केवल भारतीय लेखा एवं लेखापरीक्षा विभाग के प्रयोग हेतु

FOR USE OF INDIAN AUDIT AND ACCOUNTS DEPARTMENT ONLY

कार्यालय महालेखाकार (आर्थिक एवं राजस्व क्षेत्र लेखापरीक्षा) राजस्थान, जयपुर

The Accountant General (Economic and Revenue Sector Audit) Rajasthan, Jaipur

आर्थिक क्षेत्र प्रथम (वाणिज्यिक) लेखापरीक्षा समूह की नियम–पुस्तक

Manual of Economic Sector-I (Commercial) Audit Wing

महालेखाकार (आर्थिक एवं राजस्व क्षेत्र लेखापरीक्षा) राजस्थान, जयपुर द्वारा जारी की गई

Issued by The Accountant General (Economic and Revenue Sector Audit) Rajasthan,

Jaipur

PREFACE TO THE THIRD EDITION

This is the Third edition of the "Manual of Economic Sector-I (previously commercial) Audit Wing" relating to the Office of the Accountant General (E&RSA) Rajasthan, Jaipur.

This Manual is supplementary to instructions, guidelines and Manuals issued by the Comptroller and Auditor General of India. This Manual intends to provide necessary guidance to the Staff deployed in the Economic Sector-I Audit Wing. The object of the Manual is to ensure that and important aspect to any audit is not over looked.

The Manual contains eleven chapters and appendices. Chapter-I deals with organization and functions of wing; Chapter –II deals with planning and programming; Chapter-III to VI deals with procedures being followed during transaction audit and audit checks to be exercised in audit of Departmental Commercial Undertaking, Statutory Corporations and Government Companies respectively. Chapter-VII exclusively deals with monitoring and review of audit and audit of Annual Accounts (Supplementary Audit) of companies under Section 143(6) of the Companies Act, 2013. It also includes general guidelines for appointment of auditors, directions to auditors, criteria for selection, form of issue of comments, Accounting Standards, etc. Chapter-VIII deals with reporting and follow up of Inspection Reports and Audit Report; Chapter-IX deals with client and stakeholders relation and Chapter-X deals with quality assurance aspects. Audit of Autonomous Bodies and miscellaneous issues have been dealt in Chapter-XI of the Manual.

This Manual is not intended to serve as a substitute for the recognized text books on commercial accounting, Statutory books and other instructions or guidelines in force.

Keeping in view the changes in policies and procedures governing the functioning of Companies/Corporations, etc, it is necessary to update the Manual periodically.

Suggestions for improvement of the Manual are welcome.

-sd-

Accountant General (E&RSA) Raj. Jaipur

Jaipur

Dated 19-02-2015

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CHAPTER-I

Introduction

1.1 General

The present Manual contains the audit mandate, scope, practices, guidelines and tools for the management of the process of audit within the Economic Sector Audit-I(ESA-I wing) (erstwhile Commercial Audit), of the office of the Accountant General (Economic and Revenue Sector Audit), Rajasthan under Indian Audit and Accounts Department. It incorporates the instructions issued by the Headquarter from time to time and lays down the best practices to be followed in planning, execution and reporting processes in audit conducted by ESA-I wing.

1.2 Audit Mandate and Scope of Audit

The authority to conduct the audit of expenditure and receipts of the Union and the State Governments vests in the office of the Comptroller and Auditor General of India (CAG). Article 149 of the Constitution stipulates that the CAG shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body, as may be prescribed by or any law made by the Parliament.

An Act, called the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act), was enacted by the Parliament in 1971 to determine the conditions of service of the CAG and to prescribe his duties and powers and for that matters connected therewith or incidental thereto. The Act came into force on 15 December 1971. The Accountant General (Economic and Revenue Sector Audit), Rajasthan is the head of the office who performs his/her duties under the powers delegated to him/her by CAG under section 21 of the DPC Act. It stipulates that **a**ny power exercisable by the Comptroller and Auditor-General under the provisions of this Act, or any other law may be exercised by such officer of his department as may be authorized by him in this behalf by general or special order.

The ESA-I wing (erstwhile Commercial wing) has been constituted to conductConcurrent and Local Audit of Departmental units/Agencies/PSUs/ABs falling mainly under the department of Agriculture, Finance, Energy, Tourism, Industries, Mines, Transports, Information Technology & Communication etc. of Government of Rajasthan.

The ESA-I wing also conducts certification audit of annual accounts of State Public Sector Undertaking within State of Rajasthan. The accounts of the Government Companies (as defined in Section 2(45) of the Companies Act, 2013 (Section 617 of Companies Act, 1956) are audited by the Statutory Auditors appointed by the CAG as per the provision of Section 139(5) or (7)of the Companies Act, 2013(Section 619(2) of the Companies Act, 1956). These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 143(6) of the Companies Act, 2013(of Section 619 of the Companies Act, 1956).

The audit arrangements of the Statutory Corporations & Autonomous Bodies are as under shown below:

Sr. No.	Name of the Statutory corporation/Autonomous Bodies	Authority for audit by the CAG	Audit arrangement
1.	Rajasthan State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950.	Sole audit by CAG.
2.	Rajasthan Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951.	Audit by Chartered Accountants from the penal approved by the RBI and supplementary audit by CAG.
3.	RajasthanStateWarehousingCorporation	Section 31(8) of the State Warehousing Corporations Act, 1962.	Audit by Chartered Accountants appointed by the state Government on the advice of the CAG and supplementary audit by CAG.
4.	Rajasthan Electricity Regulatory Commission	Section 104(2) of the Electricity Act, 2003	
5.	Rajasthan Khadi & Village Industries Board	Section 34 Chapter V of the Rajasthan Khadi & Village Industries Board Act, 1955.	Under Section 20(1) of the CAG (DPC) Act 1971

The list of the auditable Government Companies/Departmental units is given in the Annexure-1 of this chapter

1.03 Organisation

From 2nd April 2012, restructuring of all Audit Offices in all the States/UTs came in to effect and traditional set up of Civil, Works, Autonomous Bodies, commercial audit shifted to sectoral set up for better planning, execution and reporting of the work. The Accountant General (E & R S Audit) Rajasthan, Jaipur has been made responsible for the sectoral audit of the State Public Sector Undertakings viz. State Government Companies and Corporation and Autonomous bodies and State Government Department of Energy, Industries and Tourism and preparation of Audit Report (Public Sector Undertakings).

(Authority- D.O. Dt.30March 2012 of Dy.CAG on Restructuring the IA&AD & No.WR/AR/Raj/2011-12313-2012/605 dt.18.12.12)

The Wing is under the charge of the Senior Deputy/Deputy Accountant General (ESA-I) who is assisted by 22 Sr. Audit Officers/Audit Officers (Commercial).

1	Assistant Audit Officers (Commercial Audit)	46*			
2.	Auditors/ Sr. Auditors				
3.	Audit Clerks/ Typist/ Data Entry Operator	18			
	Total 157				
* AAO	* AAO four post sanctioned vide letter no. 334/CA-I/45-2010 dt 31.03.10				

The sanctioned strength of the staff as on 31st March 2014 consisted of:

1.04 Duties and responsibilities-

The ESA-I wing is entrusted with the following duties and responsibilities. The variation in duties can be effected any time by Sr. Dy. Accountant General /Accountant General.

1.04 (1) A. Head Quarters.

- i. Maintenance of a list of auditee organisation (including units) (Audit plan register).
- ii. Preparation and implementation of Audit plan of the inspection of all the auditee units.
- iii. Making adequate arrangements for the audit of the accounts of any of the commercial concerns where such an audit, is decided to be taken up under any statute or Act.
- iv. Scrutiny of Statutory Auditors report for suggesting important points to be examined by field parties.
- v. Editing and issuing of the Inspection Reports on propriety/regular audit of auditee units and Inspection Reports of World Bank /Asian Bank assisted Projects submitted by the Field Parties.
- vi. Watching of the compliance of the Inspection Reports.
- vii. Maintenance of Progress registers, settlement registers for outstanding inspection reports and paragraphs and Calendar of Returns.
- viii. Supply of material relating to the audit of Government Deptt. concerns for inclusion in the Audit Report (Economic/Revenue sector).
 - ix. Overall control of the Resident Audit parties.
 - x. Preparation of the minutes of meetings held by AG/Sr. DAG/DAG with Sr. AO's /AAO's/SO's /Statutory Auditors etc. and follow up action on the decisions taken in the meetings
 - xi. Preparation of Audit Report (PSU) and all work relating thereto

- xii. Study of articles appearing in various magazines, instructions issued by administrative Departments of Public undertakings, statements and standards of auditing and accountings and other relevant guidance notes, Compendiums etc. issued by Institute of Chartered Accountants, INTOSAI and ASOSAI etc. and to arrange to supply important material to members of field parties for their use.
- xiii. Preparation of a detailed check list for guidance of the field parties.
- xiv. Maintenance of Register of Important Point and sending it to field parties for examination & scrutiny thereof and return.
- xv. Issuance of group orders and supply to field parties for their guidance and reference.
- xvi. Updating of guard files and Audit Manual.
- xvii. Pre Audit analysis of Auditee Organisation to decide the area of intensive scrutiny by field parties.
- xviii. To deal with any other matter related with Commercial Audit
 - xix. Proposing of In-house Training to update the Audit Skill of staff as prescribed in Auditing Standard (2nd Edition) 2002

The above work has been distributed among 3 Head quarters Sectionas detailed below:

CAW-I

All work relating to audit of Companies, corporation, Autonomous Bodies, Industries and Tourism Department (except RSRTC) and General and specific coordination work of ESA-I wing as detailed below:

- 1. Coordination and consolidation of returns received from all section and submission to PAG /AG/Sr. DAG/DAG as mentioned in Calendar of Return.
- 2. Transfer and Posting, forwarding of the application for deputation, higher studies etc.
- 3. All general correspondences and specific correspondence (except the matters dealt by CAW Report section & matters relating to power sector companies) with Hqrs office.
- 4. Preparation of Annual Audit plan in coordination with CAW-II, RSRTC& Report section.
- 5. Identification of press clipping (except power sector), submission to AG and sending to concerned section for necessary action.
- 6. Rolling/Corporate plan and other strategy and policy related issues
- 7. Matters relating to training of officers including RTI training.

- 8. General/Technical up gradation/Improvement/ Training and specific with reference to Companies, Corporation, Autonomous Bodies, Industries, Energy and Tourism Department.
- 9. Updating of commercial/Economic sector audit manual and Data Bank of companies, corporations.
- 10. Preparation of checklist.
- 11. Scrutiny of Agenda and Minutes
- 12. Scrutiny of Statutory Auditors Report for suggesting important points to be examined by field parties.
- 13. Planning and implementation of Audit plan and its midterm evaluation.
- 14. Planning of topics of performance audit, pilot study and guidelines etc
- 15. Planning and identification of system based /Theme based audit areas and their pilot study.
- 16. Programming of filed parties deputed for audits under its jurisdiction.
- 17. Vetting, approval and issuance of IRs, pursuance and examination of reply received relating to audit under jurisdiction.
- 18. Processing of PDP cases, vetting & issue of F.S. and attending queries thereon.
- 19. Settlement of paras and Attending Audit Committee Meeting.
- 20. Preparation of information relating to introductory chapter of all companies & Corportaions and consolidation of information received from CAW-II and RSRTC for submission to CAW Report.
- 21. Supply of material relating to the audit of Government Deptt. concerns for inclusion in the Audit Report (Economic/Revenue sector).
- 22. All matters relating to Certification audit of Annual Accounts including matters related to appointment of Auditors, issuance of direction and sub direction and updating skills of staff in the certification audit.
- 23. All matters relating to leaves, casual leave and absence etc.
- 24. Verification and maintenance of weekly diaries of officials
- 25. Processing of TA bills in respect of staff deputed for audit including sending the list of advances.
- 26. Quarterly evaluation of performance of officials
- 27. Other work as allotted by PAG/AG./Sr. DAG/DAG(ESA-I)
- 28. Any other work which is not falling in the jurisdiction of CAW-II & CAW (Report)

CAW-II

All work relating to audit of power sector companies and Energy Department as per list below:

- 1. Preparation of Annual Audit Plan in respect of power sector companies in coordination with CAW-I.
- 2. Press clipping- Identification of press clipping, submission to AG and sending its return to CAW-I section for necessary action.
- 3. Updating of commercial/Economic sector audit manual and Data Bank in respect of power sector companies.
- 4. Preparation of checklist.
- 5. Scrutiny of Agenda and Minutes
- 6. Planning of topics of performance audit, Pilot study and guidelines etc.
- 7. Planning and identification of system based/Theme based audit areas and their pilot study.
- 8. Vetting, approval and Issuance of IRs, pursuance and examination of reply received relating to audit under jurisdiction.
- 9. Processing of PDP cases, vetting & issue of F.S. and attending queries thereon.
- 10. Settlement of paras and Attending Audit Committee Meeting.
- 11. Preparation of information relating to introductory chapter of all companies of power sector in co-ordination with CAW-I.
- 12. All matters relating to leaves, casual leave and absence etc.
- 13. Quarterly evaluation of performance of officials
- 14. Submission of return to CAW-I section as mentioned in Calendar of Return.
- 15. Submission of returns, registers to Sr. DAG/DAG (ESA-I)/DAG/AG etc.
- 16. Any other work as allotted by PAG/AG./Sr. DAG/DAG(ESA-I)

(Authority Group order No. 33 No .CAW/GS/Group Order/K-389 / Dated: 11.3.10)

CAW- (REPORT)

1. All matters relating to Audit Report (Public Sector Undertakings) and material for inclusion in the Audit Report (Economic/Revenue sector). Preparation of briefs and scrutiny of separate Audit Report of RSRTC. Preparation/scrutiny of briefs in respect of Audit Report (Public Sector Undertakings) and reviews appeared in Audit Report (Economic/Revenue sector) and discussion in COPU/PAC.

(Authority: CAW/GO/72-73/K-263 dated3.4.1978 read with CAW/GO/72-73/K-263 dated 26.5.1978 page 206 and 246-C G.O. file).

2. Instructions/orders contained in Report Manual apply mutatis mutandis in respect of matters relating to finalisation of material for Audit Report.

(Authority: O.O. No. CAW-AR/K-211, dated 27.9.1975)

1.04 (2) Scrutiny of Accounting Manual of the Commercial Departments

- i. To secure the introduction of a separate Accounting Manual for each category of "Commercial Department describing the objects, organizational set up and the financial and accounting arrangements.
- ii. To scrutinize the Accounting Manuals prepared by the State Government.

1.04 (3) A copy of each of the following documents in respect of Government Companies and Corporations should be supplied to the Comptroller and Auditor General for reference and record: -

- i. The latest Annual Reports of the Government Companies and Corporations.
- ii. The Memorandum and Articles of Association in respect of Government Companies.

(The documents at (i) are to be supplied every year (C.A.G.'s letter No 1415 Rep/452-59 dated 21.5.60 at P. 188 of file CAW/GC/Corpn./191/G.F.III)

1.04 (4) Calculation of Audit Fees

- i. To calculate the audit fee for inclusion in the Accounts of the various Government Commercial Organizations.
- ii. To intimate the audit fees recoverable from the Rajasthan State Road Transport Corporation, Rajasthan Electricity Regulatory Commission, Rajasthan Khadi & Village Industries Board and watch its recovery.

1.04 (5) Examination/scrutiny of the Memorandum and Articles of Association of Government Companies –

The Memorandum and Articles of Association of the Government Companies should be scrutinized to see that:

- a) Articles provide adequate directive control in the hands of the Government.
- b) Article should contain an overriding provision for issue of directives by the Government in regard to working of the Company which the Board will be bound to give effect.
- c) Articles should contain provisions regarding the appointment and fixation of remuneration etc., of certain top management officials like Managing Director, Manager.
- d) Articles should also contain the provisions for prior approval of Government in respect of followings:-

- i. The sale, lease, or disposal otherwise of the whole or substantially the whole of the undertaking of the company;
- ii. The formation of the subsidiary company.
- iii. The division of capital into different classes of shares.

(C.A.G.'s letter No. 2559/Admn.III/532-60/ dated 27.12.1969, P. 320 of G.F. (191) 55-63 of CAW-I)

- iv. Winding up of the Company.
- v. Any programme of capital expenditure exceeding certain limit
- vi. Increase/reduction in the share capital of the Company.
- vii. Sub-division and consolidation of shares.
- viii. Borrowing any sums or sums of money for the purpose of the Company.
- ix. Any other matters which in the opinion of the Chairman be of such importance as to be reserved for the approval of the State Government.
- e) Articles should contain provision that it being a Government Company auditor shall be appointed by the Comptroller and Auditor General of India.
- f) Article should contain a provision that it is a Government Company in terms of Section 617 of the Companies Act 1956.

(Authority: -C.AG.'s letter No. 832/CA/IV/90-79, dated 27th July, 1980 read with C.A.G.'s letter No. 588-CA IV/70-79/ dated Ist June, 1981 at page 74 and 118-C of CAW-I/RSMC/79-80/K-139).

1.04. (6) Maintenance of guard files and updating of the Manual

All the instructions on audit matters issued by different Functional Wings in HQs and by the field offices should be consolidated annually in manual or electronic form and compiled in accordance with the broad elements of the AQMS Framework. These will be printed/issued annually as supplements to the main manuals/guidelines so issued and circulated to all the concerned Functional Wings/field offices. In the supplements, to be brought out as a series (I, II, III) till the main Manual itself is updated/ revised, the material will be arranged with reference to the QMEs of the Framework. This exercise will also render revision/updating of the manuals/guidelines very easy.

(Authority Headquarter's letter no. 172-Audit (AP)/37-2008 dated 4 June 2009.)

The use of computers in this process can be very useful in speedy tracing of the desired documents. Hence, to streamline the system, following instructions may be followed:-

1) Highlighting the content of permanent nature in a document the dealing auditor/Sr. auditor shall obtain the orders to treat the document as of permanent nature. Simultaneously, he/she shall propose the change in the soft copy of the Manual based on the new document.

- 2) The document will be dealt with in the concerned file and a photo copy of the document will be kept in the guard file so that the guard files do not become bulky.
- 3) An index of the guard files will be maintained at Sr. Auditor/Auditor level in the electronic form in the format as given below:-

Index of the Guard File No.

S.No	Subject of document	Issuing office	Issuing authority	Date of issue	Dealt with in the file	Change effected in the soft copy of the Manual	Para no. of the Manual in which change was effected

In light of the above, it may be ensured that no document of permanent nature like circulars received from the Headquarter, circulars issued by the Accountant General/Group Officer, minutes of the important meetings containing instructions/guidelines of permanent nature remains outside a guard file. Hence, all the existing files may be reviewed and electronic index be prepared.

(Authority Group Order no.2, NO.-CAW-I/GS/AQMF/GO/2009-10/ Dt.)

1.04(7) Field Parties

The main duties of field audit parties are:-

- 1) To conduct audit of the Industries, Energy and Tourism Department of the State Government.
- 2) To conduct Audit of the Government Companies and Statutory Corporations/Autonomous Bodies.
- 3) To submit draft Inspection Reports, Key Documents in respect to Part II A Para/ Factual Statement to CAW Head Quarters/RAP's and to submit weekly diaries, Duty Certificate etc. to CAW Head Quarters.
- 4) To settle / updating of the outstanding paras of the previous Inspection Reports.

1.04(8) Resident Audit Parties (RAP)

The General duties of the Resident Audit Parties are mainly:

- i. To complete the quantum of audit of various organisations as prescribed by the Comptroller and Auditor General of India from time to time and in respect of each item either locally or centrally (concurrently).
- ii. To submit the reports and returns to this office and other outside authorities as may be prescribed.

- iii. To conduct local audit of such units as may be provided by CAW Head quarters.
- iv. To process the draft para cases and also to collect suitable material for the Audit Reports, Finance Accounts, etc. noticed by them during the course of Concurrent and local audits conducted.
- v. To maintain Settlement register, Progress register of outstanding paragraphs and Calendar of Returns.
- vi. To perform following functions of the propriety audit:
 - a) Audit of expenditure with reference to financial propriety.
 - b) Suggestions designed to stop extravagant expenditure.
 - c) Periodical review of sanctions with a period of long-term currency.
 - d) Comparison of rates prevailing in neighbouring localities for work done and supplies made.
 - e) Suggestions designed to develop revenue,

ESA-I wing conduct audit of RSRTC through RAP-RSRTC. RAP-RSRTC does all work relating to audit of RSRTC as per details given below:-

- Dealing with all the matters relating to RSRTC, independently, under the supervision and guidance of Group Officer/Accountant General
- Preparation of programmes for transaction audit and accounts audit of RSRTC and approval thereof from Group Officer/Accountant General
- Leave matters regarding staff deputed for RSRTC audit
- Vetting, issuance and pursuance of inspection reports of various units of RSRTC
- Certification of accounts of RSRTC and issue of Separate Audit Report on the accounts of RSRTC
- Local audit of the units situated in the premises of Corporate Office of RSRTC and scrutiny of centralised purchase
- Calculation of audit fee and its pursuance
- Scrutiny of Agenda, minutes of the meetings of Board of Directors of RSRTC
- Processing of material for Audit Report (Public Sector Undertakings)
- Any other work as allotted by PAG/AG/Sr. DAG/ DAG (ESA-I).

1.05 Miscellaneous items.

Instructions regarding Special Audits, Intimation of Audit,Period of Account to be audited, time allowed for inspection, Important points from Central Office, supply of important orders and responsibility of Inspecting Officers contained in **OAD Manual** apply, mutates mutandis to the Commercial Audit Wing as well.

1.06 Calendar of Returns

A calendar of returns is maintained in accordance with the instructions contained in the Manual of General Procedure in the form prescribed in Appendix-I in order to observe the due dates prescribed for the various items of work and returns to be submitted to the various outside authorities, officers in the office and other sections. The actual date on which the work is completed should be filled in, in each case and the calendar duly completed should be submitted to the officer(s) on due date as prescribed from time to time.

Annexure-1

(Referred to in Para 1.02)

1. Government Companies

Following government/deemed government companies are within the audit jurisdiction of this office (as on31.3.2014):-

1	Painethen Daive Vidunt Utnadan Nigam I td			
1	Rajasthan Rajya Vidyut Utpadan Nigam Ltd.			
2	Rajasthan Rajya Vidyut Prasaran Nigam Ltd.			
3	Jaipur Vidyut Vitran Nigam Ltd.			
4	Jodhpur Vidyut Vitran Nigam Ltd.			
5	Ajmer Vidyut Vitran Nigam Ltd.			
6	Rajasthan State Industrial Development & Investment Corporation Ltd.			
7	Rajasthan State Mines and Minerals Limited			
8	Barmer Lignite Mining Company Ltd.			
9	Rajasthan State Road development and Construction Corporation Ltd.			
10	Rajasthan Tourism Development Corporation Ltd.			
11	Rajasthan State Hotels Corporation Ltd.			
12	Rajasthan State Seeds Corporation Limited			
13	Rajasthan State Ganganagar Sugar Mills Ltd.			
14	Rajasthan Small Industries Corporation Ltd.			
15	Rajasthan Jal Vikas Nigam Limited			
16	Rajasthan State Handloom Development Corporation Ltd.			
17	Rajasthan State Petroleum corporation limited			
18	Rajasthan State Beverage Corporation Limited			
19	Rajasthan Renewable Energy Corporation Ltd.			
20	Chhabra Power Limited			
21	Giral Lignite Power Limited			
22	Dholpur Gas Power Limited			
23	Banswara Thermal Power Company Limited			
24	Rajasthan State Agro Industries Corporation Ltd.			
25	Rajasthan State Dairy Development Corporation Ltd.			
26	Rajasthan State Food & Civil Supplies Corporation Limited			
27	Raj COMP Info Services limited			
28	Lake City Transmission Service Company Limited			
29	Pink City Transmission Service Company Limited			
30	Keshoraipatan Gas Thermal Power Company Limited			
31	Barmer Thermal Power Company limited			
32	Rajasthan State Power Finance Corporation Limited			
33	Rajasthan State Refinery Limited			
34	Rajasthan Solar Park Development Company Limited			
35	RSPCL-GAIL Gas Limited			
36	Rajasthan Veterinary Services Corporation Limited			
L				

2. Departments of the Government of Rajasthan

Following Departments of the Government of Rajasthan are subject to audit by ESA-I Wing of this Office.

The receipts and expenditure of the following body or authority which is substantially financed by grants or loans from consolidated fund is under audit jurisdiction as per Section 14(1) of the Comptroller and Auditor General's DPC Act 1972:

S. No.	Department	Name of the Unit	
1	Industries	Kishangarh Marble Udyog Vikas Samiti, Madanganj, Kishangarh,	
		Ajmer	
2	Industries	Rajasthan Foundation, Jaipur	
3	Industries	Bureau of Investment Promotion, Jaipur	
4	Industries	Rural Non Farm Development Agency, Jaipur (Ruda)	
5	Industries	Institute of Development Studies, Jaipur	
6	Tourism	Indian Institute of Crafts & Design, Jaipur	
7	Tourism	State Institute of Hotel Management, Jodhpur.	
8	Tourism	Food Craft Institute, Udaipur	
9	Tourism	Food Craft Institute, Ajmer	
10	Industries	Entrepreneurship & Management Development Institute, Jaipur	
11	Industries	The Gems & Jewellery Export Promotion Council, Jaipur	

Under Section 15 of the Comptroller and Auditor General's DPC Act 1972, audit of following body or authority is conducted by ESA-I wing:

S. No.	Department	Name of the Unit		
1	Energy	Secretary, Energy Department, Rajasthan, Jaipur		
2	Industries	Commissioner, Industries Department, Jaipur		
3	Industries	Secretary, Industries Department, Jaipur		
4	Tourism	Commissioner, Tourism Department, Jaipur		

Under Section 13 of the Comptroller and Auditor General's DPC Act 1972, the expenditure audit of the following units of the State Government Department is subject to audit by ESA-I Wing of this Office:

- 1. Office of the Senior Electrical Inspector / Electrical Inspector / Asstt. Electrical Inspectors under the Energy Department.
- 2. Commissioner, Industries along with various office of the Joint Director/Dy.Director/ General Manager (DIC) under the Deptt. Of Industries.
- 3. Commissioner Tourism along with various office of the Asstt. Director/Dy. Director/ Tourist Officer (Reception centres/Information Bureau) under the Deptt. Of Tourism.

Under Section 16 of the Comptroller and Auditor General's DPC Act 1972, the Receipt audit of the units / Offices of the Senior Electrical Inspector / Electrical Inspector / Asstt. Electrical Inspectors under the Energy Department is also subject to audit by ESA-I Wing of this Office.

APPENDIX----I Calendar of Returns (Referred to in Para 1.06)

S. No	Name of Return	To whom due	When Due	Authority
-	YEARLY	<u> </u>		<u> </u>
1	Target & Achievement year 2000-2001	CAG.	15 th of April	CAG No. 718-Audit (Aud. Plg/92-94/ dt 31.10.94
2	Revised system of assessment of Performance of audit offices.	ITAS	31 st May	No. 32-Audit (PPU)/ 14-2008-II dated 08.05.2009
3	Material for Performance Report of IAAD	Director General (WR) through CCS	As & when demanded	No.CCS/E&RSA/R- 11011/K-16/ 16/ 2013-14/ TR-II/ 82 dt 26.07.13
4	Consolidated Statement of Weighted aggregation of money value	ADAI (WR)	Along with Bond Copy of the AR every year(Sep/O ct)	No. 763-CA-II/Co-ordden/ AIAE02-03/55-03 dt. 26.9.203& No 782CA- II/Co-Orden/MAE02- 03/55-03 dt. 8.10.03
5	Manner in which A.R. and accounts were dealt with by the state Legislature/Formation of Committee	Principal Director (WR)	every year (April/ May) after formation of COPU	CAG No. 1467/ Report1227-1968 dt. 24.7.1968
6	Report of printing of Audit Report to be furnished only after report is approved by the CAG of India up to presentation of report to the Legislature	Principal Director (WR)	Weekly up to the printing & monthly up to the presentatio n in the Legislature	Revised schedule vide letter No.1583/ CA-II/ /AR Printing/06-07/38- 2005 dt.6.12.07
7	Date of placement of Audit Report in Legislature	IS Wing/ PD (WR)	On the placement of Audit Report in the state Legislature	CAG Office order No. 66/PPG/8-2012 Dt.28.3.13
HA	LF YEARLY	1		
1	Arrear of Accounts	Director General (WR)	January and July	Hd. Qrs. D.O. No.19/CA- II/Coordn/Accounts Arrears/59-2007/Vol.II dated 2.2.2012
2	Progress Report Regarding implementation of Integrated Audit Plan	Director General (WR)	7 th of October, April	Hd. Qrs. No.275 WR/Coordn./Audit Plan/302-2013 dated 2.5.2014
	ARTERLY		Last 1 0	
1.	Report regarding delay in finalization of accounts by State Government (D.O to C.S).	Chief Secretary & copy to Comptroller and Auditor General of India	1 st week of April, July, October, January.	CAG's Circular No. 1306/CA-II/185/84 dt, 28.6.85& 26/CA-II/64-90 dt. 7.1.91
2.	Quarterly Progress report	Principal Director (WR) through CCS	5 th of Apr, July, October, January	C&AG No. 254/WR- II/Co-ord./ 162-2012 <u>t</u> 13.7.12 AND ccs/k-10/12- 13/tr-i/77 Dt. 27.9.12
	Others			
VE				

CHAPTER-II

Planning and Programming

2.1 General

2.1.1 Audit planning is expected to be strategic so that it fits into long term and short term goals of audit .These goal would need to be identified and framed in consonance with the overall 'Vision and Mission Statement' of the department ,and be in line with the specific targets and goals of individual wings/offices. Within the strategic plan for audit, an annual operational plan for all audits to be conducted in a financial year is drawn up. The annual audit planning broadly comprises of risk assessment, availability of man power, selection of units, assignment planning, the quality measures, procedures and practices set out etc.Electronic database of auditee profiles should be used for audit planning as well as data from various e-governance initiatives under taken by Government. Audit plan should be based on clear assessment of risk, materiality and priority. These could include previous experience, visibility of the subject, audit ability of the unit and expected audit impact.

(Authority: CAG direction letterNO.172/Audit (AP)37-2008 dated.4.6.2009 on Operational Quality Management Framework for the department)

The Comptroller and Auditor General of India has formed a Committee, to look in to modalities of preparation of Audit Plan, to suggest changes in the existing system of preparation of audit plan to make it more robust and dynamic to cater to the needs of auditees.

(Authority: D.O. letter NO. AG(E&RSA)/Sectt/A.P. Committee D-228 dated 9/11.7.2013)

2.1.2 Perspective Plan

The Perspective Plan outlines the goals that will be pursued by the office of the Accountant General (Economic and Revenue Sector Audit) to realize the Vision and Mission of the SAI India, as per the Strategic Plan of the Department. It defines the broad parameters of the Annual Plan in the medium term, specifies the major milestones and identifies the supervisors and managers responsible for ensuring that each of the goals is achieved.

2.1.3 Rolling Perspective Plan

The Rolling Perspective Plan of the Office of the Accountant General (Economic and Revenue Sector Audit), Rajasthan, is aimed at ensuring independent, reliable, balanced and timely reporting on public finance and governance, adopting best practices in Government auditing with optimum utilization of available resources, by conducting financial audit, performance and compliance audits of various functions of the Government, under the jurisdiction of this office, during the next three years, beginning from 2013-14. The Annual Audit Plans of the office is to be based on this Perspective Audit Plan. All the Functional / Sectoral Wings of this office hasto draw up their annual programmes in line with the overall structure laid down in this Perspective Plan and

commit resources for specific activities relating to these programmes. This Rolling Perspective Audit Plan (Chapter-VI) has to be revised every year, for updating it for the next three years.

This Rolling Perspective Audit Plan has been prepared based on the goals of the "Strategic Plan 2020 for IAAD" issued by the headquarters in September 2010 and the "Strategic Audit Plan 2012-17" prepared by the headquarters.

(Authority No CAW-I/AP/2013-14/ K-40 dated 22.5.2013)

2.2 Audit Planning

All Audit Offices are required to prepare a biennial audit plan. A single plan will integrate and include central audit of vouchers and other records, routine inspections (phase audit), financial audits (certification audits) and value for money audit and will comprise a detailed plan for the first year and the broad framework for the second year. This will be an annual exercise when the audit plan for the current year will be updated and modified keeping in view the availability of human resources and the priorities of audit during the year, while adding thereto a broad framework for the next year. Thus the audit plan will be an active rolling plan. The main objectives of the biennial audit plan will be to:

- (i) provide assurance that all deserving and significant auditable entities have been considered while determining priorities;
- (ii) provide a framework for identifying the departments, programmes, functions, etc, which are significant and are vulnerable to risks and serious financial irregularities;
- (iii) optimize the use of available resources for achieving the short term and long term audit objectives; and
- (iv) minimise redundant audits.

For effective implementation of the audit planning methodology, the overall audit objectives should be set out as clearly as possible at the outset. In order to achieve the objectives, as many auditee units as feasible should be covered having regard to the availability of resources: human as well as financial. While identifying departments, institutions, programmes, issues, etc. for inclusion in the biennial audit plan, the quantum of expenditure/revenues, socio-economic significance, vulnerability to serious financial irregularities, political and managerial sensitivity of their activities and auditability of units will be taken into account. Other units that are not considered to be vulnerable or sensitive and have not been audited for prolonged periods should be considered for coverage in the biennial audit plan in such a way that these are also subjected to audit, preferably in a cycle of six to seven years. The periodicity and duration of audit should also be reviewed from time to time so as to ensure optimum coverage with the available resources.

This office has an Audit Planning Group (APG). The APG will be responsible for preparation of the biennial audit plan for the office and will include all the Group Officers of the Audit Office and such other officers as the Head of the Office may decide. It will also include the Principal Accountant General (A&E)/Accountant General (A&E) as an invitee to address various issues where close coordination and exchange of information between the Audit and the Accounts and Entitlement offices are necessary, particularly those relating to appropriation audit, treasury verification, Voucher Level Computerization inputs, AC/DC bills and Personal Ledger Accounts and other matters relating to Central Audit. The Head of the Audit Office will function as the convener of the APG, which will be the apex monitoring body for implementation of the audit

plan. For this purpose, meetings of the Group will be convened at least once every quarter. There is also an Audit Planning Cell to assist the APG.

(Manual of Standing Orders (Audit) (Second Edition - 2002) Paragraph 2.1.25 to 2.1.27)

2.3 Preparation of Annual Audit Plan

2.3.1 The Audit Plan in the prescribed formats given in **Annexure-1** concentrate on quality coverage It also provides time for parties to study previous audit reports/IRs and departmental profiles before going to field. With systematic categorization of units, the manpower requirement may actually go down. The audit plan covers the auditee units as per norms within the available man power. While the aim is to cover all 'A' category units in 1-2 years, the coverage of 'B' and 'C' category units will remain subject to allocated manpower for such units. The field offices should move towards assurance based system of audit wherein they audit substantive areas and provide an assurance on system functioning.

(Authority:NO.501/CAII/Coord/AuditPlan/2010-2011/166-2009 dated.11.9.2009 and No CAW-I/AP2012-13/K-40/TR-II361 DT.25.7.2013)

During preparation of Audit Plan after Risk Analysis of the Department, a seven Point Criteria may be utilized to select units. CCO based Audit will be conducted in all selected departments However important Units, if not considered for CCO based audit will be selected on the basis of Risk Analysis.

S.N	Criteria	Cod	Numbe
0		e	r
1	Budget allotment to department and units thereunder with	01	
	expenditure incurred by the department and their units (Year-)		
(i)	Units having more than Rs. 1 crore expenditure excluding		3
	establishment expenditure.		
(ii)	Units having expenditure between Rs 25 lakhs to 1 crore		2
(iii)	Units having expenditure less than Rs 25 lakhs		1
2	Establishment expenditure incurred in the units of the	02	2
	department and the percentage of establishment expenditure		
	with respect to total expenditure		
3	Paras appeared in previous inspection report of the Units	03	3
4	Nature of work/activities of the department s and their units	04	2
5	Losses, theft, defalcation cases appeared in units	05	1
6	Press clippings	06	1
7	Views of experienced staff members	07	1

Seven Point Criteria:

For Audit Report of PSUs, Plan of the PSUs will be prepared by CAW with consent of the Group Officers and be submitted to AP Cell for Integrated Audit Plan

(Ref.-No. APCell/A12011/AP/2013-14/k-148/TR-II/140 dt. 31.12.12)

2.3.2 While approving Audit Plan 2013-14 following important directions were issued to the Pr. Accountant General (G&SSA) Letter No.67/WR/Raj/IAP/2-2013 dated 28.02.2013 for Integrated Audit Plan for the State of Rajasthan:

- > It may be ensured that 90%'A'category units (High Risk) are covered.
- De novo examination of staff requirement for headquarters should be made and restricted to about 25 per cent of MIP.
- The Strategic Audit Plan (SAP) for the period 2012-17 has to be prepared for the State Audit and it may be ensured that the current year's audit plan is concurrent with the SAP as far as possible. In addition to the current plan i.e. 2013-14, two years Rolling Audit Plan (RAP) i.e. 2014-16 including topics for PAs/TAs/LDPs may also be prepared and forwarded to Headquarters.
- Commercial Audit should take effective steps for overtaking arrears in accounts of PSUs by liasoning with State Government
- Guidelines including 'system design matrix' for the PA may be forwarded to Headquarters with clear objectives and audit criteria for approval. While finalizing guidelines and selecting sample for detailed check, tool for integrated audit may be utilized and same may be sent to Hqrs duly filled in along with guidelines. Further, the guidelines should also include the details of flow of funds (by way of flow chart). The fund flow should also indicate maintenance of funds either in Consolidated Fund/PD/Bank Account along with the provisions for accounting and its audit.
- ➢ In respect of TA and Long paragraphs, the themes to be covered need to be predefined so that the results are achieved as planned.
- The toolkit prepared by ADAI (WR) to be filled in and kept as a baseline record for executing and monitoring the audit of units.
- The PA/TA should arrive at value addition to the governance and/or revenue generation as envisaged by the scheme in the conclusion
- The focus should also be on individual important cases highlighting systemic and persistent irregularities through compliance audit. Compliance audit should be done after collecting financial information for at least three years, schemes/sub-schemes implemented/overseen, parking of funds in PD/SB accounts, pending reconciliation with treasury and AG (A&E) office etc., and due assessment of issue to be analysed. In short, it should be focused with clarity on accountability and responsibility of audit personnel.
- While undertaking commercial audit and revenue audit, the O/o the Pr. AG (E&RSA) should also cover the audit under section 13 so that these departments are adequately represented in Economic Sector AR.
- The ISSAI Guidelines on Financial Audit-1000-2999. Compliance Audit 4000-4200 may be followed to the extent possible while planning and auditing the units as advised in PD (SMU)'s e-mail letter dated 18 April 2012.
- PAG may fix targets for officers to ensure quality material. Also targets may be fixed for clearance of pending Inspection Reports paras.

2.4 Approval of Audit Plan

An Audit Plan in the prescribed formats is drawn up annually after discussion held time to time in the Audit Planning Group (APG) headed by Accountant General and sent to Director General (Audit), Office of the C.A.G. of India, New Delhi for approval by 15th January. Audit Plan is drawn up for two years containing detailed Audit Plan for the first year and a broad frame work for the second year. During the next year the plan is updated for subsequent two years. Thus the Biennial Audit Plan is a rolling plan.

An appreciation note indicating as to how many man days available have been arrived and how the total man days available are proposed to be utilised is to be enclosed with Audit Plan. A note indicating significant high risk and sensitive areas identified and nature of information considered by A.P.G. is to be submitted with Audit Plan. Another note showing the action taken in the following areas in connection with the Audit Plan should also be sent with it.

2.5 Implementing /formulating Audit Plan

The following points will be taken in view while implementing /formulating Audit Plan

- i) Deployment of Audit Parties.
- ii) Allocation of units to individual Audit Parties
- iii) Audit targets i.e. coverage for individual sector/operation.
- iv) Strategies and guidelines for achieving this target.
- v) Implementation of pilot projects and revision/strengthening the guidelines in the light of the lessons gained through pilot projects.
- vi) Mid-term review of the functioning of audit parties and providing necessary support to the audit parties.
- vii) Adequate Watch on the Audit Parties and extent and quality of audit.
- viii) Problems and constraints.

(Authority: C.A.G. Letter No. 742 Rep (S)/116-98 Dated 30.7.1999. No. 54-Audit (Aud.-Plg.) 193-94 dated 24.1.1997, No. 116/Rep (S)112-99 dated 2911.1999).

2.6 Quarterly Tour Programme

2.6.1 The approved biennial plan will be later split up into quarterly programme for various parties drawn up under the orders of the Sr. Dy./Dy. Accountant General (ESA-I). The programme of the parties should be drawn up at least three weeks before the expiry of the current programme. The programme should be arranged in such a way that expenditure on travelling allowances is kept down to the minimum.

2.6.2 Transit should be provided for all the Inspection Parties in respect of places well connected by rail or bus. In respect of places not well connected by rail or bus the matter should be dealt with individually, based on the merits of each case. While providing transit, holidays have to be treated as part of transit.

The one day transit should be allowed for a distance of 200KMs and above to the entire member posted in the field party.

(Authority: Office order No.29 No GD-III/C&RA/2006-07Tr-I/129 dt. 31.10.2006)

2.6.3 Field parties are instructed to come at HQs on holiday, (Saturday&Sunday) from units which are situated within 150 KM from HQs office, at office cost. In case of stay at the camp they should to seek prior permission from HQs Office.

