliances are checked in next audit.



### **(7) Cases of Inability to Certify Annual Accounts**

Where the audit party feels that it is undesirable to certify Annual accounts of an organisation even subject to observation, the specific points in support of such an opinion should be indicated. The circumstances under which it is undesirable to certify accounts fall under the following categories:

- (i) Cases where fundamental correctness of cash book is in doubt.
- (ii) Cases where a large number of vouchers , receipt books and other supporting documents have not been made available.
- (iii) Cases in which basic records have not been maintained.
- (iv) Cases where there are clear indications of misappropriation , fraud or misrepresentation of facts.
- (v) Cases where accounts as compiled are materially inaccurate requiring revision.

But, if autonomous bodies or Government insist on audit certificate, it would not be advisable to take a stand that audit certificate would not be issued. What is open to audit is to certify the accounts with observation. It should be made abundantly clear in the certificate that in view of the observations made in the Separate Audit Report the accounts cannot be said to exhibit a true and fair picture.

### **(8) Clearance of Separate Audit Reports**

In all cases where Separate Audit Reports (SARs) are to be placed before Parliament or State legislatures, the reports and accounts as audited must be got cleared from the office of the C&AG of India before they are sent to the Government concerned for placing them before Parliament or State Legislature, as the case may be.

In every case the certificate of Audit and the SAR must be signed by the Accountant General. A copy of each Audit report and certificate should be endorsed to the autonomous body / Authority concerned. Copies of them should also be endorsed to C&AG where his prior clearance has been obtained for them.

## CHAPTER 13

### AUDIT OF CENTRALLY SPONSORED SCHEMES

#### 13.1 General

Advance releases are made of Central Assistance for plan schemes by Government of India based on the claims put forward by the State government, subject to final adjustment on the basis of actual expenditure in due course. The final claims are to be preferred by the State government on the basis of audited figures of expenditure (para 3.16.17 of the M.S.O (Audit)). While in the case of Central schemes the entire expenditure is borne by GOI, the expenditure on Centrally sponsored schemes is shared between GOI and the State Government in accordance with the pattern specified in the sanctions relating to the schemes. For state plan schemes, the assistance given is in the form of Block grants and loans. After the Finance Accounts and Appropriation Accounts for the year are finalised, the Accountant General (A&E) is required to furnish to the Audit Office a statement of Plan expenditure in the following form for audit and certification without waiting indefinitely for reconciliation of expenditure by the departments of Government.

Sector No.	Name of sector Head of department	Code	Name of scheme	Head of account	Expenditure
1.	2.	3.	4.	5.	6.

(Para 17.3 of the M.S.O (A&E) and CAG's Lr.No.606-AC.I/1-91.I dated 6-8-1991)

#### 13.2 Action at Headquarters Section

ES-I Coordination should obtain by 30<sup>th</sup> September of each year the statement of plan expenditure (referred to above) from the AG(A&E) office together with the amounts kept under objection (scheme wise) by that office and furnish the expenditure figures in respect of identifiable schemes to the Audit Sections concerned for audit and certification. In cases where the total plan expenditure under a minor head is furnished by the AG(A&E) supported by scheme-wise details to the extent available, ES-I Coordination will designate

an Audit section for audit and certification of the total plan expenditure under that minor head.

### **13.3 Certification of Expenditure**

(i) Audit Sections should audit the statements received from the A&E office and furnish certified copies of the statements (in triplicate), indicating therein the amounts kept under objection by both the A&E and Audit Offices, to ES-I Coordination section which will forward the same to the Ministry of Finance/the Ministries concerned and also to the State Government. While certifying the expenditure, Audit Sections should bear in mind the instructions contained in paragraphs 3.16.18, 3.16.19 and 3.16.20 of M.S.O. (Audit).

(ii) Quarterly Progress Reports on certification of expenditure relating to Central Plan/Centrally Sponsored Schemes are due to Headquarters office by first week of April, July, October and January for the quarters ending previous months respectively. ES-I Coordination should, therefore, arrange to furnish quarterly progress reports to the Headquarters on the due dates.

(Authority: Hqrs. Office circular Ir.No. 52-Audit/AudPlg/86-94 dated 1-2-96)

### **13.4 Local Audit**

Besides amounts kept under objection by AG(A&E) and Central Audit, the amounts to be kept under objection consequent on local audit of accounts of the department where schemes are implemented should also be considered for certification of expenditure mentioned at Para 13.3 above. The local audit procedures to be followed are detailed in the paragraphs below:

**13.4.1** A number of schemes are being implemented by various departments financed by the Centre either in full or to a prescribed percentage.

**13.4.2** As the standard of Audit Certificates on Centrally sponsored schemes will depend on our efforts to bring out financial irregularities in the implementation of these schemes, field parties should consider this item of work as of utmost importance and ensure that irregularities relating to these schemes are invariably highlighted in the Inspection Reports.

Certain specified areas requiring scrutiny are given below for guidance of the field parties.

- a) Diversion of central funds.
- b) Over statement of achievements
- c) System failures
- d) General disregard/violation of Central Government guidelines/instructions.
- e) Incorrect allocation of Central funds.
- f) Delay in release of funds.
- g) Inflated expenditure figures.
- h) Failure to provide matching State's contribution.
- i) Inadequacies in monitoring mechanism.

All the field parties conducting audit of the various departmental offices particularly Secretariat and Offices of Heads of Departments should look into the above aspects and report defects/omissions noticed in local audit in addition to any other irregularities in the implementation of centrally sponsored schemes. A proforma prescribed in this regard is given in **Annexure** appended to this chapter which should be sent to AO/ ES-I Coordination by name by the field parties.

*( HQrs Office DO letter No.183-Audit (MOM) 215-95 dt 05-5-95 )*

**13.4.3** ES-I Coordination will issue Audit Certificates in respect of Centrally Sponsored Schemes, based upon the expenditure booked by the Accountant General (A&E) under each Scheme/Head of Account. If the amount drawn by the departmental authorities and booked by the Accountant General (A&E) was not actually spent and kept in PD account or Bank account, the audit certificate does not reflect the true picture of expenditure incurred under each scheme. As the Centre provides assistance in respect of these schemes, it is essential to point out amounts drawn but not utilized for the intended purpose and kept in PD account/Bank account etc., or lying in the shape of DDs, Cheques etc. The details of unspent balances should be furnished by the field parties directly to the ES-I Coordination.

**13.4.4** In case, the required details/information on Centrally sponsored schemes are not forthcoming from departmental records, reasons therefor i.e., whether it was due to non production of records, PD accounts Bank pass book etc., or non/improper maintenance of records, mixing up of scheme funds with other funds of the department etc., should be specifically mentioned in the IR para.

**13.4.5** A preliminary audit enquiry should be issued on the first day of audit, calling for records and PD accounts/Bank pass book relating to Centrally Sponsored Schemes and reply should be obtained as early as possible without waiting till the last date of audit. If Centrally Sponsored Schemes are not implemented or where there are no objections noticed on the schemes, the fact should be certified in the format I given in [Annexure](#) and “NIL” statements should be sent to ES-I Coordination duly filling the columns 1 & 2 i.e., name of the office and period of audit.

**13.4.6** Collection of data relating to Centrally Sponsored Schemes and exercising checks in respect of these schemes should be shown in the allocation sheet and these items of work should be entrusted to AAO/Supervisor of the party by the Inspecting Officer. A certificate to the effect that all checks in respect of centrally sponsored schemes have been conducted and format sent direct to ES-I Coordination should invariably be recorded against item No. 37A (Part I) of the forwarding document.

**13.4.7** Interest accrued on depositing scheme funds in savings account should normally be spent for the purpose of that scheme. Action taken by the Department contrary to this i.e., retention of interest amount without utilization/remittance, diversion to some other purpose with or without orders of Head of Department/State Government should also be highlighted in the Inspection Reports.

## ANNEXURE

(Referred to in para 13.4.2 and 13.4.5)

### FORMAT

(to be sent direct to AO/ ES-I Coordination)

(use separate form for each scheme)

1. Name of the Office :
2. Period of audit & Year of I.R. :
3. Whether objections on the following topics are noticed in audit  
  - (a) Diversion of Central funds :
  - (b) Diversion of achievements :
  - (c) System failures :
  - (d) General disregard/violation of Central Govt. guidelines/instructions. :
  - (e) Incorrect allocation of Central funds :
  - (f) Delay in releasing funds :
  - (g) Inflated expenditure figure :
  - (h) Failure to provide matching State contribution :
  - (i) Inadequacies in monitoring mechanism :
  - (j) Any other point of interest (specify) :

If so please give reference to para No. and AE No. In which objection has been commented in IR. :
4. Whether checks have been exercised & objection raised with reference to the following aspects. :

- (a) Amount drawn from the consolidated fund and paid :  
to an autonomous institution or local body where it is  
not utilized for the purpose for which it is meant.
  - (b) Amount drawn from Consolidated Fund and paid to a :  
public sector undertaking with a specific direction  
that should be kept in PD Account to be opened in  
the Treasury.
  - (c) The amount is withdrawn from the Consolidated :  
Fund and kept in Bank account.
  - (d) The amount is withdrawn from the Consolidated :  
Fund and kept in the form of cheques, cash etc. If so,  
please give reference to para No.and AE.No. in  
which the above objection was included in I.R.
5. In case, required details/information in respect of above :  
objections are not forthcoming reasons therefor may please  
be stated.
6. If no Centrally Sponsored Schemes are implemented or  
where no objections are noticed in the schemes it may be so  
certified.