Above order come in to force w.e.f. 1.4.2011

(Authority: CAW/ GS / 2000-01 to 2008-09/k-389/TrIV-120 Dated22.3.2011)

2.6.4 Intimation of audit programme.

The Regulation 177 of CAG's Regulation on Audit and Accounts 2007 prescribed that the audit officesshall, as far as possible, give advance intimation of minimum period of three weeks to officer in charge of the office to be audited. Standard audit intimation letter given in **Annexure-2** Para 6.1.11 of the MSO (Audit) further prescribed that AuditPlan be further split up into quarterly programmes for various inspecting parties. In addition to the units selected for audit, copies of this programme of local audit should also be sent to the Administrative Departments and the Heads of the Departments concerned. In this connection *f*ollowing precautions also adviced to be taken:

- 1. The quarterly audit programe should be invariably uploaded in the official website of the office in a manner that it is easy for any CCO/DDO to ascertain whether or not it is likely to be audited in that quarter. Preferably, a search facility should be provided if a large number of units are to be audited.
- 2. (a) Simultaneously, a written intimation of audit programme should be sent to auditee unit, the Head of the Office and Head of the Department of the auditee, prior to the commencement of audit as required under Regulation 177 read with Paragraph 6.1.11 of the MSO (Audit).

(b) The possibility of sending to heads of establishments which are not to be subject to audit by sending 'No audit' instruction may also be considered by Heads of the Field Audit Offices.

- 3. Any change from the initially notified audit programme including rescheduling of audit or change in the composition of audit party may be intimated to the auditee unit, Head of the Office and Head of the Department at the earliest opportunity.
- 4. All the field audit party member may be issued Identity cards, if not already done. The audit intimation letter may specifically mention the name of the audit personnel deputed for audit and their ID card numbers indicated against the relevant name.
- 5. Audit intimation letter may reveal that the auditee units are free to verify the proof of identity of the audit team members.
- 6. The members of the audit party are required to mandatorily carry their Identity Card issued by the office during the duty period and to exhibit these to the auditee office as and when required to do so.
- 7. Any illegal or fictitious audit coming to your notice may be immediately taken up with the DAI/ADAI or PD concerned at Headquarters.

- 8. Supervisory role of Group Officer both at the headquarters and over field audit parties may appropriately be strengthened.
- 9. The field offices may take up the matter with the State Government/ Organization (auditee entity) to ensure that they do not allow such persons to conduct audit who are not duly authorized by these field offices.Heads of Departments may also be advised to send parallel communications to their Subordinate Offices and Establishment which have been scheduled for audit in a quarter.

(Do No IA-2/115-Audit (AP) 2010 dated 28.4.2010)

2.6.5 Time allowed for inspection

The time allowed to the party in the programme should not ordinarily be exceeded without prior approval of Group Officer for which timely intimation should be sent to Heads of Departments/ Organization/ auditee units.

Annexure-1

(Refer Para 2.3.1)

Format for audit plan

Chapter I: Introduction and Auditee Profile

1. About the State

(Provide a brief write-up on state, its people, area, economicactivity, forest cover, social indicators etc. Map of the state may also be incorporated numbering the paras as 1.1, 1.2.....)

2. Industrial Policy of the State

(The industrial policy in brief; the salient features/thrust areas of Industrial Policy and list of PSUs concerned with the thrust areas may be given)

3. Agro-Industrial Policy of the State

(The brief of Agro Industrial policy as per Sr no. 2 above)

4. Vision of the State

(Relevant vision points impacting State, PSUs).

5. Disinvestment Policy of the State and progress.

6. Nodal Department / Agency.

7. Financial Profile of the State PSUs

(Provide overview-Sectoral Investment with a trend over 5 years, Turnover trend, major sectors, aggregate profit/loss, accumulated loss, manpower employed, capital employed return on capital employed)

Auditee Profile

(Information may be provided in the following table (please see Annexure A.)

PSU Category	No. of	No. of Total	Units Category (Nos.)		Nos.)
	PSUs	Units	Units 'A'	Units 'B'	Units 'C'
Category 'A' PSUs					
Category 'B' PSUs					
Category 'C' PSUs					
Departmental Undertakings					
Autonomous Body					
Total					

(For each PSU, a profile may be prepared as per **Annexure** B.There may be as many profiles as the PSUs).

Chapter II: Audit Plan

1. Broad Aims

(State the broad objectives. The aim should be to cover 80% issues/areas of function in 5 years).

2. Achievement so far

(May be stated for previous 5 years. This should include coverage of substantive issues/areas in audit. Nos. would suffice; individual details may be given in **Annexure** in booklet form)

Year	Party/Man days Planned	Party/ Man days utilized

3. Last year's deployment of audit resources

Overview	Mandays Planned	Mandays utilized	(-) Shortfall/ (+) Surplus
Certification Audit			
IT Audit			
Performance Audit			
Transaction Audit			
Others (DP queries, Training and Transit			
Total			

Previous Years Audit Plan

Certification Audit

No. of PSUs Planned	No. of PSUs Audited	No. of Accounts Audited	Mandays Planned	Mandays Utilized up to 31 December

IT Audit

No. of IT Audits Planned	No. of IT Audits done	No. of DPs /Reviews prepared	Mandays Planned	Mandays Utilized

Performance Audit

No. of PA Planned	No. of PA conducted	No. of Reviews printed	Mandays Planned	MandaysUtilise d

Transaction Audit

PSU No. of units planned	No. of units	Mandays	Mandays*
--------------------------	--------------	---------	----------

category	ory completed			gory completed		y completed			Planned	Utilised
	'A'	'B'	'C'	Total	' A'	'B'	'C'	Total		
Α										
В										
С										
Total										

* Total for the PSU category

(Reason for shortfall may be stated).

4. Next year's Audit Plan

4.1 Manpower Availability for Commercial Audit as on

	Sectioned Strength	MIP
AOs/SAOs		
AAOs		
Total		

*(Audit Plan should be prepared irrespective of whether there are retirements during the year)

4.2 Manpower for HQ and RAOs

Staff Deployment	AOs	AAOs	Total
Staff in HQ			
Staff in RAO Offices			
Total			

(The staff requirement for HQ should be restricted to 20% of the total MIP.Regarding RAO Offices, which are a few in numbers; it should be worked outjudiciously)

4.3 Manpower for field audit work.

	AOs	AAOs	Total
Total MIP			
Less : HQ & RAOs			
Staff available for field audit.			

Man days for this manpower be workout as shown below:

Per person availability of man days in a year

	5 Days week	6Days week
No. of man days in a year	237	273
Less:Leave ,transit,training	22	25
Net man days available	215	248
Time for auditplandiscussion., Study of	15	18
profiles, previous audit files (to be spentin HQ)		
Net mandays in field(on site audit)	200	230

(Total man days available for field work: Total staff available for field audit X (200 or 230 as the case may be)

Allocation of man days for audit

(Available mandays are to be allocated for different audits. The requirement for Certification, IT, Performance Audit should be worked out first. Thereafter, the remaining mandays may be allocated for Transaction audit. The process is explained below)

(These are mandays and not party days.)

Certification Audit

Man days allocated

Supplementary Audit	'A' Category No. Of PSUs X 40
(40 mandays for 'A',30 mandays for 'B' &'C'category PSUs. To be conducted only for Working companies) (for a six days week, the mandays will be 46 and 34 respectively)	Category 'B' & 'C' No. Of PSUs X 30
Sole audit	'A' Category No. Of PSUs X
(80 mandays for 'A', 60 mandays for 'B' &'C'category	80
PSUs. To be conducted only for Working Corporations)	
(for a six days week, the mandays will be 92 and 69	Category 'B' & 'C' No. Of
respectively)	PSUs X 60
(The above norms are for audit planning. It is possible that	t some PSUs of same category
may require more mandays than others. But the overall limi	t should not be exceeded).

<u>IT Audit</u>

(Generally, one or two major systems may be covered. The norms given above for sole audit may be used).

Performance Audit

(Topic for Performance Audit may be selected as per **Annexure** 'C'. Our objective should be to select only a few representative units & do a thorough job rather than selecting maximum units). Each review is expected to take 300 to 600 mandays depending on the volume of activities. Provision may be made for one or two Performance Audit as per target.

Man days available for Transaction (Compliance) Audit

Α	Total man days available		XXX
В	Less : Certification Audit	XXX	
	IT Audit	XXX	
	Performance Audit	XXX	
	Total B	XXX	XXX
C	Mandays available for Transaction Audit (A-B)		XXX

Units for Audit & Mandays

	Unit 'A'	Unit 'B'	Unit 'C'	Total
Total units under audit jurisdiction				
Planned for next year's audit				
Mandays required				
Of total units, how many units				
audited in past 3 years				
Of planned units, how many units				
not audited in past 3 years.				

Out of the units planned for audit under each category, 30% should be those not covered in previous 3 years. The units may be planned as per available mandays and should be shown in the following table

Planned units

PSU Category	No. of units 'A'	No. of units 'B'	No. of units 'C'
Category 'A' PSUs			
Category 'B' PSUs			
Category 'C' PSUs			
Departmental			
Undertaking			
Autonomous Body			
Total			

There should be uniform allocation of mandays as shown below

PSU Category	No. of units 'A'	No. of units 'B'	No. of units 'C'
Category 'A' PSUs	90 (104 for six	75 (86 for six days	60 (69 for six days
	days week)	week)	week)
Category 'B' PSUs	60 (69 for six	60 (69 for six days	45 (52 for six days
	days week)	week)	week)
Category 'C' PSUs	45 (52 for six	40 (46 for six days	35 (40 for six days
	days week)	week)	week)
Total			

Targets for Audit Report

Target	Achievement
8**	

	DPs	Reviews	DPs	Reviews
Previous year				
Current Year				
Next Year				

(Reason for shortfall may be mentioned)

5. Substantive areas for audit

(These may be stated for selected PSUs. For each PSU areas may be stated in bullet form).

PSU Name

- Area 1
- Area 2
- Area 3

Chapter: III

Status of IRs

1. An Inspection Report follow up system in PSU/Govt. instructions

Year	Outstanding as at		Outstanding 3 years ago	
	IRs Paras		IRs	Paras
Total				

2. Outstanding IRs

(Trend analysis of increase/decrease in position may be given with measures taken).

Audit Committee Meetings

(Previous year's progress, no. of meetings held, targeted for current year etc. may be mentioned).

Chapter-IV

Status of COPU Discussion

- 1. Status of AR Presentation:
- 2. Outstanding ARs for discussion:

Period of Audit		Number of reviews/ paragraphs		liscussed	Pending f	or discussion
Report	Reviews	Paragraph	Review	Paragrap	Reviews	Paragraphs

	S	S	hs	

3. Position of ATNs:

(With statistics)

4. Inventory of COPU Recommendations:

(Provide the details-whether maintained)

Chapter-V

Status of Arrears in accounts finalization

1. Arrears position (Only for working companies as on....)

S.No.	Name of Companies/ Corporations	Year of Accounts	No of Accounts

2. Steps taken to address the issue

Chapter-VI

Winding up of non-working Companies

1. Non-working Companies Status

S. No	Name of PSUs	Non-working since	Accounts finalised up to	Liquidation status

2. Steps taken to address the issue.

Annexure -A

1. Total Capital Employed (CE) in all PSUs (including certain departmental undertakings audited by Commercial Wing such as Electricity Department should be worked out for the prior year (latest available).Thereafter, individual PSUs may be categorized in to "A", "B" and 'C' as per criteria given below:

- CE equal to or greater than 5% of total CE of all PSUs: Category 'A'
- CE equal to or greater than 1% of total CE but less than 5% total CE: Category 'B'
- CE less than 1% total CE: Category 'C'

2. After categorization of PSUs, further categorization of PSU units (9Auditable units) be made in the following ratio:

PSU Category	No. of units 'A'	No. of units 'B'	No. of units 'C'
Category 'A' PSUs	30% of total units	30% of total units of	40% of total units of
	of 'A' category	'A' category PSUs	'A' category PSUs
	PSUs		
Category 'B' PSUs	20% of total units	30% of total units of	50% of total units of
	of 'B' category	'A' category PSUs	'A' category PSUs
	PSUs		
Category 'C' PSUs	HQ of PSUs(1unit	30% of total units of	70% of total units of
	per PSU of 'C'	'C' category PSUs	'C' category PSUs
	category PSUs		- •

The categorisation of units in to 'A', 'B' and 'C' should be based on risk assessment of units. The overall number for each category of PSU should be within the above limits.

The details may be provided in the following format along with Audit Plan:

(a) Categorization of PSUs

(Rupees in crore)

			(ICu	pees in crore,
Sl.	Sector & Name of the PSUs	Capital	% of Total Capital	Category
No.		employed	Employed	of PSU
	Grand Total			

(b) Categorization of units

Sl. N	0.	Sector & Name of the PSU	PSU category	Total No of Units	No of 'A' Units	No of 'B' Units	No of 'C' Units

(a) List of units

Sl. No.	Name of the PSU	Unit Name	Category of Unit	Last audit month/year
	Grand Total			

Annexure-B

Profile of a PSU

PSU Name:

- 1. Aims & objectives of setting up of the PSU (Preferably in Bullet form)
- 2. Functions/activities undertaken to achieve objectives (in Bullet form)
- 3. Organisational set up with details of no. of number of field offices.
- 4. Financial Results.

(Rupees in Crore)

	Previous 5 th year	Latest Year
Capital Employed		
Turnover		
Net Profit		
Accumulated Profit		

5. Revenue elements

(In a pie chart with 5 to 6 elements & percentages. Also mention total revenue)

6. Expenditure elements

(As above in sl. No. 5)

7. Key areas of audit scrutiny

8. Audit Concerns from past audit.(DPs/Reviews/IRs etc.)

Annexure-C

1. The following broad frame work may be followed for the selection of a PSU for Performance Audit. While assigning the score risk assessment methodology be used

Eleme	nts	Maximum Points
•	Financial Materiality	4
•	Significance of activities	2
•	Visibility	2
•	Estimated impact of audit (whether we can add value)	2
Total		10

In respect of financial materiality, Capital Employed of 5% & above of total Capital Employed of all PSUs would fetch 4 points. For a PSU with CE of less than 5% of total CE but more than 1 % of total CE,the points would be 1.5. Other PSUs will get zero points.

2. A table is the following format may be prepared and sent along with Audit Plan

S .	PSUs Name	Financial	Significanc	Visibilit	Impac	Whether	Total
No.		Materialit	e of activity	у	t of	covered	Scor
		у			Audit	in	e
						previous	
						5 yrs.	

If a particular PSU was reviewed in previous 5 years, may be excluded unless another important topic/area likes to review.

A PSU scoring highest points may be selected for a Performance Audit to review entire PSU or just a few important segments of its working.

3. After approval of the topic by HQ, the field officer may proceed to prepare guidelines.

I. MATERIAL	LITY RISK: Measure of impact of area/function on overall organize Assess percentage of Capital Expenditure, Revenue Expenditure,		
	The second se		
6.53 <u></u>	Expenditure, Revenue Expenditure,	Turnover	Budget
(1) Financial	Assess percentage of Capital Expenditure, Revenue Expenditure, and Profit or Loss for most recent fiscal year end of the audit ur Revenue Expenditure, Turnover, Budget and	Brofit or l	oss for
Materiality:	and Profit or Loss for most recent fiscal year end of the audit of Capital Expenditure, Revenue Expenditure, Turnover, Budget and Capital Expenditure, Revenue Expenditure, and allot points for each of	these five	factors
	the company as a whole separately and anot pro-		
	based on ranking as follows:-	Ranking	Points
	Assessment 5% to 25%	, Low	
Martin and and and and and and and and and an	25% to 50%	Moderate	2
an de la de la de	> 50%	High	3
a all all and		<u> </u>	r and in
	Assess percentage of change (increase or decrease) from previou	s fiscal yea	factors
(2) Financial	and anot of above five factors and anot points	these nve	Ideters
Variance:	separately* based on ranking as follows.	Ranking	
na 1977 Service	Assessment	Low	1
18 18 19 19 19 19 19 19 19 19 19 19 19 19 19	5% to 25%	Moderate	2
A Ch	25% to 50%	High	3
alling the second	> 50% spital Expenditure for most recent fiscal year end of the audit unit vis-a-vis Total Capital Expenditure for venue Expenditure for most recent fiscal year end of the audit unit vis-a-vis Revenue Expenditure for venue Expenditure for the substantiant of the substantiant	for the company a	as a whole.
4. Percentage of B 5. Percentage of P (3) Visibility	user for most recent fiscal year end of the audit unit vis-a-vis Budget for most recent fiscal year end of the audit unit vis-a-vis Profit or Loss for the comparing for the comparing of the comparing of the comparing the comparing of the compar	ny as a whole.	, lawsuits.
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4. Percentage of B 5. Percentage of P	 Assess the impact of media/press reports, negative publicity, regulatory warnings/penalties, parliament questions, discur, anking as follows:- 	ny as a whole. complaints ssion in p allot points	, lawsuits. arliamenu s based or
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4. Percentage of B 5. Percentage of P	 Assess the impact of media/press reports, negative publicity, regulatory warnings/penalties, parliament questions, discur, COPU, business interruptions, etc., during last one year and ranking as follows:- No notable impact / Low impact Moderate Impact: One time negative publicity, regulatory 	ny as a whole. complaints ssion in p allot points Rankin	, lawsuits. arliament s based or g Points 1
4. Percentage of B 5. Percentage of P	Moderate Impact: One time negative publicity, regulatory warnings, normal business temporarily interrupted, etc.	ny as a whole. complaints ssion in p allot points Rankin • Low Modera	, lawsuits. arliament s based or g Points 1 te 2
4. Percentage of B 5. Percentage of P	ubget for most recent fiscal year end of the audit unit vis-a-vis Budget for the correct fiscal year end of the audit unit vis-a-vis Profit or Loss for the comparison of the audit unit vis-a-vis Profit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the comparison of the audit unit vis-a-vis Brofit or Loss for the aud	ny as a whole. complaints ssion in p allot points Rankin · Low	, lawsuits. arliament s based or g Points 1 te 2
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14.01 RISK ASSESSMENT Risks for each audit unit of all auditee organizations should be assessed on parameters of Materiality, Criticality and Internal Controls as detailed below: I. MATERIALITY RISK: Measure of impact of area/function on overall organization. Assess percentage of Capital Expenditure, Revenue Expenditure, Turnover, Budget and Profit or Loss for most recent fiscal year end of the audit unit vis-a-vis Total (1) Financial Capital Expenditure, Revenue Expenditure, Turnover, Budget and Profit or Loss for Materiality: the company as a whole separately* and allot points for each of these five factors based on ranking as follows:-Ranking Points Assessment . Low 5% to 25% Moderate 25% to 50% 3 High > 50% Assess percentage of change (increase or decrease) from previous fiscal year end in respect of above five factors and allot points for each of these five factors (2) Financial Variance: separately* based on ranking as follows:-Ranking Points Assessment Low 1 5% to 25% Moderate 25% to 50% High 3 Percentage of Capital Expenditure for most recent fiscal year end of the audit unit vis-a-vis Total Capital Expenditure for the company as a whole
 Percentage of Revenue Expenditure for most recent fiscal year end of the audit unit vis-a-vis Revenue Expenditure for the company as a whole
 Percentage of Turnover for most recent fiscal year end of the audit unit vis-a-vis Turnover for the company as a whole
 Percentage of Budget for most recent fiscal year end of the audit unit vis-a-vis Turnover for the company as a whole.
 Percentage of Budget for most recent fiscal year end of the audit unit vis-a-vis Profit or Loss for the company as a whole.
 Percentage of Profit or Loss for most recent fiscal year end of the audit unit vis-a-vis Profit or Loss for the company as a whole. Assess the impact of media/press reports, negative publicity, complaints, lawsuits, regulatory warnings/penalties, parliament questions, discussion in parliament/ (3) Visibility: COPU, business interruptions, etc., during last one year and allot points based on ranking as follows:-Points Ranking Assessment · Low 1 No notable impact / Low impact Moderate Impact: One time negative publicity, regulatory 2 Moderate warnings, normal business temporarily interrupted, etc. Significant/ High Impact: Sustained negative publicity, 3 normal business impaired, regulatory penalties, lawsuits loss High of revenue, etc. Assess concerns by Management, External and Internal Auditors, Audit Committee, Administrative Ministry, COPU and allot points based on ranking as follows:-(4) Concerns: Ranking Points Assessment 1 Low No Known concerns Moderate Concern expressed or request for future review High Direct request for current cycle review Total points for Materiality Risk : Add all points allotted to each audit unit on above 12 (twelve*) factors and any other factor noted by field office to get total points for Materiality Risk of audit unit. ts/Commercial Audit Wing (Central)/Important Circulars issued by CA-IV section/Common RISK Parameters doc 6/26/2007 Page

(1) Criticality of audit unit or its operations to company as a whole: Assessment Audit unit or its operations are not critical or are ancillary in nature or can be outsourced easily Ranking Points Audit unit or its operations are not critical or are ancillary in nature or can be outsourced easily Low 1 Audit unit or its operations are critical to some extent depending on some circumstances/events Moderate 2 Audit unit or its operations are core activity/business of company and are very critical for its performance High 3 (2) Complexity: Assess Complexity in product/process/activity and allot points based on ranking as follows:- Ranking Points (2) Complexity: Assess Complexity in product/process/activity, and allot points based on ranking as follows:- Ranking Points (2) Complexity: Assess creat (Last one Year) introduction of new product/services or extensive analysis/logic/ decisions, etc. High 3 (3) New Product/Service/ System introduced or Business Launched : Assess recent (Last one Year) introduction of new product/services or entry in new geographical area or launch of new Business and allot points based on ranking as follows:- Moderate 2 (4) Recent Regulatory or Legal changes: Assess recent (Last one year) Regulatory changes or Legal changes and allot points based on ranking as follows:- Moderate 2 (2) Impact of:	unit or its operations to company as a whole : allot points based on ranking as follows:- Assessment Ranking Point Audit unit or its operations are not critical or are ancillary in nature or can be outsourced easily Low 1 Audit unit or its operations are critical to some extent depending on some circumstances/events Moderate 2 Audit unit or its operations are core activity/business of company and are very critical for its performance Moderate 2 (2) Complexity: Assess Complexity in product/process/activity and allot points based on ranking as follows:- Ranking Point Product/process/activity is easy to understand or analyze. Low 1 Moderate amount of ongoing decision /analysis required and product/process activity somewhat complex, etc Moderate 2 (3) New Product/ Service/ System introduced or Business Launched : Assess recent (Last one Year) introduction of new products/services entry in new geographical area or launch of new Business and al points based on ranking as follows:- (4) Recent Regulatory or Legal changes: Assess recent (Last one year) Regulatory changes or Legal changes and al points based on ranking as follows:- Image: Now Product (Last one year) Regulatory changes or Legal changes and al points based on ranking as follows:- 1 (4) Recent Regulatory or Legal changes: Assessment
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Busi	ness		ranking as follows:-	Ran	king	Poir	nts
Inter	rruption	s:				1	
1.1.1	6		Low risk of interruption, documented contingency		ow		
ins line			plans are in place	lace Moo	derate	2	
12 34	5-3 - ⁵⁴			H	ligh	3	3
	4 28		The rick for intertibulon, no plans are				
L	<u>k</u> 1	1	with C	ompetition a	and st	atus (of its
[(7)	Compet	tition and	Assess ability of auditee unit to cope up with c market share and allot points based on ranking as	s follows:-		Tn	
(/) Ma	rket Sha	are:	market share and anot pointe out	• Ra	inking	g Po	l
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20 62 68	$\gamma_{A}^{W}d_{A}$		Successfully beating Competitors with stable Market sha Competing successfully with stable Market share	re M	oderat		3
1.1	1		Competing successfully will state inter- Loosing competition and reducing market share		High		
1.1			Loosing competition and a second			to all	dit
	20		1 itiaality of findings/paras during prior aud	its with refe	into h	ased	on
(8)) Prior	Assess nat	Loosnig centry and ure and criticality of findings/paras during prior aud opproved for CAG's Audit Report from the audit unit	and allot po	JIIIIS L	asea	
A	udit	material ar	oproved for Crice Strates 1				Points
	esults:	ranking as	follows:-		Ran	ning	1 Under
12.0			implementation of corrective a	action	Lo	w	1
		Minor or 1	D Draft Para from unit during last three years.	tors or			
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actor	noted by		ty Risk : Add all points allotted to each audit unit to get total points for Criticality Risk of audit unit. UTROL RISK : Susceptibility of area/process. I material theft or fraud :-	/product/act	ivity	to fai	ilure c
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			Assess experience and con	nnetence of N	Managemen	t and	
Experience	and comp	etence	Assess experience and con allot points based on rankin				
Managemen	t :		Assessment		Attender O	Points	
den en en en			management internal co	ontrol	Low	1	
		4	and to area or minchion and h	100 00000	Moderate	2	
n i Diathras a					High	3	
		4	and/or noor documentation .				
	recen	nt signifi	cant reorganization, etc.		i OAD	0	
	D	ternal A	udit system and extent of cov	verage of aud	it unit, CAP		
(4) Internal	Review In	statutorv	auditors and anot per	ed on ranking	Banking	Points	
Audit	report oy	Statutery	Assessment	NOT VOOT		1	
	Strong In	ternal Au	Assessment adit system auditing the unit of	every year	Low	1	
	with no a	dverse co	omment in CARO report.	s frequently			
	Internal A	Audit sys	tem exists but addits unit if	5	Moderat	e 2	
	but no ad	verse co	mment in CARO report	ot audit the	High	3	
	Internal	Audit sys	lears or adverse comment in	CARO repor	t.		
	unit in la	St throy	· · · · ·	that	the commens	urate to	
(5) Scope of	Authority	Asse	ess whether managers/executive	s have aution	s follows:-		
(5) Scope of of managers	/executives		abilities and allot points out of	1 OII Tulling	Ranki		
Ormanager			Assessment d well Qualified managers/	executives for	r Low	. 1	
the second							
a list of	the	eir Funct			Moder	ate 2	
		+ 11 C					
	N						
	N du	to exp	ualified & capable managers		Hig		
Total points	N du N h	ot well q aving aut	ualified & capable managers hority beyond abilities	/executives	Hig	h 3	
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PA	RT-A : Inherent risk assessm	ont parameters			
	1	C the /Congra	te format may be used for	each unit)	Allot 1,2 and
	Parameters	An indication of :	lower risk/higher risk	Alsk assessment (High/ Mediu:n/L ow)	3 points for High, Medium and low risk
	5 X				respectively
1. T	he number and significance of it adjustments during the	Few or none	Numerous or significant		
nre	vious year.	Simple	Complex		
10	Complexity of accounting icies or frequent changes in				1
	ounting policies/practices.		Some deviation/non	-	
	Devictions Non-compliance of	None or	Donne min(or	
	adatory accounting standards	minor minor	impact; or	1-	
11-	un/regulations/ (jovt. directives	materiat	Significant deviation/non compliance having maj	or	
	instructions etc. during the year.		impact		
1 32.20	/ · · ·	f Extensive		nd	
4.	Experience and competence o counting personnel responsibl	e experience	uncertain competence.		
ac	r the component.	and			
		competent. in Little or n	o Considerable judgm	ent	
5			required.		
h	etermining amount of provision	required.			
a	nd liabilities etc. 6. Mix and size of items aft		all Few, large items		
	-moving "High value" or K	Cy Items			
ise of i	tems" that will be audit	ed			
5	onarately	the Little	Strong motivation.		
radiation of the	7. The degree to which financial circumstances of		•		
Mark Street	entity may motivate	its			
Call and	management to misstate	the			
11× 1	component in regard to	this	1		
1994 A. 1	assertion.	of Few or n	one Numerous or signif	icant	
de la	8. Number and significance comments dropped on assure	ince and correc	tive and no corrective a	unts	
2	during the audits of last year.				
alle -		accounts			
	ture notes				
	Any other parameters noted				
	field office * Applicable in audit entitites wh	ere CAG is the sole	auditor.		
	3				
			λ.,		
	Arun Diwan-http://cagsps/CAGDocuments/Co	and andit Wing (Centr	al)/Important Circulars issued by CA-IV secti	on/Common RISK F	arameters.doc
	Arun Diwan-http://cagsps/CAGDocuments/Co Page 6	minaciai Audit in alg (Colla	6/26/2007		
1999 (S)	· *				
					-

100	T.	Name of the Unit: (Separate format may be used for each unit,	1	
	SI. No	Parameters	Yes/ No	Allot one point for
				every negative answer
	1.1	Organization Controls		
and a star		To assess whether the audited body's structure is conducive to adequate		
		internal control		
	1	Is the accounting function segregated from the operating functions?		
New York	2	Is there adequate division of duties within the accounting function?	•	
	3	Is there a adequate and effective internal check system?		
	4	Is there internal audit department independent of the accounting and operating functions?		
		General Financial Controls		
	1	To assess the adequacy of General financial controls		
1.92	5	Are all mandatory accounting records kept and are they kept up to date?		
in ser	6	Are adequate accounting manuals exist.		
ania.	7	Are detailed accounting records regularly reconciled to control accounts?		
19	8	Are periodic financial statements prepared?		
	9	Is there adequate financial control over subordinate units?		
		Competence of personnel		
		To assess whether employees in areas critical to internal control are competent		
1.94	10	Are there job descriptions and procedure manuals?		
1.00	11	Are the responsibilities of employees in areas critical to internal controls,		,
1.57	14	commensurate with their status?		,
		Other General Controls		
		To assess whether there are adequate general controls in areas relevant to the audit		
	12	Is there rotation of duties for staff in areas critical to internal control?		
100	13	Is there control over and proper organization of system changes?		
	14	Is there effective management supervision in areas critical to interna control?	1	
	15	11 0120)	
-		Any other parameters noted by field office	-	
L		Any other parameters noted by treat office		
	Sel all fac	ection of audit units for supplementary audit and allocation of resources of audit units for supplementary audit should be made on the bases of a other of points on above 48 factors (23 factors at part A (8) and B (15) at tors under transaction audit and resources (manpower - party days) wordingly. The Formula/Criteria followed for selection of units for supportion of resources (party days) should be clearly defined.	assessr ove ir shoul	nent of risk and addition to 25 d be allocated
		<i>Y</i>		
			٠	
		Diwan-http://cagsps/CAGDocuments/Commercial Audit Wing (Central)/Important Circulars issued by CA-IV section/Common RIS 7 6/26/2007	K Paramet	ers doc
	Arur Page			

Performance Audit

Performance auditing is an independent assessment or examination of the extent to which an entity, programme or organization operates efficiently and effectively, with due regard to economy. Performance auditing has the objective of improving public sector administration and accountability by adding value through an effective programme of performance audits. One of the main objectives of performance auditing is to assist the people's representatives in exercising effective legislative control and oversight over the policy objectives and their implementation.

A good risk perception to the programme or entity's performance will facilitate determining the audit thrust areas, audit objectives and setting the most appropriate audit criteria besides assisting in selection of appropriate sampling techniques for the units to be audited and for selection of vouchers/information/data. The risk assessment parameters identified for transaction audit would by and large remain relevant for performance audit as well since performance audit involves transaction audit in a fair measure. Additional risk assessment parameters relevant to performance audit *per se* are given below:-

Sl.No.	Parameters	An indica	tion of:	Risk assessment	Allot 1,2 and 3 points for High,
		Lower risk (Yes/no)	Higher risk (Yes / no)	(High/ Medium /Low)	Medium and low risk respectively
1.	Criticality of the entities/activities				
2.	A new activity or technology introduced.				
3.	Complex law, rules and regulations				
4.	Occurrence of unusual events				
5.	Frequent changes in the scope of activity				
6.	Controversial social and political debate surrounding the issue.				
7.	Public-centric schemes/projects				
8.	Achievement of defined goals and objectives				
all Sec.	Any other parameters noted by field office*				

*Other risk factors which may be noted by field offices can be attributed to the different forms of inputs, processes, information systems, accountability relationships, outputs and outcomes on the basis of the perceived weakness in the design parameters, organizational structure, information system, transparency, criteria or means adopted for monitoring and review, etc.

Source of information that can be led to identification and understanding of these issues:-(i)Parliament questions, (ii) Legislative speeches, (iii) Entity's plans, (iv) Annual reports, (v) Budget, (vi) Policy files, (vii) Planning files, (vii) Board agenda and minutes, (viii) Organizational charts, (ix) Internal guidelines(x) Operating manuals (xi) Programme evaluation reports (xii) Internal audit reports (xiii) Management Information System (MIS) (xiv) Audit Reports of previous years (xv) Reviews and media reports (xvi) Quality Assurance Reports, etc.

Proposal for selection of topic for performance audit :

Proposal for selection of topic for performance audit should be made on the bases of assessment of risk and allotment of points on above 8 factors above in addition to relevant factors out of 25 factors under transaction audit and other any parameters noted by field office.

2.	Page 8			6/26/20	nt Circulars issued by CA- 007				
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	ansar Ansar					i in sing si gi gi si	1. -1		

Annexure D

(A) Statement of auditee units added during the year.										
S.	PSUs	Off_code	Name of Unit	Address	ADDRESS-2	Category				
No.										

(The units on the basis of the information received from the auditee PSUs)

Annexure E

	(B) Statement of auditee units deleted during the year.									
S.	S. PSUs Off. code Name of Unit Address ADDRESS2 Categor									
No.	No. y									

(The units on the basis of the information received from the auditee PSUs)

Annexure F

Total units

(Net Units available for audit after adding/deleting the units on the basis of the information received from the auditee PSU)

S.	PS	Departmen	Offic	Offic	Office_Address	Date of	Categor	Manday
No	U	t	e	e	1	last	У	S
			code	name		inspectio		
						n		

Annexure-G

Risk analysis is applied on total units mentioned in **Annexure-F** and units for audit selected considering criteria decided by the Hqrs. in this regard and man-days available for audit

					PSUs				
S.	OF_	O_NA	O_AD	O_AD	Material	Criticality	Internal	Total	Category
N	CD	MĒ	DR2	DR3	Risk	Risk	Control		of Units
0							Risk		

Annexure-2

(Referred to in Para 2.6.4) Standard Audit Intimation Letter

Office of the Accountant General (E & R S Audit) Rajasthan, Jaipur

To Shri------Designation Complete address

Dear-----

*Indicate ID Card No. of each member of the audit team after his /her name.

Broad objectives of audit are as under:

(Compliance Audit)

- (i) To confirm whether the activities of government /public sector entities are in accordance with the relevant laws, regulationsand 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 code or agreed upon terms, such as 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 or expenditure that has 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 store and stock accounts ----- where applicable;
- (vii) Banking and cash management issues(in case of autonomous bodies) and
- (viii) Audit the IT applications, etc.

(Financial Audit)

(a) Financial statements are prepared in accordance with acceptable accounting standards/rules;

- (b) Financial statements are presented with due consideration in circumstances of auditee entity;
- (c) Sufficient disclosure are presented about various elements of financial statement ;
- (d) The various elements of financial statements are properly evaluated measured and presented; and
- (e) Evaluation of internal control that assists in safeguarding assets and resources assures the accuracy and completeness of accounting records and in complying with financial laws and regulations.
- 4. Consistent with contemporary professional practice and provisions 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 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.
- 5. The request for entry and exit conference will be made formally by the Head of the Audit Team. We request you to kindly make it convenient to hold the meetings on the opening and closing days of audit respectively.
- 6. 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.
- 7. 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 information would be made available within the time indicated in the information seeking memo.
- 8. Attention is drawn to Regulation 169, which provides that the form, type and extent of data, information and documents required for audit test and nature of shall be determined by audit officer and that the data, information documents would also include those obtained by auditable entity from third party and relied upon by the auditee in its performance of functions.
- 9. We also draw your attention to Regulation 172, which enjoins that where required by audit in special circumstances the auditable entity shall conduct physical verification of stores, stocks, assets etc. in the presence of the audit officer.
- 10. We request you to please provide appropriate reasonable office accommodation and other office amenities to the audit team similar to the facilities available for the person of the organization.

- 11. We suggest thatyou may nominate a liaison officer sufficiently senior level for day to day coordination in the audit function.
- 12. To 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.
- 13. While compilation of information requested for by audit may require sometime furnishing of documents held by the auditee organization should be made within the same day since these are readily available.
- 14. It may be mentioned hear that failure to produce necessary record/documents or to respond to the clarifications sought by the audit team would tantamount to preventing a Government Officer from performing his/her duties and could therefore, invite action under section 175-186 of the Indian Penal Code.
- 15. 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.
- 16. We will acknowledge the acceptance of audit findings and conclusions and remedial measures assured/ taken by the auditee organization in our inspection report if remedial measures are taken during the course of audit itself.
- 17. We hope that your office maintains a file register/register of document held along with the cashbook 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.
- 18. Depending upon the volume of work and supply of information / documents the period of audit may be extended.
- 19. We bring to your kind notice that our team would expect only working environment assistance in their day today working and documents and information and nothing more. Should you feel it necessary to conduct senior officers you are most welcome to contact the Senior Deputy Accountant General / Deputy accountant general of audit at telephone number----- and their e-mails ------and, if necessary, even the Principal Accountant General/ Accountant General (E&RSA) at telephone number----- and on e-mail-------.
- 20. In case you have any doubt in regard to the genuineness of audit team reporting for audit in your office please feel free on request them to confirm their identity with reference to valid ID cards issued by this office to its audit inspection staff.

Looking forward to constructive engagement

Kindly acknowledge the receipt.

Yours sincerely,

CHAPTER-III

Chapter-wise database and check list of individual corporations/companies/departmental undertakings

The updated database of each individual corporations/companies/departmental undertakings of the auditee available in the concern Section .In this chapter an indicative check list of the major corporations/companies/departmental undertakings discussed in the subsequent paras. To assist the field parties in conduct of a good audit, Flow Chart of the core activities with check list thereof have been prepared. As the check list cannot be exhaustive, it cannot replace the ingenuity, innovative spirit of the members of the field parties, which is must for the function of audit. Therefore, the field parties may supplement the check list with the requirements of the Auditing Regulations, Auditing Standards, circumstantial demand of the audit and their own wisdom.

3.1 Electricity Distribution Companies

3.1.1 Introduction

In Rajasthan, there are three government companies, namely Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited, which are engaged in the distribution of power. These companies perform their functions through departments/wings. The activities performed by each department/wing and the check points to be kept in view in audit are given below:-

3.1.2. Head office

The Head Office consists of Company Secretary, General Administration, Budget, Ways and Means, Central Payment Cell, Cash, Establishment, Power Procurement, Internal Audit, Project Planning and Monitoring wings/cells.

Company Secretary Wing is concerned with recording of the proceedings of Annual General Meeting, Extra Ordinary General Meetings, Board meetings, Audit Committee Meetings, Coordination Committee meetings and other sub-committee meetings. It is also the duty of this wing to ensure the compliance of the decisions taken in the above mentioned meetings. Further, it ensures the compliance of the provisions relating to secretarial practices as enumerated in the Companies Act, 2013.

General Administration wing is concerned with the upkeep of the office premises, recruitment, transfer and postings of the staff, processing of disciplinary actions against the staff members, purchase of stationery and dead stock items and other general administrative activities.

Budget wing deals with the preparation of budget of the Company and its monitoring.

Ways and Means wing arranges financial resources other than the revenue collected from the consumers, payments of the loans and interest and obtains the subsidy/grants receivable from the government(s) and government agencies.

Central Payment Cell is concerned with the payments to all the suppliers/contractors and all other major payments. While making payments, it is responsible for the deduction of statutory levies/penalties etc. also.

Establishment wing processes the pay bills of the staff above JEN/Accountant level of the whole company, passes pay bills of all the staff posted in the Head Office, other claims of the staff members of Head Office, passes expenditure relating to the corporate office, grants loans to staff and ensures recoveries thereof.

Power Procurement wing is assigned the task of purchase of power and sale of surplus power through bilateral agreements and energy exchanges.

Internal Audit wing conducts internal audit of revenue from billing to consumers, physical verification and internal audit of stores and expenditure audit.

Project Planning and Monitoring wing prepares annual plan for implementation of various projects relating to construction of 33/11 GSS and lines in line with the policies of the Government of Rajasthan. Further, after the approval of the plan, it prepares detail schemes and monitors the execution thereof.

3.1.2.2 The activities of these wings in detail and check points attached to each activity to
be kept in view in audit are given as under:

Activity	Sub-activity	Records maintained	Record available	Check point	Quantum of work selected for audit in percentage terms (list may be enclosed)	Name and signature of the officer/offic ial who checked the item
Policy decisions	(i) Call of meeting	Correspondence file, Board agenda and minutes	Company Secretary	Whether all the statutorily requisite meetings like four meetings of the Board in a year etc. were called for properly.		
	(ii) Actual Meeting	Board agenda and minutes	Company Secretary	Whether the meetings took place accordingly with the requisite quorum.		
	(iii) Minutes of the meeting	Board agenda and minutes	Company Secretary	Whether the minutes of the meetings were prepared and circulated to all the concerned in time so that the decisions taken in the meetings could be implemented.		
	(iv) Compliance	Correspondence files and Board	Company Secretary	Whether a system existed to ensure		

	of the	agenda and		the compliance of	
	decisions	minutes		the decisions taken	
	taken in the			in the meetings.	
Other	(i) Filing of	Correspondence	Company	Whether all the	
secreta-	various	files	Secretary	requisite	
rial	Returns/For		2 concean y	Returns/Forms like	
functions	ms to the			Annual Return,	
	Company			Allotment of shares	
	Registrar			etc. were submitted	
				to the Company	
				Registrar in time so as to avoid any	
				penalty.	
	(ii) Issue of	Correspondence	Company	Whether shares	
	shares	files	Secretary	were allotted in	
			5	time against the	
				share application	
				money and share	
				certificates were	
Recruitm	(i) Sanction	Comor on don oo	General	also issued in time.	
ent	of posts	Correspondence file	Administra	(i) Whether the requirement of a	
Citt	01 posts	me	tion Wing	particular post has	
			don tring	been assessed	
				based on objective	
				criteria	
				(ii) Whether the	
				post has been	
				sanctioned by an appropriate	
				authority i.e. Board	
				or Government, as	
				the case may be.	
	(ii)	Correspondence	General	(i) Whether proper	
	Selection of	file	Administra	system exists under	
	candidates		tion Wing	which a	
				recruitment body is assigned the task of	
				selection of the	
				candidates	
				(ii) Whether	
				qualifications and	
				experience of the	
				post have been predefined.	
				(iii) Whether an	
				objective method	
				for fair selection	
				has been adopted.	
	(iii) Posting	Correspondence	General	Whether a system	
	of selected	file	Administra	was devised to	
	candidates		tion Wing	allot postings to the	
				selected candidates.	
				candidates.	

Transfer	Analysis of	Correspondence	General	Whether periodical	
of the	vacancies	file	Administra	Returns are	
staff			tion Wing	obtained from the	
				field to assess the	
				vacancies existing	
			~ 1	at different units.	
	Transfer	Correspondence	General	Whether the	
		file	Administra	transfers took place	
			tion Wing	objectively with a	
				view to bring in efficiency in the	
				administration and	
				fulfilling the vacant	
				posts so that the	
				transfer grants are	
				not wasted.	
Processin	Registering	Register of	General	Whether a system	
g of the	of the cases	pending enquiry	Administra	to register all the	
disciplina	received	cases,	tion Wing	disciplinary cases	
ry cases	from the	correspondence		existed so as to	
against	field	file		priorities the action	
the staff				on the disciplinary	
	<u>р'</u> 1	F . (<u> </u>	cases.	
	Enquiry and	Enquiry reports	General	Whether all the	
	investigation		Administra tion Wing	efforts were made to finalize the	
			tion wing	proceedings in time	
				so as to avoid in	
				fructuous	
				expenditure on the	
				idle staff.	
	Implementat	Correspondence	General	Whether the final	
	ion of the	files	Administra	outcome of the	
	outcome of		tion Wing	disciplinary action	
	the			was communicated	
	disciplinary			in time for further	
	proceedings			implementation	
				and its	
				implementation	
Upkeep	Identificatio	Correspondence	General	was ensured. Whether all the	
of the	n of services	file	Administra	services required	
office	required for		tion Wing	for the upkeep of	
premises	upkeep of			the office premises	
1	the premises			were identified in	
				time.	
	Award of	Contract files,	General	(i) Whether it was	
	contracts to	correspondence	Administra	assessed as to	
	outside	files	tion Wing	outside agencies or	
	agencies for			own staff will	
	different			perform a	
	services			particular service.	
				(ii) Whether in	
				award of a contract	
				to an outside	

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		2		agency, proper procedure regarding contract was followed.	
	Monitoring of performance of the outside agencies	Registers, correspondence files	General Administra tion Wing	Whether a system to monitor the performance of the outside as well as own staff for the upkeep of the office premises was developed.	
Purchase of stationer y and dead stock items etc.	Assessment of requirement	Correspondence files	General Administra tion Wing	Whether a system to assess the requirement of different items in time existed so as to avoid urgent purchases.	
	Purchase of items	Purchase files	General Administra tion Wing	Whether proper tendering system was followed and the items of particular specifications were purchased at the lowest rates.	
	Maintenance of stock register	Stock registers, physical verification reports	General Administra tion Wing	Whether proper record of items purchased was maintained.	
Auction of unservice able, surplus items	Physical verification	Physical Verification Reports	General Administra tion Wing	Whether timely physical verification was conducted to sort out the surplus, unserviceable items.	
	Disposal through auction etc.	Auction files	General Administra tion Wing	Whether unserviceable, surplus items were disposed off timely through auction or other measures through the procedure prescribed.	
Preparati on of budget and monitori ng thereof	Preparation of budget	Budget files	Budget wing	 (i) Whether the budget was prepared well in advance and got approved from the appropriate authority. (ii) Whether while 	

				preparing the budget all the	
				requisite plans, non-plan expenditure and	
				other facts etc. were considered in	
				detail.	
	Monitoring of the budget	Correspondence files	Budget wing	 (i) Whether a system of receipt of periodical Returns from other units comparing the budgeted expenditure and actual expenditure existed. (ii) Whether expenditure in excess of the budgeted amount was got approved from the appropriate authority. (iii) If the actual expenditure varied excessively 	
				whether reasons for the same were analyzed.	
Arrange ment of funds	(i) Assessment of requirement	Correspondence files	Ways and Means wing	Whether a proper fund flow statement is prepared to assess the shortfall in the funds to meet out the capital and revenue expenditures.	
	(ii) Exploring the alternative sources	Correspondence files	Ways and Means wing	 (i) Whether a system to explore the sources of funds like possibility of receipt of government grants, aid, government loans etc existed. (ii) Whether other alternatives i.e. financial institutions, banks etc. were explored properly. 	
	(iii) Availement	Loans files, correspondence	Ways and Means	(i) Whether cheapest available	

	of funds	files, loan	wing	funds were availed.	
		registers		(ii) Whether requisite fees,	
				charges on	
				availment of loans	
				were paid	
				accurately and in	
				time to avoid	
				penalties.	
				(iii) Whether	
				concessions/incenti	
				ves on timely	
				drawl of loans	
				were availed	
				accurately.	
Repayme	(i)	Loan files, Loan	Ways and	(i) Whether a	
nt of	Observance	registers	Means	register indicating	
loans and	of time	registers	wing	the dates when the	
interest	schedules		wing	repayments	
merest	for			became due was	
	repayment			maintained so that	
	repuyment			the repayments	
				were not delayed.	
	(ii)		Ways and	(i) Whether interest	
	Repayment		Means	was calculated	
	Repuyment		wing	accurately before	
			wing	repayment.	
				(ii) Whether	
				concessions/incenti	
				ves linked to	
				timely repayment	
				were availed.	
				(iii) Whether	
				principal amounts	
				were paid on	
				scheduled dates.	
Resched	Assessment	Correspondence	Ways and	Whether a system	
ulement/	of market	files	Means	to know latest	
pre-	interest rates		wing	interest rates trends	
mature	trends		2	existed so that the	
repayme				loans with higher	
nt of				interest could be	
loans				repaid by availing	
				a lower interest	
				rate loan.	
Finalisa-	Receipt of	Contract files	Central	Whether the	
tion of	copies or		Payment	Central Payment	
contract	purchase		Cell	Cell receives all	
agree-	orders and			the details like	
ment	contracts			Purchase Order,	
	between the			Contract between	
	supplier and			the supplier and the	
	the			Company etc., of	
	Company.			the purchase/work	
1				orders above	

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				Rs.2.50 lakh,		
				before processing		
				the bills.		
Process-	Receipt of	Contract files	Central	(i) Whether the		
ing of	copies of		Payment	Central Payment		
bills	inspection		Cell	Cell receives the		
01115			CCII			
	reports,					
	delivery			documents as		
	instructions			mentioned in		
	and verified			column no.2		
	challans			invariably so as to		
				ensure the		
				deduction of any		
				amount, if		
				necessary, from the		
				bills of the		
				suppliers.		
				(ii) Whether while		
				releasing		
				payments, all the		
				terms and		
				conditions of the		
				work/purchase		
				orders have been		
				considered and the		
				instructions of		
				Material		
				Management wing		
				regarding		
				deduction of		
				Liquidated		
				Damages etc. been		
				followed.		
Release	Completion	Contract files	Central	Whether before		
of	of contract	Contract mes	Payment	release of monies		
retained	or contract		Cell			
			Cell			
monies				Retention Money		
of				Deposit, Security		
suppliers				Deposit etc. it has		
				been ensure that		
				the contract has		
				been completed		
				satisfactorily.		
	Release of	Contract files,	Central	Whether		
	money	Cheque Register	Payment	instructions, if any,		
	money	Cheque Register	Cell	from Material		
				Management Wing		
				regarding the		
				release of the		
				retained monies to		
				the		
				supplier/contractor.		
	L	1		supplier, continuetor.		

Preparati Preparation Correspondence	Establishm Whether	it has		
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on of pay bills of the staff above JEN and Accounta nt level of the whole company	of scroll of the staff posted at different units	file	ent wing	been ensured that the salary of the staff on deputation is not prepared by the wing.	
	Preparation of bills	Pay bill register	Establishm ent wing	Whether the bills have been prepared accurately by considering the extraordinary leaves, suspension allowance, dies non period etc. and the basic pay has been calculated accurately.	
Passing of pay bills of the staff below AEN and AAO level posted in the staff and other claims of the staff		Bill Register	Establishm ent wing	Whether all the rules and regulations, administrative orders have been applied properly before passing the bills.	
Purchase of power	(i) Assessment/ forecast of requirement of power	Correspondence file	Power Procureme nt wing	Whether the assessment of power is based on proper facts i.e. drawal of power on the corresponding day in the previous year, drawal on the previous day, weather forecast etc.	
	(ii) Ascertainme nt of availability of power from bilateral agreements with the power plants	Power purchase agreement files	Power Procureme nt wing	 (i) Whether a system to identify the sources of power existed. (ii) Whether the agreed rates were competitive. (iii) Whether the bills were passed as per the 	

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	in the sate and share from the central power plants			agreements.	
	(iii) Identificatio n of gap between the requirement assessed and availability from bilateral agreements	Correspondence file	Power Procureme nt wing	Whether identification was done in time so that the power had not to be purchased on urgent basis.	
	(iv) Purchase of power from Energy Exchange	Correspondence file	Power Procureme nt wing	 (i) Whether the power purchased from Energy Exchange was in accordance with the gap identified and the rates offered were most competitive. (ii) If the rates offered were on very higher side, whether the purchase of power was necessary. (iii) Whether the power purchased was consumed or it had to be sold due to non-requirement. 	
	 (v) Purchase of power through Unschedule d Interchange system 		Power Procureme nt wing	Whether justified reasons were available for the payment of unscheduled interchange charges.	
Conduct of internal audit	Scope of internal audit	Circular/office order file	Internal Audit Wing	Whether all the important activities of the Company were covered in the internal audit. If not so, reasons for the same may be examined.	
	Deployment of staff	Office order/correspond ence file	Internal Audit Wing	Whether criteria for the sanctioned strength and selection of staff	

	Other infrastructur e allowed for internal	Correspondence file	Internal Audit Wing	was fixed and followed. Whether the requisite time and other equipments were made	
	audit Perusal of the internal audit reports	Internal audit reports files	Internal Audit Wing	available to the audit teams. Whether the reports are considered at the top management level.	
	Follow up of the reports	Internal audit reports files	Internal Audit Wing	Whether action is taken timely on the reports.	
Preparati on of Annual/F ive Year Plan for the expansio n/improv ement of electricit y network	Receipt of data from the field/govern ment regarding expansion/i mprovement of the system	Correspondence file	Planning and Monitoring wing	Whether the plan is based on the requirement assessed in the field offices or communicated by the Governments.	
	Preparation of the plan	Plan files	Planning and Monitoring wing	Whether all the key elements of a good Plan i.e. Project Definition & Scope, Project Objectives, Cost / Benefit Analysis, Staffing Requirements, Time Line, Risk Analysis and Critical Success Criteria present in the scheme.	
	Obtaining of necessary approvals	Correspondence files	Planning and Monitoring wing	Whether necessary approvals of the plan been obtained from an appropriate authority.	
Monitor- ing of the plan	Receipt of periodical Returns	MIS	Planning and Monitoring wing	Whether a system to obtain periodical Returns regarding the execution of the plan existed.	
	Analysis of the Returns	Correspondence files	Planning and	Whether the Returns were	

	Monitoring wing	analyzed and any corrective action, if	
		necessary, was suggested.	

3.1.3 Operation and Maintenance

The core activity of the Power Discoms is to distribute electricity to the public. This activity is performed by Operation and Maintenance circles. These circles are formed based on a particular geographical area, generally covering a district. The works relating to release of connection, billing to the consumers, collection of revenue, erection of electricity network below 66 Kilo voltage level and maintenance thereof etc are performed by these circles.

The activities of these circles in detail and check points attached to each activity to be kept in view in audit are given as under:

Processes involved in the activity	Sub-processes involved	Record maintained	Check points for the audit staff	Name and signature of the officer/officia l who checked the item
Revenue				
Release of permanent and temporary connection	(i) Submission of application by the applicant	Consumer file, Circulars/orders issued by concerned wings of the Company, 'Terms and Conditions of Supply of Electricity' (TCOS)	 (i) Whether the application complete in all respects i.e. documents relating to title of the building, tenancy, 'L' Form, duly printed Application Form along with the stamp paper of the prescribed amount. (ii) Whether the prescribed application fee as per 'TCOS' was received. 	
	(ii) Issue of demand notice to the applicant	Priority Register, Demand Notice Book, Consumer file, TCOS, Circulars/orders issued by the Company	 (i) Whether proper survey was conducted. (ii) Whether the requisite estimate based on technical parameters and including the latest applicable rates was prepared. (iii) Whether Priority 	

	(iii) Delege of	Consumer file	was maintained in the issue of demand notice. (iv) Whether the demand notice was dispatched within a reasonable period and in an authentic manner.	
	(iii) Release of connection	Consumer file, Priority Register, Cash Book, Cash Receipt Book, Service Connection Order Book, Meter Change Order Book, 'Tariff for Supply of Electricity'	 (i) Whether the amount of demand notice was deposited by the applicant. (ii) Whether the work as desired in the estimate was executed with reasonable promptness. (iii) Whether the priority in the release of connection was maintained. 	
	(iv) Allotment of consumer number, account number and feeder code	Master Format-1 Book, Service Connection Register, Revenue Manual	Whether accurate entries regarding the applicable tariff, category of the consumer etc. were made in the Service Connection Register and Master Format-1 Book.	
Billing to permanent consumers in the case where there is no spot billing	(i) Taking meter reading in the binder	Consumer Binder, Meter Reading Plan	 (i) Whether the meter readings were taken as per the cycle prescribed/billing programme. (ii) Whether from the trend of consumption and complaints regarding the incorrect meter readings, the meter readings reflect that the meter reader took actual readings. (iii) Whether the Beats of the meter readings were 	

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			changed at	
			reasonable intervals.	
			(iv) Whether prompt	
			action on the	
			remarks in the meter	
			binders/on the	
			reports of the meter	
			readers was taken.	
			(v) In case the	
			reading is not	
			available due to	
			meter being burnt,	
			stopped etc., whether	
			the consumption on	
			the basis of 'TCOS'	
			was calculated.	
	(ii) Compilation	Meter Binder,	(i) Whether accurate	
	of meter reading	Meter Reading	meter readings were	
	and other relevant	Sheet and Input	inserted in the	
	data in the meter	Advices,	Reading Sheet and	
	reading sheet and	,	Input Advices.	
	other input		L	
	advices			
	(iii) Sending the	Meter Reading	Whether the	
	meter reading	Sheet, Input	requisite record for	
	sheets to the	Advices and	preparing bills was	
	computer agency	Cash Stubs	sent to the Computer	
	r		Agency promptly.	
	(iv) Receipt of	Bills, Output	Whether the bills	
	bills and output	Advices, Meter	were received within	
	advices from the	Reading Sheet,	prescribed/agreed	
	computer agency	Input Advices	time limit from the	
	r	and Cash Stubs	Computer Agency.	
	(v) Checking of			
		•	and output advices	
	advices w.r.t.	Reading Sheet,	were checked as per	
	input advices	Input Advices	the prescribed	
		and Cash Stubs	norms.	
			(ii) Whether the bills	
			were prepared	
			accurately by the	
			Computer Agency.	
	(vi) Distribution	Circular/Orders,	Whether timely	
	of bills	Correspondence	distribution of bills	
		files	was ensured by the	
			Company.	
Billing to	(i) Decision to	Board agenda	(i) Whether before	
permanent	introduce the	and minutes,	taking the decision	
consumers	system of spot	Correspondence	for spot billing	
where spot	billing	file	through a contractor,	
where spot	Unning	1110	unough a contractor,	

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billing exists			the alternative use of	
			the personnel	
			engaged in this	
			activity was	
			-	
			envisaged.	
			(ii) Whether cost-	
			benefit analysis	
			between spot billing	
			and traditional	
			system billing was	
			done.	
			(iii) Whether any	
			case study where	
			such system exists	
			was done.	
	(ii) Appointment	Tender files,	(i) Whether scope of	
	of contractor for	Contract files	work was	
	spot billing		categorically	
	spot onning			
			described before	
			inviting tenders.	
			(ii) Whether	
			availability of	
			necessary	
			infrastructure with	
			the tenderer was	
			ensured.	
			(iii) Whether	
			necessary experience	
			of the tenderer was	
			ascertained.	
			(iv) Whether	
			requisite security	
			deposit/earnest	
			money was obtained	
			from the tenderers.	
			(v) Whether the	
			contract was	
			awarded at the most	
			reasonable prices.	
	(iii) Ducaridin -	Dilling		
	(iii) Providing	Billing	Whether Billing	
	Billing	Programme,	Programme and	
	Programme,	Correspondence	other requisite data	
	details of the	file, Meter	about the consumers	
	consumers to the	Binders	were provided to the	
	spot billing		contractor in time	
	contractor		and the accuracy of	
	contractor			
			the data was	
			ensured.	
	(iv) Verification	Correspondence	(i) Whether a system	
	of the data of spot	file, Testing	to ensure that billing	
L	· · · · · · · · · · · · · · · · · · ·	,		

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	billing done by the contractor	Reports of the machines used for spot billing, Consumer file	to all the consumers in a particular billing cycle was done at the spot exists. (ii) Whether the machines of the contractor were tested randomly to ensure correctness of the data. (iii) Whether the system of cross checking of meter readings taken by the spot billing contractor exists. (iv) Whether adequate penal provisions in the contract exists for lapses on the part of the contractor.	
	(v) Storage of soft copy of the data of spot billing machines	Correspondence file, Contract file, Devices for the storage of data	 (i) Whether a provision in the contract for providing the soft copy of the data of consumers in the compatible form exists. (ii) Accordingly, whether timely receipt of the soft copy of the data is ensured. (iii) Whether the back-up/security of the data so stored exists. (iv) Whether the staff is equipped to use the data provided by the spot billing contractor. 	
Billing to temporary consumers and collection of billing amount	(i) Taking of meter reading	Temporary Consumer Binder	Whethertheconsumptionrecordedisinaccordancewiththepurposeofconnectionandconnectedload.	

	(ii) Issue of bill	Temporary Consumer Binder/Ledger, Application of the consumer for the issue of bill, , 'Tariff for Supply of Electricity' (Tariff)	Whether the bill was issued promptly and after applying correct tariff.	
	(iii) Collection of revenue of the bill	Cash Receipt Book	Whether the amount of the bill was deposited by the consumer timely.	
	(iv) Adjustment/refun d of security deposit	Temporary Consumer Binder/Ledger,	Whether the disconnection was made promptly after the application of the consumer and adjustment/refund of security deposited was made.	
Miscellaneou s Charges	(i) Identification of cases where Miscellaneous Charges are recoverable	Meter Binder, Testing Reports, Consumer file, TCOS, Order/Circular files, Internal/AG audit files	Whether correct Miscellaneous Charges in all the requisite cases were identified.	
	(ii) Billing/Recovery of Miscellaneous Charges	Input advices, Output advices, CC&AR, consumer ledgers, Cash Book	WhethertheidentifiedMiscellaneousChargesweredebitedtototheconsumersandrecovery thereof wasensured.	
Testing of metering equipments	(i) Fixation of norms for testing	Board agenda and minutes, correspondence file	Whether adequate targets of checking and responsibility therefore have been fixed.	
	(ii) Availability of requisite equipments	Stores Register, Fixed Assets Register	Whether all the necessary equipments in adequate number were purchased to conduct the testing.	

Collection of billing revenue and its deposit in the Bank Account	 (iii) Actual Testing (iv) Pursuance of testing reports (i) Determination of billing revenue collection method 	Joint Inspection Reports, Meter Testing Reports Correspondence file, consumer files Board agenda/minutes, correspondence file	Whether the testing targets were achieved. Whether proper action on the testing reports was taken. Whether proper cost benefit analysis was conducted before taking such decision.	
	(ii) If collected through an outside agency, the appointment of the agency	Tender file, Correspondence file	Whetheranexperiencedagencyatthelowestpossiblerateswasappointedand termsandconditions of thecontractwerespecifiedcategorically.	
	(iii) Collection of the money deposited in- house/through outside agencies and its deposit in the Bank Account	Cash Book, Cash Receipt Book, Bank Statements, Cash Stubs	 (i) Whether the amounts deposited by the consumers with the outside agencies form the part of Cash Stubs prepared by the outside agencies accurately. (ii) Whether the outside agencies deposited the collected amount in the Bank Account of the Company timely. (iii) Whether the amount collected at the collection centres of the Company were deposited in the Bank Account timely. (iv) Whether a system exists to verify the collection made by the outside agencies. (v) Whether the cheques received 	

			from the consumers by the collection centres/outside agencies are deposited in the Bank timely. (v) Whether Cash Book is maintained on daily basis and checked by the authorized person timely.	
	(iv) Transfer of the money in the Central Collection Account	Cash Book	Whether the money collected at different centres is transferred to the Central Collection Account timely.	
Recovery of outstanding dues	(i) Retrieval of the information regarding outstanding dues from computer agency	Output advices, Consumer Ledgers	Whether accurate output advices in the desired format were received from the computer agency in time.	
	(ii) Retrieval of the disconnection notices from the computer agency	notices	Whether disconnection notices of all the consumers against whom the outstanding dues above a prescribed limit stand were received.	
	(iii) Disconnection in the case the outstanding dues are not deposited by the consumer	Disconnection Order Register, Disconnection orders, Cash Receipt Book, Cash Book, Consumer Ledgers	 (i) Whether the disconnection notices were sent to sub-offices (JEN Office) within a reasonable period by sub-division office (AEN office). (ii) Whether adequate efforts were made by the sub-offices in time to recover the outstanding dues or the action to disconnect the supply was taken. 	

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			(iii) Whether internal	
			control system exists	
			to identify the cases	
			where neither the	
			money was	
			deposited nor was	
			the disconnection of	
			electric supply	
			made.	
	(iv) Action under	Permanent	(i) Whether timely	
	Electricity	Disconnected	action against the	
	Undertaking Debt		PDC defaulters was	
	Recovery Act,		taken under EUDR	
	· ·	· · · ·	and Land Revenue	
		,		
	Revenue Act,	1962, Land	Acts.	
	1956	Revenue Act,	(ii) Whether timely	
		1956, Consumer	pursuance for the	
		files	recovery of the dues	
			was made.	
Disputes in	(i) Setting up of	Board agenda	Whether a well	
billing and	system to address	and minutes,	designed mechanism	
settlement		correspondence	to address the	
	the disputes of the			
thereof	consumers	file/circular file	grievances/disputes	
			in billing exists.	
	(ii) Redress of the	Consumer file	Whether wherever	
	disputes,		possible, the	
	wherever possible		disputes were settled	
			at the initial level	
			itself.	
	(iii) Application	Consumer file,	(i) In case the	
	of the consumer		disputes could not be	
	for settlement of	1	settled at the initial	
		· · · ·		
	the dispute in a	-	,	
	settlement	Binder	proper	
	committee		guidance/informatio	
			n regarding the	
			existence of	
			settlement	
			committees was	
			given to the	
			consumers.	
			(ii) Whether the	
			application of the	
			consumers with	
			requisite fee and	
			prescribed minimum	
			billing amount was	
			accepted without any	
			reservations.	
	(iv) Holding of	Consumer file,	Whether the	
		CONSUMER HIG.		

	 the meeting of the settlement committee (v) Redress of the grievance of the consumers 	correspondence file Minutes of the meeting of the settlement committees, Consumer file, Correspondence	the facts of the case, unbiased decision was taken by the	
	(vi) Effecting the settlement in the requisite records	file Consumer Charges and Allowances Register, Input Advice, Output Advice and Consumer Ledger	(i) Whether minutes of the meeting were issued timely and necessary	
Vigilance Checking	(i) Fixation of targets for vigilance checking	Board agenda and minutes, Circulars/orders files	Whether realistic targets were fixed both in terms of physical checking and revenue collection.	
	(ii) Availability of infrastructure for vigilance checking	Organization structure, Fixed Assets Register	(i) Whether according to targets, the assessment of man-power and other resources like	

		1	· · · · · · · · · · · · · · · · · · ·
		vehicles, instruments etc were made. (ii) Whether adequate arrangements for the security of vigilance squad were made.	
(iii) Achievement of physical targets	Correspondence files	 (i) Whether appropriate checking plans were made. (ii) Whether according to plans physical checking as well revenue collection targets were achieved. 	
(iv) Assessment	Vigilance Checking Reports, Vigilance Checking Register, Circulars/Orders , TCOS, 'V.C.R. Monitoring and Prosecution', Consumer files	 (i) Whether timely assessment of revenue to be recovered from the defaulters as per the Company Rules/provisions was made and communicated to the consumer. (ii) Whether other penalty measures like disconnection etc. were taken timely, if necessary. 	
(v) Recovery of assessment	CC&AR, Cash Receipt Book Cash Book	 (i) Whether the assessed amount was debited to the consumer in the relevant record timely. (ii)Whether appropriate efforts were made to recover the assessed amount timely. 	
(vi) Lodging of FIR (vii) Pursuance of	Consumer files, Correspondence files Consumer files,	Wherever the assessed amount was not deposited by the consumer, whether timely action to lodge the FIR was taken. Whether the FIRs	

	FIR	Correspondence files	were pursued vigorously and promptly to reach a final conclusion.	
Expenditure				
Construction	Assessment of the	Correspondence	(i) Whether a system	
of 33/11 Grid	demand for the	files, Voltage	to identify the load	
Sub Station	construction of		centers exists.	
(GSS)	GSS	Reports	(ii) Whether a	
		1	system of continuous	
			monitoring of	
			Distribution Losses	
			w.r.t. load centers	
			exists i.e. high	
			voltage regulation	
			segments were	
			identified and linked	
			with the high	
			distribution losses.	
	Proposal for	Correspondence	(i) Whether all the	
	construction of	file	technical	
	GSS		requirements i.e.	
			study of Voltage	
			Regulation, Load	
			Centers, Distribution	
			Losses etc. has been	
			conducted properly	
			before preparing the	
			proposal.	
			(ii) Whether	
			financial feasibility	
			i.e. saving of energy	
			as compared to the	
			financial cost of the	
			GSS and 33 KV	
			lines etc. was	
			ascertained before	
			finalizing the	
			proposal.	
			(iii) Whether the	
			proposal was	
			prepared at right	
			time and sent to the	
			office of the Chief	
			Engineer (Plan)	
			within a reasonable	
			period.	
			(iv) Whether the	
			Administrative	
			approval was	

1		1	
Identification of the land for the construction of GSS	Survey Reports, Correspondence file	accorded by the Chief Engineer (Plan) promptly and within a reasonable period. (v) Whether Technical and Financial approvals were accorded by the Chief Engineer (O&M) or Chairman and Managing Director (CMD) after thoroughly vetting and within a reasonable period. (vi) Whether financial resources were arranged within a reasonable period to execute the work. Whether construction of GSS nearest to the load centers was	
Finalisation of Design and Drawings	Correspondence file	proposed. Whether Design and Drawings have been prepared keeping in view the available land and other constraints, if any.	
Drawing of 33 KV line, construction of 33/11 KV GSS, drawing of 11 KV lines, installation of 11 KV/.400 KV transformers and laying of LT lines	file, Tender files, Circular/Order files, Indian Electricity Act,	 (i) Whether the network of the Transmission Company has been tapped at the most suitable place. (ii) Whether the labour rate contract was awarded for drawing of the lines and construction of GSS to the most competent firm at the reasonable rates. (iii) Whether the requirement of the material was sent to the concerned 	

	Assistant Controller of Stores (ACOS) well within time to avoid delay in the execution of the work.(iv) Whether civil work was coordinated well.(v) Whether proper measurements of the work were recorded in the measurement books in time.(vi) Whether proper record of material received and lying unused at site was maintained.(vii) Whether the work was completed within the prescribed time.(viii) Whether the work was completed within the prescribed time.(viii) Whether the reports were prepared.(ix) Whether the reasons for delay, if any, were investigated and	
	reasons for delay, if	
Operation and Maintenance of GSS and lines	act files, Ledger Ledger (i) Whether periodical maintenances have been scheduled and adhered to. (ii) Whether reasons for for forced maintenance been investigated and corrective action taken. (iii) Whether proper estimates of maintenance have been prepared.	

(iv) Whether proper record of material used in maintenance	
has been maintained.	

3.1.4 Material Management Wing

The purchase of material required for the erection of distribution network, maintenance thereof, release of service connections etc. is centralized, which is performed by Material Management Wing. The activities of Material Management Wing in detail and check points attached to each activity to be kept in view in audit are given as under:

Process involved in the activity	Sub-process involved	Record maintained	Check points for audit
Assessment of requirement	(i) Receipt of demand from field offices	Correspondence file	Whether the demand from all the concerned field offices were received within reasonable period.
	(ii) Consolidation of the demand and assessment of the demand by the Quantity Approval Committee	Minutes of the meetings of the committee, stock position compiled through MIS	Whether while assessing the demand, the committee considered the stock position available with the wing and the position of pending supplies against the existing orders.
Placement of purchase orders	(i) Finalisation of specifications and floating of tenders	Bidder-wise tender files, Specification files, Comparative statement file, Tender Analysis Note file, Minutes of the meetings of various committees, Firm-wise purchase orders files, Purchase Manual	 (i) Whether the specifications were designed according to the specific requirements. (ii) Reasons for deviation from the existing specifications may be examined. (iii) Whether tenders have been invited in time considering the lead time for the finalization thereof. (iv) Whether the notice inviting tenders has been published in the requisite news papers.

(ii) Opening of technical bids	do	 (v) Whether short terms tenders have been invited without full justification. (i) Whether requisite Earnest Money Deposit in the form prescribed have been received from the bidders whose technical bids were opened. (ii) Whether a system to identify the black listed suppliers exists.
(iii) Analysis of technical bids by the Techno-commercial Bid Evaluation Committee	do	Whether appropriate and consistent parameters have been prescribed and followed to qualify the bidders for opening of the price bids.
 (iv) Approval of recommendation of Techno-commercial Bid Evaluation Committee by the Corporate Level Purchase Committee 	do	Whetheranyrecommendationsofthe Techno-commercialBidEvaluationCommitteewerenotacceptedwithoutacceptedwithoutyustifiablegroundsbytheCorporateLevelPurchaseCommittee.
(v) Opening of price bids of qualified bidders	do	Whether the supplementary details called for by the Committees after opening of the technical bids were furnished by the tenderers before the opening of price bids.
(vi) Preparation and submission of Analysis Notes on price bids	do	 (i) Whether the comparative statement has been prepared accurately. (ii) Whether assumptions, if any, made were based on proper facts. (iii) Whether the prices were compared with the

		· · · · · · · · · · · · · · · · · · ·
(vii) Final decision by the competent Purchase Committee to place the orders	do	updated prices of the running purchase orders of the Company and other Discoms. (iv) Whether the reasonability of the prices have been assessed independently of prices quoted by the tenderers also. (i) Whether all the sincere efforts were made to bring the prices at a reasonable level. (ii) Whether
		level. (ii) Whether negotiations were entered into with the lowest bidder only, wherever required. (iii) If the lowest bidder did not agree to the reasonable price ascertained by the Company, whether counter offers were given to second lowest or other bidders also. (iv) If the orders were awarded at a rate higher than that of lowest bidder, whether detailed justification was on record. (v) Whether the distribution of quantity among the eligible bidders was on L-1 rate and in the proportion specified in the Manual. (vi) Whether trial orders were given only to the eligible bidders for the quantity
		specified in the Purchase Manual. (vii) Whether the tendering process was finalized within the validity period of the

			tender.
	(viii) Issue of Letter of Intent and placement of detailed Purchase Orders		Whether the Letter of Intent and detailed purchase orders were issued with promptness and inclusive of all the terms and conditions.
Execution of purchase orders	(i) Execution of agreement	Purchase order files, General Conditions of Supply, Indian Electrical Equipments Manufacturers Association (IEEMA) circulars, Cable and Conductors Manufacturers Association of India (CACMAI) circulars	Whether the agreement was executed in time with proper terms and conditions.
	 (ii) Obtaining Bank Guarantees i.e. Security Bank Guarantee and Performance Bank Guarantee 	· · · · · · · · · · · · · · · · · · ·	WhetherBankGuaranteeswereobtainedandgenuinenessthereofwas confirmed.
	(iii) Grant of advance payments, if any	do	Whether specified security was obtained before releasing the advance.
	(iv) Approval of drawings and designs, if not approved earlier	do	Whether timely approval of drawings and designs was accorded.
	(v) Pre-dispatch inspection and dispatch instructions		 (i) Whether instruments used for pre-inspections were calibrated within 12 months before the inspection. (ii) Whether the requisite tests were carried out and the reports were in order. (iii) Whether dispatch instructions were issued for the destinations where the material was required most.
	(vi) Post receipt inspection of the material	do	Whether post receipt inspection of the material was carried out invariably and the

			results thereof matched with the pre-dispatch
	(vii) Finalisation of price variation	do	 inspections. (i) Whether the price variation was allowed as per the terms and conditions of the purchase order, considering the lowest of the prices prevailing on the date of inspection, scheduled date and actual date of supply. (ii) Whether any change in the formula for the calculation of price variation made by IEEMA has been taken into account.
	(viii) Finalisation of penalty and recovery statement	do	 (i) Whether the receipt and recovery statement was obtained from all the consignees. (ii) Whether the penalty, if any, was worked out correctly as per the terms of the purchase order. (iii) Whether other recoveries pointed out by the consignees for shortages, defects etc. were made. (iv) Whether Security Bank Guarantee and Performance Bank Guarantees were released only after the time specified.
Review of settlement cases		Minutes of the meetings of various settlement committees	Whether the relief given by the Committees was based on justifiable grounds.
After sale service by the suppliers		Purchase order files	Whether the items failed during guarantee period were attended with due diligence and promptness. In case, not so, whether action

	was taken	against	the
	defaulters.		

3.1.5 Stores

The work relating to storage and issuance of the material is performed by the Stores Wing. The quantity ordered by the Material Management Wing is received in the stores under the control of Assistant Controller of Stores. The work relating to the inspection of the material as per the specifications, custody and issuance thereof is performed by the Stores Wing. The activities of Stores Wing in detail and check points attached to each activity to be kept in view in audit are given as under:

Processes involved in the activity	Sub-processes involved	Record maintained	Check points for the audit staff
Store keeping	(i) Receipt of material	Challans from suppliers, Challans of other issuing stores, Stores Inward Register, Stores Manual, Stores Receipt cum Inspection Note (SRN), Credit Notes, Management Information System	Whether the received material matches the quantity of the material as mentioned in the Dispatch Instructions of the Material Management Wing.
	(ii) Inspection of material	SRN	Whether the material received is as per the specifications mentioned in the Purchase order/Dispatch Instructions issued by the MM Wing.
	(iii) Acceptance of material	SRN	Whether the material was accepted after confirming the quantity and specifications properly.
	(iv) Maintenance of accounts of the received material	SRN, Stores Ledgers, Bin Cards, Reconciliation Statement with value account to quantity account	Whether proper record of the material is maintained and reconciled with interrelated records.
	(v) Safe custody of material	Physical Verification Reports, Physical observation	Whether the quantity as per the ledgers matches with the physically verified quantities and

			there are proper arrangements for the safe custody of the material.
Issue of material	(i) Receipt of indent from field offices	Indents	Whether the indents are duly authenticated and recorded properly.
	(ii) Issue of material	Stores Issue Note (SIN)	(i) Whether the issue of material is as per the indents received from the field offices.(ii) Whether a proper pricing system exists for the issue of material.
	(iii) Transportation of issued material	Log book of own vehicles, transportation contracts in case of hired vehicles	Whether the material issued as per SIN matches with the challans issued.
	(iv) Acceptance of the material by the field offices	Receipted Challans,	Whetherproperacknowledgementof thematerial receivedby theconsigneeshasbeenobtained.
Receipt of defective material within guarantee period	(i) Receipt of material	SRN	Whether the defective material is received with proper details regarding the defects, suppliers etc
	(ii) Intimation to the supplier	Correspondence file	Whether timely intimation has been sent to the suppliers for attending the defects.
	(iii) Obtaining Bank Guarantee before release of the defective material to the supplier	Correspondence file	Whether Bank Guarantee has been obtained before the release of defective material to the suppliers.
	(iv) Release of material	SIN	Whether the material was released to the supplier immediately after the receipt of Bank Guarantee.
	(v) Pursuance of the retrieval of the repaired material	Correspondence file	Whether there exists any system to monitor the retrieval of the repaired material from the suppliers.
	(vi) Intimation to the MaterialManagement Wing on the failure of the	Correspondence file	Whether timely intimationtotheManagementWingregarding the lapses on the

	supplier to lift/repair the defective material within a reasonable period		part of the suppliers was given.
Receiptofdefectivematerialbeyondguaranteeperiod	(i) Receipt of material	Receipt Register, Correspondence file	Whether the receipt of all the material issued from field offices was ensured.
	(ii) Taking decision regarding repairability of the material	Correspondence file	Whether a proper system to decide upon the repairability of the material exists.
	(iii) If repairable, issue of the material to the rate contractor after taking necessary bank guarantee, in the case of transformers only, or to the own work shop for repair	Correspondence file, Stores Issue Note, Contract file	 (i) Whether the Bank Guarantee was obtained before release of the defective transformers to the suppliers. (ii) If the material was to be sent to own work shop, whether the material was released in time.
	(iv) Pursuance of the retrieval of the repaired material	Correspondence file	Whether there exists any system to monitor the retrieval of the repaired material from the suppliers/work shop.
	(v) Intimation to the Material Management Wing on the failure of the rate contractor to repair the defective material within a reasonable period	Correspondence file	Whether timely intimation to the Material Management Wing regarding the lapses on the part of the suppliers was given.
Disposal of scrap	(i) Identification of scrap items	Stores ledgers, physical verification reports, correspondence files	Whether a proper system to identify the scrap material exists.
	(ii) Auction of the scrap material	Auction files	Whether auction of scrap material within a reasonable period in a transparent manner was conducted.

3.1.6. Civil Wing

The work of civil works for the construction of 33/11 KV Grid Sub Stations (GSS), other office building, residential quarters etc. is assigned to the Civil Wing. The activities of

Civil Wing in detail and check points attached to each activity to be kept in view in audit are given as under:

Processes involved in the activity	Sub-processes involved	Record maintained	Check points for audit
Evaluation of the demand received for civil works	(i) Receipt of the demand from field offices	Correspondence file	Whether the demand is received well in time so that the civil wing has sufficient time to complete the tendering process, if required.
	(ii) Evaluation of the demand	Correspondence file	Whether the demand sent by the field was evaluated on technical parameters.
Tendering process	(i) Analysis regarding the execution of the work through own sources or through contractors	Correspondence file	Whether a proper analysis regarding the execution of work through own sources or through contractor was made.
	(ii) If the work was decided to be executed through contractor, empanelment of the contractors	Correspondence file	Whether a panel of the contractors of different categories according to experience and work execution capacity was developed.
	(iii) Floating of tender/limited tender	Tender file, Correspondence file	 (i) Whether a conscious decision for floating open tenders or limited tenders was taken. (ii) Whether specifications of the work to be executed were prepared properly. (iii) Whether tendering process was followed religiously i.e. notice inviting tenders was published in the requisite news papers, proper time to submit the tenders was allowed, competence of the prospective contractors was examined etc.
	(iv) Award or work order	Tender file, correspondence file	(i) Whether the comparative statement was prepared properly and the work was

			awarded at the lowest rates. (ii) Whether Basic Schedule of Rates published by Public Works Department was taken into consideration while finalizing the tenders.
Monitoring of the work and payment to the contractors	(i) Monitoring and measurement of the work	Correspondence file, Measurement Books	 (i) Whether proper monitoring system i.e. checking of the work of the contractors, sampling and testing of the material used etc. existed. (ii) Whether the measurements of the work were recorded at appropriate levels of the work correctly in the Measurement Books.
	Payment to the contractor	Payment files, Measurement Books, Correspondence files	Whether the payment is in accordance with the Measurement Books, Acts, Rules and Regulations for deduction of taxes etc.
Completion of the work	Certification of work completion	Correspondence files	Whether Work Completion Reports of each and every work is prepared in time and sent to the appropriate authorities for use of the property prepared and proper accounting.