## CHAPTER - 14

### AUDIT OF WORLD BANK/EXTERNALLY AIDED PROJECTS

#### 14.1. Introduction

**14.1.1 Purpose of Funding by World Bank** The central purpose of the World Bank - which includes the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) - is to promote economic and social progress in developing member countries. To carry out its purpose, the Bank:

- Lends funds
- Provides advice
- Stimulates investments by others

#### 14.1.2 Projects Funded by World Bank

The Bank provides assistance to developing countries in many different sectors, where adequate capital from other sources is not available on reasonable terms. In so far as the ES -I Group is concerned, the following projects have received World Bank Assistance in the recent past and have since been completed and closed.

**(i) Water Sector Improvement Project (TSWSIP)**

**(ii) Road Sector Project (TSRSP)**

**(iii) National Hydrology Project (NHP)**

**(a) Surface Water (b) Ground Water**

**(iv) Irrigation and Livelihood Improvement Project (TSILIP)**

**(v) Community Based Tank Management Project (TSCBTMP)**

#### 14.1.3 Funding Pattern

There are two categories of funding namely- i) Loans by IBRD ii) Credit by IDA . The pattern of funding is detailed below:

(i) IBRD loans are made either directly to a member government or to an entity guaranteed by that government. IBRD loans are generally repayable over 15 to 20 years with a grace period of 3 to



5 years. Their interest rates are related to the cost of IBRD borrowing, and an annual commitment charge of upto 0.75 percent is levied on their undisbursed balance.

(ii) IDA credits are made to member governments only and are repayable over 35 or 40 years, with a grace period of 10 years (IDA credits approved before June 30, 1987 are repayable over 50 years). They carry no interest but there is an annual commitment charge of upto 0.5 percent on the undisbursed balance, and a 0.75 percent service charge on the amount disbursed and outstanding.

(iii) Generally, payments made before the loan agreement was signed are not eligible for financing. However, in some cases the loan agreement contains a retroactive financing provision, the expenditure of which is considered as eligible one. In accordance with para 30 of the Memorandum and Recommendations of the President of the World Bank (IBRD and IDA), retroactive financing is reimbursable by the Bank for eligible expenditure upto the prescribed limits.

(iv) According to Credit Agreements, a specific closing date would be assigned by the Bank for withdrawal of funds. However, the Bank would promptly notify the Borrower of such later date of extension allowed.

#### **14.1.4 Categories of Items To Be Financed (Withdrawal of proceeds of the loan)**

The categories of expenditure and the percentages of reimbursement are specified in the Loan/Credit agreement concluded by the Government of India with the World Bank / External Bank (like Japan Bank) for financing the Project. The common categories of expenditure for which proceeds of the loan are withdrawn are : Civil Works; Goods & Equipment; Consultancies, Studies and Training; and Incremental Operating Costs.

#### **14.1.5 Procurement Of Goods, Works And Services**

In most cases International competitive bidding (ICB) is the effective method of procurement. However, sometimes it may not be economic and efficient. In such cases the borrower and Bank may agree to other modes of bidding namely i) National Competitive Bidding (NCB) involving competitive bidding advertised locally and following local procedures ii) local or international shopping iii) direct purchasing.

### **14.2 Project Financial Statements**

The Project Financial Statements (PFS) should include the following:

#### **(a) Statement of Sources and Application of Funds:**

The contents of PFS are specific to the sector, the project design and the type of implementing entity. The formats therefore vary from one project to another. The formats of PFs are prepared in consultation with the implementing entity during the preparation of the project. An example of

statement of sources and Application of Funds for a project implemented by core Government departments is given in **Annexure I**.

**(b) Reconciliation of claims to Total Applications of Funds:**

The PFS include a reconciliation between expenditure reported as per Statement of Sources and Application of Funds and expenditure claimed from the World Bank through the Statements of Expenditure(SOE), documented claims or report based methods of reimbursement. An example is shown at **Annexure – II**.

**( c ) Other Statements or Schedules**

Other Statements or Schedules as may be applicable in particular circumstances as specified in relevant legal agreements.

**( d )Management Assertion**

Management should sign the PFS and provide a written acknowledgement of it's responsibility for the preparation and fair presentation financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a Management Assertion letter is given in **Annexure III**.

(Authority: CAG's Terms of Reference for the Audit of Project Financial Statements)

**14.3 Audit of Project Financial Statements**

The project accounts would be maintained under a separate heading/appropriate sub-headings by each department or agency. The accounts prepared by each participating department/agency will be consolidated by the "Project Monitoring Unit" (PMU) at Secretariat level. Each department should submit required documents to the above departments of Secretariat for all non-SOE expenditures, and retain the necessary documents (Vouchers) for all SOE expenditures for inspection by the Bank and for audit. The various aspects of audit of Externally Aided Projects are explained in the following sub-paragraphs.

**14.3.1 Mandate for Audit**

**(i)** The agreements for loan/development credit entered into by the International Bank for Reconstruction and Development (IBRD or World Bank) and International Development Association (IDA) with the Government of India for financing development projects to be implemented by the departments of the Central Government, State Governments, Public Sector Undertakings and autonomous bodies etc., include specific covenants,

for Accounts and Audit. These covenants inter-alia provide that the Government or the Project entity shall a) maintain records and accounts adequate to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the projects b) have the records and accounts of the projects for each fiscal year audited in accordance with the appropriate auditing principles consistently applied by independent auditors acceptable to the Bank, c) furnish to the Bank before the specified date, a certified copy of the report of audit referred to in paragraph "b" by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, and d) for all expenditures in respect of withdrawals made on the basis of Statement of Expenditure (without documentation), furnish the report of audit referred to in paragraph "b" as containing a separate opinion by the independent auditors as to whether the Statements of Expenditure, together with the procedures and internal controls involved in their preparation, can be relied upon in support of such withdrawals.

**(ii)** The World Bank has accepted the CAG of India to be an Independent Auditor for the purpose of certification of accounts and issue of audit certificates in respect of projects being executed in India with World Bank financial assistance. An Integrated Audit Certificate is to be issued by the Accountant General (Audit) to the project authorities for onward transmission to the Bank by the date specified in the agreement in the prescribed form (Annexure I) based on irregularities noticed in Central Audit as well as Local Audit in relation to the accounts of these projects.

**(iii)** The annual accounts to be certified are the annual expenditure statements in respect of projects executed by Government Departments and the Accounts that are certified by us as sole auditors in respect of projects executed by other bodies and authorities. The Integrated Audit Certificate is considered adequate for the purposes of the World Bank and it would not be necessary for the Bank to await the Audit Report of the CAG to be submitted to the Legislature. As the audit certificate is not to be published and is in the nature of a document exchanged between the clients and the Bank, this certificate should indicate, in brief the amounts held under objection in relation to wanting vouchers, DC Bills, sanctions etc., and misclassification, defalcation, overpayments etc., that come to notice.

**(iv)** The project authorities are required to furnish the Accounts/Statements of Expenditure (SOE) for audit within a specified period. After verification and reconciliation of expenditure in A&E Office the reconciled accounts/statements are passed on to this office mentioning each category of objection and amount thereof as per their records for the purposes of issuing Audit Certificate taking into cognisance of irregularities noticed in Central Audit as well as Local Audit. To facilitate the timely issue of Audit Certificate, the irregularities noticed in Central Audit as well as Local Audit in

relation to these projects should be distinctly recorded and separate files for certification and issue of audit certificates in respect of each project be maintained. In cases where for some valid reasons it is not possible to certify together with the accounts and the Statements of Expenditure within the specified period, the Statements of Expenditure should be certified separately adopting suitably the relevant portion of the prescribed form of the Audit Certificate, in time.

(Para 3.16.22 of MSO [Audit])

#### **14.3.2 Objective, Standards and Scope of Audit**

Standard Terms of Reference (TOR) for the Audit of Project Financial Statement(PFS) are laid down by the CAG for all the projects for which he functions as an Independent Auditor for the certification of accounts and issue of audit certificate. The objective, standards and scope of audit, as enunciated in the Standard Terms of Reference (TOR), are briefly stated below.

##### **14.3.2.1 The Essence and Objective of Audit**

The essence of World Bank audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank Loans were used for the purposes intended, that the annual project financial statements are free from material misstatements and the terms of loan agreement were complied with all material respects.

The objective of the audit of the Project Financial Statement(PFS) (or of Statement of Expenditure (SOE) adopted as a method of reimbursement of expenditure) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly the sources and application of project funds for the period under audit examination , (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the relevant loan or credit agreement. In addition, where applicable, the auditor will express a professional opinion as to whether the Financial Management Reports(FMR) submitted by the Project Management may be relied upon to support any application for withdrawal and whether adequate supporting documentation has been maintained to support claims for reimbursement of expenditure incurred under the SOE method reimbursement.