3.1.7. Rural Electrification and Turnkey Works

The work relating to electrification in the rural areas is assigned to the Superintending Engineer (Rural Electrification and Turnkey Works). This office prepares schemes for rural electrification, monitors the pace of the progress of the schemes executed by Operation and Management Wing and communicates with the government agencies for obtaining subsidy available under the schemes. The activities of Rural Electrification and Turnkey Works wing in detail and check points attached to each activity to be kept in view in audit are given as under:

Process involved in the activity	Sub-process involved	Record maintained	Check points for audit
Preparation of	(i) Assessment of	MIS,	(i) What the basis of

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schemes of	requirement of electrification	correspondence files	assessment of requirement
electrification/system	electrification	mes	is i.e. whether public has
improvement			represented, the Company
			has any data collection
			system or any other basis.
			(ii) Whether the
			electrification is in
			coordination with other
			agencies for electrification
			like Rajasthan Renewable
			Energy Corporation which
			installs small power plants
			based on Renewable Energy
			Sources.
			(iii) Whether a data
			collection method to
			identify the areas for system
			improvement exists to
			ensure the optimum
			utilization of the financial
			resources.
	(ii) Preparation of	Scheme files	(i) Whether the scheme has
	scheme		been prepared in priority for
			the area where there is
			maximum demand of
			electrification or maximum
			requirement of system
			improvement
			(ii) Whether all the requisite
			equipments with correct
			quantity have been included
			in the scheme.
			(iii) Whether the requisite
			clearances from other
			government departments
			etc. have been considered in
			the scheme
			(iv) Whether the manner in
			which the scheme is to be
			executed i.e. through labour
			rate contract or from own
			man-power has been considered.
			(v) Whether cost-benefit
			analysis of the scheme has
			been made.
			(vi) Whether the scheme is
			approved by the appropriate
			authority and sent to Rural
			Electrification Corporation
			(REC) for approval within a

			reasonable period.
Approval of the Scheme by REC and its forwarding to the executing agency	(i) Approval of the Scheme by REC	Correspondence file	Whether the approval from REC was pursued vigorously and intermediate observations of REC were attended to promptly.
	(ii) Forwarding of the Scheme to the executing agency	Correspondence file	Whether the scheme has been forwarded to the concerned departments i.e. Finance Department, O&M circles, Central Payment Cell etc. promptly.
Monitoring of the progress of the execution of the schemes	(i) Development of the MIS for collection of the information regarding the execution of the schemes	MIS	Whether proper MIS was developed to ensure timely collection of the requisite information
	(ii) Ensuring the timely collection of the requisite information	Receipt Register, MIS, Correspondence files	Whether the requisite information was received in time so as to avoid delays in the preference of the claims for subsidy/release of the next instalments of loans from REC
Claims for grants/loans to REC	(i) Processing of the information received	Correspondence file	Whether the details of the work executed was linked with the rates properly and accurately
	(ii) Submission of the claims to REC	Correspondence file	Whether the claim is preferred to REC within a reasonable period
	(iii) Pursuance of the claims	Correspondence file	Whether observations, if any, of REC were attended to promptly and the claims were received within a reasonable period

3.1.8. Information Technology and City Renovation Programme Wing

Information Technology and City Renovation Programme Wing was established with a view to harness Information Technology in arresting Aggregate Technical and Commercial (AT&C) Losses. It implements Re structured Accelerated Power Development and Reforms Programme (R APDRP) and prepares schemes for City Renovation Programme. RAPDRP is GoI's initiative with focus on establishment of base line data and fixation of accountability, and reduction of AT&C losses through strengthening & up-gradation of Sub-Transmission and Distribution network and adoption of Information Technology during XI Plan. Under the R APDRP, for some part

of the project, the GoI disburses loans initially which are converted into grants later on if the programme is implemented successfully within the time schedule prescribed. The activities of Information Technology and City Renovation Programme wing in detail and check points attached to each activity to be kept in view in audit are given as under:

Processes involved in the activity	Sub-processes involved	Record maintained	Check points for audit
Development of Information Technology Application modules	(i) Identification of the requirement of IT applications	Correspondenc e files	 (i) Whether the work was started promptly so that the grant is not missed out. (ii) Whether a proper system was devised to identify the areas in which the use of IT applications is most beneficial. (iii) Whether all the requisite information was made a part of an IT module for the maximum benefit to all the concerned.
	(ii) Finalisation of IT firm for the development of the IT modules	Tender files	 (i) Whether the experience of the firm in the related field was ensured. (ii) Whether the qualifications of the manpower to be deployed by the prospective IT firm was called for and analyzed properly. (iii) Whether the tendering process was finalized with all reasonable promptness. (iv) Whether the firm spare to be used for the firm spare to be used for the assignment of the Company was identified and found adequate. (v) Whether the price bid of only technically qualified bidders was opened. (vi) Whether all the requisite information regarding the language of software to be used, output format etc. were finalized before the start of the tendering process. (vii) Whether the work order was awarded to the most eligible firm at the lowest

			price.
	(iii) Development of IT modules	Correspondenc e files	 (i) Whether each IT module is developed within the specified timeframe, otherwise, adequate penal provisions exist in the tender document. (ii) Whether the IT modules developed are according to the requirement specified. (iii) Whether proper details for further processing of the IT application have been obtained from the IT firm and stored properly.
Arrangement of hardware infrastructure for automation of various identified activities of Discoms	(i) Identification of requirement of hardware infrastructure for automation	Correspondenc e files	Whether the requirement of hardware infrastructure for the best use of IT modules was identified well in time.
	(ii) Arrangement of financial resources	Budget of the entity, Correspondenc e file	 (i) Whether estimates of the requirement of financial resources was made. (ii) Whether the availability of financial resources for the purchase of hardware for the automation was ensured.
	(iii) Purchase of hardware	Tender files, Correspondenc e files	 (i) Whether specifications of the items to be purchased were finalized efficiently before the start of tendering process. (ii) Whether technically qualified man-power to evaluate technical bids submitted by the tenderers existed. (iii) Whether the purchase orders were awarded in the manner that neither the available IT modules remain idle in the want of hardware nor vice-versa. (iv) Whether the purchase orders were awarded to the lowest firms fulfilling specifications and other terms and conditions. (v) Whether to ensure timely supply of the material,

			•••
			requisite security was obtained from the venders. (vi) Whether proper record of the material received was maintained.
Availability of	(i) Identification of	Correspondenc	Whether for the best use of
technical man-power to	requirement of	e file	the IT modules, the man-
use the IT modules.	man-power at each		power needed at each unit
	unit		has been identified.
	(ii) Identification	Correspondenc	Whether technical
	of technical	e file	qualification needed for the
	qualification of the	e me	use of IT modules has been
	-		identified.
	man-power	Comandana	(i) Whether the shortfall in
	(iii) Arrangement of technically	Correspondenc e file	the availability of
	qualified man-		technically qualified man-
	power		power has been identified.
			(ii) Whether the alternatives
			to meet out the gap between
			the available man-power and
			required man-power have
			been evaluated.
			(iii) Whether the process of
			recruitment/awarding of
			contract etc. to meet out the
			gap was finalized within a
			reasonable period for the
			optimum utilization of IT
			modules.
Conversion of loans	Timely completion	Correspondenc	The essence of the
into grant	of the programmes	e files	Restructured Accelerated
			Power Development and
			Reforms Programme under
			which all the above
			activities are performed is
			the time. The Government of
			India grants loans initially
			which are later on converted
			into grants on timely
			completion of the
			programme. Hence, this
			aspect must be examined at
			each stage of the
			programme.
City Renovation	(i) Preparation of	Correspondenc	Whether the scheme for the
Programmes	schemes for urban	e files	highest loss prone areas
-	areas		have been prioritized.
	(ii) Award of work	Tender files,	Whether the work orders
	orders	correspondence	were awarded to the most
		files	competent bidders at the
L	1	L	

		lowest rates.
(iii) Monitoring of the schemes	Correspondenc e files	Whether a system to ensure the timely completion of the schemes existed.

3.1.9 Meter & Protection and Power Control

The circle office of the Superintending Engineer, Meter & Protection and Power Control, (M&P and PC) was established with a view to check the metering equipments of the consumers, testing & protection of meters and other electrical equipments. The office also has control over the power supplied to O&M circles. The activities of M&P and PC wing in detail and check points attached to each activity to be kept in view in audit are given as under:

3.1.10 High Tension Billing

Process/Sub Process involved in the activity	Records maintained	Location of records	Check points for audit
Checking of meters of HT MIP,SIP,ML and NDS consumers	Joint Inspection Reports, MRI Reports, Meter Sealing Registers.	M&P Wing	Whether the checking has been completed?
Preparation of assessment in case of meters found defective/stopped	Joint Inspection Reports, Assessment sheets & Assessment Registers	M&P Wing	Whether the assessment has been made correctly?
Testing of old and new meters	Meter Testing Reports	Meter Testing (MT) Lab.	Whether the record relating to receipt and issue of meters has been properly maintained? Whether testing reports has been issued timely?
Testing of various electrical equipments	Material inward and outward registers, Gate pass indent, Testing reports of material.	Central Testing Lab.(CTL)	Whether the record relating to receipt and issue of materials has been maintained properly? Testing reports may also be checked. Whether materials found defective have been returned with proper remarks?
Checking of Capacitor Banks	Checking Reports	Capacitor Wing	Whether the checking of capacitor banks has been conducted from time to time? Whether defective capacitors banks have been got repaired in time?
Keeping records of power supplied to feeders	Power control Account	O/o S.E. (M&P- PC)	Whether records of power supplied to various O&M circles have been maintained properly? Extra ordinary increase or decrease in supply of electricity in any circle/subdivision may be checked and analyzed.

The core activity of the Power Discoms is to distribute electricity to the public. However

this activity is performed by Operation and Maintenance circles the works relating to billing to the HT industrial consumers, recording of collection of revenue, etc are performed by these circles. The activities of HT Billing wing in detail and check points attached to each activity to be kept in view in audit are given as under:

Process/Sub process involved	Record maintained	Location of record	Check Point
Preparation of bills by computer agency	Computerized bills	HT billing section	Whether the bills have been prepared as per monthly reading statement received from concerned sub division
Revision of tariff	Schedule of Rate revised by RERC	do	As and when tariffs is revised, examine whether the revised tariff is properly taken care of in the billing, especially with reference to the cut off date
Power Factor	Monthly Reading statement received from concerned sub division and energy bills	do	Examine whether the consumer has maintained the power factor at required level and in case where the actual power factor is less than the required minimum level ensure whether the penalty was levied in accordance with the tariff rules.
New Connection	Documents required as per TCOS-2004 for release of new connection	do	Examine the new service connections and verify the amount of revenue collected from HT consumers concerned and same may be compared
Inspection by M&P Section	Inspection Report	do	Examine the Test Report of meter checking done by M&P Division and ensure whether the deficiencies pointed out were immediately complied with. The delay in this connection and its impact on revenue collection may be commented.
Increase in Contract Demand	Application for contract demand, demand notice, Joint Inspection Report, Receipt of amount deposit.	do	Examine the case of increase in the original contract demand and ensure that the increased contract demand was immediately incorporated for billing purpose. The cases of unauthorized increase in contract demand be commented upon.
Concession Package	Terms and Conditions and Authority to allow concession	do	Cases, where the HT consumers were allowed to pay the dues in instalments, be examined and justification for grant of instalments may be verified.
Variation in energy supplied from feeder and units billed	Energy Audit Report	do	In respect of consumers involving supply of energy from separated 11KV/33KV/132KV/220KV feeders, the energy audit reports may be called for and

			energy supplied from the feeder and units billed over a period of time may be compared and abnormal variation may be analyzed and commented upon.
Defective	Monthly	do	Whether the meter is out of order, verify
Meters	reading from		that the same is repaired/replaced
	concerned		immediately and in the meantime average
	subdivision,		charges are recovered.
	Joint Inspection		
	Report		
Cash Collection	Energy bills,	do	Verify that the daily cash collection is
	payment		immediately repatriated to the Central
	received,		collection Account at Head Office.
	outstanding		
	dues,		
	calculation of		
	LPS		
Theft of energy	Vigilance	do	Whether action has been taken against the
	Report		consumer involved in theft of energy.

3.2 Mining Sector

Rajasthan State Mines and Minerals Limited is the only government company in Rajasthan which is in the mining sector. The Company deals mainly in four minerals i.e. Rock Phosphate, Lignite, Limestone and Gypsum. Based on the process involved in mining of these minerals a general check list for mining sector is prepared as under:-

Process involved in	Sub-processes	Record maintained	Check point for the audit
the activity	involved		staff
(i) Obtaining	System developed	Concerned	Whether a system to
knowledge about	to know about the	correspondence/circular	know about the
the discovery of	availability of	file, books/magazines/	discovery of new
new minerals/areas	new	reports of research	minerals/areas has been
	minerals/areas	agencies subscribed/	developed.
		purchased etc.	
(ii) Collection of	(i) Taking	Correspondence	Whether the decision is
data from	decision to	file/Minutes of the	based on proper facts
exploration agencies	explore the	Board meetings	and analysis and taken
i.e. DMG, GSI etc.	commercial		within a reasonable
	feasibility of the		period.
	new mineral		
	(ii) Submission of	Correspondence file	Whether the application
	application, if		was submitted within a
	decision to		reasonable period after
	explore the		taking decision to
	commercial		explore the commercial
	feasibility is		feasibility.
	taken, to the		
	concerned agency		
	(iii) Receipt of the	Correspondence file	Whether the desired
	desired data		data were received

	(iv) Apolyzic of	Correspondence file	within a reasonable period and complete in content.
	(iv) Analysis of the data received from the research agency	Correspondence me	Whether the analysis is based on the facts. If some assumptions have been made, whether the assumptions are reasonable.
	(v) Taking decision to apply for a prospecting license	Correspondence file	Whether the decision taken follows the analysis and taken within a reasonable period.
(iii) Obtaining of prospecting license	(i) Identification of the area for prospecting	Correspondence file	Whether the area identified is most suitable to assess the commercial feasibility and free from environmental, political, legal constraints.
	(ii) Application for the prospecting license which includes all the formalities like super imposing revenue plan, NOC from forest department etc.	Correspondence file	Whether all the requisite formalities were completed with due diligence and within reasonable period.
	(iii) Receipt of the permission to do prospecting work	Correspondence file	Whether the permission was received within a reasonable period. Whether due diligence and promptness was visible in the pursuance of the application for the prospecting license.
 (iv) Obtaining of NOC/other permissions from the Forest Department, Revenue Authorities etc. in whose area the identified land for prospecting falls (v) Actual 	(i) Preparation of	Correspondence file Correspondence file	Whether the requisite permissions were obtained within a reasonable period. (i) Whether the plan

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prospecting work	prospecting plan		 was prepared within a reasonable period. (ii) Whether the plan ensures the collection of reliable data to assess the commercial feasibility of the project.
	(ii) Engagement of a contractor, if any	Contract file, correspondence file and payment file	 (i) Whether the contract was awarded to the entity having adequate experience in this field, at the optimum rates and follows the provisions of the Contract Manual, if any. (ii) Whether all the requisite terms and conditions/ documents like prospecting plan etc. were included in the work order.
	(iii) Completion of prospecting work, if through the contractor	Contract file, correspondence file and payment file	 (i) Whether the prospecting work was done as per the work order. (ii) If delay took place in the completion of the work, whether it was on the part of the contractor or the company. (iii) Whether the penalty was charged from the contractor, if the delay was on his part. (iv) If the delay was on the part of the company, whether the point of the company, whether the provision for monitoring of the prospecting work being done by the contractor was made. (vi) Whether the prospecting report

			prepared by the
			contractor includes detailed and factual
			analysis of the data
			collected through
			prospecting.
	(iv) Execution of	Correspondence file	(i) Whether the
	the prospecting work by the		execution started in time.
	company itself		(ii) Whether the
	company histh		resources assessed
			while planning the
			prospecting were
			available in time.
			(iii) Whether proper
			record of the resources
			used in the prospecting was maintained.
			(iv) Whether the
			prospecting work
			ensured the collection
			of adequate and reliable
			data for assessing the
			commercial feasibility
(vi) Analysis of	(i) Preparation of	Prospecting Report,	of the project. (i) Whether the analysis
prospecting results	Commercial	Commercial Feasibility	is based on the data
F	Feasibility Report	Report, Correspondence	collected through
		file	prospecting.
			(ii) Whether the
			analysis was within
			reasonable period. (iii) If the Commercial
			Feasibility Report was
			got prepared from an
			outside agency, whether
			the agency had
			sufficient experience in
			this field and the work
			was awarded at the competitive price.
	(ii) Decision to	Minutes of the Board	If the analysis
	obtain mining	Meeting/Correspondenc	establishes that
	rights	e file	obtaining of mining
			rights is commercially
			beneficial, whether the
			decision to apply for mining rights was taken
			I mining rights was taken
			within a reasonable

		Company to a file	
(vii) Obtaining of mining lease and/or work permission	(i) Application for obtaining mining lease	Correspondence file	Whether the application was submitted complete in all respects and in reasonable time after the decision to obtain it.
	(ii) Issuance of Letter of Intent by the Government Department	Correspondence file	Whether the application was pursued with all promptness and the Letter of Intent was received in a reasonable period.
	(iii) Preparation of Mining Plan which includes all the details regarding the topographical conditions, exploration, pit planning, land ownership, disposable waste planning, Mining Closure Plan etc. The activity may be got done through an outside agency.	Correspondence file. Contract file. Mining Plan document.	 (i) Whether the work on the preparation of the Mining Plan was initiated with promptness. (ii) Whether the contract, if any, was awarded with promptness, to an experienced agency at the reasonable price. (iii) Whether Mining Plan and Mining Closure Plan included all the requisite details and prepared within a reasonable period.
	(iv) Receipt of mining lease.	Correspondence file	Whether obtaining of mining lease was pursued properly so as to avoid delay.
	(v) Joint Survey between DMG and lessee for the demarcation of lease boundary.	Correspondence file	Whether Joint Survey between the officials of the Company and Department of Mines and Geology took place within a reasonable time to demarcate the boundary of the mining lease.
 (viii) Obtaining clearances from Forest /Irrigation/Revenue Department etc. the jurisdiction of which falls in the mining lease area (ix) Obtaining 	(i) Approval of	Correspondence file Correspondence file	Whether promptness was shown in obtaining the clearances.

clearance from	'Terms of		documents were
Ministry of	Reference' from		submitted with
Environment and	the Ministry of		promptness and
Forest and Pollution	Environment and		complete in form.
Control Board	Forest		(ii) Whether the 'Terms
			of Reference' was
			pursued properly so as
			to get the approval
			thereof.
	(ii) Preparation of	Correspondence file	Whether all the
	'Environment	conceptinative inc	measures were taken to
	Impact		prepare the
	Assessment' and		Environment Impact
	'Environment		Assessment and
	Management		Environment
	Plan'		Management Plan
	1 1411		within a reasonable
			period.
			period.
	(iii) Approval of	Correspondence file	Whether the approval of
	'Environment		the 'Environment
	Impact		Impact Assessment' and
	Assessment' and		'Environment
	'Environment		Management Plan' was
	Management		pursued properly to
	Plan' and		obtain it within a
	accordance of		reasonable period.
	'Consent to		
	Establish' and		
	'Consent to		
	Operate'		
(x)	(i) Decision to	Minutes of the Board	Whether the decision is
Purchase/acquisitio	purchase or	Meetings,	based on proper facts
n of private land for	acquire the land	Correspondence file,	and commercially
obtaining surface		Land Acquisition File	prudent.
rights		_	
	(ii) Purchase of	Land Purchase file	Whether the price
	land		determined is
			reasonable and the
			process was completed
			within a reasonable
			period.
	(iii) Acquisition	Land Acquisition file	(i) Whether the price
	of land under		determined is
	Land Acquisition		reasonable and the
	Act		process was completed
			with all promptness.
			(ii) Whether the
			physical possession of
			the whole acquired land

(xi) Development of and production from the mines	(i) Decision to take up the work departmentally or through contractors	Minutes of the Board meeting/ Correspondence file	was obtained and proper security measures were taken to safeguard the acquired land. Whether it was ensured that departmental resources did not remain idle due to award of the work to contractors.
	(ii) If done departmentally, the assessment of the use of resources i.e. man, machine and material	Correspondence file, Log sheets of the machines, registers relating to issuance of diesel, lubricants, spares to the machines, record relating to the maintenance of the machines, use of explosives for blasting etc.,	Whether the use of resources was assessed properly, the record of employment/use thereof was maintained properly.
	(iii) If done through a contractor, selection of the contractor	Contract file	Whether the due process for the selection of a contractor i.e. whether Notice Inviting Tender was issued in the requisite news papers, sufficient period was allowed to submit the tenders, requisite terms and conditions regarding the earnest money deposit, past experience, payment, availability of the resources with the contractor etc. were prescribed in the tender document, a system to know the black listed considering all such factors, the contract was awarded at the optimum rates.
	(iv) if done through assisted sector, selection of assisted sector,	Agreement and payment files	Whether the agreements entered into with the private parties for working into assisted

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	agreement with them, terms of reference, receipt of revenue as well as statutory charges from the sector		sector are in the best interests of the Company. The economics of the mining done through contractors and in the assisted sector may be compared.
	(iv) Drilling of holes for blasting, if required.	Contract file/correspondence file, stores register, Mining Plan	 (i) Whether any recorded reasons were on place and proper in support of the use of the machine of a particular dia and the interval between two holes. (ii) Whether the consumption of diesel, spares etc. follow the use of the drilling machine as at (i) above.
	(v) Blasting	Contract file/correspondence file, stores register	 (i) Whether permission for use of explosives was taken from the relevant department. (ii) Whether the consumption of explosives is in accordance with the holes drilled.
	(vi) Excavation	Contract file/correspondence file, stock register, Mining Plan, Payment file	 (i) Whether the excavation is as per the Mining Plan. (ii) Whether the ratio of ore to overburden as envisaged in the Mining Plan is achieved. (iii) Whether the grade of the excavated material is as per the exploration results. (iv) If the payment is on the basis of area excavated i.e. per cubic feet, whether the area excavated has been calculated correctly.
(xii) Hauling of the overburden/ore to the dump/stack yard	(i) Location of the dump yard	Mining Plan, physical observation	(i) Whether the yard is located at the nearest place possible.(ii) Whether the

			.
	(ii) Stacking at the stack yards according to the grade of the material	Mining Plan, physical observation	distance between the place of mining and dump yard has been calculated properly to check the excess payment of diesel price escalation, if any. Whether a proper system to ensure the stacking of the material according to its grade has been developed so as to mitigate the risk of dilution of the grade of
(xiii) Crushing and sizing of the ore		Log sheet of the crusher plant	the high grade material. Whether the quantity of the mineral excavated, calculated as per the area of the mine excavated, and the quantity crushed tally. If there is a difference beyond the permissible limits, the reasons may be examined.
	(i) feeding of Run Of Mines (ROM) in the crusher plant	Stock register and contract files to compare quantity and verify the payments	Whether the ROM is directly feeded to the hopper of the crusher or it is first stacked at the crushing plant. If beyond any genuine reasons, it is stacked at the crushing plant, the reasons may be examined.
(xiv) transportation of mineral from mine to railway sidings	Award of transportation contract	Contract files/correspondence file, quantity dispatched and payments released there against	 (i) Whether the system of weightment at the mine and at the railway siding is proper to assess the transit loss, if any. (ii) Whether the distance has been calculated accurately between the mines and the railway siding. (iii) Whether the contract has been awarded after ensuring ownership of sufficient

			number of trucks with the contractor so that the work is not affected adversely. (iv) Whether diesel price escalation clause, if any, has been incorporated and worded properly.
(xv) Pricing of the products	Pricing of various grades of the mineral is determined considering the factors like production cost to the Company, market demand, rates offered by the competitors	Price fixation file with reference to price manual	 (i) Whether the costing system is efficient to calculate the production cost and it is reviewed periodically. (ii) Whether the information regarding the rates offered by competitors is obtained from reliable sources and reviewed periodically. (iii) Whether a reliable system exists to gauge the market demand.
(xvi) marketing of mineral	(i) Long term agreement with various parties, quantities delivered to consumers, payment terms	Agreement file and dispatch details	WhetherlongtermagreementswiththebuyershavebeenenteredintosafeguardingtheinterestsoftheCompany.the
	(ii) Confirmation of the receipt of money from the consumers in the bank account of the Company.	Bank Statement	 (i) Whether the Release orders and bank receipts are reconciled. (ii) Whether the system of confirmation of outstanding dues with the major buyers exists. (iii) Whether there are disputes between the buyers and the Company regarding the quantity and quality. If so, the same may be examined.
(xvii) MIS and internal control	(i) Review of various return submitted to the government agencies viz	Correspondence file, physical verification reports	Based on such reports, if any issue emerges worth examining, the same may be examined in depth.

	Department of		
	Mines and		
	Geology, Ministry		
	Of Environment		
	and Forest, State		
	Pollution Control		
	Board		
	(ii) Review of		
	report submitted		
	by the various		
	government		
	agencies after		
	visit to mines and		
	follow up to the		
	shortcoming		
	noticed by them		
	(iii) Review of		
	internal audit		
	reports and its		
	follow up		
	(iv) Review of		
	MIS data with		
	basic data		
	(v) Review of		
	handling losses		
	w.r.t. norms fixed,		
	if any.		
(xviii) Financial	Financial	Policy of the company.	(i) Cases of long
management	arrangement,	Bank statement, cheque	outstanding dues from
management	policies of the	register	the buyers may be
	company	10010101	examined in depth.
	regarding fund		(ii) The use of surplus
	management,		funds, if any, with the
	delay in receipt of		Company may be
	payments from		examined.
	the consumers, if		
	any		
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3.3 Rajasthan Financial Corporation

Rajasthan Financial Corporation (RFC) was established on 17th January 1955 under section 3(i) of the State Financial Corporations Act, 1951 with the main object to promote the small and medium sector industries in Rajasthan. The activities of RFC in detail and check points attached to each activity to be kept in view in audit are given as under:

Process	Sub-Process	Records	Location	Audit Check Points
		Maintained	of	
			Records	
3.3.1	Loan Appraisal Procedure at Branch Level			
I Receipt and	Forms of Applications			
Registration of	-Application for loan are to	Loan	Follow-	1. Whether the

Application	he accepted in the forme	Application	un and	nroper application
Application Forms	 be accepted in the forms as prescribed as given below:- a. Scheme Specific Forms Separate forms have been prescribed for some schemes such as Transport loan, Working Capital Bridge Loan, Seed Capital Assistance Loan etc. b. General Application Forms for loan amount up to Rs.2.00 lakh and above 2.00 lakh. In case, the loan applications are re-opened after a lapse of more than 3 months from its closure, then fresh application is to 	Application File	up and Recovery Cell (F&R Cell)	 proper application form is used. 2. Whether a fresh application is insisted upon in case of reopening of application after specified period.
	be deposited. Application Fee – Application fee varies according to the amount of loan applied for. Concession is given to SC/ST entrepreneurs, physically disabled persons, women entrepreneurs etc.			 Whether the application fee for enhanced amount has been collected if the amount applied is enhanced subsequently. Whether the application amount has not been refunded except as provided in rules.
	RegistrationofApplicationatBranchLevel-ApplicationApplicationshouldberegisteredifitisaccompaniedbyrequiredfee.Thephotographoftheapplicantshouldattestedbydesignatedpersonstoestablishtheidentity.AllsuchapplicationsshouldbeenteredintotheprescribedRegisterR-1			 Whether the application has been registered promptly after completing the documents. Whether the identity of the person has been established satisfactorily.

r	I	, , , , , , , , , , , , , , , , , , , ,	
	and separate registers for		
	specific schemes. The		
	date of receipt of		
	application fee is		
	considered the date of		
	registration. The		
	acknowledgement of		
	receipt of application is		
	given to the candidate,		
	indicating the date of		
	Internal Processing		
	Committee (IPC)		
	meeting in which the		
	case is to be considered.		
II Processing of	Categories of		
Loan			
Applications	processing-		
rippireutions	a. Branch		
	Level Processing		
	Cases		
	Application for		
	financial assistance to		
	the extent of Rs.30.00		
	lakh.		
	b. Head		
	Office Level		
	Processing Cases		
	All other applications.		
Time limit for	Preliminary Scrutiny		
processing of	Preliminary scrutiny		
application.	starts immediately on		All the points
	-		mentioned from 'a' to
	receipt of application of		'd' have been verified.
	all applicants.		
	Preliminary scrutiny		
	includes following		
	-		
	a. Whether the unit is		
	in banned list of		
	industries.		
	b. Whether the		
	activity /purpose of		
	the loan is not		
	eligible for financial		
	assistance.		
	c. Whether the loan		
	applied for is in		
	contravention of		
	SFCs Act. d. Whether the basic		

	1 .	l	,
	documents such as		
	Partnership deed/		
	Memorandum and		
	Articles of		
	Association have		
	been enclosed.		1 1 1 1
	Detailed Processing of		1. Whether all the
	Branch Level Cases-		applicable norms for
	If the application is in		appraisal have been followed while
	order after preliminary		detailed processing.
	scrutiny, detailed		2. Whether the
	scrutiny is taken up in		credit worthiness of
			the loanee has been
	accordance with the		examined.
	norms for appraisal and		3. Check the
	simultaneously letter for		minutes of the
	assessing the knowing		meeting of IPC and
	credit worthiness is		their comments on
	issued to the concerned		the points mentioned
	person. All applications		from 'a' to 'c'.
	are discussed in IPC		
	meeting to assess the		
	capability of applicant.		
	The applicant concerned		
	is also called for		
	discussions.		
	All the cases received		
	prior to the date of IPC		
	meeting are taken for		
	-		
	consideration of the		
	meeting. At IPC		
	meeting, the following		
	points are discussed.		
	a. Background,		
	experience, and		
	knowledge of the		
	entrepreneur.		
	b. Capability of the		
	promoters to arrange		
	their own funds.		
	c. Market and scope of		
	the project with		
	particular reference to		
	working of similar units in the area.		
<u> </u>	Simultaneous Appraisal		
	Simultaneous Appruisul	<u> </u>	

	<i>With Bank-</i> After tentative clearance of the project by the PCC/IPC, a letter is issued to the applicant for obtaining working	1. Whether the Corporation has received assurance of arrangement of working capital loan from the concerned
	capital finance from commercial bank. A letter is also sent to the Branch Manager of the bank, containing preliminary assessment of the project and recommendations of PCC/IPC. After receipt of assurance letter from	bank.
	the bank, the proposal is placed before the competent authority for sanction/consideration. <i>Preparation of</i> <i>Proposal-</i>	1. Whether the proposal has been
	The proposal is prepared in prescribed format. The case is processed within one month from the date of receipt if Branch Manager is sanctioning authority.	prepared in due time and contains all major information.
	Further Action in regard to Head Office Level Cases- The Branch Manager forwards the application to the head office with his comments within seven days. These applications are required to be sent to Head Office even in cases where the Branch Manager feels that the application deserve to be closed.	1. Whether the power of delegation has been duly followed and all required files have been sent to HO in due time.
III Sanctions	Sanctioning Authority The Branch Manager/DGM (R)/ General Manager (ZO) have been empowered to decide the loan applications up to	 Whether the loan has been sanctioned as per powers delegated to the officials. Whether the 'cost overrun' has been sanctioned as per

D = 15 00 1 11 20 00	provoiling r-lag
Rs.15.00 lakh, 30.00	prevailing rules.
lakh and 50.00 lakh	3. Whether the
respectively. All the	benefit of 'Good
proposals are sanctioned	Borrower Scheme' is extended to the
on recommendation	
from DLAC/LAC. Cost	eligible loanees.
overrun up to 20% of the	
sanctioned amount of	
the loan is sanctioned by	
the respective	
sanctioning authority	
over and above powers	
delegated to him. The	
field offices are also	
eligible to sanction loan	
Borrower Scheme to the	
extent of powers of	
sanction delegated to	
them under the General	
Schemes.	
Advisory Committee-	1. Whether the
Before sanction of the	advisory committee
loan, the proposal is put	has
up before different	considered/discussed
advisory committees	all the important
according to sanctioning	points in the
authority. The quorum	meeting.
for meeting of Advisory	
Committee is three	
members.	
Sanction of Loan-	1. Review the
The Convenor of the	cases where loan
Committee places the	was sanctioned/not
case before the	sanctioned adverse
Sanctioning Authority	to the
i.e. Branch Manager/Dy.	recommendation of
General	the committee.
Manager/General	
Manager, as the case	
may be, after recording	
for the recommendations	
of the Committee. In	
case, the sanctioning	
authority differs with the	
recommendation of the	
Committee, the matter is	
referred to the higher	
sanctioning authority for	
final decision. The final	
decision, if contrary to	105

			,
	the recommendation of		
	the Advisory Committee		
	is brought to the notice		
	of the Advisory		
	Committee in its		
	subsequent meeting.		
	Communication of		1. Whether the
	Sanction-		communication of
	The Branch conveys the		sanction of loan is
	sanction for Branch		conveyed promptly.
	level cases and Regional		
	level cases in prescribed		
	format along with usual		
	terms and conditions		
	given in the schedule		
	and list of		
	documents/information		
	required before		
	execution of loan		
	agreement. It is to be		
	ensured that sanction to		
	the party is conveyed		
	within 3 days from the		
	date of deposition of		
	processing charges. The		
	loan proposal after		
	sanction is sent to HO		
	for Ex-post facto		
	assessment and		
	comments on the quality		
	of appraisal for further		
	guidance.		
IV Post-Sanction	Confirmation of terms		1. Whether the
IV FOST-Sanction	and Conditions		
			terms and conditions of the sanction letter
	The sanction does not		
	give rise to any		are exhaustive and
	commitment on the part		protect the interest
	of the Corporation		of the Corporation.
	unless the applicant		2. In case of
	deposits the processing		relaxation of any
	charges within one		standard
	month from the date of		term/condition in a
	issue of intention of		particular case, the
	sanction and agrees to		reasons may be
	the terms and conditions		examined along with
	of the loan within 30		the authority.
	days from the date of		3. Whether the
	issue of sanction letter		confirmation of
	but in any case before		terms and conditions
	execution of loan		is received within
	documents.		specified time.

V Revival of Sanctions	Office takes action for revival of the full sanction		1. Whether the revival of the full
V Revival of	necessary. <i>Full Revival</i> - The Branch		1. Whether the
	the party wherever		
	giving written notice to		
	sanction at its level after		
	authority can cancel the		
	The sanctioning		
	loan.		
	avail the sanctioned		
	c. If the applicant does not come forward to		
	period.c. If the applicant does		
	within validity		
	loan documents		
	b. Non-execution of		
	or non-acceptance of terms & conditions.		sanction of loan.
	processing charges		cancellation of
	a. Non-deposition of		loanee before
	following cases.		2. Whether the notice is given to the
	cancelled fully in	(110.K-3)	specified cases.
	Sanction is to be	cancellation (No.R-3)	is cancelled in the
	in full-	Register of	sanction of the loan
	be refunded. Cancellation of Sanction		1. Whether the
	processing charges can		
	a part amount of		
	However, in case of full cancellation of sanction,		
	generally not refundable.		
	Processing charges are		prevailing rules.
	letter of sanction.		be verified with
	applicant before issue of		charges, same may
	loan. Processing charges is to be realized from the		3. In case of refund of processing
	conveying sanction of		letter.
	the applicant before		issue of sanction
	the letter to be sent to		are collected before
	charges is indicated in		processing charges
	inspection charges etc. Amount of processing		2. Whether the
	fee, valuation charges,		appraisal of application.
	intending to cover legal		incurred for
	collected from loanee,		the expenses
	Processing Charges is		are in tandem with
	Processing Charges- A fixed amount of		processing charges

(Branch level sanctioned cases)	on receipt of request from the concern. Such revival will not be made after a period of six months from the date of cancellation of sanction. The rate of	sanction is made within the specified period. 2. Whether the rate of interest as
	interest as applicable on the date of revival of	applicable on the date of revival of
	sanction is charged.	sanction is charged.
3.3.2	Loan Appraisal Procedure at Head Office Level	1
I Receipt and	Registration-	1. Whether the loan
Registration of Application	Only that application which	applications from the branches are received
Forms	has been forwarded by the	within seven days along
	Branch Office is registered in	with datasheet.
	the Head Office except	2. Whether any loan
	applications in any of the	application of the applicant having over
	following circumstances:-	dues in the existing loan
	a. Joint Financing cases.b. Re-registration of	accounts or its sister
	applications	concern has been
	c. Loan applications from	forwarded to HO.
	Non-Resident Indians	
	d. Cases where Managing Director or Executive	
	Director is satisfied of the	
	circumstances which	
	prevented registration at	
	Branch Office. All other applications are	
	registered by the branches.	
	The branches prepare data	
	sheet (in the prescribed	
	format) covering all aspects	
	relating to the project. The	
	duly completed data sheet	
	along with together with the	
	loan application and	
	comments of the branch is	
	forwarded to HO within	
	seven days of receipt. No	
	loan application of the	
	applicant having over dues in	
	the existing loan accounts or	
	its sister concern is	
	forwarded to HO until the	
	over dues are cleared.	

II Processing of	Case registered in the HO are		
Loan	, C		
Applications	of following two types-		
Applications	a. Branch Level Processing		
	Cases		
	Application for financial		
	assistance to the extent of		
	Rs.30.00 lakh.		
	b. Head Office Level		
	Processing Cases		
	All other applications.		
	Action regarding branch		1. Whether the quality
	level processing cases-		of appraisal by Branch
			Office is up to standard
			and the comments of the
			HO on appraisal are sent
			to BO for future
			guidance.
	Processing of Head Office		1. Whether the NKF
	Level Cases-		consists of all major points
	Immediately after		and key factors are given
	registration, Dy. GM assigns		due weightage.
	the loan cases to a particular		2. Whether the NKF is
	appraisal group. The		put up before the PCC in
	concerned appraisal group		due time.
	examines the case at the		
	earliest and prepare a Note		
	on Key Factors (NKF)/(PCC)		
	key note. NKF/PCC key note		
	is put up before the Project		
	Clearance Committee (PCC)		
	within two weeks latest from		
	the date of registration.		
	Project Clearance		1. Review the minutes
	Committee-		of the PCC and its
	The Committee consists of		decision regarding
	CMD, ED, all GMs, Dy.GM		sanction.
	(Loans-I) and Dy.GM		
	(Loans-II) and any other		
	officer as considered		
	necessary by CMD. The		
	Committee meets once in a		
	week. The PCC considers		
	NKF to examine the various		
	key issues. Decision taken at		
	the meeting is recorded in		
	loan file itself to ensure		
	proper follow-up action.		
	Detailed Processing-	<u> </u>	1. Whether the detailed
	After clearance by PCC,		processing is carried out
	detailed processing of the		as per the guidelines/
	uctation processing of the		as per the guidennes/

	· · · · · · · ·	
	case is taken up by Appraisal	norms of appraisal.
	Group keeping in view the	2. Whether the required
	guidelines/norms of appraisal	information has been
	laid down by the	called from the applicant
	Corporation. A letter is sent	in due time.
	to the applicant intimating	
	additional	
	information/clarifications,	
	date for discussion with	
	promoter.	
	Calling of the applicant to	1. Review the
	HO-	discussion note in view of
	Decision to call the applicant	the necessity to call the
	is taken not below the level	applicant.
	of Manager. After discussion	
	with applicant, a brief note is	
	recorded in the concerned	
	file. All communications and	
	discussions with the	
	applicant would be on behalf	
	of appraisal group.	
	Simultaneous Appraisal With	
	Bank-	1. Whether the
	After tentative clearance of	Corporation has received
	the project by the PCC/IPC, a	assurance of arrangement of
	letter is issued to the	working capital loan from
	applicant for obtaining	the concerned bank.
	working capital finance from	
	commercial bank. A letter is	
	also sent to the Branch	
	Manager of the bank,	
	containing preliminary	
	assessment of the project and	
	recommendations of	
	PCC/IPC. After receipt of	
	assurance letter from the	
	bank, the proposal is placed	
	before the competent	
	authority for	
	sanction/consideration.	
<u></u>	Preparation of Proposal-	
	The appraised case is put up	
	before PCC for consideration	
	and recommendation. After	
	clearance/recommendation of	
	case from PCC, the same is	
	put up before competent	
	authority for sanction.	
	Time Frame for Disposal of	1. Whether the time-
		frame fixed for disposal
	Loan Applications-	manie nice ioi uisposai

	original file along with note- sheet is retained at HO. <i>Cases Closed/Rejected</i> Such decision is conveyed is	Register No. R-4	1. Examine the reasons for rejecting the
	the prescribed format. In case, the disbursement is made by the Branch Office, the duplicate loan file is returned to the BO and criginal file clong with note		conveyed promptly
	Communication of Sanction- The sanction of the loan is conveyed to the applicant in		1.Whetherthecommunicationofsanctionofloanis
	Committee/ Board, abstract of minutes relating to particular case is deemed to be order of the sanctioning authority.		
	The concerned appraisal team puts up the proposals for obtaining orders for sanction of loan before sanctioning authority, who passes the orders for sanction on the note sheet file of the case. In case of Executive		where the action taken by sanctioning authority is in contrast with the recommendations of the appraisal group.
	 a. Executive Committee Full powers except joint finance cases. e. Board – Joint Finance Cases. Sanction of Loan- 		1. Examine the cases
	 Upto Rs.50.00 lakh. Executive Director – Upto Rs.100.00 lakh. CMD – Upto Rs.200.00 lakh. Executive Committee – 		powers granted by BoD.
III Sanctions	of case not to exceed 60 days. Sanctioning Authority a. General Manager (Loans)		1. Whether the loan is sanctioned as per the
	 within a week of receipt of application. b. Disposal/Sanction within 30 days from the date entrepreneur makes basic required information available. c. In any case, the disposal 		2. Whether the loan application is disposed within specified time. In case of delay at any stage, reasons may be analysised.
	a. In principle clearance		of loan application is reasonable.

	the prescribed format with a copy the concerned branch manager.	
IV Post-Sanction	Confirmation of terms and Conditions The sanction does not give rise to any commitment on the part of the Corporation unless the applicant deposits the processing charges within one month from the date of issue of intention of sanction and agrees to the terms and conditions of the loan within 30 days from the date of issue of sanction letter but in any case before execution of loan documents.	 Whether the terms and conditions of the sanction letter are exhaustive and protects the interest of the Corporation. In case of relaxation of any standard term/condition in a particular case, the reasons may be examined along with the authority. Whether the confirmation of terms and conditions is received within specified time.
	<i>Processing Charges</i> - A fixed amount of Processing Charges is collected from loanee, intending to cover legal fee, valuation charges, inspection charges etc. Amount of processing charges is indicated in the letter to be sent to the applicant before conveying sanction of loan. Processing charges is to be realized from the applicant before issue of letter of sanction. Processing charges are generally not refundable. However, in case of full cancellation of sanction, a part amount of processing charges can be refunded.	 Whether the processing charges are in tandem with the expenses incurred for appraisal of application. Whether the processing charges are collected before issue of sanction letter. In case of refund of processing charges, same may be verified with prevailing rules.
	Extension in Time for Documentation for Branch Level Disbursement Cases:- The loanees are required to execute the loan documents within a period of six months from the date of sanction, unless otherwise extended. Cases for extension of validity period beyond three	1. Whether the extension in time for execution is granted as per prevailing rules.

	months are forwarded to HO; however, the processing charges must be deposited before giving such extension.Extension in Time for Documentation for HO Level Disbursement Cases- As soon as loan is sanctioned; the original loan file goes to Law Section. Therefore, monitoring of these sanctions including extension of time limit for execution of loan documents is initiated by the DGM (Law).		
	 Cancellation of Sanction in full- Sanction is to be cancelled fully in following cases. a. Non-deposition of processing charges or non-acceptance of terms & conditions. b. Non-execution of loan documents within validity period. c. If the applicant does not come forward to avail the sanctioned loan. The sanctioning authority can cancel the sanction at its level after giving written notice to the party wherever necessary. 	Register of cancellation (No.R-3)	 Whether the sanction of the loan is cancelled in the specified cases. Whether the notice is given to the loanee before cancellation of sanction of loan.
V Revival o Sanctions (Branch leve sanctioned cases)	f <i>Full Revival</i> - The Branch Office takes action for revival of the		 Whether the revival of the full sanction is made within the specified period. Whether the rate of interest as applicable on the date of revival of sanction is charged.
	Execution of Loan Documents Summoning of title deeds- A letter sisued to the concerned Regiona Manager RIICO for sending th original lease deed of land for creatio of equitable mortgage. In case of 'land other than in RICCO/State Gov Industrial Area, applicant is required t	al ne n' t.	1. Whether the original title sheet is called for in case of land of RICCO.

submit copy of the sale deed or any other title document.	
<i>Title Examination-</i> In case of Government land, the following points are to be verified.	Examine the title as per points mentioned at 'a' to 'd'.
a. The lease deed is in the name of the borrower and registered with the concerned Sub registrar.	
b. Measurement of the land is in accordance with the scheme of the Corporation.c. Purpose of the lease is same for	
 which loan is sanctioned. d. The borrower has the right to mortgage the land.	
Examination regarding constitution of the Borrowing concern-	1. Whether the objectives of the
 a. In case of partnership firm – Registration Certificate and Partnership Deed are to be submitted. b. In case of a Company – Certificate of Incorporation and 	Company as mentioned in Memorandum and Article of Association is in tandem with the objective of the loan.
 Memorandum and Articles of Association.	
Securing Compliance of Other Terms and Conditions of Sanctions- It is to be ensured that the borrower has submitted other	1. Examine the points mentioned at 'A' to 'E'.
documents as per terms and conditions of the sanction letter as	
under : A. Undertaking – Undertaking is taken in the prescribed Proforma for unsecured loan amount. B. Personal Guarantee - When the loan is sanctioned on the condition of personal guarantee by third person/promoter director, the guarantee deed is taken in	
prescribed Proforma. A copy of the property owned and possessed by such guarantor is also to be submitted. C. Collateral Security – In cases where the condition of collateral security has been put in sanction latter the original title deads of	
letter, the original title deeds of security is required to be submitted.	