##### **14.3.2.2 Auditing Standards**

The audit will be carried out in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. The Auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity , fraud, or the use of

loan proceeds for purposes other than as defined in the legal agreement remains with the borrower, the audit should be planned so as to have a reasonable expectation of detecting material misstatements in the project financial statements.

#### **14.3.2.3 Scope of Audit**

In conducting the audit, special attention should be paid to the following :

- (i) All external funds have been used in accordance with the conditions of relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements include the Financing Agreement (Loan/Credit Agreement), Project Agreement and Minutes of Negotiations.
- (ii) Counterpart funds have been provided and used in accordance with the relevant legal agreement and only for the purposes for which they were provided.
- (iii) All necessary supporting documents, records, and accounts have been kept in respect all project transactions including expenditures reported via SOEs/SAs/FMRs, where applicable. Clear linkages should exist between the books of account and reports presented to the Bank.
- (iv) The project accounts have been prepared in accordance with the relevant Government Accounting Standards and present fairly, in all material respects, the financial situation of the project at the year end and of resources and expenditure for the year ended on that date.

#### **14.3.3 Conduct of Audit**

In addition to the audit of PFS, the auditor is required to audit all Statements of Expenditures (SOEs) and / or Financial Management Reports (FMRs) for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the relevant financial agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor. Some of the more specific items of ineligible expenditure are listed below:

- (i) Items not within the project and category defined and items not provided for in the Loan / Credit agreement.
- (ii) Land acquisition payments
- (iii) Payment of advances
- (iv) Payment of penalties imposed by suppliers of goods/services for delays attributable to the project implementing department (exception: payments covered by arbitration awards)

- (v) Expenditure incurred prior to the date of retro-active financing period
- (vi) Payments made or due for goods, works and services provided after closing date of the project.
- (vii) Payments made on the basis of duplicate invoices
- (viii) Refund of performance security /EMD collected from the contractors
- (ix) Expenditure not supported by vouchers
- (x) Excess payments/ over payments.

#### **14.3.4 Audit Report**

An audit report on the project financial statements should be prepared in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating “unambiguously whether is unqualified or qualified and if qualified, whether it is qualified in certain respects or is adverse or a disclaimer of opinion”. In addition , the audit opinion paragraph will specify whether , in the auditor’s opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred; and (b) except for ineligible expenditure as detailed in the audit observations, if any, appended to the audit report, expenditures are eligible for financing under the Loan / Credit agreement. A sample audit report wording for an unqualified audit opinion is shown at **Annexure IV**.

The Project financial statements and the audit report should be received by the World Bank not later than six months after the end of the financial year. The auditor should also submit two copies of the audited accounts and audit report to the Implementing Agencies.

(Authority: CAG’s Terms of Reference for the Audit of Project Financial Statements)

#### **14.3.5 Inclusion in the Report of CAG**

The Audit Report on the Project Financial Statements is issued without prejudice to CAG’s right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament / State or UT Legislature. Hence any observation in the report meriting inclusion in the CAG’s Audit Report , may be segregated and sent to Report Section along with supporting key documents for inclusion in the CAG’s Audit Report.

### 14.3.6 Management Letter

In addition to the Audit Report on the Project Financial Statements, the auditor may prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during audit examination. Where a management letter is prepared and issued to the Implementing Agency, a copy of the same will be supplied to the Bank. Else, a written advice may be made that no management letter was prepared together with the audit report on the project financial statements.

(Authority: CAG's of TORs for Conduct of Audit)

### 14.3.7 Issue of Audit Report

The Audit report should be issued in the proper printed letter head and signed by the designated officer not below the rank of DAG. The name and designation of the signatory should be legibly typed below the signature. The Audit report should be issued in the standard proforma (Annexure IV). It should invariably be accompanied by the following statements:

- (i) Statement showing the details of expenditure incurred category wise, unit office/ District-wise (**Proforma- Annexure V**)
- (ii) Statement showing the details of disallowances made from the expenditure included in the Project Financial Statement (PFs)/ Statement of Expenditure (SOE) (Proforma **Annexure – VI**)
- (iii) Statement showing the booked figures of AG(A&E) and department figures (Major Head of Account-wise) (Proforma **Annexure VII**)

**NOTE: (1)** The statements in proforma mentioned above are standardized and hence the field parties should invariably compile the required information in the proforma prescribed and send it to ES-I Coordination for issue of audit report.

**(2)** In addition, the field parties may also compile and send additional statements in respect of any issues having impact on reimbursement that come to notice during the course of audit. For instance, in respect of projects having different percentages of reimbursement for different categories of expenditure, misclassification of expenditure in a category having higher percentage of reimbursement can impact the amount reimbursable by the Bank. In such cases of misclassification, the field parties should highlight the excess/less reimbursement claimed and received on account of misclassification of expenditure from one category to other. For this, a suitable statement titled as “Statement of Expenditure misclassified category wise and the amount of Reimbursement Excess Claimed / Less Claimed” (**ANNEXURE - VIII**) should be compiled and sent to ES-I Coordination for processing and issue along with audit report.

### 14.3.8 Issue of Supplemental Audit Reports Barred

Only one audit report should be issued in prescribed proforma as per Terms of Reference communicated by CAG for audit of Project Financial Statement (PFS). No supplemental / Additional PFS/SOEs should be certified after issue of Audit Report for the year. Such supplemental PFSs/SOEs may be entertained in the subsequent years and incorporated in the subsequent years. Following instructions are issued for the purpose:

(a) Any additional sums that could not be incorporated in the PFSs/SOEs of the year to which it relates may be incorporated in the PFSs/SOEs of the subsequent year(s) provided it qualifies for reimbursement and is supported by appropriate evidence. Such sums, however, should be reflected below the line showing the expenditure for the year under the caption “ Adjustment in respect of Earlier Period” as shown under:

(i) Items of Revenue Expenditure

Sl.No.	Initial Year of Expenditure	Head of Expenditure	of	Amount
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(ii) Items of Capital Expenditure

<i>Sl. No.</i>	<i>Initial Year of Expenditure</i>	<i>Head of Expenditure</i>	<i>Amount</i>	<i>Particulars of assets, location and Physical verification</i>
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(b) Any sums that may have been incorporated in the SOE/PFS of previous years but were disallowed on the basis of qualification in the Audit Report, may be allowed if it meets all the eligibility criteria and is supported by documentary evidence and the audit is satisfied about the bonafides of such expenditure. However, all such expenditure may be reflected in the subsequent year(s) in the same manner as “Adjustments in respect of Earlier Periods”.

(c) Under no circumstances, should any additional SOE/PFS be certified by Accountant Generals in respect of past period where project has been closed . All such cases should be referred to



Headquarters so that requests for certification of additional sums can be examined on merits of each case.

(Authority CAG Letter No. III/ S/7/355-Audit (EAP)/1-2010(ii) dated 9.12.2010).

#### **14.3.9 Access to Records of the Project**

The department implementing the project is responsible for providing all facilities to the auditor for conducting audit by him. The auditor should be given access to any information relevant for the purposes of conducting the Audit. This would normally include all legal documents, correspondence and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not limited to, copies of the following documents:

- (i) Bank's Project Appraisal Document(PAD)
- (ii) The relevant legal documents i.e. Loan/Credit agreements, Finance Agreements etc.
- (iii) Bank's Financial Management Assessment of the project entity
- (iv) Project Implementation Plan (PIP) by the department
- (v) CAG's Terms of Reference (TOR) for conduct of audit by him.

It is highly desirable that the auditor become familiar with Bank Policy documents , the Bank's internal guidelines on Financial Management and Bank's Disbursement Manual, which area available with project staff and made available to Audit on requisition.

(Authority: CAG's Terms of Reference for conduct of Audit)

**Note:** Some of the important provision of the Disbursement Handbook of the World Bank are reproduced in **Annexure –IX** for guidance.

**ANNEXURE – I**

**[Referred to in Para 14.2(a)]**

Example of a Statement of Sources and Application of Funds

(projects implemented by core government department)

Name of the Project

Loan /Credit/Grant No.

Statement of Sources and Applications of Funds

Report for the year ended \_\_\_\_\_

Particulars	Current Year	Previous Year	Project to date
Opening Balance, (if cash balances are controlled by the entity)(A)			
Receipts			
Funds from Government through Budget (These will include external assistance received by Government for the project)			
Funds received directly by Project implementing authority through external assistance			
Beneficiary Contribution (if any)			
Total Receipts(B)			

Total Sources(C=A+B)			
Expenditures by Component			
A			
B			
C			
Total Expenditures(D)			
Closing Balance(if cash balances are controlled by the entity)(C-D)			

**Notes:**

1. This financial statement is prepared on a cash basis of accounting as per provisions of the Financial Rules and codes applicable.
2. The above figures will be based on monthly/quarterly abstract accounts prepared by the accounts compiling officers, duly reconciled by the respective DDOs , with details of unrecognized amounts to be furnished.
3. Names of accounting units whose financial statements are aggregated to prepare the consolidated accounts.
4. Any other project specific Note.