	D Special Dower of Attorney]
	D. Special Power of Attorney- If all the partners are unable to	
	-	
	come for execution of loan	
	documents.	
	E. Board Resolution – In case of	
	Company.	
	Creation of Equitable Mortgage by	1. In case the
	<i>Deposit of Title Documents</i> – Equitable mortgage by deposit of original title	equitable mortgage of
	documents can be created at place	original title documents
	notified by the State Government.	is not created, examine
	2	 the reasons for the same.
	Safe custody of Documents- original	1. Whether the safe
	loan documents, title deeds,	custody of the documents
	undertakings etc. are placed in a	is ensured by taking
	separate envelope for keeping in almirah provided for this purpose.	proper safeguard majors.
	These documents are kept under lock	2. Examine the cases
	and key in the custody of designated	of theft, if any, of such
	officer.	documents.
	Release of Charge and Return of Loan	1. Examine the cases,
	Documents- On receipt of letter of	where the charge of the
	advice from the Accounts Cell of the	assets mortgaged is
	HO/Branch about full payment and	released, while the
	closure of account. In case the title	account is under
	document is lease agreement of the	operation.
	State Government /RICCO, then the	op or an on a
	same is returned to the Government /RICCO directly.	
3.3.4	Disbursement of Loan from Branches	<u> </u>
	<i>General Procedure</i> – Disbursement of	1. Whether the loan is
	loan in all cases irrespective of loan	disbursed as per powers
	amount, except joint finance cases, is	delegated.
	made from Branch Offices. The Dy.	
	Manager has authority to release	
	amount where the loan sanctioned is	
	upto Rs.5.00 lakh.	
	Action in Law Cell- On the day of	
	execution of documents, Law Cell makes disbursement of token clean	
	advance. The amount of loan	
	sanctioned against land can also be	
	released on the same day after ensuring	
	proper title of land.	
Disbursemen	Valuation of Assets- The valuation of	1. Whether the
t of loan in		disbursement against the
Disbursemen	assets shall be taken as per the	
Disput schiell		changed assets (in regard
t Cell	guideline and valuation reports are	to supplier, specification
	guideline and valuation reports are sent directly to Disbursement Cell.	
	guideline and valuation reports are sent directly to Disbursement Cell. While submitting valuation reports, the	to supplier, specification
	guideline and valuation reports are sent directly to Disbursement Cell. While submitting valuation reports, the concerned officer scrutinizes to find	to supplier, specification etc.) is made only after
	guideline and valuation reports are sent directly to Disbursement Cell. While submitting valuation reports, the concerned officer scrutinizes to find out	to supplier, specification etc.) is made only after approval of competent
	guideline and valuation reports are sent directly to Disbursement Cell. While submitting valuation reports, the concerned officer scrutinizes to find	to supplier, specification etc.) is made only after approval of competent authority.

	1		• • · · · -
	regard to specifications, price and supplier and in case of any deviations, nature and extent of the same. The acceptable value of each item		letter is ensured before release of money.
	included in the valuation report is arrived and filled in valuation report.		
	Disbursement against Documents of Machinery Disbursement against bank intimations regarding documents of machinery presented through any bank may be made keeping in view of margin specified.		1. Whether the arrival of machinery at the godown of the transport Company has been verified before release of money.
	Disbursements when over dues against the Unit Disbursements against assets created are considered only when there are no over dues or the promoter clears the over dues simultaneously or the over dues have been deferred or postponed by the Competent Authority.		1. Whether any disbursement is made when there are overdue against the unit or its sister concern.
	<i>Inspection</i> – The loanee unit is to be inspected at least once in a six months by Branch Manager/Dy. Manager. The inspection report deals with position of accounts, progress of project implementation, areas of slow progress etc. with suggestions wherever possible. A joint inspection is carried out after making disbursement to the extent of 75% of loan sanctioned.		1. Whether the inspection is carried as per the period specified and the inspection report is given due weightage for next disbursements and recovery process. It is also ensured that the loan is utilized for the purpose, it was availed through inspection report.
	<i>Disbursement</i> –All cheques in respect of disbursement note approved is prepared and handed over to the representative of loanee after taking proper receipts on the same day disbursement note is prepared.		1. Examine the undue delay in disbursement of loan.
	Project implementation and Monitoring- If the project implementation in respect of a unit is unduly delayed, the matter is taken up with promoters to accelerate the pace of implementation.		1. In case of delay in implementation of the project, proper action has been taken by the Corporation.
3.3.5 Follow-up – (Meaning & Kinds)	Follow-up and RecoveryKinds of Follow-upFollow-up means dealing with allthe problems of implementedprojects.Itcommences	1 1	. Whether the Corporation as a proper system to follow- p.

	in a state to a firm the same to a fi		
	immediately after the project has		
	been implemented.		
	a. General Follow-up – is done		
	by categorizing the units in		
	particular groups.		
	b. Follow-up of each individual		
	unit		
Activities	Follow-up of a unit for knowing its		1. Whether the
involved in	<i>health through</i> – Periodic Progress		Corporation keeps itself
follow-up	reports, Inspection of the Unit		update about the financial
ionow up			health of a individual unit
			or a particular group.
	Receivery of Dues		1. Whether the
	Recovery of Dues -		
	1. Timely intimation of amount		Corporation has taken all
	due.		necessary and proper action
	2. Taking suitable action in case of		for timely recovery of the
	defaulting firms for		dues.
	(a.) Postponement, deferment		2. Whether the
	and refixation of installments or		postponement, deferment
	reschedulement, if default is due		refixation of installments is
	to genuine reasons.		done as per the rules
	(b.) Initiation of legal action and		applicable in genuine cases
	taking over of assets.		only.
	3. In case of closed units, taking		3. Whether timely action
	action for their revival and		for revival of closed units
	rehabilitation.		was taken.
	Decision of Legal Action- Decision for		1. Whether the decision
Legal Action	initiation of legal action against a unit		to initiate legal action is
in case of	is taken if the unit is willful defaulter		taken promptly in case of
Default –	or it is quite impossible to revive the		willful default.
	unit with the same management.		
	Stoppage of Concessions and facilities		1. Whether all necessary
	and Freezing of Bank Account- Before		efforts are made to recover
	taking final decision for initiation of		overdues through influence.
	legal action, the Corporation should		
	make effort for using the influence of DIC, Collector, other district		
	DIC, Collector, other district authorities and concerned bank, to		
	pressurize the wilful defaulters.		
<u> </u>	Proposal for legal action –		1. Whether legal action is
	All cases, where legal action is to		proposed in all eligible
	be taken, is sent to the competent		cases
	authority for seeking permission		
	and issuance of legal notice u/s 30		
	of the SFCs Act, 1951. The		
	-		
	proposal contains the comments of the officer concerned about		
	probability of recovery through		
	legal action, chances of recovery		
	without taking possession. Decision and Issuance of Legal	Register	1. Whether the legal

Notice – A legal notice is issued within 7 days from the decision to initiate legal action, giving normally 30 days time to the unit with a copy to the banker of the unit. Withdrawal of Notice- If the loanee makes partial payment (normally at least 50% of overdues as on the date of legal notice), the matter is put up before competent authority for withdrawal of legal notice. The competent authority may advise to watch the performance of the unit for some time more. If the unit is not in position to deposit the amount as mentioned above, minimum amount as per health code category of the account may be deposited.	for legal Action (R32)	notice is issued within specified time after the decision of the same.
Recovery of Dues from Personnel Guarantee/ Collateral security of guarantor/mortgagor- a. u/s 29 – The Corporation has the right to take over management or possession or both of the industrial concern as well as the collateral security or sale and release the property pledged, mortgaged or hypotheticated. b. u/s 31 & 32 – Recovery of dues by filling an application in the court of Dist. Judge and attachment of the property mortgaged u/s 32. c. Filling of civil suit in the cases where no action is permissible under the provisions of the SFCs Act.		 Whether the Corporation has initiated action for recovery under appropriate section or simultaneous action under different sections. Whether the Corporation has taken sufficient safeguards against the sale of property by the defaulter. Whether efforts are made to find out the property of defaulter or guarantor.
 Recovery u/s 32 G - This section provides for recovery as arrears of land revenue. This section is applicable in following cases. 1. Deficit cases in which civil suit has not been filed. 2. Possession of the unit is not possible or difficult 3. In cases where assets of the unit are not easily saleable or the expected NRV of the assets is much less than the amount due. 		 Whether action u/s 32G is taken promptly in cases mentioned at '1 to 3'. Whether continuous pursuance is made with district authorities for recovery and all necessary assistance is provided to them.

3.4 Rajasthan State Industrial Development & Investment Corporation Limited

Rajasthan State Industrial Development & Investment Corporation Limited (RIICO), Jaipur was incorporated as RIMDC on 28th March 1969 and changed to RIICO on 1st January 1980 under the Companies Act 1956.The Company has 26 unit offices in Rajasthan and one office in Delhi in addition to Head Office. With thefollowing Objectives:

- To promote and operate industrial development schemes for development of new industrial areas in the State; and
- To play a role of the Government agency in development of land for various industrial enterprises.
- To achieve the highest standards of operational efficiency and excellence with emphasis on viable operations and generation of surpluses.

Risk Factor	Coverage in Internal Audit
Irregularitiesin	The Internal Auditors will carry out audit of Loans Appraisal and Sanction
appraisal/	Cell relating to receiving of application, timely sanction of term loan,
sanction of term	cancellation/ withdrawal of loan applications, guarantee or collateral
loans and other	security taken from guarantors, valuation of assets shown as collateral
loans	security. They will also comment on loan sanctioned to the defaulters.
Irregularities in	The Internal Auditors will carry out audit of Loans Disbursement Cell
documentation/	(P.I.D. Cell) relating to receiving of required documents, terms and
disbursement of	conditions of disbursement, disbursements of term loan in instalments,
loans	release of loan amount only after fulfilment of necessary formalities. They
	will also comment on any irregularity found in disbursement of loan
	amount.
Irregularities in	The Internal Auditors will carry out audit of Follow-up and Recovery Cell
follow-up and	(F.R. Cell) relating to timely repayment of loan instalments, timely issue of
recovery of loans	notices and reminders to the loanee, identification of overdue cases and
	NPA cases, efforts for recovery of loan amount, possession take over and
	disposal of the units under continue default, settlement of cases through
	One Time Settlement Scheme, legal proceedings against the defaulters for
	recovery of the loan amount. They will also comment on any irregularity
	in follow-up or recovery of the loan amount.
Irregularity in	The Internal Auditors will carry out audit of cases settled under One Time
settlement of	Settlement (OTS) Scheme by the Settlement Committee. They will
cases under One	comment upon irregularities in settlement of cases beyond general norms
Time Settlement	such as settlement/ waiver of Principal amount. They will also comment
(OTS) Scheme	upon delay in recovery of settlement amount under OTS scheme.
Irregularities in	The Internal Auditors will carry out audit of Business Promotion Cell (B.P.
providing equity	Cell) relating to equity assistance provided to businesses/ industrial
assistance/	organizations and activities carried out for business promotion by the
business	Company. They will also comment upon the irregularities in providing
promotion	equity assistance.
activities	
Irregularities in	The Internal Auditors will carry out audit of Land Acquisition Cell relating
acquisition of	to assessment of requirement of land and required area, site selection for
land	land acquisition, approval of the competent authority for acquisition,
	computation of compensation amount, timely payment of award money
	after approval of competent authority and distribution among the

Irregularities in development of land	khatedars, timely possession of land under acquisition. They will also comment upon avoidable expenditure due to delay in payment of award and irregularities in taking possession of land. The Internal Auditors will carry out audit of land development activities relating to formation of plan for development of area, estimation of cost for land/ area development, issuance of Administrative Sanction and Technical Sanction, awarding of work order, timely completion of development work. They will also comment upon irregularities in awarding the development work.
Irregularities in land allotment	The Internal Auditors will carry out audit of land allotment cases relating to saturation of area, categorization of area, fixation of reserve price for land as per applicable rates for different categories of plot, receipt of application, allotment of plots/ auction sale of plots as per as per the disposal of land rules 1979, timely recovery of sale amount and other charges. They will also comment upon irregularities in allotment of land such as auction of land in unsaturated area and irregularities in recovery of sale amount and delay in sale of land.
Irregularities in levying of transfer charges/ charges for change in land use	The Internal auditors will carry out audit of cases of land transfer as well as cases of change in land use with relation to fixation of charges for transfer/ change in use of land and timely recovery thereof. They will also comment upon any discrepancy in levy/ recovery/ waiver of these charges.
Irregularities in proper maintenance of developed areas	The Internal auditors will carry out audit of maintenance activities carried out in developed areas relating to proper and regular maintenance of the area.
Irregularities in Personnel Management	The Internal auditors will carry out audit of HRD Cell relating to sanctioned posts, actual staff strength, maintenance of service books and personnel records, fixation of pay, computation of retirement benefits, implementation of disciplinary action.

Check List of Core Activities of Rajasthan State Industrial Development & Investment CorporationLimited

Industrial Promotion and Infrastructure activity

Process	Sub-Process	Audit Check Points
	Industrial Policy: The Industrial Promotion	
	and Infrastructure activities have been	
	carried out as per the mandate, the	
	Industrial Policy of the Government of	
	Rajasthan and various schemes of Govt. of	
	India/ Government of Rajasthan	
	formulated from time to time.	
	Acquisition of land- The land was	The compensation against the land
	acquired keeping in view the balanced	acquired from khatedars was
	geographical development of the state as	worked out reasonably and
	well as prospective demand for land by	payment to khatedars was made
	industrial enterprises in the area.	timely after issuance of award.
	Fixation of reserve price of development	The land was developed keeping in
	charges of land.	view the prospective demand of

Execution of lease deed with State government/ private parties for the land acquired	land to avoid blockage of funds.
Possession of land- The survey of area was carried out properly and effectively before demarcation of land for acquisition to avoid acquisition of encroached land/ post acquisition disputes.	
Preparation of lay-out plan	
Preparation of estimates of expenditure	
Issuance of administrative sanction	Whether administrative sanction was obtained before floating tender for development of land.
Contracts for development of land	The contracts for development/ maintenance of industrial areas were awarded economically, efficiently and in a transparent manner
Allotment of plots- The allotments of plots were made as per the RIICO Disposal of Land Rules 1979. Proper initiatives were taken by the Company for allotment/ sale of the developed land	
Fixation and recovery of development charges, economic rent, service charges-	Effective and efficient mechanism exited for inventory control and management.
Policy adopted for providing rebate to specific categories of entrepreneurs- The Company provides concession in reserve rate of development charges to the special category entrepreneurs such as woman, Scheduled Caste (SC), Scheduled Tribe (ST), ex-serviceman etc. The rate of concession in reserve price is different for each category. The policy for concession in reserve price is ambiguous as the Company has not fixed maximum limit for number of plots/ area to be allotted at concessional rate to such entrepreneurs to safeguard its interest	
System in vogue for monitoring of non- commencement of production by the entrepreneurs	

3.5 Rajasthan Renewable Energy Corporation Limited

Introduction Rajasthan Renewable Energy Corporation Limited (RRECL) was formed by merging erstwhile REDA (Rajasthan Energy Development Agency) and the Rajasthan State Power Corporation Ltd (RSPCL) in August 2002. RRECL is working as a State Nodal Agency for promoting & developing Non-conventional Energy Sources in the State and as a State Designated Agency (SDA) for enforcement of provisions of Energy Conservation Act 2001 in the State. With the following Objectives:

- To lay the foundation for generation of clean electrical power in Rajasthan
- To emerge as a leading and sustainable company committed to promotion and generation of electricity through Renewable Sources of Energy, in Rajasthan.

Process	Sub-process	Documents Maintained	Location of records
Taking promotional			
measures for			
installation of power			
projects based on			
renewable energy			
sources i.e. wind, bio-			
mass and solar power			
etc. by private			
entrepreneurs			
	Providing necessary inputs		
	and feedback to the State		
	Government for		
	framing/revising the policies		
	Issuance/implementation of		
	the policies		
	Laying down guidelines/		
	procedures for		
	implementation of the		
	policies issued by the		
	Central/State Governments		
	Preparation of the draft		
	policy to be issued by the		
	State Government		
	Setting-up of the project by		
	an entrepreneur		
	Selection of site by an		
	interested Independent	D (11 1	
	Power Producer (IPP)-Based	Detailed	
	on the information available	Project	
	for the requisite infrastructure	Report	
	(Wind velocity, availability of	submitted by	
	bio-mass, proximity to power	IPP	
	evacuation system etc.) for		
	setting –up the power		
	generating units, the interested IPP finalizes the		
	interested iff finalizes the		

Check List of Rajasthan Renewable Energy Corporation

location and the area of land.	
Receipt of the application	
from an interested IPP- The	
IPP has to submit an	
application to the Company –	
6 5	
development of renewable	
energy sources in Rajasthan-	
for obtaining approval for	
setting-up of power	
generating unit. As per the	
applicable policy for Non-	
Conventional Energy Sources	
(NCES), the Company has to	
register the application within	
seven days of its receipt in the	
prescribed Performa and	
along with the requisite	
application fee. After	
registration, the formal	
intimation is sent to the IPP.	
Based on the registration,	
priority list is maintained by	
the Company.	
Signing of Memorandum of	
Understanding with GoR	
Scrutiny and sanction of the	
application – After receipt of	
the application, it is ensured	
the application, it is ensured that whether all necessary	
the application, it is ensured that whether all necessary documents i.e. Details of	
the application, it is ensured that whether all necessary documents i.e. Details of land, financial capability,	
the application, it is ensured that whether all necessary documents i.e. Details of land, financial capability, Availability of raw material,	
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	the project is put up before		
	the State Level Empowered		
	Committee (SLEC) under the		
	Chairmanship of Addl. Chief		
	Secretary (Infrastructure). The		
	decision for approval of the		
	project is taken by SLEC		
	within one month from the		
	date of putting-up before the		
	Committee. After necessary		
	approval from SLEC, the		
	Company assist the IPP to		
	execute of PPA/Wheeling and		
	Banking Agreement (WBA)		
	with RVPN/Discoms. The		
	Company also assists the IPP		
	in getting loans from various		
	sources. The Government		
	land required for power		
	project is allotted to IPP at		
	concessional rates by the		
	GoR. In case of private land,		
	the IPP purchases it on his		
	own. The lease agreement by		
	the Collector for allotment of		
	land is executed after deposit		
	of security money in RREC		
	for at least 10% of the project		
	capacity.		
	Obtaining of all required		
	statuary clearances from		
	various		
	Departments/Agencies i.e.		
	Ministry and Environment		
	and Forest State, Level		
	Environment Assessment		
	Authority, Central Ground		
	Water Authority (Ministry of		
	Water Resources), Airports		
	Authority of India, Rajasthan		
	State Pollution Control Board,		
<u> </u>	Commencement of activities		
	- The IPP initiates activities		
	only after approval from		
	SLEC. If any IPP initiates		
	activities without approval,		
	subject to regularization of		
	land by the competent		
	authority, grid connectivity		
	would be allowed only after		
	payment of an amount @		
L		<u> </u>	12

1	D 500 111 D (III	
	Rs.5.00 lakh per MW as	
	penalty amount by IPP to the	
	Company.	
	Security Deposit and its	
	<i>forfeiture</i> – The IPP deposits	
	a refundable amount as	
	security deposit within 30	
	days of	
	(a) Capacity allocation	
	by RREC in case of	
	wind energy project.	
	(b) No security deposit is	
	charged for solar	
	projects.	
	If the security deposit is not	
	deposited within the specified	
	time, the approval of SLEC	
	stands withdrawn and priority	
	would be accorded to the next	
	applicant.	
	The security deposit stands	
	forfeited by the Company in	
	the event of failure of the IPP	
	to complete the project in	
	prescribed time schedule.	
	· ·	
	Timeframe for completion of	
	projects – The wind energy	
	<i>projects</i> – The wind energy project is required to be	
	<i>projects</i> – The wind energy project is required to be completed within a period	
	<i>projects</i> – The wind energy project is required to be completed within a period ranging from six months to	
	<i>projects</i> – The wind energy project is required to be completed within a period ranging from six months to twenty four months, based on	
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	<i>projects</i> – The wind energy project is required to be completed within a period ranging from six months to twenty four months, based on its capacity, from the date of allocation of capacity by the	
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	<i>projects</i> – The wind energy project is required to be completed within a period ranging from six months to twenty four months, based on its capacity, from the date of allocation of capacity by the Company. This time limit can be extended if the IPP makes an application giving convincing reasons for delay	
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		,
	within specified radius.	
	This reserved area can be	
	reduced/extended on the	
	basis of decrease/	
	increase in the plant	
	capacity.	
Rural Electrification	Selection of villages- In case	
	of RE schemes, the selection	
(RE)/Remote Village		
Electrification (RVE)	of village as well as	
	beneficiary is done by the	
These schemes mainly	contractor on his own, while	
include electrifying the	in RVE the villages and	
villages through 10	beneficiaries are identified	
KW solar power plants	and approved by Rural	
by providing 150-watt	Electrification Corporation	
connection. The other	(REC).	
scheme is solar is SPV.		
Solar Photovoltaic		
Programme (SPV)		
1. Domestic		
Lighting		
System		
2. Street Lighting		
Systems		
3. Traffic signals		
4. SPV Rooftop		
systems		
5. Stand-alone SPV		
Power Plants.		
	Tender Finalisation- Tenders	
	will be finalized by a Joint	
	Implementation Board (JIB),	
	which includes chief	
	executive of all State Nodal	
	Agencies (SNA)	
	Receipt of guideline from	
	MNRE/ Budget Allocation	
	under State Plan	
	-Implementation of SPV	
	programme during each year	
	by MNRE	
	Minimum Technical	
	Specification of SPV home	
	lighting systems, street	
	lighting systems, and stand-	
	alone SPV power plants, are	
	provided by Ministry.	
	Release of 50% Central	
	Financial Assistance (CFA)	

 will be released in advance to the Company along with the sanction of the project. Balance 50% of the CFA along with service charges to be released on installation and commissioning of the systems and receipt of the utilization certificate of the advance amount given. Receipt of service charges by the Company Work to be carried out on turn-key basis. Selection of suppliers based on competence, experience, and financial capability. The selected manufactures to identify beneficiaries as per the Company's condition. Claim of subsidy by the manufacturer on the basis of submitting the required details duly verified by RREC's officer. Systems to be operational for at least five years after installation. First two years are guarantee period during which maintenance services are to be provided free of cost. Payment of subsidy amount by the Company only upon establishment of after-sales- service centers to the
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establishment of after-sales-
service centers to the
satisfaction of the Company.
Work to be completed in
stipulated time. Bills also to
be submitted within stipulated
time.
Deposition of earnest money
(a) 2% of the value calculated
as per subsidy.
Mode of Award of Targets
Allotment of 50% of the total
systems to be installed during
the year among the successful
firms. New entrants shall be
allotted 100 systems each.
Remaining 50% after review

	of continue of succession		
	of earlier performance.		
	Works Contract		
	The role of the Company is limited to making payment of		
	subsidy as received from		
	MNRE/State grant upon		
	satisfying the applicable		
Commencial	terms and conditions.		
Commercial	Signing of MOU for		
Activities- Installation	selection of the sites		
of own power projects	Identificantion of metantial		
	Identification of potential sites		
	Study of technical viability		
	Acquiring of the land		
	Obtaining of all required		
	statuary clearances from		
	statuary clearances from various		
	<i>Departments/Agencies</i> i.e. State Level Environment		
	Assessment Authority,		
	Authority (Ministry of Water Resources), Airports		
	,,, , , , , , , , , , , , , , , , , ,		
	Authority of India, Rajasthan State Pollution Control Board,		
	Signing of PPA with		
	RRVPN/Discom –		
	Sharing of CDM credit		
	Grid interfacing		
	Advertisement for inviting		
	tenders on to install power		
	projects on turn-key basis		
	Finalisation of tender and		
	issuance of Letter of Intent		
	(LOI)		
Finalisation of terms and conditions	Completion period		
	Guarantees in respect of grid		
	availability, machine		
	availability and array		
	efficiency		
	Terms of payment		
Installation and	Inspection of items by the		
operation of power	Company		
project			
	Generation of power as per		
	work order -		
L		1	1

3.6 Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL)

To provide reliable electric transmission service to the customer the Rajasthan Rajya Vidyut Prasaran Nigam Limited was incorporated on 19thJune 2000 under the Companies act 1956 as a wholly owned State Government Company after dissolution of erstwhile Rajasthan State Electricity Board under the provisions of the Rajasthan Power Sector Reforms Act, 1999. Transmission of electricity work of the erstwhile Rajasthan State Electricity Board was transferred to this new Company.

Description of the core activity of RRVPNL and checklist for the audit in RRVPNL units

Activity Assessment of requirement/ augmentation of GSS/EHV lines	Process involved Load analysis of particular area/existing system where new GSS/line or up gradation of existing GSS is required-Load recordings at GSS (33KV/132KV) and Voltage Regulation of that particular feeder, over load capacity of 33/11 KV transformer which indicates to proposal of new 132 KV GSS	RecordsmaintainedLogbookatGSSwhichrecordsrecordsofofampereofoffeeder,statofMaximumandofMinimumundtoVoltageandtoLoad RegistertoGSSstatto	Location of records 400 KV GSS	Audit Observation 1. Whether load analysis was carried out periodically to assess the requirement of new/augmentation of GSS/EHV line. 2. Whether the Company has fixed any parameters with respect to load, voltage etc. for sending proposal of new GSS/EHV line, if yes, compliance of the same may be checked.
	Assessment of requirement for new areas/scope for electrification like setting up of Industrial areas, evacuation of electricity from new generating plants etc.	Correspondence file project report	P&P Wing at HO	1. Whetherthefield offices haveproper mechanismin place to assessthe requirement ofGSS/EHV line innew areas.2. Whether properaction has beentakentakenonproposals receivedfrom outsiders aswell as from fieldofficeaftertechnicalandfinancialanalysisin due time.
	Consideration of various options (proposals) for improvement of the load behavior. The options include augmentation of GSS, construction of new GSS and erection of new feeders for dedicated industry etc. - The decision is based on the technical and financial analysis. The proposals are sent by the field offices i.e. T&C. These are finalized at PPM Wing. Containing of transmission losses is the main consideration in this exercise. Such proposals of all type of EHV works are	Correspondence file in Technical Section at all wings/offices, Annual Statistical Plan, Board Agenda/Minutes , project report	Field Office i.e. T&C, P&P and PPM Wing	130

3.7 Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL)

For Development of power projects under state sector, in the state along with operation & maintenance of state owned power stations giving highest priority to the power generation for manifold and rapid development of the state the Rajasthan Rajya Vidyut Utpadan Nigam Limited was incorporated on 19thJune 2000 under the Companies Act 1956 as a wholly owned State Government Company after dissolution of erstwhile Rajasthan State Electricity Board. Generation work of electricity was transferred to the new Company.

Process	Sub Process	Record	Location	Check Points
Generation of	Arrangement of	Log books	Power	1. Whether the
power	plants & equipments		station/house	generation of power is as per target set for the year 2. PLF was as per norms 3. Planned outages were as per schedule 4. What were the reasons for forced shut down 5. Cases of generation loss and reasons there of analyzed 6. Cases & reasons of major failures
Consumption of coal, fuel, oil and lubricant	Assessment of requirement and purchase	Site store, store ledgers/bin cards	Power station/house	 Is the consumption of fuel, oil and lubricant is as per norm Are these purchased/used as per recommended specification/make
Repair & maintenance of the plant, equipments	Assessment of requirement of Repair & maintenance	Files/register	Main office	1. What were the reasons for break down2. Whether the repair and maintenance was carried out as per norms and schedule

Check List for Audit in RRVUNL Units (Thermal Generation)

[1		
				been installed and
				commissioned within
				the time schedule
Purchase				1. The model check
orders/work				list received from HQ
orders				will be followed. Plus
				the items purchases
				have been put to use
				and their performance
				is as per guaranteed
				parameters.
				2. Work orders have
				been placed after
				following the rules
				and regulations
				adopted by Nigam i.e.
				quotation or
				tendering basis and
				placing the order to
				L-1, in case of deposit
				work the detail of
				estimated
				expenditure and
				actual expenditure be
				compared.
Hiring services,	Preparation of	Project	Accounts	These have been hired
jeeps/cars/other	project	report/tender	wing	as per rules/regulations
vehicles/	report/requireme	file/agree-		adopted and after
computers,	nt	ment file/log		inviting tenders in case
Residential/		books/		of case is more than
office		Monthly		Rs 1.00 lakh and its
accommodation.		bills		justification be
				examined with respect
				to actual requirement.
Stores & stocks	Consumption	Store	Store section	1. Were the
	and purchase	ledgers/bin		minimum & maximum
	1	cards		level of stores was
				fixed.
				2. Were the store
				items were
				categorized in slow
				moving, non moving,
				obsolete, items
				3. Was the scrap
				was disposed timely
				and on the tendering
				basis to H-1
				4. Were the
				indents/ requirement
				for purchase was
		l		purchase was

Cash book	Receipt and payments, drawls & deposits	Cash book, cash vouchers, bills, cheque register etc.	Cashier	assessed and sent timelyStore items have been physically verified 1. Were all the cash transactions were taken in cash book 2. Were the cheques were paid & deposited in time. 3. Was the physical verification of cash carried out as per rules &instructions? 4. Was the amount timely deposited in bank? 5. The totals of receipts and payments and balances have been worked out accurately.
Court cases/compensa tion, enhancement to land owners	Arising of dispute	Court case files/register	Legal section	 What were the reasons of dispute What is the financial implication Were the cases attended timely in order to avoid the contempt of court as well as the loss of time and financial implication What were the shortcomings on the part of Nigam in case of losing the case?
Service book and personal files, leave TA, medical	Recruitment onward	Service book and personal files	Establishment section	Have these been maintained and updated and service has been verified at the completion of every year of service, as per RSR rules adopted by RRVUNL
Other records telephone, stationery, log books of	Use of apparatus	Respective register	Establishment section	Have these been maintained in the prescribed format, these have been used

vehicles and		in	economical
plants		way/limit	prescribed.

This check list is not exhaustive and requires updating at each audit.

3.8 Rajasthan State Beverages Corporation Limited

Rajasthan State Beverages Corporation Limited (RSBCL) was incorporated on February 24, 2005 under the Companies Act, 1956 under the Excise Policy declared by the Government of Rajasthan for the financial year 2005-06. It commenced its commercial activities with effect from 1st April 2005. Under the policy, the RSBCL has been provided with exclusive rights for sourcing and pricing of Indian Made Foreign Liquor (IMF) and Beer in the state of Rajasthan. The purpose of creation of RSBCL was to provide proper quality and quantity of liquor to the consumers at uniform rate throughout the state and to remove the middlemen between manufacturers/suppliers and retailers so as to prevent loss of revenue to the state exchequer.

The Company operates its activity through 40 depots located across Rajasthan. All depots are Information Technology enabled through web-based application to which manufacturers and retailers also have the access. The manufacturers keep their stocks in the Corporation's godowns for distribution to retail licensees.

2. To assist the field parties in conduct of a good audit, Flow Chart of the core activities, with risk analysis, of Rajasthan State Beverages Corporation Limited and check list thereof have been prepared. As the check list cannot be exhaustive, it cannot replace the ingenuity, innovative spirit of the members of the field parties, which is must for the function of audit. Therefore, it is called upon the members of the field parties to supplement the check list with the requirements of the Auditing Regulations, Auditing Standards, circumstantial demand of the audit and their own wisdom.

Activity and sub-process involved in the activity	The record maintained and its location	Audit Check point	Level of risk and its reasons
Obtaining license for stori Submission of application- The application for the license for storing the material at various depots is submitted to Excise Department with the requisite fees before the start of the FY.	Administration <u>Administration</u> <u>Wing</u> Correspondence file, cash book	 (i) Whether the license was obtained in time and no penalty was paid due to delay. (ii) Whether all the depots for which the license was obtained were in operation during the year. 	Low The activity is covered neither in internal audit nor have any internal control been prescribed. However, the risk is low as the business is not affected due to its being a government
Follow up of the application and obtaining of license-The license should be obtained before		Whether there has been delay due to slackening follow up on the part of	company.

r			
the beginning of the		the Company,	
financial year, therefore,		consequently penalty has	
proper follow up is must.		been imposed by the	
		Excise Department.	
Hiring of godowns			
Issue of advertisement for	Administration	(i) Whether timely	Medium
<i>inviting expression of interest</i> -Notice is issued in	Wing	advertisements have been issued in the requisite	The activity is covered neither in
news papers for inviting	Correspondence	newspapers to avoid	internal audit nor
the expression of interest.	file	hiring at higher rates due	have any internal
	Correspondence	to time pressure and in	controls been
	file	fructuous expenditure on	prescribed. In view
		license fees.	of the fact that this
		(ii) Whether the	activity has the
		advertisement	element of
		incorporates all the	discretion, this may
		requisite terms and	be examined
		conditions.	critically.
Technical approval of the		(i) Whether godowns	
godowns- Technical		meet the technical	
adequacy of the 2-3 lowest		requirement.	
bidders is ascertained.		(ii) Whether any bidder	
		among the lowest bidders	
		has been discarded on	
		trivial technical	
		parameters.	
Finalisation of rates and		Whether all the relevant	
approval of hiring-		factors like local rates,	
Considering the local		PWD rates, Municipal	
factors, PWD rates etc. the		rates etc. were considered	
rent is approved for three		objectively before	
years.		finalizing the rates.	
Issue of Liquor Sourcing I	Policy (LSP)		

Timing of the policy and	Onevetion Wing	(i) Whather the policy has	Madium
<i>its approval</i> -The policy	Operation Wing	(i) Whether the policy has	Medium
contains the terms and		been issued on yearly	Issuance of the
conditions governing the	Correspondence	basis before beginning of	Policy is covered
suppliers and the	files	the new financial year and	neither in internal
Company. It must be		amendments have been	audit nor have any
issued before 31 March of		issued as and when	internal controls
the ensuing year. It is		necessary.	been prescribed.
approved by the BoD.		(ii) Whether the excise	No audit
TT TT TT TT TT		policy of the government	observations have
		has been considered while	been raised on this
		formulating the Liquor	issue. However, in
		Sourcing Policy.	view of the fact
		(iii) Whether the Policy	that the Policy lays
		document is complete	down the purchase
		with reference to the	price structure, it
		requisite terms and	has deep impact,
		conditions between the	therefore, it must
		prospective suppliers and	be examined
		the Company.	critically.
Access of the policy		Whether the policy	
document to all the		document has easy access	
<i>concerned</i> -The Policy is		to all the concerned	
uploaded on the website of		through website of the	
the Company.		Company/press	
		publication etc.	
Procurement of liquor a	nd heer	publication etc.	
Procurement of liquor a			High
Ascertainment of	Operation Wing	(i) Whether the	High The processes of
Ascertainment of eligibility of the	Operation Wing Correspondence	(i) Whether the prospective supplier has	The processes of
Ascertainment of	Operation Wing	(i) Whether the prospective supplier has deposited security deposit	The processes of the receipt of the
<i>Ascertainment of eligibility of the suppliers-</i> As per the LSP, the manufacturer owning the brand or having an	Operation Wing Correspondence	(i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP.	The processes of the receipt of the material and
<i>Ascertainment of</i> <i>eligibility of the</i> <i>suppliers-</i> As per the LSP, the manufacturer owning the brand or having an agreement with the brand	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the 	The processes of the receipt of the material and payment to the
<i>Ascertainment of</i> <i>eligibility of the</i> <i>suppliers-</i> As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers 	The processes of the receipt of the material and payment to the suppliers are
<i>Ascertainment of</i> <i>eligibility of the</i> <i>suppliers-</i> As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the 	The processes of the receipt of the material and payment to the suppliers are covered in internal
<i>Ascertainment of</i> <i>eligibility of the</i> <i>suppliers-</i> As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through
<i>Ascertainment of</i> <i>eligibility of the</i> <i>suppliers-</i> As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention-
<i>Ascertainment of</i> <i>eligibility of the</i> <i>suppliers-</i> As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization-
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However,
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having registered brand,	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign manufacturers, whether 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of determination of
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having registered brand, submission of audited	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign manufacturers, whether necessary fees for label 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of determination of the rate to be paid
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having registered brand, submission of audited	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign manufacturers, whether necessary fees for label approval has been 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of determination of the rate to be paid to the suppliers is
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having registered brand, submission of audited	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign manufacturers, whether necessary fees for label approval has been deposited by the supplier 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of determination of the rate to be paid to the suppliers is neither covered in
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having registered brand, submission of audited	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign manufacturers, whether necessary fees for label approval has been deposited by the supplier to the concerned Excise 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of determination of the rate to be paid to the suppliers is neither covered in internal audit nor
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having registered brand, submission of audited	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign manufacturers, whether necessary fees for label approval has been deposited by the supplier to the concerned Excise Department Authority and 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of determination of the rate to be paid to the suppliers is neither covered in internal audit nor have any internal
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having registered brand, submission of audited	Operation Wing Correspondence	(i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign manufacturers, whether necessary fees for label approval has been deposited by the supplier to the concerned Excise Department Authority and approval obtained.	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of determination of the rate to be paid to the suppliers is neither covered in internal audit nor have any internal controls been
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having registered brand, submission of audited	Operation Wing Correspondence	 (i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign manufacturers, whether necessary fees for label approval has been deposited by the supplier to the concerned Excise Department Authority and approval obtained. (iv) In case, the basic 	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of determination of the rate to be paid to the suppliers is neither covered in internal audit nor have any internal controls been prescribed. This
Ascertainment of eligibility of the suppliers-As per the LSP, the manufacturer owning the brand or having an agreement with the brand holder and having valid license through the competent excise authority are eligible. Paras 1 and 2 of the policy attaches certain other conditions like deposit of Rs.3 lakh as security deposit, having registered brand, submission of audited	Operation Wing Correspondence	(i) Whether the prospective supplier has deposited security deposit of Rs.3 lakh as per LSP. (ii) Whether the indigenous manufacturers have got the labels of the brands registered from the Excise Department of the respective State and submitted the necessary documents to the corporation as per LSP. In the case of foreign manufacturers, whether necessary fees for label approval has been deposited by the supplier to the concerned Excise Department Authority and approval obtained.	The processes of the receipt of the material and payment to the suppliers are covered in internal audit and through technological intervention- computerization- internal control exists. However, the process of determination of the rate to be paid to the suppliers is neither covered in internal audit nor have any internal controls been

		state and the change of brand name for Rajasthan is for technical purpose, the basic brand will also be offered by the supplier. (v)Whether the company has collected the required documents from manufacturers and suppliers as per LSP.	hence, discretion. Further, the calculation of the payment to be made to the suppliers is also not accurate always. As the software is deficient in respect of calculation of demurrage charges and penalty on delay in supplies, therefore, proper scrutiny is must.
Determination of the rate of the goods to be bought- The landed cost, including basic price, duties, taxes etc. to the Company, of each brand is declared by the supplier. The proposals of the supplier fall under three categories-Lowest Ex Distillery Price (EDP), Lower than Lowest EDP and Free Pricing. Lowest EDP is the lowest price of the brand in any of the states in which the material is being supplied by the supplier. Lower than Lowest Price is the price lower than the lowest price in any of the states at which the supplier is ready to sell the goods to the Company. Free Pricing is the price where the EDP is more than Rs.1501 and the prospective sale of the supplier would be between 1500 to 6000 cases per quarter. Differential cost for the element of transportation etc. is also allowed by the Company. Pricing reference point is EDP of per case of quart bottles. If the supplier sells the brands in any other state at lower EDP during	LSP, OFS files	 (i) Whether the manufacturers have declared the prices and landed cost of their products. (ii) Whether various parameters of the differential costs were checked. (iii) Whether the differential cost/reimbursement of cost were allowed in cases where the same was not allowable. (iv)Whether any revision in prices allowed and whether the same has been properly approved in accordance with LSP. It may be examined critically. (v) Whether any revision in the taxes/duties has taken place, the same may be examined for its impact on the prices being paid to the suppliers. 	

the currency of the supply			
to the Company, the Company will reduce the rate of those brands of the supplier. During the currency of supply,			
increase in the rates can be allowed on production of documentary evidence in support of the increased			
cost to the supplier.			
<i>Issue of Orders For</i> <i>Supply</i> -Two copies of Orders for Supply (OFS) will be issued to the supplier based on their dispatch plan submitted to the Company. Each OFS has a distinctive number. The information of which is available to the Excise Department also. Based on the OFS, the Excise Department recovers Excise Duty, Additional Excise Duty etc. and issues permit.	OFS file	 (i) Whether proper analysis has been made to assess the demand of particular brand before issue of OFS. (ii)Whether OFS were issued keeping in view the available stock. 	
Receipt of material- The OFS includes the validity period within which the supply can be made. On extension of the validity period/cancellation of OFS, requisite fees is charged by the Company. The material is unloaded and stacked by the supplier at the depot on own risk and cost. The supplied beer should not be older than 90 days of bottling	MIS Register	 (i) Whether there were any lapses on the part of supplier regarding timely supply. (ii) Whether requisite charges, as per the LSP, were recovered for extension/cancellation of OFS. (iii) Whether the company ensured that the suppliers have complied with laws regarding payment of excise duty and other statutory levies. (iv) Whether the material was accepted at depots after proper checking of the material and documents i.e. challan of the transporter, permit of Excise Department, bill of the supplier etc. (v) Whether the data regarding the material received i.e. brand, 	

		manufacturing date,	
		expiry date etc. were	
		uploaded in the computer	
		properly and timely.	
Payment to the supplier-	Supplier wise	(i) Whether payment of	
Payment to the supplier of	files, Ledgers of	sold material only has	
the goods sold only by the	the suppliers	been made as per the	
Company would be made	maintained	approved rates after	
on weekly basis. Payment	through software	recovering demurrage	
is made through RTGS.	through software		
The basis is weekly sales			
of particular brands of a		charges etc	
supplier.		(ii) Whether the advance	
		has been made after	
		ensuring fulfillment of the	
		terms and conditions laid	
		down in LSP and interest	
		has been recovered from	
		such suppliers as received	
		advance.	
Recovery of demurrage	Supplier's	(i) Whether proper	
charges from the	ledger, stock	accounting system to	
suppliers-The stock would	register	ascertain active and	
be divided in two	register	inactive stock exists.	
categories-Active stock		(ii) Whether proper	
and Inactive stock. Stocks		intimation of inactive	
that are up to 60 days old			
in case of beer and 120		stock has been given by	
days in case of IMFL and		the Company to the	
FMFL (up to 180 days in		supplier in the beginning	
case of wine, cider and		of the month.	
brandy only) would come		(iii) If no action has been	
under Active Stock and		taken by the supplier,	
remaining in Inactive		whether demurrage has	
Stock. A demurrage of		been calculated correctly	
Rs.2/- per carton per day		and recovered from the	
would be charged on the inactive stock. In case the		supplier.	
supplier decides to take		(iv) In case of retrieval of	
back the inactive stock,		the inactive stock by the	
the Company would		supplier/draining out of	
charge its margin of 2%		beer by the Company,	
and demurrage charges		whether margin and	
from the supplier. Any		demurrage have been	
stock of beer older than 6		recovered by the	
months of bottling would		Company.	
be drained out by the		compuny.	
Company and margin and			
demurrage charges would			
be recovered from the			
supplier on the drained out			
stock also.			
Sale to retail dealers			
Issue of LiquorSales	Operation Wing	(i) Whether the policy	
J 1		rey	ļ

Policy- The Company issues Liquor Sales Policy which governs the terms and conditions of sale between the retailer and the Company.	Liquor Sales Policy File	covers all the pertinent issues for determining the terms and conditions of sale between the buyers and the Company. (ii) Whether the policy is in accordance with the Excise Act, Policy issued by the Government, if any, and Taxation provisions. (iii) Whether the policy is easily accessible to the prospective buyers. (iv) Whether the policy has been reviewed periodically and amended, if necessary, timely.	
Determination of sale price to the retailers-The Company charges margin of 2% on the landed cost of the goods. In the case of foreign made liquor, the Company charges 7% margin on the landed cost to the Company.	LSP	Whether the calculation of sale price is correct as per the Policy.	
<i>Eligibility of the buyers</i> - Sales can be made to the valid permit holders from the Excise Department of the Government of Rajasthan.	DepotPermit issued bytheExciseDepartmentoftheStateGovernment	Whether proper documents have been verified before effecting the sale.	
Receipt of advance payment of sale amount and issue of Invoice cum Transport Permit-The sale can be effected on advance payment to the Company in the following manner- (i) advance lumpsum deposit with the Company, (ii) deposit of the money in the designated bank accounts through challans, (iii) submission of bank demand draft/postal order (iv) payment through RTGS. After ensuring the receipt of payment, the depot staff issues Invoice cum Transport Permit to	Depot Challans, Bank Statement, Cash Collection Reports generated through software, Bank Reconciliation Statement	(i) Whether a system exists and followed to ensure properly that the advance payment of sale consideration has been received by the Company.	

the retailer. Based on this,			
the retailer can get the			
delivery and transport the			
material to his			
shop/godown.			
Loading and	Stock Register,	(i) Whether unstacking is	
transportation of the sold	Gate pass	done by a buyer in the	
<i>material to the retailer</i> -It	1	manner that no stock is	
is the responsibility of the		damaged and	
buyer to load and transport		interchanged.	
the purchased stock after		(ii) If the goods are	
thorough checking. No		damaged during the	
claim is entertained by the		course of	
Company for breakage		unstacking/loading, the	
etc. after the goods is		buyer is liable to make	
lifted by the buyer.		good of the losses to the	
		Company. This may be	
		ensured.	
Recovery of Taxes/Duties	Operation Wing	Whether taxes have been	
and payment thereof to	Reports	recovered at the existing	
the Government	generated	rates and deposited timely	
authorities-RSBCL	through software	with the concerned	
collects following taxes	unough software		
and duties from licensees:		Government Department	
(i) Permit Fee & Vend Fee		in order to avoid penalty.	
on behalf of Excise			
Department, VAT &			
Composition Amount on			
behalf of Sales Tax Deptt.			
TCS On behalf of Income			
Tax Deptt. Above collected amount is			
deposited with respective			
department on scheduled			
date and time			
Inter-depot transfer of	Depot	Whether all the expenses	
the stock-If requested by	Transfer Order	incurred on the transfer of	
the supplier, the stock can	Transfer Out	stock from one depot to	
be transferred from one	Slip, Transfer	other and the stipulated	
depot to another at the risk	Inward Slip	fees has been recovered	
and cost of the supplier.		from the suppliers.	
The Company charges fee		nom die Suppliels.	
of Re.1 per carton box for			
transfer of the goods.			

3.9 Rajasthan State Ganganagar Sugar Mills Limited

1. Introduction

The Ganganagar Sugar Mills Limited came into being consequent upon the purchase of shares of the erstwhile public limited company viz., The Bikaner Industrial Corporation Limited by the State Government on 21 January 1957. The name of the Company was changed to Rajasthan State Ganganagar Sugar Mills Limited with effect from 14 May

1993. The Company with Head Quarter at Jaipur has a sugar production unit at Ganganagar, a rectified spirit production unit (Distillery) at Ganganagar and 20 Reduction Centres and 99 Country Liquor Depots spread across the State of Rajasthan.

2. Objectives

- To manufacture, produce, refine, prepare, import, purchase, sell and generally to deal in sugar, sugarbeets, sugar-cane, molasses, syrups, jaggery, melada and alchohal of every kind and all products or by products thereof and food products generally and in connection therewith to aquire, construct and operate sugar or other refineries, buildings, mills, factories, distilleries and other works in the Rajasthan and/or elsewhere.
- To plan, cultivate, produce and raise sugar-cane maize, sugar-beets and other crops whatsoever and to transact such other work or business as may be proper necessary in connection with the above objects or any of them.
- To carry on business as brewers, distillers and manufacturers of, and merchants and dealers in beer, wine, spirit, aerated waters and liquors whether intoxicating or not and of cases, bottles for the same, and of salt hops, grain, meal yeast, and all other materials and things capable of being used in connection with any such business or manufacturer etc.

Check List of the Core Activities of Rajasthan State Ganganagar Sugar Mills Limited

Raja to b 40% mola	stan. As per the Excise Policy 2 e made from production of RSG & 10% respectively. The Co asses based rectified spirit and 80° process involved in this activity a	2010-11, maxim SM. Private di mpany will m % from grain ba	um 50% sup stillers and anufacture	pplies of country liquor are bottling plants will supply 20% country liquor from
Process involved	Sub Process	Records Maintaine d	Locatio n of the Records	Check Points
Purchase of raw material required for productio n of liquor	<i>Finalisation of requirement</i> - The requirement for raw material is assessed on the basis of requirement assessed for liquor.	Tender file, Purchase order file, Minutes of negotiation s and other Committee meetings	Purchas e Section	 Whether the Company has a system for assessment of the requirement. Whether there is any deviation in assessed quantity, and if so, reasons for the same may be examined. Whether the Company has fixed standard quantity of raw material for production of liquor.
	<i>Floating of tender</i> – The Company floats tenders for various items. For some items, the periodicity for tender is less than one year.	do		 Check the policy/practice of the Company regarding duration for which tenders have been floated. Whether the Company has made agreement at proper time for seasonal items e.g. rectified spirit etc to take the benefit of the lower rates. Whether the Company has inserted all necessary terms and conditions in tender document to safeguard the interest of the Company.
	<i>Opening of bids</i> - The bids are opened in the presence of	do		 Whether the Company has extended the due date for deposition of tender document/Earnest Money Deposit (EMD), if yes, the reasons may be examined. Whether the requisite EMD in the prescribed form has been received. Whether the1 system of identifying the blacklisted suppliers exists.
	Preparation of analysis note and comparative statements-	do		1. Whether the reasonability of the

3.10 Rajasthan State Hotels Corporation Limited

1. Introduction

The Rajasthan State Hotels Corporation Limited was incorporated on 7th June 1965 after Government of Rajasthan decided on 27th may 1965 to form a Limited company.

2. Objectives

• To promote tourism by all ways and means necessary to attract tourism, both Indian and Foreign.

3. Functions.

• To carry on the business of hotels, restaurants, café, motels etc for providing boarding and lodging facilities to the tourists.

Process	Sub-Process	Records	Location	Audit	Check
		Maintaine	of Decords	Points	
	Hotel Comment	d	Records		
	Hotel Segment				
Establishmen	1. Assessment of need for a				
t of New	new hotel at a particular				
Hotels	place.				
	2. Selection of site and				
	acquirement of land				
	3. Construction of hotel				
	building				
Tariff	<i>Finalisation of rates-</i> The Company finalizes the rates for				
	boarding and lodging of tourists				
	in the meeting of Board of				
	Directors.				
	Discounts to various				
	categories of customers				
	The Company provides				
	discount to various category of				
	consumers				
	Commission				
Charging of	Registration of tourist- As soon				
payment	as, any tourist/ visitor comes to				
F J	hotel for stay, he is registered by				
	making entry in visitors book. He				
	is again registered at the time of				
	check out.				
	Catering Segment				
Tariff	Finalisation of rate-				
Purchase of	Assessment of requirement				
store items					
	Purchase through limited				
	tender				
	Purchase through open tender				

4. Check List of Core Activities of Rajasthan State Hotels Corporation Ltd.

	Local Purchase
Consumption	Fixation of norms for
of store items	consumption

3.11 The Rajasthan State Handloom Development Corporation Limited

1. Introduction:

Rajasthan State Handloom Development Corporation Limited (Company) was incorporated in March, 1984 as a wholly State owned Government Company to uplift the handloom weavers living below the poverty line by providing them proper training, modern looms, raw materials, innovative designs, financial and marketing assistance and to implement various handloom development schemes in the State. Due to continuous losses, the Company closed down its process house and other production & promotional activities. The Company has been declared as a relief undertaking under the Rajasthan Relief Undertaking (Special Provisions) Act, 1961 in June 2001.

2. **Objectives:**

The main objectives of the Company are:

- to promote aid and assist the rehabilitation, growth and development of the handloom industry in the State,
- toprovide financial assistance to the handloom or any allied, ancillary, preparatory, processing or finishing industries,
- to undertake the manufacture, procurement, processing, stock piling, distribution and sale and otherwise deal in handloom goods, key raw materials and stores required by the handloom and allied industries, and
- to undertake the marketing of handloom cloth on wholesale, retail or on commission basis within or outside the country and to take such further necessary steps in advancement of this object.

3. Functions/Activities:

The Company is presently engaged in:

- To provide training to the weavers on modernized handloom to upgrade their skill and assistance in design development;
- Running of units/showrooms for sale of handloom items by providing marketing support to the weavers of State;
- Participate in exhibition and expo for increasing sale;
- Supply of gauge and bandage cloth on consignment sale basis to the hospitals of the State Govt. on rates approved by the Industries Department
- Supply of uniform cloth, bedding/furnishing cloth, floor covering duree, liveries cloth etc on consignment sale basis to various Govt. Departments on rates approved by the Industries Department.

Activity	Process involved	Records	Location	Check points for
		maintained	of records	audit
Provide training to the weavers to upgrade their skill and assistance in designs development under various handloom development schemes by the Govt.	(1) Identification of eligible weavers	Correspondence file	Head office	1. Whether, the weavers living below the poverty line were identified for training to upgrade their skill and assistance in designs development under various handloom development schemes by the State Govt.?
	(2) Formulation of plan & its implementation	Correspondence file	Head office	1. Whether, the schemes were implemented with due care by formulating a fair and reasonable policy and adopting proper procedure?
	(3) Sanction, receive and utilization of Grants/ Subsidies	Correspondence file, PD account	Head Office	 (1) Whether, the grants/subsidies were obtained and utilized under schemes in view of the guidelines issued by the respective Ministry of the State Govt. /Central Govt.? (2) Whether, the utilization certificates of grants/subsidies were sent after incurring expenditures upon eligible weavers accordance with terms & conditions of it?
Running of units/ Showrooms for	(1) Procurement of Rajasthan	Correspondence file, minutes of	Head Office	(1) Whether the Handloom items
sale of handloom items to provide	Handloom items at Head Office	the Procurement Committee,		were procured from weavers by

Check list of the activities of the Rajasthan State Handloom Development Corporation Ltd.

marketing	level, Jaipur	goods received		formulating fair and
support to the	_	notes, stores &		reasonable policy
weavers of State.		stocks ledger,		and purchases were
		physical		made economically
		verification		and suitable for
		reports		sale?
		1		(2) Whether the
				selling price of
				handloom items has
				been correctly
				worked out in order
				to cover overhead
				cost and profit
				element and timely
				revision in sale
				price was made?
				(3) Whether the
				Competent
				Authority watched
				the performance of
				sales and remedial
				action has been
				taken to boost up
				sales?
				(4) Whether the
				physical
				verification of
				central store has
				been conducted,
				annually and
				investigation for
				shortage/excess and
				recovery for
				shortages have been
				made?
	(2) Under take	Tenders file &	Head	1. Whether the
	the civil works	decision	Office	civil works were
	for	thereupon,		awarded after
	renovation	correspondence		inviting open
	/establishment	file		tenders and
	of showroom, if			adopting fair&
	any			reasonable policy? 2. Whether the
				agreement for civil works was entered
				into with safeguard
				of the financial
				interests of the
				Company & works
				executed,
				accordingly?
L	1		1	

(2) Distribution	Correspondence	Hand	1 Whathar the
(3) Distribution of Handloom	Correspondence file, stores &	Head Office	1. Whether the goods were sent to
items among	stocks ledger,	omee	units according to
units according	goods issued		their needs?
to their needs	notes		
(4) Sale of	Orders/circulars	Units	1 Whether the
Handloom items	of marketing,		sales of items were
by the units	stores & stocks		made on the basis
-	ledger, sale		of sale price fixed
	register, cash		by the Competent
	memo books,		Authority?
	credit sale		2. Whether the
	register, goods		commission/
	received notes,		discount allowed on
	goods issued		sales was in
	notes, physical		accordance with
	verification		approval of the
	reports		Competent
			Authority?
			3. Whether the
			physical verification of
			stores has been
			conducted, annually
			and investigation
			for shortage/excess
			and recovery for
			shortages have been
			made?
			4. Whether the
			non-moving, shop
			soiled and damaged
			goods have been
			identified and
			disposed off as per
			prescribed
			procedure?
			5. Whether the
			cash collected by
			the unit was timely
			deposited in bank
			and credited in bank account of Head
			account of Head Office?
			6. Whether the
			cash incentive to
			salesman was paid
			under the order of
			Competent
			Authority?

Participation in fairs/ exhibitions for increasing sale.	(1) Formulation of plan & its implementation	Correspondence file	Head office/ Units	1. Whether the exhibitions were organized with due care by formulating a fair and reasonable policy?
	(2) Sanction, receive and utilization of Grants/ Subsidies	Correspondence file, PD account	Head Office	 Whether the grants/subsidies were obtained and utilized under exhibitions/fairs in view of the guidelines issued by the respective Ministry of the State Govt./Central Govt.? Whether the utilization certificate of grant/subsidy was sent after incurring expenditures accordance with terms & conditions of it?
		Orders/ circulars of marketing, sale register, cash memo books, credit sale register, goods received notes, goods issued notes, exhibition expenditure file,	Head Office/Unit s	1. Whether the exhibitions /fairs sales were organized/ participated after ensuring viability of it and no any shortage was noticed during the period of exhibition /fairs?
Supply of gauge and bandage cloth on consignment sale basis to the hospitals of the State Govt. on rates approved by the Industries Department	(1)Agreement entered into with Handloom Weavers Co- operative Societies/Registe red Weavers for consignment supply at the rate approved by the Industries Department,	Correspondence file, agreements file, orders issued by the Industries Department, consignment sale register, Consignment cash memo book, invoices, receipted	Head Office	1 Whether the Handloom Weavers Co-operative Societies/Registere d Weavers were selected for consignment supply after formulating fair and reasonable policy in view of the basic objectives of the Company?

Govt. of	challan.	2. Whether the
Rajasthan.	chanan.	agreements entered
Kajastnan.		into with the
		Handloom Weavers
		Co-operative
		Societies/Registere
		d Weavers for
		consignment supply
		with safeguard of
		the financial
		interests of the
		Company &
		executed/ operated
		accordingly?
		3. Whether the
		consignment supply
		was done in
		accordance with
		rates, terms &
		conditions of the
		order issued by the
		Industries
		Department, Govt.
		of Rajasthan as well
		as agreement
		entered into with
		the Weavers of the
		Co-operative
		Societies/Registere
		d Weavers?
		4. Whether the
		testing reports have
		been obtained
		before supply the
		gauge and bandage
		cloth to the
		hospitals of the
		State Govt. through
		central store?
		5. Whether the
		orders supply of
		gauge and bandage
		cloth obtained by
		the units from the
		Hospitals have been
		timely sent to the
		Head Office for
		supply through
		central store?
		6. Whether the
		payment from the

	(2) Appointment	Tenders file for	Head	Govt. Hospitals has been obtained timely? 7. Whether the consignment commission has been properly recovered before making payment to the Co-operatives Societies /Registered Weavers? 8. Whether the penalty or other damages have been deducted from payment to the Co- operatives Societies /Registered Weavers as per terms & conditions of the agreement? 1. Whether the
	of transport contractor	appointment of handling & transport contractor& decision thereupon	Office	transport contractor was appointed after inviting open tenders and adopting fair& reasonable policy? 2. Whether the agreement for transport was entered into with safeguard of the financial interests of the Company & executed/ operated accordingly?
Sale/supply of uniform cloth, bedding/furnishin g cloth, floor covering duree, liveries cloth etc on consignment sale basis to various Govt. Departments on rates approved by the Industries	(1)Agreement entered into with Handloom Weavers Co- operative Societies/ Registered Weaver for consignment sale/supply at the rate approved by the Industries	Correspondence file, agreements file, orders issued by the Industries Department, consignment sale register, Consignment cash memo book, invoices, receipted	Head Office/Unit s	1. Whether the Handloom Weavers Co-operative Societies/Registered Weavers were selected for consignment supply after formulating fair and reasonable policy in view of the basic objectives of the Company?

Department	Department,	challan.	2. Whether the
	Govt. of	vitatiati.	agreements entered
	Rajasthan		into with the
	Kajastilaii		Handloom Weavers
			Co-operative
			Societies/Registered
			Weavers for
			consignment supply
			with safeguard of the
			financial interests of
			the Company &
			executed/ operated
			accordingly?
			3. Whether the
			consignment supply
			was done in
			accordance with
			rates, terms &
			conditions of the
			order issued by the
			Industries
			Department, Govt.
			of Rajasthan as well
			as agreement entered
			into with the
			Weavers Co-
			operative
			Societies/Registered
			Weavers?
			4. Whether the
			payment from the
			Govt. Departments
			has been obtained
			timely?
			5. Whether the
			consignment
			commission has
			been properly
			recovered before
			making payment to
			the Co-operatives
			Societies /Registered
			Weavers?
			6. Whether the
			balance cash
			collected by the unit
			was timely deposited
			in bank and credited
			in bank account of
			Head Office?
			7. Whether the
			penalty or other
			damages have been

				deducted from payment to the Co- operatives Societies /Registered Weavers as per terms & conditions of the agreement?
General	(1) Financial management	Correspondence file	Head Office	1. Whether the loans borrowed from Govt./ financial institutions for different schemes were properly utilized and repayment has been made as per terms & conditions of the loan agreement?
	(2) Central & State levies	Correspondence file, returns	Head Office/Unit Office	1. Whether the taxes and duties have been collected from the parties and deposited to the respective departments in accordance with prevailing Rules & Regulations?
	(3) Establishment expenditures	Ledger, vouchers, accounts	Head Office/Unit Office	1. Whether there was no abnormal administrative expenditures incurred?
	(4) Legal/ disputed cases	Correspondence file	Head Office/ Unit Office	1. Whether the legal/disputed cases were settled/ pursued, effectively?
	(5) Instructions by Govt./BPE guidelines	Correspondence file	Head Office	1. Whether the instructions issued by Govt./BPE were followed and implemented, properly?

3.12 The Rajasthan Small Industries Corporation Limited

1. Introduction

Rajasthan Small Industries Corporation Limited (Company) was incorporated as a fully State Government owned company in June 1961 with the objective of rendering assistance to small scale industries, artisans and craftsmen.

2. Objectives

The main objectives of the Company are:

- 1 to aid, counsel, assist, finance and promote the interest of small industries in the State;
- 2 to enter into contracts for fabrication, manufacture, assembly and supply of goods, and to arrange for the performance of such contracts and indents by subcontracting them to small scale units;
- 3 to effect co-ordination between large industries and small industries with a view to procuring orders for small scale industrial (SSI)units;
- 4 to carry on the business of hardware and other articles and to act as **stockiest** for various materials; and
- 5 to promote handicrafts of Rajasthan, extend support to artisans and handicraft units of Rajasthan .

3. Functions

The Company is presently engaged in:

- 1 Procurement and distribution of raw materials;
- 2 Assistance in marketing of products;
- 3 Running of emporia of handicrafts;
- 4 Operation of a Handicraft Design Development and Research Center (DDRC) for manufacturing quilts at Jaipur;
- 5 Operation of Inland Container Depots (ICD) and an Air Cargo Complex (ACC).

4. Check list for the audit of the Rajasthan Small Industries Corporation Ltd.

Activity and sub processes	Records maintained	Location of records	Check points for audit
Procurement & Distribution o product etc.	f raw materials such as Iro	on & Steel,	Coal, Polymer
Formulation of policy/guidelines for procurement and sale by the Company in line with the policy of different departments of the Government of India for sale of such items through Small Industries Corporations of the States. The policies of the departments of Govt. of	register, cash vouchers	Raw Material Section of HO	Whether the Company has framed a policy to implement the policy of the Government of India in true spirit.

T 1:	1 1	
India are communicated by the		
State Govt. to the Company.		
Designing of procedures for the implementation of the policy. The procedures include identification of Small Scale Industries, assessment of their requirement, fixation of security deposit/advance payment amounts, receipt of demand of buyers, determination of priority list of buyers, identification of sources of supply, legal documentation with the suppliers and buyers to safeguard the interest of the Company, determination of the rate of profit margin/service charges of the Company, delivery of the material, receipt of full payment		Whether detailed procedures ensuring implementation of the policy of the Government of India in true spirit have been laid down.
Assessment of demand of the prospective buyers and finalisation of estimated quantity to be procured		Whether a system exists to assess the demand of the prospective buyers or it is merely linked to previous year's purchases by the buyers.
Finalisation of the sources of supply and establishment of linkages for supply		 (i) Whether the most economical source of supply, if the option is available with the Company, has been short listed. (ii) Whether timely linkages to receive the supply have been established with the prospective supplier.
Issue of advertisement in the newspapers etc. for inviting the demand letters/indents from the prospective SSI units		Whether advertisements have been issued in time in the requisite newspapers with full details of supply.

Receipt of demand from the SSI units		 (i) Whether proper record/register of the receipt of demand and security deposit in chronological order has been maintained to fix priority of supply, if necessary. (ii) Whether, the
Allocation of quote to the SSI		agreements/MOUs entered into with SSI units with safeguard of the financial interest of the Corporation and implemented accordingly.
Allocation of quota to the SSI units, in case the demand exceeds the quota fixed by the suppliers		The system of allocation of quota to the prospective buyers, in case the demand exceeds the quota available to the Company, may be examined.
MOU/agreement with prime producers (i.e. suppliers) of Iron & Steel, Coal, Polymer product etc. At the time of MOU, the security deposit is also received by the Company from the prospective buyers.		Whether, the MOU/agreement has been entered with prime producers (i.e. suppliers) in view of guidelines issued by the respective Ministry of the Central Govt.?
Offer of Monthly/ Quarterly/ Annual quantity by the suppliers		Whether, the quantity was lifted as per commitment made to the supplier. If not, any compensation has been paid to them?
Payment by SSI units according to their requirement from time to time.	Correspondence file, Purchase book, ledger, register	Whether, the payment was obtained from the SSI units in accordance with the guidelines issued by respective Ministry of the Central Govt.

Transfer of sale value to the supplier for lifting the material after deducting service charges and taxes.	Correspondence file, Bills/invoices, register	 (i) Whether, the amount transferred to the supplier was in accordance with the guidelines issued by respective Ministry of the Central Govt. as well as agreement entered into with them. (ii) Whether, the service charges from the supplier were claimed and obtained as per the guidelines issued by respective Ministry of the Central Govt.
Appointment of Handling and Transport Contractor to deliver the goods at the doorstep of the SSI unit	Tender file	 (i) Whether the contractor was appointed after inviting open tenders. (ii) Whether qualifications for the contractor were determined and prescribed in the tender document to determine the eligibility of the contractor. (iii) Whether necessary safeguards like security deposit, risk and cost clause etc. were incorporated in the tender documented. (iv) Whether the work order was awarded at the competitive rates. (v) Whether necessary documentation i.e. agreement etc. were executed with the contractor.

Lifting of material by SSI units from depots of supplier/ collieries or receipt at their doorstep through handling & transport contractor appointed by the Company after paying freight and handling charges	Correspondence file, sales book, goods received note/ receipted challans, GTR and tender file of handling & transport contractor	(i) Whether transit insurance was available with the Handling and Transport Contractor. (ii) If the material was lifted by the buyer himself, genuineness of the transportation may be ensured.
Obtaining utilization certificates from the SSI units for use of the material in their units and consolidated certificate sent to supplier	Correspondence file	Whether, it was ensured that the material lifted by SSI units was used for own consumption.
Obtaining relevant documents about sale transactions like form 'C' or 'E' to obviate the unwarranted demand of the Sales Tax Authorities	Tax Assessment files	Whether relevant documents were obtained and no additional demand was received from the concerned tax authority.
Running of Emporia (Rajasth	ali units) for sale of Rajast	hani Handicrafts
Selection of place and site for opening an emporium	Board agenda/minutes, correspondence file	 (i) Whether proper market survey through an expert agency/data analysis was conducted before taking a decision to open an emporium. (ii) Whether the site selected was the most appropriate for martaking the business share.

Identification of craftsman/artisans/other suppliers for purchasing the items for emporia	Circular files, Correspondence file	Head Office	 (i) Whether a policy has been framed in accordance with the mandate of the Company to identify the sources of handicraft items. The policy and its implementation may be examined critically. (ii) The procedure designed to ensure genuineness of the suppliers may be examined.
Determination of mode of purchase i.e. through tendering/Goods on Approval (GOA) basis or other modes	Purchase/Correspondenc e file		Justification of the decided mode may be examined.
Justification of the product to be purchased and its price	Purchase/Correspondenc e files		 (i) Justification of the marketability and price of the product may be examined w.r.t. actual sale of the product. (ii) Whether sample of the items selected for purchase was kept safe. (iii) Whether sample of the items were obtained from the suppliers. (iv) Whether guarantee/warranty of the valuable items was obtained from the suppliers.

Finalisation of tender document/terms and conditions of purchase			 (i) Whether terms of payment were determined in order to watch financial interest of the Company. (ii) Whether delivery points were intimated categorically. (iii) Whether proper system of checking of the quality and quantity of the material before accepting by the Company prescribed and followed. (iv) Whether proper documentation for GOA was prescribed.
Procurement of items by the Central Procurement Cell at Head Office, Jaipur	Correspondence file, minutes of the Procurement Committee, Goods Receipt Notes, Stores & Stocks Ledger, Physical Verification Reports	Head Office	 (i) Whether the proper system of tendering, if done, has been followed i.e. issue of NIT, evaluation of bids, preparing of comparative statement correctly, place of order to the lowest bidder etc. has been followed. (ii) Whether proper record of each item i.e. receipt of the material as per the purchase order, Challan of the Transporter, Gate Pass, Goods Receipt Note, Stock Register were maintained. (iii) Whether, the physical verification of stores has been conducted, annually and investigation for shortage/excess and recovery for shortages have been made. Further, 16

			whether reasons for
			slow moving items, shop spoiled goods
			were examined.
(5) Distribution of	Correspondence file,	Head	Whether, the goods
Handicraft items among	stores & stocks ledger,	Office	were sent to
Rajasthali units according to	goods issued notes		Rajasthali units
their needs	-		according to their
			needs. It may be
			examined whether the
			item was fast moving
			in some units and
			slow moving in other units. If so, the issue
			may be commented as
			to why the items slow
			moving in a unit was
			not transferred to a
			unit where it was fast
			moving.
Determination of prices of the	Minutes of Procurement		(i) Whether, the
products and admissibility of	Committee, Board		selling price of
discounts to the customers	agenda/minutes, Bill		handicraft items was
	Books, Correspondence		determined based on
	files		the most appropriate factors like costing,
			competitive prices in
			the market etc.
			(ii) Whether, a system
			of review of sales
			performance and the
			role of sale price in it
			existed and revision
			of sale price, if
			necessary, was
			resorted to boost up
			sales, if it falls below desired levels.
			(iii) Whether the
			decision to allow
			discount, if any, is
			exercised by a
			competent authority
			in the commercial
			interest of the
			Company.

stocks ledger, sale register, cash memo books, credit sale register, goods received notes, goods issued notes, exhibition file, physical verification reports, consignment sale register, consignment cash memo book, (ii) Whether a foolproof system to ensure the sale of an item at its tagged price exists i.e. the possibility of tempering with the tag did not exist. (iii) Whether, the exhibitions /fairs were organized after ensuring viability. (iv) Whether, the cash incentive to salesman was paid under the order of Competent Authority. (v) Whether the consignment sale was permitted after complying with the	(6) Sale of Handicraft items by Rajasthali units	Orders/circulars of marketing, stores &	Rajasthal i units	(i) Whether proper physical security
register, cash memo books, credit sale register, goods received notes, goods issued notes, exhibition file, physical verification reports, consignment sale consignment cash memo book,pilferage of goods existed.sale register, consignment cash memo book,register, consignment, tag did not exist.(ii)Whether a foolproof system to ensure the sale of an item at its tagged price exists i.e. the possibility of tempering with the tag did not exist.(iii)Whether, the exhibitions / fairs were organized after ensuring viability.(iv) Whether, the cash incentive to salesman was paid under the order of Competent Authority.(v) Whether, the consignment sale was permitted after complying with the terms & conditions of the agreement entered into with consignee/ licensee.Remittance of cash sales at the emporia to Head OfficeCash A Book, Account StatementsRajasthal iThe periodicity and system of remittance of cash collection to the Head Office and		C .	1 units	· · · ·
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the Head Office and	emporta to Head Office	Account Statements	1	
may be examined.				1
Allotment of consignment counters at the emporia	Allotment of consignment cour	nters at the emporia		may be examined.

Evaluation of opportunity cost of letting out space to the consignment counters	Correspondence file, Board agenda/minutes		 (i) Whether availability of space for consignment counters was worked out. (ii) Whether cost of loss of opportunity of selling own products was worked out and compared with the expected revenue from consignment counters before taking the decision to let out the space for consignment counters.
Identification of products to be sold on consignment counters	Correspondence file, Board agenda/minutes		Whether it was ensured that the items to be sold on the consignment counters did not compete with the products of the Company itself.
Allotment of consignment counters in Rajasthali units on minimum sale guarantee (MSG) commission basis or on franchisee basis or goods of artisans on approval basis	Tenders file, correspondence file	Head Office	 (i) Whether, the consignment counters were allotted after inviting open tenders and adopting fair & reasonable policy. (ii) Whether adequate security deposit was obtained before allotting counters to the successful bidders. (iii) Whether, the agreement for consignment sales was entered into in order to safeguard the financial interests of the Company. (iv) Whether, the sale of goods on approval basis was permitted as per policy formulated by the Competent Authority.

Assessment of minimum sale guarantee/commission on the goods on approval basis etc.	Tender file, correspondence file	Whetherthe assessmentof commissioncommissionon minimum guaranteed sale/franchisee sale/goodson approval sale is based on relevant factor or it is a hypothetical
Deposit of the amount of minimum sale guarantee commission/commission on franchisee/sale of goods on approval basis	Cash Book, Ledger of the consignment counter holders, Correspondence file, Relevant Receivable Head in the Financial Accounts	 (i) Whether a proper system of ascertainment of sales through consignment counters exists. (ii) Whether demand notes were issued to the consignment counter holders in time. (iii) Whether the amounts were deposited by the counter holders in time.
Action for the recovery of rent/MSG/Commission etc, if not deposited in time	Correspondence files	(i) Whether security deposited was adjusted in time. (ii) Whether proper legal notice was issued to the counter holder in time. (iii) Whether steps to get the counter evacuated and retendering were taken in time. (iv) Whether legal action against the counter holder was taken in time to recover the dues.

Review of performance of Emporia	Board agenda/minutes	Head	 (i) Whether proper system of review of emporia exists. (ii) If performance of certain emporia lags behind the expectation level, whether proper investigation is conducted and appropriate efforts are made to improve the performance thereof. (iii) Despite the efforts made, if it is found that an emporium is incurring losses, whether a timely decision to close the emporium is taken.
utilization of Grants/ Subsidies (including Artisans Sourcing HUB)	account	Office	grants/subsidies were obtained and utilized in view of the guidelines issued by the respective Ministry of the State Govt./ Central Govt.
Renovation of showroom/ emporium	Tenders file, correspondence file, Board agenda/minutes	Head Office	 (i) Whether, the civil works were awarded after inviting open tenders and adopting fair& reasonable policy. (ii) Whether, the agreement for civil works was entered into with safeguard of the financial interests of the Company & works executed, accordingly.
Establishment and Operation	oi illiand Container Depoi	is (ICDS)	

and abtaining a series in C		[either through
and obtaining permission from Central Govt., accordingly			either through tendering or other manner after adopting fair and reasonable policy in order to safeguard the financial interests of the Corporation. (ii)Whether, the permission from the Central Govt. was obtained for establishment of ICD after ensuring viability of it.
Acquisition of suitable land through district collector	Correspondence file	Head Office	 (i) Whether, the land was acquired according to actual needs so as to avoid encroachment thereon. (ii) Whether the suitability of the land was established. (iii) Whether, the land was encroachment/dispute s free at the time of taking possession and proper security measures were adopted to avoid encroachments in future.
Development of land and construction works of building, road, compound wall etc.(i.e. civil works).		Head Office	 (i) Whether, the civil works were awarded after inviting open tenders and adopting fair & reasonable nolicy. (ii) Whether the contract price was reasonable considering the bids received in the near future for other civil works. (ii) Whether, the agreement for civil works was entered into with the

			contractor. (iii) Whether, the consultant for carrying out civil works was appointed in a transparent manner after adopting fair & reasonable policy in order to safeguard the financial interests of the Company.
Declaration of notified area and deployment of staff by the custom department on cost recovery basis according to notification issued by the Central Govt.	Correspondence file	Head Office	Whether, the operation of ICD was started without causing any delay after completion of civil works.
Appointment of handling & transport contractor	Tenders file for appointment of handling & transport contractor& decision thereupon	Head Office	 (i) Whether, the handling & transport contractor was appointed after inviting open tenders and adopting fair & reasonable policy. (ii) Whether, the agreement for handling & transport contractor was entered into and executed/operated accordingly.
Operation of ICD	Correspondence file/register/ ledger of handling & transportation of export containers, de-stuffing of imported containers, claim submitted by the Custom Department for cost recovery, receipt of handling & transport charges and transfer the same to Head Office, amount payable to handling & transport contractor and other records as prescribed by the Custom Department	Unit office	(i)Whether, the handling & transport (H&T) charges recovered from the exporter/importer were in accordance with the tariff decided by the Competent Authority /terms & conditions of the contract entered into with H&T contractor. (ii) Whether, all the deductible claims were considered while forwarding bills of H&T contractor to Head Office.

(7) Sanction, receipt and utilization of Grants/Subsidies	Correspondence file, PD account	Head Office	 (iii) Whether, the handling & transport (H&T) charges recovered from the exporter/importer were timely deposited into the bank and transferred to Head Office. (iv) Whether, the Claims submitted by the Custom Department for cost recovery were in accordance with the prevailing Rules & Regulations of the Central Govt. (v) Whether, the Service Tax and other statutory levies were deposited timely. (i) Whether, the grants/subsidies were obtained and utilized in view of the guidelines issued by
			the respective Ministry of the State
On and in a finite Course Course			Govt./Central Govt.
Operation of Air Cargo Comp Appointment of handling & transport contractor	Tenders file	Head Office	(i) Whether, the handling & transport contractor was appointed after inviting open tenders. (ii) Whether, the agreement for handling & transport was entered into and executed/operated accordingly?
Operation of ACC	Correspondence file, register/ledger of handling & transportation of export/import cargo, receipt book of handling & transport charges, cash book, band	Unit office at Sanganer Air Port	(i) Whether, the handling & transport (H&T) charges recovered from the exporter/importer were as per tariff decided by the Competent Authority.

Marketing of SSI products	statement, other records as prescribed by the Custom Department		 (ii) Whether, all the deductible claims were considered while forwarding bills of H&T contractor to Head Office. (iii) Whether, the handling & transport (H&T) charges recovered from the exporter/importer were timely deposited into the bank and transferred to Head Office. (v) Whether, the Service Tax and other statutory levies were deposited timely?
Marketing of SSI products Inviting offers for rate contract from SSI units for procurement of steel furniture, RCC pipes, steel body desert coolers, tent & tarpaulins, polythene bags and branded wire to supply the same to the Govt. Departments during the year according to their need.	Tender files	Head Office	 (i)Whether, the policy to provide marketing assistance to SSI units has been formulated/ adopted as directed by the Govt. (ii) Whether, the tenders were invited from all the registered SSI units (iii) Whether specifications/quality and measurements of the items to be procured were finalized
Decision by the Price Fixation Committee, execution of rate contracts with SSI units and intimation of the same to the Govt. Departments	Minutes of Price Fixation Committee, correspondence files,	Head Office	Whether, the prices for awarding rate contracts were finalized by the price fixation committee after taking into account the prevailing market prices of SSI products.

Supply of SSI products to the Govt. Departments after recovering service charges	Correspondence file/register of indents from the Govt. Departments, Performa invoice and cash book Receipted Challans of Govt. Departments	Head Office	 (i)Whether, the supply of SSI products was made as per terms & conditions of the rate contracts. (ii) Whether, the payment received from the Govt. Departments was as per terms & conditions of the rate contracts. (iii) Whether, the payment was made to SSI units after recovering service charges and ensuring quality of product as well as obtaining receipted challan from the Govt. Departments.
Operation of Handicrafts Desi	gn Development and Rese	arch Cente	r at Jaipur
Production of quilts only on labor contract basis	Tender file for procurement of raw materials and engagement of labour contractor	Head Office	 (i) Whether, the procurement of raw material was made after inviting open tenders/getting quotations from reputed suppliers. (ii) Whether, the labour contractor was engaged after inviting open tenders. (iii) Whether, the agreements for procurement of raw materials and engagement of labour contractor were entered. (iv) Whether norms of the consumption of raw material and manhours existed. If so, the same may be examined critically. (v) Whether the consumption of raw material and manhours was as per the

				norms.
Supply of quilts to Central Store	Correspondence	file,	Unit	Whether, the
for distribution among	stock ledger		Office,	production center was
units/against bulk order	_		Central	being operated,
			Store at	satisfactorily
			НО	

3.13 Rajasthan State Road Development & Construction Corporation Limited

1. Introduction:

The Rajasthan State Road Development and Construction Corporation Limited (RSRD & CC or more commonly known as RSRDC) is the changed name of Rajasthan State Bridge and Construction Corporation Limited (RSB & CC which was more commonly knownas RSBC). The fresh certificate of incorporation consequent on change of name was issued by Registrar of Companies, Rajasthan, Jaipur on January 18, 2001. The original company, RSBC was got registered under the Companies Act, 1956 on February 8, 1979 by some officers on behalf of Government of Rajasthan as a Public Limited Company. Therefore, it is a government Corporation sponsored by Rajasthan State Government within the meaning of Section 617 of the Companies Act. Thereafter, the certificate of commencement of business in pursuance to Section 149(3) of the Act was issued on 19.05.1979 by the Registrar. Thus, the Corporation started functioning in May, 1979.

2. Main Objectives :

The main objectives of the Corporation are following:

- To constructing Buildings, Bridges, Roads, BOT Projects on behalf of Government undertakings/Departments and other agencies. Normally the works are undertaken by the Corporation either on the cost plus centage charges or on tender basis.
- To reduce the cost/time over runs in the construction of bridges, roads, buildings, paths, streets, sideways, tunnels etc. with mandate to cover various construction activities in a modern and organized manner.