**ANNEXURE – II**

**[Referred to in Para 14.2(b)]**

Sample Reconciliation of Claims of Total Application of Funds

Name of the Project

Loan /Credit/Grant No.

Reconciliation of Claims to Total Application of Funds

Report for the year ended \_\_\_\_\_

	Schedules	Amount(Rs'000)		
		Current Year	Previous Year	Project to date
Bank Funds claimed during the year (A)	I			
Total Expenditure made during the year(B)				
Less: Outstanding A C Bills (C)	II			
Ineligible expenditures( D)	III			
Expenditures Not Claimed(E)	IV			
Total Eligible Expenditures Claimed (F)=(B)-(C)-(D)-(E)				

World Bank Share @x% of (F)above(G)				

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CFAO

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Project Director

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Date

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Date

**Notes:**1. Total expenditure made during the year (B) above may be the same as the Total expenditures shown on the Statement of Sources and Applications of Funds (D) on the Statement or Sources and Applications of Funds.

2. Outstanding AC bills (C above reflect funds drawn against AC bills that have been booked as expenditure but not settled by the end of the year (i.e. unsettled advances). The project should show in Schedule II the opening balance of unsettled AC bills ,AC bills drawn during the year.AC bills settled during the year and AC Bills unsettled at the end of the year.

3. Expenditures not claimed (E above may reflect timing differences for eligible expenditures incurred during the year our claimed after the year end.

4. Amounts A and G above must be equal.

**ANNEXURE – III**

**[Referred to in Para 14.2(d)]**

**Example of a Management Assertion Letter**

(Project Letterhead)

(To Auditor)

This assertion letter is provided in connection with your audit of the financial statements of the \_\_\_\_\_Project for the year ended\_\_\_\_\_. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Government of India, and we confirm to the best of our knowledge and belief the following representation made to you during your audit:

- The project financial statements are free of material misstatements , including omissions.
- Project Funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Loan/Credit agreement
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement the Project Appraisal Document, the Minutes of Negotiations, and the Borrower’s Project Implementation Plan.

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(Senior Executive Officer)

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(Senior Financial Officer)

This sample management assertion letter is based on ISA 580, "Management Representations," Handbook of International Auditing Assurance and E-hicks Pronouncements, International Federation of Accountants, 2007.

#### **ANNEXURE – IV**

**[Referred to in Para 14.3.4 & 14.3.7]**

**Sample Audit Report \_\_\_\_\_ Unqualified Opinion**

#### **Report of the Comptroller and Auditor General of India**

Addressee

Report on the Project Financial Statements

We have audited the accompanying financial statements of the \_\_\_\_\_ Project financed under World Bank Loan No. \_\_\_\_\_/IDA, which compose the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds for the year ended \_\_\_\_\_. These statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the accompanying financial statement's based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines on a test bases, evidence supporting the amounts and disclosures in the financial statements. It also includes, assessing the accounting principles used and significant estimates made by management , as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.



In our opinion the financial statements present fairly in all material respects the sources and applications of funds of \_\_\_\_\_Project for the year ended \_\_\_\_\_in accordance with Government of India accounting standards.

In addition, in our opinion , (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred: and (b)except for ineligible expenditure as detailed in audit observations, if any appended to this audit report expenditures are eligible for financing under the Loan/Credit Agreement . During the course of the audit SOEs/FMRs(each application number and amount to be indicated ) and the connected documents were examined and these can be relied upon to support reimbursement under the Loan/ Credit Agreement.

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Documents were examined and these can be relied upon to support reimbursement under the Loan/ Credit Agreement.

This report is issued without prejudice to CAG's right to incorporate the audit observations

In the Report of CAG of India for being laid before Parliament/State or UT Legislature.

[Auditor's Signature]

[Auditor's Address]

[Date]

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**Note:**The report should be dated as of the date to which the auditor or has become aware of and considered the effects of events and transactions. This is generally the final date of fieldwork, as opposed to the date of signing the audit report.

**Annexure - V**

(Referred to in para 14.3.7)

STATEMENT SHOWING THE DETAILS OF EXPENDITURE INCURRED I.E., CATEGORY-WISE,  
 COMPONENT-WISE UNIT OFFICE-WISE/DISTRICT-WISE FOR THE YEAR ..... IN RESPECT  
 OF WORLD BANK ASSISTED/EXTERNALLY AIDED PROJECT  
 ..... (Cr.No. ....)

Sl. No.	Category/ Component	SOE figure  Rs.	Actual Expenditure as verified in Audit  Rs.	Expenditure disallowed in Audit  Rs.	Expenditure admitted in Audit  Rs.	Percentage admissible as per agreement	Amount reimbursab le  Rs.
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**ANNEXURE – VI**

**(Referred to in Para 14.3.7)**

**STATEMENT SHOWING THE DETAILS OF DISALLOWANCES MADE FROM THE EXPENDITURE  
INCURRED DURING THE YEAR ..... IN RESPECT OF WORLD BANK/EXTERNALLY  
AIDED PROJECT .....**  
**.....(CR.No...../Loan No.....)**

<b>Sl.No.</b>	<b>District/Unit office</b>	<b>Category/Component</b>	<b>Reasons for disallowance</b>	<b>Page No.</b>	<b>Amount Disallowed</b>
---------------	---------------------------------	---------------------------	-------------------------------------	-----------------	------------------------------

**Rs.**

**ANNEXURE-VII**

**(Referred to in Para 14.3.7)**

**Statement showing the booked figures of A.G (A&E) and departmental figures for the year  
..... in respect of World Bank/Externally Assisted .....  
Project (Cr. No.....)**

Major Head of Account	Booked figure of A.G(A&E)	Departmental figures
	Rs.	Rs.
(i) Revenue Major Head		
(ii) Capital Major Head		
Total Expenditure		

The difference of Rs ..... has to be reconciled by the Department.

**Annexure - VIII**

**(Referred to in para 14.3.7)**

**(to be furnished by Department)**

STATEMENT OF EXPENDITURE (CATEGORY/COMPONENT-WISE) INCURRED AND REIMBURSEMENT CLAIMED AND RECEIVED IN RESPECT OF THE WORLD BANK ASSISTED PROJECT

..... FOR THE YEAR .....

Sl. No.	Reference to application No. , Date & Amount	Reference in which the application was sent	Category-wise expenditure claimed					Total	Reference in which the reimbursement was received	Amount of reimbursement
			(1)	(2)	(3)	(4)	(5)			
(1)	(2)	(3)	(4)					(5)	(6)	(7)
			(1)	(2)	(3)	(4)	(5)			

## ANNEXURE - IX

(Referred to in Note below para 14.3.9)

### Important provisions of Disbursement Hand Book of World Bank

3.20 The Bank does not finance customs duties and other taxes imposed by the borrowing (or guaranteeing) member country. This policy is applied by selecting items to be financed and setting eligible disbursement percentages so that the overall level of Bank financing excludes taxes. In the case of imported goods bought locally, the Bank usually disburses a percentage of the purchase price (generally stipulated in schedule I to the loan agreement) in order to avoid disbursing against duties or taxes. Similarly, the local cost component of contracts for works is usually financed at less than 100 percent to exclude taxes. For locally manufactured goods purchased directly from the factory, no adjustment to the disbursement percentage is made in order to exclude financing of customs duties or taxes on imported components entering into the cost of a final product.

3.21 The bank does not normally finance the following:

- goods and services from nonmember countries
- items not within the project and category description defined in the loan agreement
- items not procured in accordance with Guidelines: Procurement under IBRD Loans and IDA Credits and consultancy services not contracted in accordance with Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency and with the specific provisions in individual loan agreements
- payment made or due for goods, works, and services provided after the closing date
- land acquisitions (although, in very rare cases, an exception may be approved by Bank management)
- late payment penalties imposed by suppliers, unless the penalties were incurred in connection with a disputed payment which was under arbitration
- excessive advance payments (see para 8.13)
- self insurance (see para 3.26)

3.22 Freight charges in foreign exchange for imported goods are eligible for financing when goods are carried in vessels of member countries (subject to restrictions outlined in para 3.24 in the case of the borrower's national lines). The Bank also finances freight charges on goods procured in a member country and shipped on a vessel chartered to a firm in a member country, regardless of ownership or registry of the vessel, so long as the freight was paid to



that firm. In case of doubt about eligibility, consult the Bank before incurring significant charges.

3.23 Freight charges on vessels from non-member countries may be eligible for Bank financing when the owners are full or associate members of conference line, participate in the conference's revenue-sharing arrangements, and member country shipping lines hold the major share in the conference. For example, these freight charges are eligible when the goods are carried by vessels of the following three conferences:

- India/Pakistan Conference
- India/Burma/Bangladesh/Sri Lanka Conference
- East Africa Conference.

3.24 A borrower who wants to arrange transportation and/or insurance exclusively by a national line or firm should invite bids on both CIF (cost, insurance, and freight) terms, permitting shipping and insurance by any eligible source, and on FOB (free on board) terms. CIF prices are used to evaluate bids. The borrower can choose to contract on FOB terms and arrange freight and insurance with a national company. Disbursements then would be limited to CIF price quoted by the winning bidder. If the cost of transportation and/or insurance is greater than that of the winning bidder by more than 15 percent, the entire transportation and/or insurance cost must be borne by the borrower.

3.25 Local freight charges for imported goods are not eligible for Bank financing, unless provided for in Schedule I to the loan agreement.

3.26 The borrower, not the Bank, must be the beneficiary of insurance policies. Premiums paid in foreign exchange are eligible for Bank financing. Self insurance and premiums in local currency are ineligible, unless explicitly provided for in the loan agreement.

5.9 Loan agreements require that borrowers maintain separate records of amounts withdrawn on the basis of SOEs. Borrowers must also retain independent auditors (see Chapter 9) to give a separate opinion or carry out a separate audit on the adequacy of documents and controls on the use of SOEs. Copies of audit reports must be submitted to the Bank by the date specified in the loan agreement. If the borrower does not comply with audit requirements, the Bank may exercise its right to discontinue use of the SOE procedure or to suspend disbursements. The Bank may also reject withdrawal applications for expenditures falling within defined SOE limits, even if they are accompanied by full supporting documentation.

5.10 For investment loans, and for adjustment loans where use of customs declarations has not been agreed, the borrower or project entity must retain all documentation (contracts, procurement documentation, invoices, evidence of receipt, and evidence of payment) related to withdrawals made using the SOE method in a central location for the period specified in the loan agreement. Suitable cross-referencing systems which allow easy retrieval of these documents are essential, as these documents must be readily available for review by auditors and Bank missions. Currently, loan agreements require the borrower to retain these documents for one year after the Bank has received the audit report for the year in which the final disbursement was made.

5.11 For adjustment loans where customs declarations have been accepted as the basis for preparation of SOEs, the individual customs declarations may be retained by customs authorities. Auditors and Bank missions reviewing consistency between SOEs and these declarations must also be permitted to review the importer's records in order to examine other underlying documents.

6.24 Loan covenants specify the auditing requirements for all project accounts (see Chapter 9). Each annual audit should include a review of Special Account records to ensure that funds have been correctly accounted for and used in accordance with the loan agreement.

8.1 The procurement of goods, works, and certain types of services (such as drilling, aerophotographic surveys, and mapping) are governed by Guidelines: Procurement under IBRD Loans and IDA Credits. The use of consultants' services is governed by Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency. These guidelines document the Bank's requirements for procurement and the use of consultants. The guidelines are complemented by detailed provisions for their application to each operation which are set out in the loan agreement. Those who prepare disbursement applications must understand fully these requirements so that disbursements for procured goods, works, and services can be made efficiently and promptly. Noncompliance with the procurement procedures and failure to send copies of contracts promptly cause most delays in disbursement.

8.2 Within the Bank, the task manager for each project is responsible for reviewing procurement decisions. The borrower should send all procurement documents, including final contracts, to the task managers. Each loan agreement specifies procurement decisions that are subject to the Bank's review before contract award, based on the value of the contract. Unless mentioned in the Procurement Schedule to the loan agreement, all consultant contracts are subject to the Bank's review. The date of the Bank's "no objection" notice for contracts above the prior review limit for goods, works and services must be indicated in any related application.

8.3 In most cases, international competitive bidding is the most effective method of procurement. The Bank may allow preferences for domestic or regional manufacturers and, where appropriate, for domestic contractors under certain conditions., However, sometimes international competitive bidding is not the most economic and efficient method. In such cases (see para 8.5) the borrower and the Bank agree to other arrangements.

Note: The particular procedures for procurement are always provided in the Procurement Schedule to the loan agreement.

8.4 The Bank's guidelines set out in detail the arrangements required for international competitive bidding (ICB). Among others, they cover the following:

- type and size of contracts
- notification and advertising
- pre-and post-qualification of bidders
- bidding documents
- bid evaluation criteria

The bidding documents for ICB should include, inter alia, instructions to bidders, proforma conditions of contract, and the forms of the securities required (usually bid, advance payment and performance securities). Apart from the financial considerations (see paras 8.8 - 8.18), bidding documents should cover the following:

- bid validity
- standards
- the use of brand names
- insurance
- price adjustment
- liquidated damages
- bonuses
- force majeure
- language
- settlement of disputes

8.5 If international competitive bidding is not the most economic and efficient method of procurement or of implementing the project, other methods may be more appropriate. Examples of such procurement arrangements are the following:

- limited international bidding (by direct invitation only)
- competitive bidding advertised locally and following local procedures
- local or international shopping
- direct purchasing
- commercial practices (where the loan proceeds are onlent to the private sector)
- construction by force account

The appropriate procedures for the categories of goods, works, and services are agreed between the borrower and the Bank, and are always reflected in the loan agreement.

8.6 Procurement usually follows established commercial practices-if they are acceptable to the Bank-in the following circumstances:

- when the loan provides funds to an institution (such as an agricultural credit bank or a financial intermediary) to be onlent to beneficiaries (such as farmers or small business firms) for the partial financing of subprojects
  - when the loan proceeds finance imports of the private sector (in adjustment operations)
- Loan agreement usually specify, however, that large value purchases are subject to international competitive bidding.

8.7 Bidding documents always state that the proceeds of Bank loans are limited to payment for goods produced in, and services supplies from the territories of eligible countries. Hence, bidding documents require the contractor or supplier to furnish the necessary data regarding the country of origin of the goods, works, or services for statistical purposes, and to comply with this requirement.

8.8 Since bids may come from several countries, bidding documents always state the currencies in which to express bid prices. These currencies may be the following:

- bidder's own currency
- currencies in which the bidder expects to incur expenditures
- another currency widely used in international trade and specified by the borrower in the documents.

The following are special cases:

- In contracts for the supply and installation of equipment, the borrower may require bidders to state the portion of the bid price representing local costs in the borrower's currency.
- In civil works, the bidding documents may require bidders to state bid prices entirely in the borrower's currency, with any foreign currency requirements expressed as a percentage of the bid price for each currency.

8.9 Payments under each contract are normally made in the currency or currencies in which the price has been stated in the successful bid. However, if the bidder has shown the percentage of payments to be made in other currencies (as in the civil works case above), the exchange rates for a reference date specified in the bidding document or as stated in the successful bid (if the bidding document is silent in this respect), are used to maintain the value of the foreign currency portions of the bid-without loss or gain.

8.10 Payment terms generally follow the normal commercial practice for the goods, works and market in question. They are stated in the contract.

8.11 Since the Bank is not a party to the contract, the contract should not refer to it. Payments for goods, works, and services financed by the Bank can be made by using the withdrawal procedures described in Chapters 4, 5 and 6 of this handbook.

8.12 Bidding documents contain a statement and appropriate contract clauses whenever prices are subject to adjustment (upward or downward) because of certain events. The contract price may be adjusted if there are changes in the cost of major inputs of the contract (such as labor, equipment, and important materials), whether resulting from market forces or changes in legislation. Usually no price adjustment clauses are included in contracts for goods to be supplied, or works to be completed within 18 months\*, unless the market situation calls for it at the time.

(\*World Bank letter dated 28-11-2001)

Note: These provisions are sometimes called price escalation clauses.
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8.13 Advance payments to be made on signing the contract (for mobilization and similar expenses) must be related to the cost of the goods, works, or services covered by the contract. They should not be excessive: usually an advance payment of 10-15 percent is considered adequate. The bidding documents should specify the terms of any security (usually a banker's guarantee) required

for advance payments. Clauses should be included in the contract to deal with other advances, such as for materials delivered to the site for incorporation in the works.

8.14 Bidding documents for civil works and for supplying and installing major plants normally require some form of performance security to protect the borrower in case of breach of contract by the contractor or supplier. This security can be the following:

- performance bond or bank guarantee (at the bidder's option), or
- enough "retention money" withheld for the contract, as specified in the bidding documents, or
- a combination of both

The performance security must last long enough beyond the estimated completion date of the contract to cover the warranty or maintenance period specified in the contract, unless a separate security is provided for this period.

8.15 In contracts for the supply of goods, the supplier or manufacturer may have to provide a bank guarantee, to guarantee performance and warranty obligations. Otherwise, a reasonable amount of retention money may be withheld, depending on the market conditions and commercial practice for this type of goods. Bank guarantees are not required for consultant contracts.

8.16 Retention monies (see para 8.14) become payable to the contractor or supplier upon successful completion of the contract, at the end of the warranty period, or on another specified date (such as one year from the date of the original invoice). Withdrawals from a loan account for retention monies can be made only after the borrower releases the funds to the contractor or supplier.