3. Functions/Activities:

The works executed by the Corporation are divided into two categories:

- I. Contract/tender works secured through competitive bidding.
- II. Deposit works awarded mainly by the State Government/Departments without tenders on cost plus basis.

After procuring the work in either way from clients, the Corporation awards the work to other contractors either on completed rate (including cost of materials) or on labour rate (piece rate work) by inviting tenders. Generally cement and steel for the works are procured centrally and issued on works departmentally.

The State Government first time authorized the Corporation vide order dated 04.10.1979 to execute the civil works of Public Works Department on cost plus basis and charge 15 per cent overheads. Now, the Corporation has been authorized to charge the overheads @ 9 per cent in case the design and drawings are to be prepared by RSRDC but it will charge the overheads @ 7.50 per cent if the design and drawings are supplied by the client department/organization.

4. Description of the activities of the Rajasthan State Road Development & Construction Corporation Limited and checklist for the audit.

Activity	Process involved	Records	Location of	Check points for
			records	
Procurement of Steel & Cement	Requisitions from Units: - Requisition for steel & cement against running works and upcoming projects received from units on quarterly basis.	maintainedCorrespondencefile, MonthlyProgressReportsofworks,MonthlyAverageconsumptionReport, Boardagendaandminutes,Requisitionfiles, PurchaseorderFile,TenderRegister,agreements/MOUsfile,securitydeposits file andregister,Bills/invoicesregister,goodsreceivednote/receiptedchallan,andGTP	records Procurement & Recovery cell Cell at Head office and Concerned Units.	audit Whether the requirement of steel & cement was obtained timely and required quantity was as per norms of the consumption of steel and cement?
	Calculation of total requirement: calculation of total requirement is done at Head office level as per requisition from units. Invite tenders for supply of the steel & Cement from prime suppliers for major brands: - Invitation of tender by the Procurement & Recovery cell at Head office level for supply of Steel & Cement. Receive and open the tenders:-Receive tenders at Head office level and analyze rates as per market trends and other terms&conditions of tenders.	GTR.		Whethertotalquantityassessedwasasperrequisition?Iftherewasanydifference,thereasonsmaybeanalyzed?Whetherthewhethertheapprovalforinviting tender wasobtainedfromobtained fromthecompetentauthorityauthorityasperDelegationsDelegationsofPower(DOP)andtenderinvitingprocess was asprocess was as pernorms?Specialattention should bepay on split of thetender.Whether,1.The rate wasanalyzed based onmarket trends?2.The quality and 4typeofthematerial was as pertenderspecification?3.The rate was

3.14 Rajasthan State Seeds Corporation Limited

1 Introduction

The Rajasthan State Seeds Corporation Limited was incorporated as a State Government Company on 28March 1978 under the National Seed Programme with the main objective of production of certified seeds in the farms through the seed growers and marketing at fair price to the farmers. Between 20 July 1979 and 29 March 1996, it remained a deemed government company under section 619(B) of the Companies Act, 1956 when government share holding was less than 51 per cent (46.8 per cent). However, after conversion of loan into equity the share holding of the Government increased to 88.45 percent and it became Government Company from 30 March 1996.

2. Objectives

- To provide quality seeds at reasonable price at appropriate time to farmers to support high yielding varieties programme
- Promotion of use of certified seeds
- Proliferation of technical knowledge

3. Functions

- Production of certified seeds of good quality
- Processing, storage and preservation of seeds
- To make available seeds of new developed varieties according to the demand of Agriculture, Horticulture and Land Development Department
- To undertake and promote research in agriculture in general and seed production, processing, preservation and storage techniques in particular in colloboration with established institutions in this field
- Install, manage and operate processing plants and seeds storage facilities
- Make arrangements for supply of foundation seed to seed growers

4. Work flow and check list on the core activity of Rajasthan State Seeds Corporation Limited

Process	Activity and sub-process	The records	Audit check points
involved	involved	maintained	
Assessment of th	ne requirement of the Certified	seeds	
Seed	Procurement of 'Breeder		1. Whether the Company
Procurement	Seeds' from Government of		has assessed the demand of
Process- The	India- 'Breeder Seeds' are the		Breeder Seeds after taking
Company	parental seeds for		into all major factors into
procures	development of Certified		consideration.
certified seeds	seeds. Breeder seeds are		2. Whether the Company
through	developed in agricultural		has sent the demand of
following	universities. The Company		breeder seeds to the ministry
sources-	receives the breeder seeds		within due time.

A Own Seed	from the Ministry of		3. Whether the Company
Development	Agriculture (GoI) at the rates		has lifted breeder seeds in
Process-	fixed by the Central		reasonable time.
	Government. The		
	Government allots the		
	breeder seeds on the basis of		
	demand and its availability.		
	The Company assesses the		
	demand on the basis of		
	multiplication factor which		
	means the times of quantity		
	of certified seed obtained		
	from a unit of breeder seed.		
			1. Whether the seeds
	Selection of seed growers for		
	<i>multiplication</i> – The Breeder		growers are selected as per
	Seeds purchased during the		the directions given by State
	year is distributed to seed		Government.
	growers for production of		2. Whether the process for
	foundation seeds. Seed		selection of seed growers is
	growers are required to give		initiated on suitable time.
	proof of owning of farm land.		
	Seed growers are selected on		
	the basis of 'First Come First		
	Serve' policy, keeping in		
	consideration the reservation		
	provided to SC/ST as per the		
	directions of State		
	Government.		
	Distribution and pricing of		1. Whether the entire
	seeds for multiplication-		available seeds were
	Breeder Seeds are distributed		distributed for
	to farmers at a price arrived		multiplication, if not,
	by adding certain percentages		reasons for the same may be
	on cumulative basis to the		examined.
	price of certified seeds. These		2. Whether a system
	_		exists for fixation of the
	percentages are decided by Board of Directors. The		
			cumulative percentage and
	selling price may be lower than the purchase price of		to examine the reasonability
	than the purchase price of		of such percentages.
	breeder seeds. No credit		
	facility is allowed to farmers		
	for purchase of breeder seeds.		
	Receipt of 'Raw Seeds' from		1. Whether the actual
	growers- Seeds from the	Procuremen	yield from the breeder and
	farmers are received at	t Register	foundation seeds is lower
	processing plants. The		than the expected yield, if
	maximum yield to be		yes, the reasons for the same
	received from a particular		may be examined.
	farmer is decided by RSSCA		2. Whether the
	on the basis of breeder seed		purchase price as decided by
L		l	Further price as accided by

	tokon by him A	Decional Managers
	taken by him. A unique lot	Regional Managers are in
	number is given for the seeds	line with the purchase policy.
	brought by each farmer. A	
	certain percentage (presently-	
	80%) of market value as	
	decided by Regional	
	Managers is disbursed as	
	advance to farmers. The	
	market value is arrived after	
	adding certain premium to	
	the highest rates received in a	
	particular period in demarked	
	Mandis for each crop. For	
	this purpose, the Company	
	issues purchase policy for a	
	particular season each year.	
	Processing of 'Raw Seeds' in	 1. Whether the
	seed processing plants-	Company has adhered to the
	These seeds are passed	norms for consumption of
	through grading machines	store items while processing.
	and the undersized seeds are	
	separated. After that, seeds	
	are processed in processing	
	plants by adding chemicals.	
	These seeds are packed	
	according to their lot	
	numbers.	
	Sampling by RSSCA-	1. Whether the Company
	Rajasthan State Seed	has sent the samples without
	Certifying Agency (RSSCA)	any delay.
	is the sole agency in the state	2. Examine the payments
	to certify the seeds. The	made to RSSCA and
	agency selects samples from	recovery of the same from
	the processed seeds	the farmers.
	according to the lots and	the farmers.
	sends them to laboratories for	
	testing after coding the same.	
B. Purchase of	Assessment of the	1. Whether the Company
<u>seeds</u>	requirement-	
<u>sccus</u>	The Agriculture Department	has proper system for assessment of the
	(GoR) assesses the demand	requirement. 2. Whether the process for
	of seeds for various crops. On the basis of this demand	1
		purchase of seeds is initiated within reasonable time.
	and the seed stock available,	
	the Company assesses the	
	requirement for purchase of	stock for a particular season
	seeds from other sources.	due to unwarranted purchase.
Purchase from	The Company gives the first	1. Whether all SSC have
Government	priority to other State Seed	same rates for inter SSC
organizations	Companies and other	transactions.

	government producers. In	
	such case, tender process is	
	not followed as the rates of	
	seeds are finalized	
Purchase from	Issue of notice inviting	1. Whether the Company
private parties	tenders-	has issued NIT in prescribed
	The Company invites bids	newspapers for wide
	through publication in	publicity.
	newspapers. The estimated	2. Whether the terms and
	quantity and the other terms	conditions of the tender
	and conditions of the tender	safeguards the interest of the
	are also finalized before issue	Company.
	of NIT.	Company.
		1. Whether the work
	Issuance of work order- The	
	bids are opened on the	order was issued in
	specified date. After	accordance with the terms
	analyzing the bids, purchase	and conditions of the tender,
	order is issued to the lowest	the decision of the award of
	supplier.	the contract and within the
		reasonable time.
	Receipt of seeds-	
Storage of	Construction of new	1. Examine the process
Seeds	godowns- In case of	of acquisition of land,
	construction of new	selection of proper location,
	godowns, following points	rates of the land etc.
	may be examined.	2. Examine the process
	• Assessment	of tender for construction of
	for requirement of new	godown.
	reduction centers.	3. Examine the
	Acquisition	utilization of newly
	of land.	constructed
	Tendering	
	for construction.	
	Hiring of godowns-	1. Whether the godowns
	In case, the space available in	were hired at the
	the godowns of the Company	commercially viable location
	is not sufficient for storage,	at the most economical rates.
	the Company takes the	2. Whether the retention
	1 5	of the godowns was justified
	godowns on hire. The Company gives first priority	č
		keeping in view the spare
	to godowns of State Warehouse	capacity of self godowns and
		other rented godowns.
	Corporation/Central	
	Warehouse Corporation. In	
	other cases, the Company	
	hires godowns through open	
	tendering process.	
Sale of	Fixation of sale price- The	Whether the sale price has

Certified	Board of Directors of the	been fixed after
Seeds		
Seeds	Company is empowered to	
	fix the sale price of certified	cost/purchase price of
	seeds. The price is fixed	certified seed and market
	keeping in consideration the	price of other varieties of
	following factors:	certified seeds.
	1. Cost incurred on	
	development of certified	
	seeds or on purchase of	
	certified seeds.	
	2. Market price of other	
	varieties of certified seeds.	
	3. Marketing subsidy	
	received by the Company.	
	The sale price is same for	
	sale to registered dealers as	
	well as to Co-operative	
	societies.	
	Fixation of targets of Sale for	
	each Unit- The Company	
	1	
	fixes the targets of sale for	
	each regional office after	
	discussion with unit in-	
	charge.	
	Channels for sale- The	Whether the stipulated
	Company sells the Certified	security deposit has been
	seeds through following	taken before registration.
	channels-	
	a. Sale through	
	registered dealers- Private	
	persons are required to take	
	license from Agriculture	
	Department (GoR) before	
	getting registered with the	
	Company after deposition of	
	stipulated security deposit.	
	The registration is made at	
	Unit level.	
	b. Sale through Co-	
	operative societies- The	
	Company sells certified	
	seeds to 'Rajfed' and other	
	co-operative societies on	
	priority basis.	
	Certified seeds are sold on	
	'First Come First Serve' basis	
	after deposition of sale	
	amount in advance.	
Purchase of	-i	1. Examine the process
chemical and		of tendering by applying the
chemical allu	parenase various chemicals	or concerning by apprying the

		1 1 1 1
other	and other material for	general checks applicable on
fumigation	processing of seeds in	tendering.
material	processing plants and storage	2. Whether the
	of seeds. The Company	Company has the system for
	purchases these materials	assessing the requirement of
	through open tendering.	the chemicals.
		3. Examine the stock,
Subsidy	The Company receives two	1. Whether a system
	kinds of subsidies from	exists to explore the
	Central Government.	possibility of receipt of
	a. Production Based-	subsidy from Central
	This subsidy is passed on to	Government, State
	the growers, while making	Government or other
	payment of fit seeds	sources.
	according to quantity of fit	2. Whether the
	seeds. The Commissioner of	subsidy/grant has been
	Agriculture (GoR) decides	claimed and received in toto
	the ceiling of quantity, for	and in time.
	which subsidy is to be	3. Whether the company
	disbursed. The amount of	has made wide publicity of
	subsidy is decided by Central	production based subsidy to
	Government each year for	attract the farmers to produce breeder seeds.
	every crop.	
	b. Marketing Based- This	4. Whether the
	subsidy is retained by the	production based subsidy has
	Company. The objective of	been passed on to the
	this subsidy is to promote the	farmers.
	use of certified seeds through	
	keeping the price of certified	
	seeds cheaper. The Central	
	Government decides the rate	
	of subsidy of each crop every	
	year. The amount of this	
	subsidy is taken into	
	consideration while	
	finalizing the sale price of	
	certified seeds.	
Transportatio	Agreement with transporter	1. Examine the tender
n	through open tender- The	process for transportation.
	Company does not have own	2. Examine the
	transportation. The Company	reasonability of the rates
	requires transportation	received in tender of a
	service in following cases.	particular unit through
	a. To bring breeder seeds to	comparison between rates of
	Units.	different units.
	b. To transport seeds	
	between processing plants	
	and units.	
	c. Agreement with	
	transporter is executed at unit	
	level through open tender	
L		10(

	procedure. The rate for transportation is fixed according to quantity and destination covered.
Research and	The Company has made
Development	agreements with various
Project	agriculture universities of the state to develop new verities of seeds suitable to the environment of the state. For this purpose, 13 projects have been sanctioned which are
	under progress. No new variety has been developed finally so far.

3.15 Rajasthan State Warehousing Corporation

1. Introduction

The Rajasthan State Warehousing Corporation (RSWC) was established on 30th December 1957 under section 28 of the Agricultural Produce (Development and Warehousing) Corporation Act, 1956. Following the repeal of this Act by the Government of India in 1962 and its replacement by the Warehousing Corporation Act, 1962, the Corporation functions under the latter Act. The Corporation has 89 units in addition to Head Office.

2. Objectives

- To provide scientific, efficient and economical warehousing facilities in the State; and
- To achieve the highest standards of operational efficiency and excellence with emphasis on viable operations and generation of surpluses.

3 Functions

As provided in Section 24 of the Warehousing Corporations Act, 1962 (Central Act 58 of 1962), the RSWC may:-

- acquire and build warehouses and godowns at such places within the State as it may, after consultation with the Central Warehousing Corporation, determine;
- run warehouses in the State for the storage of agriculture produce, seeds, manures, fertilizers, agricultural implements and notified commodities and to arrange facilities for their transportation to and from the warehouses;
- act as an agent of Central Warehousing Corporation or of the Government for the purpose of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities;
- enter into, with the previous approval of the State Government, joint ventures with the Central Warehousing Corporation;

- minimize storage losses and prevent any degradation of stocks of the depositors by using latest scientific methods and pesticides/ insecticides; and
- act as an agent of Food Corporation of India and a nominee of the State Government for procurement of kharif and rabi food grain crops under the Support Price Scheme and provides, at its discretion and on the request of the parties concerned, disinfestation services outside its warehouses in respect of agricultural produce or notified commodities.

To perform the above stated functions, as per Section 26 of the Warehousing Corporations Act, 1962, the Corporation shall prepare before the commencement of each year a statement of programme of its activities during the forthcoming year as well as a financial estimate in respect thereof. The statement will be sent to the State Government and the Central Warehousing Corporation for approval.

4. To assist the field parties in conduct of a good audit, Flow Chart of the core activities, with risk analysis, of Rajasthan State Warehousing Corporation and check list thereof have been prepared. As the check list can not be exhaustive, it can not replace the ingenuity and innovative spirit of the members of the field parties, which is must for the function of audit. Therefore, it is called upon the members of the field parties to supplement the check list with the requirements of the Auditing Regulations, Auditing Standards and their own wisdom.

Activity and sub-process involved in the activity	The record maintained and its location	Audit Check point	Level of risk and its reasons
Assessment of the require	ment of godowns		
Preparation of five year plans- A five year plan is prepared which projects estimated capacity expansion during the period of the plan.	PlanningandBusiness PromotionSectionCorrespondencefile,MonthlyProgressReports,MonthlyAverageOccupancyReport,Boardagendaandminutes	Whether the five year plan exhibits a proper perspective of the Corporation based on factual data or it is a cosmetic exercise only.	High (i) Internal control is weak as the commercial viability of the location of the godowns is not assessed on the
Initiation of the process of assessment of requirement- The process of assessment of godown capacity is started in the month of July every year.	minutes	Whether the process was initiated in time.	basis of properly documented data. (ii) The activity of assessment of commercial viability of the
Calling for demand from the field offices- The demand note is called for from the warehouse managers. Assessment of		Whether the demand notes were called for in time.	construction of a godown falls within the scope of the Internal Audit of Head Office. But, the

		1 1 1 .1	:
requirement by		submitted by the	review of
warehouse managers-		warehouse managers are	Internal Audit
Warehouse managers		the most important bases	Reports reveals
conduct surveys and		for the decision of	that no proper
submit their proposals		construction of new	analysis is done.
within approximately		godown. Hence, it may be	(iii) The
one month. The		ensured that the survey	construction of
surveys incorporate the		reports include all the	godowns at an
forecast of the		pertinent information like	inappropriate
agriculture produce		agriculture production	place due to
also. The forecast is		forecast, shifting of	subjective
generally based on the		existing Krishi Upaj	considerations or
personal contacts only.		Mandi Samitis,	inefficient
personal contacts only.		construction of new	mechanism for
			the selection of
		Highways, conversion of	location results
		rail gauge, construction of	
		godowns by other	into loss of the
		agencies like Central	opportunity of
		Warehousing Corporation,	construction of
		Tilam Sangh etc and by	godowns at a
		the private entrepreneurs.	potentialsite,
		This may also be	thereby, storage
		examined whether the	capacity is
		information given by the	wasted. The
		warehouse managers is	objective of the
		based on facts.	Corporation is to
Finalisation of		(i) Whether the committee	provide the
proposals- A		was constituted in time.	storage capacity,
committee consisting		(ii) Whether the proposals	which is
of the officers from		have been justified on the	defeated.
Accounts section,		basis of the relevant facts.	(iv) The low
Engineering section		(iii) Whether all the	storage volume
and Business		relevant facts were	results into
Promotion section is		included in the Board	financial loss as
constituted to examine		agenda.	the investment
the proposals sent by			could have been
the warehouse			made at a more
managers. Based on the			potential
proposals received			location.
from the warehouse			
managers, occupancy			
reports of godowns,			
agriculture production			
forecast, government			
policy regarding the			
location/shifting of			
Krishi Upaj Mandi			
Samitis,			
representations			
received from the			
	L		

political leaders, tentative cost benefit analysis etc. the committee finalizes the proposals for the construction of new godowns. The committee's proposals are submitted to the BOD. The BOD approves the proposals. Construction of godown	15		
Purchase of land- Generally, the proposals for the construction of godowns is finalized for the place where the land is already available. If the land is not available, the same is purchased.	Engineering Section Correspondence files, tender register, NIT file, tender file, work order register, individual work file, earnest money/security deposit register, measurement books	Looking to the future expansion of the business and lengthy and complex process of land purchase, whether proper efforts were made to purchase the land in advance in the suitable locations. Proper efforts means identification of the areas suitable for future expansion, timely correspondence with the concerned authorities to allot the land, cost-benefit analysis of the land proposed to be allotted by the concerned authorities, timely payment and taking possession etc.	Medium (i) No proper internal control measures exist regarding exploring the suitable locations for the construction of godowns. (ii) The scope of internal audit includes purchase of engineering good, payment to contractors, stock position etc. only. Hence,
Preparation and approval of estimates		 (i) Whether the estimates are based on the relevant Basic Schedule of Rates. (ii) Whether timely approval of the estimates was accorded and no cost escalation took place due to delay thereof. 	the tendering process is not within the ambit of internal audit. (iii) General experience of the audit is that award of
Issue of Notice Inviting Tenders		(i) Whether the tender document includes all the relevant terms and conditions such as specifications of the work, time milestones, cost	contracts is a grey area. (iv) Previous IRs supports the argument at (i)

	IDA Jaimur Municipal	aharra
	JDA, Jaipur Municipal	above.
	Corporation etc,	(v) This activity
	certificates required from	does not disrupt
	the contractors-class of	the effectiveness
	the contractor and	of the
	experience etc.	Corporation in
	(ii) Whether the terms and	delivering the
	conditions had the	mandate in a
	element of consistency or	significant
	there were frequent	manner. It affects
	changes therein.	the efficiency
	(iii) Whether the NIT was	and economy,
	published with the	adversely, hence,
	requisite time margin and	is assigned
	in the requisite	medium risk
	newspapers as prescribed	instead of high
	by the General Financial	risk.
	and Accounts Rules of the	
	State Government or by	
	the Corporation,	
	whichever is applicable.	
Analysis of the bids	(i) Whether technical	
	competence of the	
	contractors w.r.t. their	
	registration in the	
	recognized organizations,	
	term of experience, class	
	of registration etc. was	
	ensured.	
	(ii) Whether Earnest	
	l	
	obtained before opening	
	of the tenders.	
	(iii) Whether track record	
	of the contractor was	
	examined.	
	(iv) Whether special terms and conditions of the	
	contractors, if any, were	
	accepted. The same may	
Low of Work Ords	be examined properly.	
Issue of Work Order	(i) Whether the work	
and execution of	order was issued in	
agreement	accordance with the terms	
	and conditions of the	
	tender, the decision of the	
	award of the contract and	
	within the reasonable	
	time.	
	(ii) Whether the	
	agreement was executed	

		with the contractor before	
		the issue of work order.	
Checking, verification		(i) Whether the bills have	
and passing of the		been passed in accordance	
bills of contractors		with the measurement	
		books and the terms and	
		conditions of the work	
		order	
		(ii) Whether statutory	
		deductions have been	
		made from the bills	
		(iii) Whether approval of	
		the appropriate authority	
		has been taken before	
		sending the bill for	
		payment	
Refund of the security		(i) Whether as per the	4
deposit to the		tender document/work	
contractors		order the satisfactory	
contractors		performance period has	
		elapsed before refund of	
		the security deposit.	
		(ii) Repair and	
		maintenance on the new	
		godowns may be	
		examined critically with a	
		view to assess the quality	
		of the construction.	
		(ii) Whether proper	
		control over the refund of	
		the security deposit i.e. entry into the Security	
		5 5	
		Deposit Register etc.	
<u> </u>		exists	
Claim of grant/subsidy		(i) Whether a system	
for construction of		exists to explore the	
godowns		possibility of receipt of	
		grants for construction of	
		godowns	
		(ii) Whether the grant has	
		been claimed and received	
		in toto and in time.	
Hiring of godowns-If it	Panning and	(i) Whether the godowns	
is assessed that the	Business	were hired at the	
requirement of the	<u>Promotion</u>	commercially viable	
godowns exceeds the	Correspondence	location at the most	
total capacity, keeping	files	economical rates.	
in view the expansion,		(ii) Whether the retention	
the decision to hire the		of the godowns was	
the accision to mile the		of the goulowing was	

		4	
Offers from the private		the spare capacity of self	
godown owners are		godowns and other rented	
invited through news		godowns.	
paper advertisement.	• • .• .•		
Customer base expansion			
	Planning and		<u>Medium</u>
	Business Promotion		
Formulation of	~		(i) No internal
promotional schemes	Separate		control exists.
for the farmers and	correspondence	Whether the promotional	(ii) The scope of
businessman	files for each	schemes such as Pledge	internal auditor
	scheme, other	Scheme, Incentive	for the
	correspondence	Scheme for the farmers	warehouses
	files	for bringing depositors	includes the
		etc. have been formulated	examination of
		based on the	specific efforts
		considerations of	made to increase
		commercial	the business.
		growth/foodgrain	But, the review
		preservation only i.e. such schemes should reflect	of internal audit
			reports reveals
		that the decisions are unbiased.	lack of reporting
In allow and adian of the			in this respect. (iii) The past
Implementation of the schemes		Whether the schemes have been implemented	(iii) The past record of the
schemes		most efficiently and	Corporation
		effectively and no undue	regarding the
		advantage has been given.	maintenance of
Participation in		(i) Whether a judicious	the quality of the
Agriculture Fair- The		decision to spend money	deposited
Corporation		on pamphlets etc. is taken.	material is
participates in the		(ii) Whether a feed back	outstanding.
Agriculture Fairs		system exists to gauge	Hence, the
organized by the Krishi		benefits from such events.	service provided
Upaj Mandi Samitis			has built up a
where through			brand image and
distribution of			the best
pamphlets, oral			causative factor
explanation of the			to fetch the
benefits of storing the			business.
material in the			(iv) Despite
godowns of the			outstanding
Corporation etc., the			performance in
efforts are made to			quality
fetch maximum			maintenance, the
business.			decreasing trend
Reservation of storage	Correspondence	(i) Whether a proper	of turnover
space to the depositors-	file (party wise and	policy and procedure for	indicates either
The approval for the	miscellaneous),	reserving the space exists	internal
reservation of storage	Reservation of	and implemented	weaknesses or
			stiff competition
			187

	<u> </u>	1. 1	C
space, at least for three	Storage Space	accordingly.	from private
months, is accorded at	Register		players.
the HO level. In some			
cases, it may be post			
facto also. The charges			
are received in			
advance.			
Fixation of storage char	rges	r	
(i) Comparison with		As no institutional	Low
the rates of Central	Planning and	mechanism to know the	
Warehousing	<u>Business</u>	rate revisions by CWC	(i) No internal
Corporation-The first	Promotion	exists, therefore, there	control exists.
catalyst is the rate		may be delays in the rate	(ii) The scope of
comparison with the	Correspondence	revision by the	internal audit
CWC. If CWC revises	File, Storage	Corporation. This may be	does not include
the rates, the	Diary/Tariff Diary	looked into.	this activity.
Corporation takes the			(iii) The
step for the revision of			continuous
the rates. The			operation of the
information regarding			Corporation in
the revision in the rates			profit shows
by CWC is collected			satisfactory level
through various			of operating
informal means like			margins.
connectivity with the			(iv) The storage
officials of the CWC.			charges rates are
(ii) Rate revision		Loss of opportunity for	interlinked with
unsynchronized with		rate revision resulting into	the rates of
the rate revision by		excessive rate hike at a	CWC, a big
CWC-The rate revision		particular point of time	player in this
proposal is mooted by		may be examined.	field. Hence, it
the Business Promotion			provides a kind
Section, as and when			of assurance of
deemed appropriate.			timely and
There is no periodicity			reasonable rate
prescribed for rate			revisions.
review.			(v) Due to
(iii) Constitution of a		Whether the committee	absence of
committee for		was constituted in time	internal control,
finalisation of the		and all the factors i.e. the	there may be
proposal for the		costing of the	cases of delay
revision of storage		preservation, supervision,	etc., hence, some
charges and approval		storage, costing of in-	risk still exists.
of the proposals by the		house insurance,	
BOD.		competition from the	
		private players etc was	
		considered before	
		finalizing the rates.	
(iv) Appliachility of the			
(iv) Applicability of the			
new ratesThe new		application of new rates	

rates are applicable instantly to the new depositors. Whereas to the existing depositors, the rates are applicable after a notice period of one month. (v) The storage charges are in the multiple of per week charges.		may be verified from the bills. Whether deviation of the norm of recovery of storage charges in the multiple of weeks has taken place.	
Storage of the material			
Acceptance of the material-On space being vacant, the material is accepted by the warehouse manager after duly ascertaining the grade of the material.	Warehouse Godown Register, Stack Register, Key Register, Depositor's Register, Warehousing Receipt Book	Whether the information regarding the status of vacancy in the godown is transparently visible to the probable depositors.	Low (i) Well established internal control measures exist except the transparency in providing the
Handlingandtransportation-TheCorporation enters intoan agreement for theunloading, stacking andloading of the material,at a pre decided rate fortwo years, with aHandlingandTransportationAgentselected through opentender.tender.tender.tender.tender.tender.tender.tender.tender.tender.tender.tender.tender.tender.tender.servicechargesfromthe depositors on theratespaid to the H&Tagent.		Whether the billing of Handling and Transportation charges to the depositors is done accurately and timely and its recovery is ensured.	information to the prospective depositors regarding the availability of the storage space. (ii) The scope of internal audit includes this activity.
<i>Stacking-</i> The material is stacked in a well designed manner to avoid deterioration thereof and mixing with the material of other depositors.		Whether any claim due to deterioration of the quality of the stored material received and improper stacking was found one of the reasons for the deterioration of the quality of the material.	
Fumigation of the foodgrains			
Assessmentofrequirementof	<u>Quality</u> Control section	(i) Whether the requirement was assessed	<u>Medium</u>

· · · /		1 11 .1	
pesticidesThe		considering all the	(i) CWC has
assessment is based on	Correspondence	relevant factors.	prescribed the
(a) the projected inflow	files, Monthly	(ii) Whether the quality of	timings and
of the material in the	Progress Reports	foodgrain deteriorated due	norms of
godowns in the ensuing		to shortage of pesticides.	consumption of
seasons. The		(iii) Whether pesticides	pesticides for the
projections are made in		expired due to excessive	fumigation.
the month of March		purchase.	Hence, a well
every year. The		(iv) Whether the	established
projections are based		requirement is	internal control
on the feedback of crop		communicated to the	mechanism
received from the		Purchase and Stores	exists. Further, if
warehouse managers,		Section in time.	pesticides and
(ii) available fumigable			fumigation
stock of FCI/private			covers etc. are
holders, (iii) available			purchased from
quantity of pesticides.			CWC approved
A committee			rate contractors,
constituted for this			it, further,
purpose assesses the			mitigates the
fumigable stock to be			risk.
received and the			(ii) The scope of
requirement of			internal audit
pesticides. The			covers this
requirement so			activity except
assessed is			the tendering
communicated to the			process for
Purchase and Stores			purchase of
Section.			perticides,
Assessment of		(i) Whether repairable	fumigation
fumigation covers		fumigation covers have	covers etc
Based on the material		got repaired timely in	(iii) The
		order to avoid	outstanding past
,			performance of
assessment is done. This exercise is done		unnecessary purchase thereof.	the Corporation
			regarding
along with the exercise		(ii) Whether numbers of	maintenance of
for the pesticides		stacks have been correctly worked out while	quality of
			· ·
		assessing the requirement	deposited goods shows less audit
Dunahara of manifield-	Durahasa ar 1	of fumigation covers.	risk.
Purchase of pesticides where CWC rate	Purchase and Stores section	(i) Whether the	(iv) The
<i>where CWC rate contracts exist</i> -First	Stores section	presumption of the	experience of
	Item wise purchase	Corporation that the CWC rate contract rates are	audit reveals that
preference is given to	files, Stock register		purchases
the CWC Annual Rate	maintained by the	always lower is based on	•
Contract holder. If the	store keeper,	relevant facts and	through
CWC rate contractor	Challan files,	analysis.	tendering
agrees the order is	Demand file, EMD	(ii) Whether the	process has
placed to him. The	na intern D1 ' 1		altrate haan
- <u>-</u>	register, Physical	genuineness of the	always been a
experience of the Corporation shows that	register, Physical Verification Report files	genuineness of the documents submitted by the suppliers regarding	always been a grey area, hence, audit risk exists.

the rates of CWC rate contractors are lower than the rates offers received through tendering. The information of CWC rate contractor is received either through the CWC branch at Jaipur as well as supplier firms of recognition. The selection of CWC rate contracts, on availability of alternative sources among the CWC rate contracts are on FOR HO basis. (i) Whether the supply order is in accordance with the tender document and supplier. (ii) Whether the supply order is in accordance with the tender document and supplier. (iii) Whether the supply order is in accordance with the tender document and supplier. (i) Whether the supply order is in accordance with the tender document and issued in time to the supplier. (c) obtaining for the security deposit (DDRG) @ 5% of the from the firms regarding the readiness of the specific batch material for pre- dispatch inspection, (c) nomination, through Quality Control Second is handed over			
purchasing(a)order is in accordancePlacementofSupply/Purchase order,and issued in time to the(b)enteringintoagreement with the(ii) Whether agreementsupplier, (c) obtaininghas been entered into inof the security deposittime.(DD/BG) @ 5% of the(iii) Whether the securityordered amount, (d)deposit has been taken asobtaining informationper the terms of thetender.(iv) Whether pre-dispatchinspection and testingprocess is reliable andcompleted within areasonable period.QualityControlSection, of an officersuddenforpre-dispatchinspection at the site ofof the received materialby the higher officers iswarranted and conducted.(vi) Whether stockverification of the gualityof the supplier, (f) takingby the higher officers iswarranted and conducted.(vi) Whether stockregisters are maintainedverification of the stock	contractors are lower than the rates offers received through tendering. The information of CWC rate contractor is received either through the CWC branch at Jaipur as well as supplier firms of recognition. The selection of CWC rate contracts, on availability of alternative sources among the CWC rate contracts, is done based on the experience in the past or reputation of the rate contractor. The delivery from CWC rate contracts are	the CWC have been examined properly.(iii) Justification of the difference between the rate of order and of other CWC rate contractors	
second is handed over property	<i>purchasing</i> (a) Placement of Supply/Purchase order, (b) entering into agreement with the supplier, (c) obtaining of the security deposit (DD/BG) @ 5% of the ordered amount, (d) obtaining information from the firms regarding the readiness of the specific batch material for pre- dispatch inspection, (e) nomination, through Quality Control Section, of an officer for pre-dispatch inspection at the site of the supplier, (f) taking three samples of the inspected material-first is sent to the lab,	order is in accordance with the tender document and issued in time to the supplier. (ii) Whether agreement has been entered into in time. (iii) Whether the security deposit has been taken as per the terms of the tender. (iv) Whether pre-dispatch inspection and testing process is reliable and completed within a reasonable period. (v) Whether the system of sudden physical verification of the quality of the received material by the higher officers is warranted and conducted. (vi) Whether stock registers are maintained	

to the supplier and		
third is kept by the		
Corporation for record,		
(g) testing through		
outside laboratories, (h)		
examination of the		
testing reports, (i) issue		
of dispatch instruction,		
if testing report is		
e 1		
positive, (j) receipt of		
material by the store		
keeper at HO or Bais		
godown (22 godown)		
after tallying the batch		
number, quantity and		
kind from the supply		
orders, dispatch		
instructions, (k)		
registering the material		
U		
in the store ledgers.		
Purchase of pesticides	(i) Whether quantity,	
where CWC rate	quality and specifications	
contracts do not exist-	of the material required	
(a) Finalisation of	are incorporated in the	
tender document	tender document	
containing terms and	explicitly.	
e e		
conditions, eligibility	(ii) Whether qualification	
criteria for suppliers,	criteria for the suppliers	
specifications, quantity	are such as preventing to	
required, delivery	the black listed suppliers.	
instructions, payment	(iii) Whether all other	
, 1,		
terms etc. by a	terms and conditions like	
committee, (b) issue of	pre-dispatch inspection,	
NIT in the prescribed	cost bearing of the testing,	
newspapers, (c)	transportation, delivery of	
opening and evaluation	the material, payment	
of the bids, (d)	terms, penalty on delay in	
, , ,		
negotiations with the	the supply etc. are	
lowest bidder, if	incorporated in the tender	
required, (e) approval	properly.	
of a competent	(iv) Whether the	
authority, (f) placement	comparative statement is	
of order, (g) remaining	prepared accurately and	
activities are same as	the evaluation of the bids	
above mentioned for	is transparent and	
purchase through CWC	justified.	
rate contractors.		

Programment of the bills of pesticides-(a) store keeper verifies the receipt of material, (b) payment sanction is issued to the Payment Section by the Purchase and Stores Section, (c) payment is made by the Payment Section at a copy of the Payment Memo is sent to the Purchase and Stores Section for further reference.Whether the remarks for the verified bills of the suppliers before issuing a sanction for payment.Purchase of funigation CWC rate contractors or through open tenders in the manner as prescribed above for pesticides.Same checks as for pesticides may be applied.Purchase of purchase of polytheme stickes.Same checks as for pesticides may be applied.Purchase of solution pesticides.(i) Whether all the reparable items have been got repaired.Purchase of solution purchase distribution(ii) Whether all the reparable items have been got repaired.Purchase of polytheme sheet-Same process of purchase distribution(iii) Whether all he reparable items have been got repaired.Purchase as for pesticides is followed.(i) Whether all the reparable items have been got repaired.Purchase as for puschased through imited tenders.Delay, if any, in fumigation due to delay in dispatch of pesticides mand the material is dispatch of pesticides mand the material is dispatch of pesticides may be examined.Dispatch of pesticides and other material is dispatch of pesticides may be examined.Delay, if any, in fumigation due to delay in dispatch of pesticides may be examined.Dispatch of pesticides and other material is dispatch of through transporters. Th		1	
keeperverifiesthe receipt of material, (b) payment sanction is issued to the Payment Section by the Purchase and Stores Section, (c) payment is made by the Payment Section and a copy of the Payment Memo is sent to the Purchase and Stores Section for further reference.deposit, statutory levies like VAT etc. are marked on the verified bills of the suppliers before issuing a sanction for payment.Purchase and Stores Section for further reference.Same checks as for pesticides may be applied.Purchase of polythene purchase of polythene strets is followed.Same checks as for pesticides followed.Purchase of spray materise/foot sprayers/moisture meters/weight sets and been scales/stacking planks-Being occasional and small vulce terms, these are purchase through to the golowns On the demand received from the field godowns or the field solewer of Quality Control Section, the material is dispatched through transporters. The warchouse managersDelay, if any, in fumigation due to delay in dispatch of pesticides to pesticides may be examined.	Payment of the bills of	Whether the remarks for	
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received in the stock registers. <i>Consumption of</i> <i>pesticides</i> -Norms of consumption and timings of fumigation have been fixed by CWC and circulated to all the state warehouses. <i>Disposal of empty</i> <i>containers of</i> <i>pesticides</i> -The empty containers of the pesticides are	Warehouse Auction files	Whether norms have been adhered to. Deviations from the norms may be examined. System of auction may be examined with a view to ensure that no pilferage of pesticides took place.	
auctioned by the warehouse managers at the godowns			
Quality of the stored ma			т
<i>Physical inspection by</i> <i>the Quality Control</i> <i>Section officers-</i> It is the duty of the warehouse managers to maintain the quality of the stored material. In addition to it, to ensure the quality of the material stored, quality of stacking, requirement of fumigation etc., officers of the Quality Control Section conduct spot inspection.	Quality Control Section Correspondence files	 (i) Whether any norms of the inspection have been prescribed. (ii) Whether the inspections have been carried out and reports been prepared as per the norms. 	Low (i) Well established internal control measures exist. (ii) The scope of internal audit includes this activity. (iii) The past record of the Corporation regarding maintenance of the quality of the deposited material shows low level of risk.
Security of the stored m	aterial		
Deployment of guards - Each warehouse has a permanent guard. His residential quarter is also situated in the warehouse premises.	WarehouseKeyRegister,correspondence file	On the permanent guard being on leave/absent, the safeguard taken while making alternate arrangements by the warehouse manager may be examined.	Low (i) Internal control exists. (ii) The activity is covered within the scope of
<i>Insurance of the material</i> -An in-house fund to indemnify any loss caused to the	Commercial Section General Ledger	Whether the required money is deposited into the fund regularly and the comparison of cost-	internal audit. (iii) The negligible number of

created. The storage charges include the element of insurance also. Accordingly, the amount is deposited in the fund. Billing by HO to the selected depositors who opt for reservation Orders, the bills are issued in advance by the Recovery Cell. The payment received, mostly through cheques, are sent by the reservation of the space -(a) The draft bills of the big depositors like FCI, NAFED etc. are prepared by the respective warehouse managers and sent to the HO, (b) The bills are checked and consolidated in the HO and sent to the depositors, (c) The payment received, mostly through cheques, are sent by the respective warehouse managers and sent to the HO, (b) The bills are checked and consolidated in the HO and sent to the depositors, (c) The payment received, mostly through cheques, are sent by the respective warehouse managers and sent to the HO, (b) The bills are checked and consolidated in the HO and sent to the depositors, (c) The payment received, mostly through cheques, are sent by the respective warehouse managers and sent to the HO, (b) The bills are checked and consolidated in the HO and sent to the deposits the same in	[]			
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deposits the same in	÷			
	-			
the Bank Account.	the Bank Account.			
Billing by the <u>Warehouse</u> (i) Whether billings are		Warehouse	(i) Whether billings are	
Warehouse managers- Bill book, Party correct and collections are	j i		- · · ·	
(a) The bills are issued wise store ledger, in time.		, , ,		

in advance. The payment collected is deposited in the Bank Collection Account. If the amount is big and the cheque pertains to an outside station, the same is sent to the HO, (b) the amounts received in cash or through cheques are deposited in the Bank Collection Account, (c) as per the standing instructions to the Banks, the amounts deposited, leaving a balance of Rs.1000, in the Collection Account are required to be remitted to the HO Bank Account every Saturday. Recovery of outstandin	Diary/Tariff Diary, Rent Register	(ii) Whether the collected amounts, cheques are deposited in the Bank Collection Account in time. (iii) Whether the standing instructions of the Corporation regarding the remittance of amount are followed by the Bank without failure.	
Incidence of	g dues Planning and	Genuineness of the	Medium
outstanding dues-	-	outstanding dues may be	
Outstanding dues occur	Promotion	verified	(i) Well
due to (a) difference in			established
the application of			internal control
storage charges rates,			measures exist.
(b) raising of bill to the			(ii) The activity
customer which got the			is covered in the
storage space reserved,	Party wise		scope of the
but did not deposit the	correspondence file		internal audit.
material and also			(iii) Past
declined to make the			experience of the
payment of the			audit and the
reserved space, (c)			provision for bad
shortage in the quantity			and doubtful
stored or quality			debts reveal the
disputes		XX71 .1 1	cases of delay in
Efforts to recover the		Whether sincere and	recovery of dues
<i>dues-</i> Correspondence		timely efforts were made	due to disputes
for the recovery of		to recover the dues may	and other
dues is done by the		be examined.	reasons.
Recovery Cell		Wile other	
Write off of dues-		Whether proper	
Despite all efforts, if		justification of the	
the recovery becomes		proposals for the write off	
non recoverable, the		has been given.	

amount if written off		
with the approval of		
the BOD.		