8.17 Certain countries require government agencies to deposit retention monies in an escrow account to cover future payments. However, until released, such deposits are not eligible for withdrawal from the loan account. If retention monies are deposited into an account that the contractor or supplier can draw upon after a specified period without the borrower's approval, withdrawal may be authorized but the Bank usually requires additional security in such cases.

8.18 In following this policy, the Bank upholds the principle of avoiding double financing. In the event of default or nonperformance under a contract, the borrower uses funds from the escrow account or retention money account to complete the works or to repair defects during the maintenance (or defects liability) period. Such expenditures are then eligible for withdrawal.

8.19 the standard procurement procedures used for sectoral and structural adjustment loans are slightly different from those for investment (project) loans. International competitive bidding applies to large-volume procurement, above a threshold specified in the loan agreement, but ICB rules are modified by including simplifications of the bid invitation procedures, and the elimination of domestic and regional preferences. Bidders may also have to state the bid price in a single currency widely used in international trade. Payments will then be made only in that currency. Below the ICB threshold, procurement is normally carried out in accordance with procedures followed by the private or public entity handling the imports, if acceptable to the Bank.

8.20 the Bank may require trade verification in any procurement under an adjustment operation. Under this procedure, accredited agencies certify invoices for the quality and quantity of each shipment. If international competitive bidding was not used, the certifying agency may also verify that the price paid for the import was reasonable.

8.21 As for procurement of goods and works, the borrower is responsible for the process of selecting consultants. The procedures are different, however, since the selection of consultants must take into account the experience of the candidates and the quality of the services they offer, rather than the price of their services.

8.22 The Bank's objectives in the selection of consultants are to ensure that their qualifications and the terms of reference for their services are appropriate for the assignment, and that they are treated fairly. Accordingly, the Bank can approve or make comments at several stages in the selection process. The Guidelines for consultants include details on the following topics:

- types of assignments and consulting firms
- evaluation of performance
- role of domestic firms
- selection process
- terms of reference
- cost estimates
- contracts
- supervision

8.23 the most commonly used types of consultancy contract are those which are time based (e.g. staff-month charges, plus other reimbursable expenses, plus fee), or lump-sum. Contracts specify payment provisions and many include clauses on price adjustment or contingency allowances.

## **Accounts and Audits**

9.1 Bank lending operations, which may also involve co financiers, vary widely in nature, scope, and objectives. Hence, accounting systems and arrangements for accountability for resources vary widely. These arrangements are carefully considered during project preparation and appraisal, and the specific requirements to ensure accountability and adequate financial management of each project are always set out in the loan agreement.

9.2 The Bank's Articles of Agreement require the Bank to ensure that loan proceeds are used economically and efficiently, and only for the stated purpose. As a minimum, adequate financial and procurement records must be consistently maintained from the start of the project, in accordance with sound accounting practices, and subject to adequate control and verification.

9.3 Project accounts must be audited each financial year by a competent independent auditor acceptable to the Bank. The auditor is required to furnish a written opinion and report indicating the extent to which the financial statements and supporting information provide a true and fair view of the financial condition and performance of the project. The auditor should also provide a separate management letter following the completion of the audit on any improvements required in the financial systems and controls and improved use of resources. The audit reports and annual accounts are sent to the borrower who in turn sends them to the Bank's task manager by the agreed deadline after the close of each financial year.

9.4 Auditors must also examine the records associated with Statement of Expenditure and Special Account procedures (see paras 5.9 - 5.11 and para 6.24).

9.5 Borrowers must submit audit reports promptly. If the auditing covenants specified in the loan agreement are not complied with, the Bank may suspend disbursements.



# APPENDICES

**A P P E N D I X I**  
**(See Paragraph 1.2.4 of the Manual)**  
**Distribution of work in the ES-I Audit Department**

<b>Section</b>		<b>Work allotted.</b>
<b>ES-I Coordination</b>	(1)	General Audit Procedures, amendments to P.W.Account Code and Departmental Code.
	(2)	Maintenance of Manual of ES-I Audit Dept.
	(3)	Scrutiny of cases referred to by Sections.
	(4)	Organisation of the ES-I Audit Department and distribution of work among the sections and the general working of the sections.
	(5)	Assessment of staff requirements of the ES-I Audit Department and posting of staff to various sections, inspection parties etc.
	(6)	Review of Monthly Arrear Reports and Calendar of Returns of IR and CA Sections and furnishing of material for the Quarterly Arrear Report due to C&AG.
	(7)	Review of Schedule of Rates.
	(8)	Review of Objection Books and other Registers of IR and CA Sections.
	(9)	Maintenance of Register of Defalcations & Theft.
	(10)	Compilation of material of audit portion for Annual Review of Working of P.W. Divisions.
	(11)	Consolidation and issue of audit certificates of World Bank assisted projects
	(12)	Forecast of ES-I Inspection Parties, Chalking out programmes for Inspection and their communication .
	(13)	Processing of SAR's of State Autonomous Bodies
	(14)	Pursuance for Annual Accounts of State Autonomous Bodies (SAB) and identification of Bodies for audit under Section 14 of CAG's DPC Act.
<b>Inspection Reports Cell</b>	(1)	Editing and Pursuance of Inspection Reports
	(2)	Pursuance of major irregularities likely to be included in the Report of the C&AG and Preparation of draft paras for inclusion in the Report of C&AG.
	(3)	Associating with Audit Committee Meetings.
	(4)	Preparation of Omnibus paragraphs for inclusion in the Report of C& AG. Note: Items at (2) to (4) relating to DP Cell are attached to IR Cell due to disbanding of DP Cell in October,2014.
<b>Central Audit Sections.</b>	(1)	Central Audit of all vouchers received from A&E Office including of audit of project vouchers.
	(2)	Compilation of material to be furnished to FAAT Sections.

**(Allocation as modified vide AG(E&RSA)/ES-I (C)/B/2014-13/O.O.No.2 dated 24.2.2015)**

**APPENDIX II**  
**(Para 1.6.1 of this Manual)**  
**CALENDAR OF RETURNS**

Sl.No.	Name of the Return	To Whom due	From Whom due	When due	Authority
<b>I.</b>	<b>SECTION-1 RETURNS DUE TO OUTSIDE AUTHORITIES</b>				
	<b>A. Annual</b>				
1.	Integrated Annual Audit Plan	C & AG(Eastern Region Wing)	ES-I Coordination	15 <sup>th</sup> January	Hqrs. Circular No.839/ER/Coord/2013-14/187-2013 dt:23.7.13 and para 5.2.1 of the manual(Part – III Works Audit)
2.	Annual Performance Assessment Report (Ranking)	C&AG (ER Wing)	ES-I Coordination	15 <sup>th</sup> August	Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
3.	Performance Report of IA & AD	C&AG (ER Wing)	ES-I Coordination	As and when called for Headquarters	Headquarters letter no. 839/ER/Coord/187-2013 dated 23.7.2013 read with letter no. Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
	<b>B. Half Yearly</b>				
1.	Half yearly Report of progress of Audit Plan	C&AG (ER Wing)	ES-I Coordination	5 <sup>th</sup> April & 5 <sup>th</sup> October	Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
	<b>C. Quarterly</b>				

1.	Quarterly MIS return	C&AG	ES-I Coordination	15 <sup>th</sup> April 15 <sup>th</sup> July 15 <sup>th</sup> October 15 <sup>th</sup> January	Headquarters letter no. 839/ER/Coord/187-2013 dated 23.7.2013 read with letter no. Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
	<b>D. Monthly</b>				
1.	Progress in Audit of Performance Audits/Thematic Audits	C&AG	ES-I Coordination	10 <sup>th</sup> of every month	Headquarters letter no. 839/ER/Coord/187-2013 dated 23.7.2013 read with letter no. Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
	<b>Section-II Returns due to other sections and branch officer (with in the office)</b>				
	<b>A. Annual</b>				
1.	Statistics for staff requirements	Admn. Section	ES-I Coordination	30th June	1.9.3of Manual (Part – I)
2.	Material for inclusion in the Audit Report (Cases of Losses)	Reports	IR Cell	31 st August	Para 4.8 (Annexure – VI) of Manual( Part III –works audit)
3.	Expenditure of new service contingency fund.	Reports	IR Cell	31 st August	Para 4.8 (Annexure – VI) of Manual( Part III –works audit)
4.	Material for annual review on the working	ES-I Coordination	CA Sections	25th August	HQrs.Lr.No.23 /TA.I/1984/134 3/TAI/190-83

	of P.W. Divisions				dated 20-10-84.
5.	Review Report on the Proforma Accounts and financial working of workshops	ES-I Coordination	CA Section	1st September	Para 3.8.3.2 of the Manual (Part-III – works audit).
6.	Opening of New Objection Book	ES-I Coordination	CA Section/ IR Cell	15th September	Para 4.7.5 of the Manual (Part-III – works audit).
7.	Certificate of Physical Verification of Codes & Manual	O.E.	All Sections	30th September	Para 9.3 of M.G.P
8.	Pending I.Rs	Reports	CA Section/ IR Cell	15th October	Para 4.8 of the Manual (Part-III – works audit).
9.	Cases of mis-appropriation	Report Section	All Sections	4th October	Para 4.8 of the Manual (Part-III – works audit).
10.	Annual indent of Forms & Stationery	O.E.	All Sections	1st November	Para 10.28 of M.G.P
11.	Forecast of Tour Programmes	A.G	ES-I Coordination	10th February	Para 5.3.2 of the Manual (Part-III – works audit).
	<b>B. Half yearly</b>				
1.	Register of Arbitration Awards	ES-I Coordination	CA Section/ IR Cell	15th June/ 15th December	Para 3.3.10.5 of the Manual (Part-III – works audit).
2.	Report on review of Arbitration Awards	D.A.G.	ES-I Coordination	15th June/ 15th December	-do-
3.	Half-yearly list of objections	Reports	CA Section/ IR Cell	1st July/ 1st January	Para 4.6.7.1 of the Manual (Part-III – works audit).

	<b>C. Quarterly</b>				
1.	Material for the progressive use of Hindi for official work.	Hindi Cell	ES-I Coordination	10th of April, July, October & January	A.G's Orders on File No.21-5/85-86.
2.	Register of sanctions of permanent nature	B.O.	CA Sections	-do-	Para 3.1.1 of the Manual (Part-II –works audit)..
3..	Register of delegation of powers.	ES-I Coordination	CA Sections	15th of April, July, October & January	Para 3.1.17 of the Manual (Part-II –works audit).
4.	Register of Good & Bad Work.	D.A.G.	All Sections	25th of April, July, October & January.	Circular Admn/Confdl/ 8-c-18/70-71/12 dated 05-02-71.
5.	Register of insufficient and irregular sanctions	ES-I Coordination	CA Sections	-do-	Para 3.1.8 of the Manual (Part-III – works audit).
6..	Report on the review of registers of insufficient and irregular sanctions	D.A.G.	ES-I Coordination	10th of May, August, November & February.	-do-
7.	Duty list Register	D.A.G.	Audit Sections	5th of June, September, December & March	Para 5.43 of M.G.P
8.	Information relating to vouchers audited in a quarter	ES-I Coordination	CA Sections	5th of April, July, October, January	Para 2.4.6 of the Manual (Part-III – works audit)
	<b>(D) Bi-Monthly</b>				
1.	Auditor's Note Book	B.O.	All Sections	25th of April, June, August, October, December & February.	Para 1.8 of this Manual (Part-I)
2.	AAO/SO's Note Book	B.O.	All Sections	-do-	-do-
	<b>(E) Monthly</b>				
1.	Statement of	ES-I	IR Cell/CA	1 <sup>st</sup>	Para 1.8 of E.B

	Staff Position	Coordination	Sections		Manual
2.	AAO/SO's Note Book suggesting amendments to Codes/Manuals	B.O.	All Sections	3 <sup>rd</sup>	Para 1.4.3 (j) of this Manual (Part –I).
3.	Calendar of Returns	D.A.G.	All Sections	3 <sup>rd</sup>	Para 1.6.2 of this Manual (Part –I).1
4.	Monthly Arrear Report	B.O.	All Sections	3 <sup>rd</sup>	Para 1.7.1 of this Manual (Part –I).
5.	Registers of Project estimates	B.O	All Sections	3 <sup>rd</sup>	Para 1.9.5 of the Manual
6.	Register of Delegation of Powers	B.O.	CA Sections	5 <sup>th</sup>	-do-
7.	Requisition for Accounts & Vouchers	Works Accounts Sections of AG(A&E)	All CA Sections	5 <sup>th</sup>	Para 2.4.1 of the Manual (Part-III – works audit)
8.	Register of insufficient & irregular sanctions	B.O.	CA Sections	5 <sup>th</sup>	Para 3.1.18 of the Manual (Part-III – works audit)
9.	Register to watch works analysed, despatch of documents etc.	B.O.	CA Sections	5 <sup>th</sup>	Para 5.3.9 of the Manual (Part-III – works audit)
10.	Progress Report on supply of vouchers	ES-I Coordination	CA Sections	5 <sup>th</sup>	Para 2.4.6 of this Manual
11.	Register of points marked for verification during next local audit	B.O	All Sections	10 <sup>th</sup>	Para 2.8.4 of the Manual (Part-III – works audit)
12.	Duty List	B.O.	All Sections	5 <sup>th</sup>	Para 5.43 of MGP.
13.	Register of Late Attendance	B.O.	All Sections	5 <sup>th</sup>	Para 2.10 of MGP.

14.	Register of Important Cases	B.O.	ES-I Coordination	5 <sup>th</sup>	Para 1.2.6 of this Manual
15.	Progress report on disposal of I.T.A. Reports	B.O.	ES-I Coordination	5 <sup>th</sup>	Para 1.19 of ITA Manual
16.	Weekly tour diaries	B.O.	ES-I Coordination	5 <sup>th</sup>	Para 5.10.8 (iv) of the Manual (Part-III – works audit)
17.	Monthly arrear report to A.G. (on works group)	A.G.	ES-I Coordination	7 <sup>th</sup>	Para 1.7.6 of this Manual.
18.	Register on review of arbitration awards	B.O.	CA Sections	10 <sup>th</sup>	Para 3.3.10.5 of the Manual (Part-III – works audit)
19.	Register of defalcations & Losses	B.O.	Audit Sections	10 <sup>th</sup>	Para 3.1.12 of the Manual (Part-III – works audit)
20.	Register of remissions to revenue & abandonment of claims of revenue	B.O.	Audit Sections	10 <sup>th</sup>	Para 3.1.10 of the Manual (Part-III – works audit)
21.	Register of Objection waived	B.O.	Audit Sections	10 <sup>th</sup>	Para 4.7.3 of the Manual (Part-III – works audit)
22.	Register of Points for Inspection	B.O.	Audit Sections	5 <sup>th</sup>	Para 2.8.4 of the Manual (Part-III – works audit)
23.	Indents for Forms & Stationery.	O.E.	All Sections	10 <sup>th</sup>	Para 10.8 of MGP.
24.	Review of Register to watch works analysed, despatched of documents etc.	ES-I Coordination	Audit Sections	10 <sup>th</sup>	Para 5.3.12 of the Manual (Part-III – works audit)
25.	Register of non-receipt of	B.O.	CA Sections	10 <sup>th</sup>	ITA/2-6/99-00/T.R. 458-



	vouchers from AG(A&E)				466 dated 28-1-2000
26.	Consolidated Progress Report on the supply of vouchers for Central Audit	DAG.	ES-I Coordination	10 <sup>th</sup>	Para 2.4.6 6 of the Manual (Part-III – works audit)
27.	Register to watch the receipt of Quarterly reports of arbitration awards.	D.A.G.	ES-I Coordination	10 <sup>th</sup>	Para 3.3.10.5 of the Manual (Part-III – works audit)
28.	Monthly return of closed Divisions.	D.A.G.	ES-I Coordination	15 <sup>th</sup>	Para 3.1.5 of WAD Manual.
29.	Monthly closing of Objection Book.	B.O.	CA/IR Sections	15 <sup>th</sup>	Para 4.6.6 of the Manual (Part-III – works audit)
30.	Material for computerisation regarding IR Paras settled during the month by Audit Sections/Audit Committee	ES-I Coordination	Audit Sections	15 <sup>th</sup>	Para 1.3.3.3 of this Manual
31.	Register of objections pending over six months	B.O	Audit Sections	15 <sup>th</sup>	Para 1.9.5 of this Manual
32.	Register of Codes & Manuals.	B.O.	All Sections	15 <sup>th</sup>	Para 4.10 of M.G.P.
33.	Register for watching the progress in settlement of I.Rs.	D.A.G.	Audit Sections	25 <sup>th</sup>	Para 5.12.4 of the Manual (Part-III – works audit)
34.	Progress Register of Audit Notes	B.O.	CA Sections	15 <sup>th</sup>	Para 4.5 of the Manual (Part-III – works audit)

35.	Progress Register of Technical Sanctions.	B.O.	Audit Sections	15 <sup>th</sup>	Para 3.1.3(ii) of the Manual (Part-III – works audit)
36.	Despatch Register	B.O.	All Sections	18 <sup>th</sup>	Para 3.61 of MGP.
37.	Acquittance Rolls.	Bills Section	All Sections	18 <sup>th</sup>	Para 14.3 of Manual of Establishment
38.	Register of Statistics	B.O.	CA Sections	20 <sup>th</sup>	Para 1.9.1 of this Manual.
39.	Statement of events of staff	Bills Sections	All Sections	22 <sup>nd</sup>	Para 14.3 of Manual of Establishment.
40.	Register of Good & Bad Work.	B.O.	All Sections	25 <sup>th</sup>	Admn/Confdl/ 8-c/18/70-71/12 dated 05-02-.1971.
41.	Register to watch issue of intimation to A&E regarding audit by Audit Sections.	B.O.	ES-I Coordination	25 <sup>th</sup>	A.G's Orders on File 4-5/85-86.
42.	Register of programme for central audit	B.O	All Sections	25 <sup>th</sup>	Para 2.4.2 of the Manual (Part-III – works audit)
<b>F. Fortnightly</b>					
1.	Register of pending cases	B.O.	All Sections	1 <sup>st</sup> & 16 <sup>th</sup>	Para 3.63 of MGP.
2.	Progress Register to watch clearance of Inspection Reports.	D.A.G.	ES-I Coordination	3 <sup>rd</sup> & 17 <sup>th</sup>	Para 5.12.13 of the Manual (Part-III – works audit)
3.	Control Machinery to keep watch on pending court cases.	DAG/ AG.	ES-I Coordination	16 <sup>th</sup> & 30 <sup>th</sup>	Hqrs.Circular No.II/O&M Div. 93 No. 214 O&M/36.92 dated 14-05-93.
4.	Register of contracts/ agreements	B.O	All Sections	1 <sup>st</sup> and 16 <sup>th</sup>	Para 1.9.5 of this Manual

	<b>(G) Weekly</b>				
1.	G.Os Register	B.O.	All Sections	Monday	Para 3.70 of MGP.
2.	D.O. Letters Purport Register	B.O.	-do-	-do-	-do-
3.	Telegrams Register	B.O.	-do-	-do-	-do-
4.	Purport Register of All Units	B.O.	-do-	-do-	-do-
5.	Register of Letters from C&AG	B.O.	-do-	-do-	Para 3.75 of MGP.
6.	Urgent Letters Purport Register	B.O.	-do-	-do-	-do-
7.	Confidential Register	B.O.	ES-I Coordination	-do-	Para 3.70 of MGP
8.	Progress register of disposal of monthly accounts	B.O	All Sections	- do -	Para 1.9.5 of this Manual
9.	Calendar of Returns	B.O.	All Sections	Tuesday	Para 1.6.2 of this Manual
	<b>SECTION – III: RETURNS DUE FROM OUTSIDE OFFICES.</b>				
	<b>(A): Annual</b>				
1.	Copies of Standard schedule of rates	ES-I Coordination	All S.Es	1 <sup>st</sup> June	Government Orders.
2.	Proforma accounts of PW workshops	CA Sections	AG(A&E)	10 <sup>th</sup> July	Para 3.8.3.2(ii) of Part III of (Works Audit).
	<b>(B): Quarterly</b>				
1.	Quarterly return of arbitration	ES-I Coordination	All CEs.	10 <sup>th</sup> of April, July, October & January.	Para 3.3.10.4 of Part III of the (Works

	awards				Audit).
	<b>(C): Monthly</b>				
1.	Monthly return of closed Divisions	ES-I Coordination	Works Accounts Sections of AG(A&E) Office.	10 <sup>th</sup>	Para 2.6(ii) (d) of Works Accounts Manual.

**APPENDIX III.**

**MONTHLY ARREAR REPORT**

(Referred to in Para 1.7.1 of this Manual).

ES-I/CA Section.

**REPORT OF THE STATE OF WORK IN THE SECTION FOR THE MONTH OF**

**1. Returns due but not issued.**

Name of return	Due Date	Explanation of delay & probable date	Arrears in terms of Manday.

**2(a):- POSITION OF LETTERS/AGREEMENTS**

		LETTERS	AGREEMENTS
	Opening Balance		
	Receipts		
	Total		
	Disposal		
	Closing Balance		
More than 1 month old			
More than 15 days			
Less than 15 days			Mds.....

**2(b) Detailed of outstanding letters for more than 1 month.**

Sl.No.	Purport No.	From Whom Received	Subject	Explanation for delay & action for disposal.

**3. Other important Arrears.**

	Particulars	Details of Arrears		Explanation & Proposed action for early clearance		Mandays
(i)	<u>AUDIT</u>					
	a) Audit	..... Accounts				..... Mds.
	b) Review	.....Accounts				..... Mds.
	c) No. of accounts due from AG(A&E) Office. (Vide statement No.I)	..... Accounts				..... Mds.
	d) Outstanding Audit Notes Re-joinders. (Vide Statement No.II)			A.Ns..... Rejoinders....		.....Mds.
(ii)	No. of Inspection Reports & No. of Paragraphs outstanding for more than 6 months. (Vide Statements.III)			<u>I.Rs.</u>	<u>Paras.</u>	.....Mds.
(iii)	No.of items & amount under objection for more than 6 months (Vide Statement No.IV)	Items	Amount Rs:			.....Mds.
(iv)	Filling of Vouchers					
(v)	Any arrears in respect of items not mentioned above.					

		SUBJECT	THIS MONTH		LAST MONTH	
			INT.	EXT.	INT.	EXT.
1.	Correspondence					
2.	Audit					
3.	Non-receipt of accounts.					
4.	Money value objections					
5.	Audit Notes/Rejoinders.					
6.	I.Rs.					
	Total:-					

1. Certified that (1) the state of work as shown in the report is the best of my knowledge and behalf correct and complete (2) the all other items of work required to be done by the section during the month but not shown in the report were complete on due date and facts were dully recorded in each case in the Calendar of return and other prescribed register of the section and (3) that with the exception of the arrears detailed above work of section is up-to-date.

**Dated**

**Signature of A.A.O**

I have satisfied myself generally that this report is completed and accurate in respect of all items of work for which section is responsible. I have scrutinised the explanatory and other remark particulars and make the following comments.

**Signature of the Audit Officer**

**Remarks of Sr.Dy.Accountant General (ES-I)**

**Remarks of the Principal Accountant General**

## APPENDIX IV

(See Paragraph 1.7.5)

### Common standards for assessing arrears both internal and external

	Items of Work	Standards	Authority
<b>INTERNAL ARREARS</b>			
<b>1.</b>	<b>Arrears in audit</b>		
	a) Detailed audit of public works schedules & schedule dockets	375 Minutes per divisional account.	C&AG's Circular No.3-O&M/1990 No.4026-O&M/30-89 II dated 31-8-90.
	b) Audit of running account bills including first and final bills involving check with contract agreements	45 Minutes per voucher	-do-
	c) Audit of Running account bills including first and final bills not involving check with contract agreements	15 Minutes per voucher	-do-
	d) Work bills (Misc. Vouchers)	3 Minutes per voucher	-do-
	e) Audit of land acquisition vrs.	5 Minutes per voucher	-do-
2.	Pending Test Audit Report/Director of Inspection	10 Mandays where the entire report is outstanding (i.e no first reply has been sent) 5 Mandays in other cases	TM-I/IV/14-171/82-83 dt.22-6-82 (O/O No.46)
3.	Correspondence (Inward)	1 Manday for 15 letters more than one month old.	-do-
4.	I) Unit registers like Purport & despatch etc.	Half an hour per unit per register	-do-
	II) Common registers	15 Minutes per register to a minimum of 10 hrs per section	-do-
5.	Inspection reports	12 Mandays for each report	O.O.No.ITA/I dt: 20-10-1969.
6.	Objection book/Six monthly register	2 Hours per book per month	Audit (Co-ordn)IV/21-5/Genl/85-86/14 dt.10-10-1985 of AG Audit - I.



Note:- Calculation of mandays may be based on 8 Working hours per day., 158.33 man hours per month and 1900 man hours per annum (No. 928- O&M/39-86 dated 08-11-1990 of C&AG).

<b>EXTERNAL ARREARS</b>			
1.	Audit Notes.	One hour per original audit note and half an hour per rejoinder.	O.O.No.ITA/35 dt.03-07-1969.
2.	Inspection Reports	12 Minutes for each paragraph or sub paragraph	53-Admn.I/55-58 dated 07-01-1959 & DO.No-5-SO(SRs)/76 dt: 09-02-1976 of Hqrs office.
3.	Misc. objections and want of vouchers	15 Minutes per item.	-do-
4.	Audit due but vouchers not produced by A&E Office.	Should be indicated in the arrear report without mandays.	General Circular No.75-Accounts 1985 No.2249-Accounts II/109-85 dt: 05-12-1985 of C&AG (Appendix 22 of MICA)

## APPENDIX V

(See Paragraph 1.9.2)

**Norms to be followed by IAU(Works) Sections in Calculating Staff Strength.**

	<b>Item of Work</b>	<b>Norm</b>	<b>Authority</b>
1)	Detailed audit of Public Work Schedules & Schedules & Schedule Dockets	375 Minutes per Divisional Account.	C&AG's Circular No.3-O&M/1990 No.4026-O&M/30-89-II dated:31-08-90.
2)	Audit of Running Account Bills including First & Final Bills involving check with Contract Agreements.	45 Minutes per voucher.	-do-
3)	Audit of Running Account Bills including First & Final bills not involving check with Contract Agreements.	15 Minutes per voucher.	-do-
4)	Work Bills (Misc. Vouchers)	3 Minutes per voucher.	-do-
5)	Audit of Land Acquisition	5 Minutes per voucher.	-do-
6)	Quarterly Review of Transfer Entry Books.	1 day per section	-do-
7)	Quarterly Review of Register of Periodical Adjustment.	1 day per section.	-do-
8)	Quarterly Review of Broad Sheets maintained in Compilation Sections.	1 day per section.	-do-