3.16 Rajasthan Tourism Development Corporation Limited

1. Introduction

Rajasthan Paryatan Vikas Nigam Limited originally incorporated as a wholly State Government owned company on 24 November 1978, was renamed as Rajasthan Tourism Development Corporation Limited on 8 September 2000.

2 **Objectives**

To Promote tourism by all ways and means necessary to attract tourism, both Indian and Foreign.

3 Functions.

- To carry on the business of hotels, restaurants, café, motels etc for providing boarding and lodging facilities to the tourists.
- To establish and manage transport units,
- To establish, develop and execute projects and schemes, to facilitate and to accelerate development of tourism in Rajasthan.
- To organize package tours and render facilities for transportation, entertainment, shopping etc.
- To acquire, maintain and develop places of tourists' interest
- To organize cultural activities, festivals etc.
- To provide in-house facilities like catering of food and beverages on "Palace on Wheels" and "Rajasthan Royals on Wheels" trains run by Railways in association with RTDC
- To manage reservation of tickets for "Palace on Wheels" and "Rajasthan Royals on Wheels" trains.

4. Check List of Core Activities of Rajasthan Tourism Development Corporation Ltd.

Process	Sub-Process	Records	Location	Audit Check
		Maintaine	of Records	Points
		d		
Heritage	Trains - Palace on Wheels (POW) and Rajasth	an Royals on	Wheels (RROW)
	Agreement with Indian	Agreement	POW	1. Whether any
	Railway for running of POW-	file	Section	amendment made
	The POW is a joint venture of		(HO)	in the agreement is
	the Company and the Indian			against the interest
	Railway. An agreement is			of the Company.
	executed between the both			2. Examine the
	parties for running of the train.			changes made in

	The present agreement has		the agreement
	come into effect from		while extension of
	01.06.2006. The tenure of the		the agreement.
	agreement is up to 31.05.2011		
	which can be extended by		
	mutual consent of both parties.		
	Any clause of the agreement		
	may however be amended with		
	mutual consent of both the		
	parties. As per the agreement,		
	the Indian Railway is		
	responsible for providing all		
	facilities necessary for the		
	operation of the train.		
	Finalisation of rates of		1. Whether a
	package- The tariff of the total		system exists for
	package is mutually decided by		preparation of
	the Company and the Indian		proposal to change
	Railway from time to time and		the tariff of the
	notified through administrative		
	e e		
	instructions of the Company.		accordance with
	The package includes the rail		cost of services
	tariff, catering, house keeping,		provided by the
	sight seeing and entertainment		Company.
	services.		
	Sale of tickets/booking of		1. Whether the
	tourists- The responsibility for		commission paid to
	selling the tickets directly or by		the booking agents
	appointing booking agents in		is as per the rate of
	India as well as outside India		commission
	would be of the Company. The		approved.
			2. Examine the
	booking/reservation online		efforts made by the
	including bookings of agents.		Company to sale
	The online booking is also		the tickets directly
	extended to IRCTC/Indian		to avoid
	Railway reservation system.		expenditure of
	IRCTC is entitled for		commission.
	commission as applicable to		3. Whether
	the agents but Indian Railway		collections from
	does not charge any		agents are received
	commission. The rate of		timely.
	commission is also decided by		uniory.
	5		
	the both parties. The Company		
	does not charge any		
	commission on the tickets sold		
L	directly by it.		
	Cancellation of tickets- The		1. Whether the
	cancellation charges on		cancellation charges
	cancellation of tickets is		are recovered as per
L		I	

decided mutually between the Company and the Indian Railway. The cancellation charges are shared between the Indian Railway and the Company in the earning sharing ratio.	the rate applicable. 2. Whether the share paid to the railway out of the cancellation charges is in accordance with earning sharing ratio.
Agreement with emporiums for sale- The Company selects the reputed emporia for shopping of handicrafts, textile, jewellery etc. for POW train guests at Jaipur, Jaisalmer, Jodhpur, Udaipur and Agra for each season through open tender. The Company receives facilitation fee from the selected bidders.	1.Whetherthe1.Whetherthetendershavebeeninvitedondueandtheshopsandtheshopsandtheshopsandtheshopsandtheshopsandtheshopsandtheshopsandtheshopsandtheshopsstartingoftheseason.2.Whether2.WhethertheCompanyhasreceivedsecuritymoneyasreceivedfacilitationfeeaccordingtotheratesapprovedonduedates.
Insurance- The liability of the railway for payment of claim to the passengers in case death, disability in accidents is limited to the extent as per the provisions of Railways Act. The Company has also taken two policies from State Insurance Department. a. Insurance for passengers b. Insurance of the belongings of the Company in POW.	1. Examine the claims lodged, if any, with State Insurance Department.
Complimentary passes- As per the agreement between Indian Railways and the Company each can nominate a maximum of two berths per trip. The power for allowing Complimentary Passes (CP) is exercised by Managing Director of the Company. The unutilized quota of CP can be carried forward in the	 Whether the Company has utilized the CP as per the limit prescribed and the unutilized quota has been carried forward as per agreement. Examine the feedback given by

particular season.	the officials who
particular season.	the officials who travelled using CP.
	Ensure that the CPs
	have been utilized.
Catering facility	
guests- The Compan	
catering facility to	
guests through its ow	-
section in POW. The	grocery is consumption of raw
purchased through a	ommittee material is as per
in the chairmanship	f General the norms according
Manager (POW)	The to the number of
Company also	provides guests.
catering facility to th	· · ·
five star hotels at	
places. For selection	
the Company invi	
from qualified hote	
-	ind other relevance,
facilities. This ex	,
	5
conducted every	
selection of hotel.	received regarding
	quality of food from
	POW guests,
Bar Service- The	
provides bar facilit	
POW guests at the	
The Company purcha	ses liquor prescribed by
from RSBCL. The	CMD/MD company for supply
is empowered to fin	the sale of liquor per peg to
price of liquor. Th	revenue customers.
earned from bar is a	ot shared 2. Examine the
with Indian Railway.	receipt of revenue
	from bar in
	accordance with
	purchases made by
	the Company and
	profit charged.
Spa Facility- The	·
provides this facility	1 5
guests on additional	· · · ·
basis. The Company	
the firm to provide the	1 I I I I I I I I I I I I I I I I I I I
through open ten	
CMD/MD is empow	
the price of spa fac	· · · · · ·
revenue earned from	
shared with Indian R	ilway. cost and the same is
	revised, on change
	in price payable to

		spa facility provider.
Sight Seeing- The cost of sight seeing is included in the package cost. The Company 		 Examine the tender process for hiring of vehicles by applying general checks applicable on tender process. Examine the expenditure incurred on entertainment.
Purchase of store items- The Company purchases various store items such as crockery, pillows, bed sheets, kitchen equipments etc. through open tender at HO, separately from the purchase for hotels.		 Examine the requirement of store items purchased for POW. Examine the tender process for purchase of store items by applying general checks applicable on tender process. Examine the process of disposal of replaced store items.
Maintenance of interiors & furnishing, decor- The Company takes up the work of maintenance of interiors during off-season time. For this purpose, the Company invites offers from bidders through open tender. This work mainly includes paint, etc.	Work Section	1.Examinethetenderprocessformaintenanceofinteriors&furnishing, decorbyapplyinggeneralchecksapplicableontenderprocess.2.2.Examinescopeofworkandexecutionthereof.

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	Publicity and Promotion- The			the	
	Company works as a nodal		activities taken	· ·	
	agency for marketing,		· · · · ·	nd	
	promotion and publicity of the		promotion of t	the	
	POW. One percent of the net		POW.		
	revenue (after deducting the			se,	
	commission paid to the		outside agency		
	booking agents) generated by			for	
	the POW during the preceding		1 5	nd	
	year is retained by the		1	the	
	Company for publicity and		POW, the proce		
	promotion.		1	for	
			selection of t	the	
			same may	be	
			examined.		
	Revenue sharing with railway-		1. Whether t	the	
	The present revenue sharing		revenue is shar	ed	
	ratio is 56:44 between the		with railway	as	
	Indian Railway and the		prescribed in t	the	
	Company. The shareable		e	nd	
	revenue is determined after		payment is releas		
	deducting the commission to		to the railway	on	
	the booking agents and 1%		due dates.		
	earmarked for publicity and				
	promotion from the total				
	revenue. The Company is				
	required to make payment				
	quarterly basis on or before the				
	forty fifth day after each				
	quarter.				
Specific	Revenue sharing with railway-		1. Examine t	the	
points in	The Company is required to		net reven		
case of	pay the haulage charges to the			om	
RROW-	Railway, as notified from time		operation of ea		
	to time for the initial three		trip of the RROW		
	years. Further the Company				
	shall pay additional charges, as				
	a percentage of gross revenue				
	linked to the occupancy of the				
	train. The itinerary of the				
	RROW is different from POW.				
Transport	tService				
The Comp	any provides various transport me	eans such as A	Ambassador, Indica, Mini bus, lar	ge	
bus etc. on hire. As the Company does not have its own vehicles, the same are hired through					
open tende				_	
<u> </u>	Fixation of tariff and	Transport	1. Whether the system exist	sts	
	other terms and Tariff File	· ·	for revision in rates in tande		
c	conditions- The	Transport	with the rates finalized in t	the	
	Managing Director of	Unit	tender for hiring of vehicles.		
	he Company is		2. Whether the other term	ms	
· · · · · ·		1			

			ا به به بر ا
empowered to fix the tariff. Presently the Company has fixed the charges per km. and additional charge for night halt. Service tax at the applicable rate is also charged on the billed amount. Minimum average running is 250 kms. Per day. Mileage covered on the hill is charged 50% extra for hill stations. Inter state taxes are to be paid by the service receiver.			and conditions are also finalized in accordance with terms and conditions finalized between the Company and the transport service provider.
Agreement for hiring of transport services- The Company invites open tender for hiring of vehicles. Rates are finalized separately for local package in Jaipur only and out- station from Jaipur.	Tender File	-do-	 Examine the general audit checks applicable on tender process. Whether all the terms and conditions are complied by the service provider such as condition of vehicles. Examine the payment made to the service provider with reference to log book of the vehicles. Counter examine the distance covered with the distance shown in the voucher raised for the customer.
Receipt and Execution of order-Receipt and Execution of order-Company books a call on receiptof minimum payment. The booking facility is available at all hotels, Central Reservation Office (CRO). The Duty slip consists of all important information such as kms. travelled at the beginning and finish of journey, vehicle registration number etc. The Company makes the payment to the service provider after receiving the	Duty Slip, Booking Register. Daily Collection Registers,	-do-	 Whether the minimum payment has been received from the concerned party before booking and the same is forfeited in case the party does not approach to avail the transport facility on specified date. Whether the payment made to vehicle provider is as per terms and conditions of the agreement.
U			20,

	· · · · · · · ·					
	estimated quantity to					
	be purchased during					
	the year is given in the tender.					
Duanauation					1 Examina the	
Preparation	The Company has its				1. Examine the	
/ serving of	own cooking staff for				system of fixing the	
menu items	preparation of menu				norms for consumption	
and receipt	items on the demand of				of raw material,	
of payment	the customers. The tariff				ascertaining food cost,	
	for catering facility is				supply of eatable items	
	approved by MD/CMD				to the customers,	
	keeping in view of				providing discount and	
	proposal sent by the Unit				commissions etc. Any	
	Manager. No credit				major variation from the	
	facility is made available				prescribed norms with	
	to the customers except				reference to total sales	
	to government				of hotels may be	
	departments. The				examined.	
	Company has also fixed				2. Whether the tariff	
	the norms regarding				approved by the	
	consumption of raw material.				company for catering	
	materiai.				facility provided to	
					customers have been	
					applied properly and	
					timely application of	
					revised tariff has been	
Hatal Q Mate			A == c	lit Check P	made	
Hotel & Mote		ut of ours				
	of New Hotels- Establishme aires mainly following proces		1.	-benefit	the Company has made analysis before	
	nt of need for a new ho				2	
		nel al a		establishment of a new hotel.2. Examine the appropriateness of the		
particular	-	d	location of the hotel and requirement of a			
	of site and acquirement of la	na				
	on of hotel building.		new hotel at the place.3. Examine the tender process for			
Publicity of the second s	of the new hotel			construction and execution of the work.		
			COIL		a execution of the work.	
Un anadation	of hotola (Capital Wa	wha) The	1	Examina	the need for up gradation	
	of hotels (Capital Wo	,	1.		the need for up-gradation e scope of the work	
Company assesses the demand for up-gradation/ renewal work on the basis of the deteriorated			rmined	in the tender		
condition of the building, requirement of additional		documents/work order.				
facilities etc. For this purpose, the Company		2. Examine the tender process and				
invites open tender specifying the scope of the		execution of the work on the basis of 'G				
work.		Schedule' prepared.				
Purchase of store items- The Company assesses the		1.		the system of assessment		
demand of store items on the basis of requirement				ement on the basis of		
	the unit offices. The HO is				red from units.	
	inistrative and financial		2.		the open tender process	
	ed from the desirable parties				purchase of store items.	
	Store items received is is		3.		the distribution of store	
pen tender.			<u> </u>			

various units on the basis of their demand.	items between different units and their
	actual utilization in units.
Operation of hotels- Operation of hotel consists of	1. Whether the system exists for
these activities.	revision in rates in tandem with the cost
a. Finalisation of rates- The Company finalises	involved and the market trend.
the rates for boarding and lodging of tourists in	2. Check that the
accordance with the market trend and the cost	discount/commission given to customers
involved. The CMD/MD is empowered to	is approved by the competent authority.
finalize the tariff and the rate of discount under	3. Check the visitors/ accommodation
various categories. The Company also provides	register /records with reference to entries
discount during off season.	recorded for arrival, check out time,
b. Charging of the hotel tariff from the tourists-	tariff charged and cash collected from
Any visitor, who wants to stay at hotel, is	visitors for all services rendered and
registered in a particular register along with	proper accounting in cash book.
date/time of arrival and advance amount is	4. Examine the records of bar with
received as per the applicable rules. On his	reference to tariff prescribed by company
departure, bill is prepared according to the tariff	for supply of liquor per peg to customers.
rates.	5. Examine the receipt of revenue
c. Operation of bars- The Company has opened	from bar in accordance with purchases
bars at various hotels/motels. The Company	made by the Company and profit
purchases liquor directly from the RSBCL. The	charged.
CMD/MD is empowered to fix the sale price of	6. Examine the allotement of bars on
liquor. The Company has given the some bars	lease.
on lease basis to the private parties	
Allotment of Counters/shops at Hotels & Motels-	1. Whether the Company has invited
The Company allots counters to the private parties	tenders on due time and has assessed the
through open tender for specified period.	available space appropriately.
	2. Examine the tender process for
	allotment of the counters.
	3. Whether the terms and conditions
	of the agreement are being complied by
	the allottees.
Light and Sound Shows Fairs	
Selection of the site-	
Invitation of open tender-	
Finalisation of rate for entrance ticket-	

3.17 Rajasthan Urban Infrastructure Finance and Development Corporation Limited

1 Introduction

Rajasthan Urban Infrastructure Finance and Development Corporation Limited (RUIFDCO) was incorporated on 1st December 2004 under the Companies Act, 1956 to take over the entire functions, assets and liabilities of the Rajasthan Urban Infrastructure Development projects being operated by Government of Rajasthan.

2 **Objectives**

To work as a Nodal Agency for arranging finance, subsidies, technical assistance, survey etc. for the development of infrastructure activities in the urban areas of the State of Rajasthan.

3 Functions

The main functions of the Company are:-

- To give loans, financial assistance as the Nodal Agency for the Pooled Finance Development Facility to urban local bodies or other Government Agencies for carrying out the infrastructure & developmental works in the urban and other areas of Rajasthan.
- To give subsidy, aid and assistance of any financial nature to any of the State urban local bodies and NGOs for the social welfare, development works, commercial activities and other works.
- To arrange or provide consultancy services, technical, financial and other consultancy to urban local bodies for development schemes, including fulfillment of their duties and responsibilities under the law time being in force and prescribe the procedure and norms for the purchases, undertaking works and entering into agreements or contracts.
- To carry out the survey work for schemes and programmes relating to infrastructure development in the urban or other areas of the State particularly land development, sanitation, road management, transportation and inter connected subjects.
- To receive the amount as revenue or otherwise from the local bodies out of the cess, levy any other charges to be collected by them as per directions of the State Government.
- To act as a facilitator and coordinator concentrating on development of Urban Infrastructure Financial Market.
- To arrange or raise or mobilize funds in connection with the business of development, maintenance, modernization, expansion, construction, improvement, setting up or operation of infrastructure facilities or projects including roads, highways, railways, airways, ports, bridges, irrigation telecommunications and related systems, generation, storage, distribution, transmission of power, setting up industrial areas or an activity of like nature.
- To assist, coordinate, assess technical, legal and financial viability, arrange consortium/alliances, secure regulatory clearances, negotiate terms and conditions, approach banks and financial institutions funds, bodies corporate for financing the project related to development, maintenance, management of infrastructure facilities, including provision of various guarantees, refinance schemes.
- To make recommendation to the State Government or to any local authority, as the case may be, any other matter referred to the corporation in the interest of sound municipal finance.

- To plan and financially monitor, all types of project related to development of urban areas in the state of Rajasthan, financed or funded, wholly or partly by any of the national/international agencies/institutions/banks including HUDCO, ADB, World Bank being implemented by any Agency.
- To set up a Central Urban Data Centre for collecting and updating of all information relating to urban development and urban infrastructure for the urban areas or the State.
- 4. Check List of Rajasthan Urban Infrastructure Finance & Development Corporation Ltd.

Process	Sub-Process	Records Maintained	Audit Check Points
State Level Nodal Agency for the projects approved under Jawahar Lal Nehru Urban Renewal Mission (JnNURM) Urban Infrastructure Development Scheme for Small & Medium Town (UIDSSMT) / Basic Services of Urban Poor (BSUP) / Integrated Housing Slums Development Project (IHSDP) Urban Infrastructure Governance (UIG)	Appointment of staff personnel for the scheme- The Company hires the staff personnel on deputation basis as per the terms and conditions given in the scheme guideline. These guidelines generally stipulate the maximum limit of remuneration, number of persons to be employed etc.	Recruitment file and guideline of scheme.	 Whether the Company has recruited the personnel as per the terms and guidelines of the scheme. Whether the personnel recruited have adequate qualifications and experience to match with the job profile. Whether the Company has recruited the staff personnel in economical manner. Examine the procedure for selection of staff personnel.
	Inviting project proposals from ULBs/Implementing agencies- In case of UIG and BSUP schemes, the cities (Jaipur, Ajmer- Pushkar) were selected by the Central Government. In other schemes like UIDSSMT and IHSDP, the proposals are invited from ULBs on the basis of criterion given in the guideline. The final list of the ULBs selected by the Company is forwarded to Government for sanction.	Guideline of Scheme, Proposal file of particular scheme.	 Whether the selection of cities is done as per the guideline of the scheme. Examine the procedure for selection of cities. Whether the proposals of the ULBs are examined critically. Whether the proposals are sent to ULBs in due time.
	Appraisal of projects submitted by Urban Local Bodies (ULBs)/Para- Statal agencies Like JDA, BRTS- Such appraisal can be carried out through in- house expertise or by outside agencies through outsourcing The Detailed Project Report (DPR) should be examined as per the guideline of the scheme which also consists of detailed check list for appraisal of DPR. The check points mainly includes availability of land, statutory clearances etc, which may vary from scheme to scheme.	Project File	 (i) Whether the beneficiaries have been identified as per the guideline of the scheme. (ii) Whether the approval of the beneficiary has been taken in case they are required to pay their contribution. (iii) Whether the DPR was scrutinized properly as per the check list which is a part of the scheme and the work was not halted as a result of deficiencies, which could have been observed while approving the DPR.
	Obtaining sanction of State Level Steering Committee for seeking	Minutes of SLSC,	1. Whether the Company has put up the case in prescribed format

3.18 Rajasthan State Road Transport Corporation

1. Introduction

Rajasthan State Road Transport Corporation (Corporation) was established on 1stOctober 1964 under Section 3 of the Road Transport Corporations Act, 1950 with the aim to provide or secure or promote an efficient, adequate, economical and properly coordinated system of road transport services in the State. The RSRTC have 53 operating depots and three central workshops.

2. Objectives

The main objective of the Corporation is to provide efficient, adequate, safe, affordable and comfortable passenger transport service in the State and outside state.

3. Functions

- 1. To operate the own and hired buses within and interstate.
- 2. To manufacture, purchase, maintain and repair rolling stock, vehicles, appliances, plant, equipment or any other thing required for the purpose of any of the activities of the Corporation referred in point No. 1.

Process	Sub Process	Records	Location	Audit Check Points
Involved		Maintained		
Financial M	anagement			
Loan from various banks	(1) Assessment of requirement of loan- Loan is generally obtained for the purchase of chassis and manufacturing of bus bodies.	Loan files and loan payment register	НО	 Whether the requirement of funds was assessed correctly keeping in view of future expenditure. Whether the term of the loan was fixed according to the requirement i.e. working capital loan or long term loan.
	(2) Calling of proposals from various bank-Letters are sent to various banks for obtaining offers of the rates of interest and other terms and conditions.	-do-		3. Whether the letter of demand have been sent all possible sources and watching their response.
	(3) Consideration of proposals of various banks- The offers are compared and proposals for finally obtaining loan from a particular bank/banks are put up to the top management for approval.			4. Whether the loan was taken at least possible rates considering all factors including possible future trends.

4. Check list for Rajasthan State Road Transport Corporation

	(4) Documentation	Agreement		5. Whether there is any
	and Processing and	files with		delay in documentation
	other charges-After	banks and		resulting into taking of
	0	bank and		
	finalizing the financial			loans at higher rates. 6. Whether the bank has
	institute for obtaining	statements.		
	the loan, consent letter			charged any undue
	is sent by the			penalties or processing
	Corporation, legal			charges, which is generally
	documents i.e.			not paid by the
	agreement etc. are			Corporation.
	executed and processing			
	charges, if any, are paid			
	before availing of the			
	loan as per the terms			
	and conditions of the			
	loan agreement.			
	(5) Availment of loan			7. Whether the
	<i>in phases-</i> Loan is			disbursement was taken on
	availed in phases as per			appropriate time.
	the requirement arises			
	on the receipt of chassis			
	and bus bodies,			
	particularly.			
	(6) Repayment of			8. Whether the loan was
	<i>loan-</i> The installments to			repaid on time to avoid any
	be paid are watched			penalty or charges.
	through a register			
	maintained for this			
	purpose and after due			
	calculation on interest,			
	the repayment is made.			
	(7) Prepayment of			9. Whether the loan was
	<i>loan-</i> If interest rates			prepaid if the running loan
	come down heavily due			is on higher rate of interest
	to the dynamism of			considering market rate.
	economic factors, the			
	possibilities of			
	prepayment of a loan by			
	obtaining a loan at			
	lower interest rate are			
	explored. In the event of			
	surplus funds also,			
	prepayment is made.			
Collection/	1. Receipt of revenue	Cash Book,	HO and	1. Whether the revenue
transfer of	from various Units-	Bank	depots	collected at various units
revenue	Revenue collected at	Statements		was transferred to HO
	depots is deposited in a			without any delay.
	collection bank account			2. Whether any undue
	and remitted to a bank			charges were debited by
	account of the HO,			the banks.
	periodically, as			
	prescribed by the			
	Management.			
L		1	1	1

	2. Transfer of funds to Units for withdrawal- The depots can not withdraw money from the collection bank account of the depots. Therefore, the money required for meeting out the expenditure of the depots is remitted by the HO as per the requests thereof.			1. Whether the funds were transferred to various units on time and undue surplus money remained idle in withdrawal accounts of the Units.
Receipt of payment from State Govt.	1. Claims for various free/ concessional travel	Separate file for every claim. Minutes and agenda of BOD meeting	НО	 Whether the proper record were maintained to claim the subsidized travel. Whether the due claims were submitted on time. Whether continuous pursuance was made with State Govt. for recovery of claims.
Recovery from private parties	 Buses given to private parties. Parcel Services Advertisements Canteen and stalls Other non- operating income 	Separate file for each	НО	1. Whether revenue was received on time as per the condition of contract.
Casual Cont Buses given on casual contracts i.e. for marriage party, politica rally etc.	1. Identification of the no. of buses, which could be given on hire			1. Whether the buses were given, curtailing the high revenue generating schedules or causing inconvenience to the passengers of the curtailed schedule.
	2. Execution of agreements with hiring parties-The terms and conditions of the contracted tour are documented through legal agreement.	g files d e e	ce Depots	2. Whether the terms and conditions of the contract were favourable to the Corporation i.e. all applicable taxes were recovered from the next party.
	3. Determination of the tariff/charges for giving the buses on contract for marriage party etc.	g file	ice HO	4. Whether all the factors i.e. the cost of diesel, man-power, wear and tear, opportunity cost due to curtailing a schedule etc. are considered properly before arriving at the rate to be charged per kilometre from the hiring parties.

Buses taken on hire	<i>buses</i> - hired invitin calling kilomo by bu self of the rat be gi operat invitin buses	<i>ode of hiring of</i> Buses can be either through g open tenders g for rates per eter to be charged s operators or by determination of e per kilometer to ven to be bus ors and then g offers to get the on the ermined rates	Corre file	spondence	НО		1. Whether the buses were hired through open tendering/ rate fixed by the Corporation and all the pertinent factors were considered before arriving at the rate per km. to be paid to the bus operators.
	agreen accept contra condit and a	ing the buses on ct, terms and ions are finalized an agreement is red with the bus					2 Whether all the necessary terms and conditions to protect the interest of the Corporation were suitably incorporated in the agreement.
Fixation of Tar	3. Im agreen execut agreen operato depots	<i>plementation of</i> <i>nent</i> -The ion of the nent with the bus prs is done by the		spondence ash book	Depot	S	3. Whether all the terms and conditions of the agreements were duly followed by the bus operators and its watch was kept by the depot officials.
Approval from Government increase fare As per the sect of the Motor Act, the Government powers to notification in the for fixation maximum ra passenger fare carriage buses Corporation as private operator	m the to tion 67 Vehicle State has issue Gazette of te of of state of the well as	the proposal increase in max rate of fare, whe the cost of fu- increased. The Government considering proposal and factors decides increase the fare. 2. Implementation the approval –	The epares for imum enever tel is State after the other s to	File relatin revision in t	-	НО	1. Whethertheproposal to increase thefarewassenttoGovernmentoni.e.substantial increaseinthecostwasdulyrecognizedatappropriate time.2.Whetherallthematerial components ofcostwerecostwereostweresein fare.3.WhethertheapprovaloftheGovernmentwas
		Corporation inc the rate of fare the limit approv	reases within				Government was implemented on time.

	the State Gover	rnment.			4. Whether fixation of fare rate was done on competitive rates so as the load factor does not fall drastically.
Recovery of G	overnment taxes				
Recovery and payment of government taxes	1. Insertion of clause relating to payment of taxes while execution of agreement- Liability fo payment of the variou applicable taxes should be clearly indicated in the agreement, leaving no scope for ambiguity.	f Agreement f and r payment s vouchers d g	HO and Depot	recove taxes f 2. W new to official 3. W unamb of the taxes.	The the corporation is ring all the applicable from the next party. The ther applicability of taxes was conveyed to ls concerned on time. The the agreement is riguous about the liability payment of the applicable
	2. Deposition o government taxes-	f	HO and Depot		Thether Govt. taxes are deposited at due date.
	3. Appeal in case of dispute of payment.	f	HO and Depot	5. W regardi appeal	The ther any dispute ing payment of taxes is ed at highest level in view he interest of the
Legal Cases					
Lodging of cases by and against the Corporation	 Appointment of Advocates Appointment of Officer-in-charge 	Case file in every case	HO & Do	epots	1. Whether the advocate and the Officer-in- charge have been appointed on time.
Appeal in case, decision is not favourable	3. Filling of appeal in upper court.	-do-	-do-		 Whether the appeal has been filed on time. Whether appeal has been filed in all appropriate cases.
Compliance of the Court's decision	4. Making payment as per Court's order	-do-	-do-		 Whether any penalty or interest has been paid on time.
Material Mana	0	(1) 77			
(1) Purchase of Chassis	 Introduction of new buses due to over ageing Approval from State Govt. regarding Chassis purchase Calling of offers from Chassis manufacturers 	(1) The purchase file relating to this is maintained by Bus body section		bu: pre ma (1) has tim (2) has apj Gc	orporation introduces new ses after completion of it's escribed life decided by anagement) Whether the Corporation s replaced new buses hely.) Whether the purchases s been made as per proval of State overnment.) Whether the Critical

				scrutiny of offers received from Chassis manufacturers has been made.
				(4) Whether the purchases has been made at economic prices.
(2) Fabrication of Bus bodies	 Receipt of chassis. Invitation of Tenders 	 The main tender file File containing original offers from various firms 	Bus body section at HO	 Whether the offers of all the participating firms has been critically examined. Where the Comparative statement has been prepared correctly. Whether effect of special offers offered by firms /bidders has been loaded or comparative statement. Corporation calculates in house costing of fabrication we have to see whether it is calculated properly
(3) Purchase of Tyres, tubes	(1) Purchases of tyres is made on Cost Per Tyre Km. basis (CPTK basis)	 (1) CPTK calculation files (2) Tyre suppliers performance files 	(1) CPTK Calculation files is available at GM Tyre Plant's office (2) purchase files at Central store	 Whether the CPTK is calculated on the basis of performance of tyres during last 28 months. Whether Corporation has procured the tyres from the firm, whose CPTK is lowest. We have to check the calculation of CPTK. Whether there is any complaint in supply of tyres, if yes, whether the necessary action was taken by the Corporation and penalty has been recovered as per purchase order.
(4) Procurement of Oils and Diesel	 (1) Procurement of (2) Procurement of Diesel 	 (1) Files relating to procurement of files (2) Files relating to purchase of Diesel. 	(1) Central store(2) H.O.	 Whether offers from all oil supplying companies have been received. Whether all the offers have been critically examined in the light of special offers if any offered by the oil companies and oil has been procured at the best economic rates. Whether Prompt payment discount has been received by making timely payment to oil companies, if such discount has been offered by the oil companies.

	·					
(5) Other		(1) Purchase	(1) Central	(1) Whether proper demand		
items which is	items are procured	files relating to	store	has been assessed.		
procured	through open	particular		(2) Whether proper publicity		
through	tendering. In	material		has been made or not, in		
calling of	U U			order to achieve responsive		
tenders	bids and financial			bids/offers.		
	bids are invited. The			(4) Whether critical		
	financial bids of			examination of all the bids		
	approved technical			has been made or not.		
	bidders are opened			(5) Whether all the terms		
	and purchase is made			and condition and special		
	on lowest rates.			offers offered by firms has		
	Mainly the purchase			been analysed or not.		
	Board decides the			(6)Whether comparative		
	cases of procuring of material which vests			statement has been made		
				correctly or not, whether		
	Chairman, Managing Director, Financial			effect of special offers		
	Director, Financial Advisor and two			offered by firms /bidders has		
	technical officers as			been loaded in comparative statement.		
	nominated by			(7) Whether the purchase		
	Chairman.			has been made on lowest		
	Chairman.			rates. If it is not so we have		
				to check the reasons, and		
				decision of higher		
				authorities why it is not so.		
				(8) Whether the supply made		
				by firm is of proper quality.		
				We have to check the file		
				whether any complaint has		
				been received from field		
				units, If such complaints are		
				there management has taken		
				remedial action or not, If not		
				we should comment.		
Operation of B	uses					
Route plannin						
The state ha	s reserved certain	routes exclusive	ely for the	Examine schedules running		
	while other routes are			below variable cost and		
	e also some routes wh	· .		reasons thereof.		
-			-			
	private operators provide service. The Corporation plans and monitors schedule wise profitability instead of routes.					
	and time table for each		by the head			
	Corporation fixes the					
	load factor with a vie					
-						
	he schedules are plan					
	edback received from the	ne depois.				
Maintenance	of vehicles					
a. Preventive						
	intenance is essential	to keep the bu	ses in good	Whether maintenance is		
	tion, reduce breakdo			taken up at scheduled time		
-	ntive maintenance sche			by depot for minor work or		
level.				by CWS for major work.		
	2001.					

b. Major Repairs and Maintenance Major repairs and maintenance are carried out at Central Workshops (Ajmer, Jodhpur, Jaipur).			
Fleet strength and utilization			
Fleet utilization represents the ratio of buses (excluding hired) on			
road to buses held by the Corporation.			
Curtailment of scheduled kilometers	1.	Examine cases	of
The scheduled Kms. are fixed by the Corporation on monthly		unnecessary	
basis looking at the availability of buses. The main reasons for		curtailment	of
curtailment of scheduled Kms. are non-availability of adequate		scheduled	
number of buses, shortage of crew and other factors like		Kilometers.	
breakdowns, accidents, low income, deployment of buses for	2.	Examine	the
other services etc.		justification	of
		curtailment.	

CHAPTER-IV

Human Resources Management

(Human Resources Management, Allocation of man power among various sections and field parties; Profile of each employee; Training; Performance appraisal)

4.1 Human Resource Management (HRM) is concerned with the "people" dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to high levels of performance, and ensuring that they continue to maintain their commitments to the organization are essential to achieving organizational objectives. To look at HRM more specifically, it is a process consisting of functions – acquisition, development, motivation, and maintenance of human resources.

The acquisition function begins with planning. This includes the estimating of demand, the estimating of supply, and the integrating of demand and supply into a total human resource strategy. Acquisition also includes the recruitment, selection, and socialization of employees. As proper management of personnel enhances their dignity by the satisfying their social needs. Therefore by (i) maintaining a balance between the jobs available according to the qualification and the needs; (ii) providing suitable manpower which might bring them psychological satisfaction; (iii) making maximum utilization of the resource in an effective manner and paying the employee a reasonable compensation in proportion to the contribution made by him; and (iv) eliminating improper use of human resource, through conservation of their normal energy and health.

(REF-Participant Note 2 ON Human Resource Management prepared by: Regional Training Institute, Jammu)

4.2 Staffing for the Audit

4.2.1 Audit work can only be done effectively when audit personnel are competent and dedicated to their assigned tasks. A successful audit engagement largely depends on the professionalism of the people tasked to perform the job. This requirement has put serious attention to the process of staffing the audit functions. Every audit engagement is a coordinated effort by a group of auditors working together to produce the desired results.

4.2.2 The knowledge, abilities, and skills of auditors are significant elements in the completion of efficient and relevant audit assignments. Equally important is the proper development and training of the audit workforce to enable them to maximize their talents and potentials. The audit teams should have collective knowledge of their subject matter and auditing proficiency necessary to fulfil the requirements of the audit.

4.2.3 INTOSAI Auditing Standards (INTOSAI Auditing Standards, p.37 & 38) state: "The SAI should adopt policies and procedures to support the skills and experience available within the SAI and identify those skills which are absent; provide a good distribution of skills to auditing tasks and a sufficient number of persons for the audit; and have proper planning and supervision to achieve its goals at the required level of due care and concern.

4.2.4 Resources required to undertake each audit need to be assessed so that suitably skilled staff may be assigned to the work and a control placed on staff resources to be applied to the audit.

4.2.5 The extent to which academic attainments should be related specifically to the audit task varies with the type of auditing undertaken. It is not necessary that each auditor possesses competence in all aspects of the audit mandate. However, policies and procedures governing the assignment of personnel to audit tasks should aim at deploying personnel who have the auditing skills required by the nature of the audit task so that the team involved on a particular audit collectively possesses the necessary skills and expertise."

Characteristics of audit team

4.2.6 Successful audit teams will have the following characteristics:

- the knowledge, skills, experience and expertise necessary to successfully complete the audit;
- independence and objectivity
- a commitment to each other to support an environment where coaching, information sharing, and ongoing communication are the responsibility of every one; and
- a commitment to executing the audit plan in an efficient and effective manner.

4.2.7 The audit team should identify at an early stage in the planning process if specialized or technical skills, required to complete the audits, are not available with the audit team. The early identification will allow the necessary lead time to acquire suitable staff from within the office or seek experts outside.

Skill & knowledge of audit personnel

4.2.8 In the context of both performance and financial audits, the audit team should have:

- knowledge of performance audit concepts and techniques and the ability to apply the knowledge; for financial audit, sound and upto date knowledge of accounting, including the accounting standards and the accounting policies of the organisations audited;
- knowledge of Information Technology (IT) and IT audit would also be essential; auditors and the supervisors managing the audit should ensure that they have a sufficient understanding of the IT related aspects of the audit work performed, the results achieved and the conclusions reached. IT audit specialists may be associated with the audit team depending on the complexity of the entity's IT systems and extent of knowledge of IT available with the audit team. An Information Technology Specialist should be a member of the audit teams for all entities with Enterprise Resource Planning or other significant computer systems.

- experience and technical skills to effectively deal with the subject matter of the audit;
- knowledge of the entity; and
- A sound knowledge of the functioning of the government, various programmes and schemes launched by the government and an overall knowledge of the government environment.

4.2.9 The audit team should have the benefit of drawing services of subject matter experts and other knowledgeable groups or individuals available within the organisation, where it may be necessary to obtain expert advice, particularly when the audit team lacks the necessary specialized knowledge. If skills are not available internally, SAI may take a decision to hire the services of an outside expert.

Procedures in assigning audit staff

4.2.10 Using the profiles of auditors and the schedule of audit engagement, the staff should be identified based on the needed competence, knowledge and skills in the audit work to be engaged in and the audit work assigned. The role of each member of the audit should be clearly defined. The following factors should be taken into consideration in making assignments of individuals:

- Staffing and timing requirements of the specific audit.
- Evaluations of the qualifications of personnel as to experience, position, background, and special expertise.
- The planned supervision and involvement by supervisory personnel.
- Appropriate consideration to be given, in assigning personnel, to both continuity and rotation to provide for efficient conduct of the audit and the perspective of other personnel with different experience and backgrounds.

(Adapted from the Internal Standards on Auditing 220 Quality Control for audit work, Appendix - C. Assignment- paragraph-2)

4.2.11 Staff requirements for C.A Wing-

While considering the staff requirements to for Commercial Audit Wing, following points should be kept in view:-

- (i) The break-up of the existing strength should be given separately in respect of: -
 - (a) Government Companies including (deemed Government Companies) and their subsidiaries, if any,
 - (b) Statutory Corporations,
 - (c) Departmental Undertakings,
 - (d) Deemed Govt. Companies under section 619(B) of the Companies Act, 1956.

Staff sanctioned for the audit of above categories should further be split up into Resident Audit and Field audit.

(ii) Additional requirement should be backed up by: -

(a) Details of party days/mandays allotted actually utilised (category-wise) and proposed in respect of each of the above categories.

(b) Detailed justification for proposing additional party days/mandays with reference to the volume of work item-wise both in respect of new institutions as well as existing institution for proposing the additional party days/mandays, norms of percentage checks, wherever laid down should be kept in view. In cases where details of the increased work load are not possible to be given detailed reasons should be furnished as to why the work cannot be managed with the existing staff.

(iii) Staff requirments for Government companies (including deemed Government Companies) Statutory Corporations should further be supported by the following data:-

(a) A statement showing capital invested capital expenditure, revenue expenditure and revenue receipt based on the latest available accounts (years to be specified) as well as projection, if possible for the year for which additional staff has been proposed.

(b) Number of units/branches/divisions for each category and periodicity of audit followed.

(c) The cumulative loss in the case of Company and Corporation incurring losses and any other special feature which require special attention.

- (iv) The proposal should clearly indicate as to how additional posts of Assistant Audit Officer/Section Officers asked for are proposed to be filled in. The break-up of existing sanctioned strength and actual strength there against should be mentioned: -
- (v) Consolidated staff proposals for G.O. and N.G.O. as a whole should be sent.

(C.A.G.'s letter No. 246-CA-IV 1281 dated 25^{th} February, 1981 at page 66 to 64-C of Guard File (E-17) of CAW-I)

NOTES:-

(i) FOR HEADQUARTERS SECTION – One Sr. Auditor/Auditor for each Field Party is admissible.

One AAO/Section Officer for seven Sr. Auditors/Auditors

One Sectional Clerk for each Section

(Authority: - No 1944-Admn.-III/263-90 dated 12.8.1960 and No. 129/CA/283-CA/69-VI, vol III, dated 3.4.1970)

(ii) For CAW Field Parties - Party days for the audit of accounts of Departmental Undertakings, Government Companies and Statutory Corporations are being provided on ad-hoc basis.

(iii) Staff for CAW (Report)-

The staff requirement for Caw (Report) is claimed on ad hoc basis taking into account the work load involved in the Section.

(iv) Staff for Audit of purchase cases

Staff required for audit of purchase cases of State Electricity Companies is claimed on the basis of the number of purchase cases selected for audit as per quantum prescribed by the Comptroller and Auditor General of India vide C.A.G.'s letter No 139/O&M (RC)/46-41, dated 15th October 1981 at page 98-76C on Guard File E-17 of CAW-I) and as envisaged in circular No. 545/CA/XIV/87-81 Vol. II dated 11.9.1984 and days required for that audit.

(Ref: Para 1.03(5) of the old CAW Manual)

Foraudit of High Value Contracts in state PSUsemphasis be given on selected Govt. Companies/Corporations having large and high value contracts of Rs 25 lakhs/Rs. 1 crore in case of power companies for 100 percent audit. The PAG/AG, after considering the volume and size of contracts in each PSUand with due regard to the risk perception and adequacy of internal control, may own their own decide the size of the contracts required to be audited 100 percent or less than that. However, the same may be shown distinctly in the Audit Plan proposals.

(Ref: Hqtrs No. 398/CA II/Cord/Inst/82-2005 dated 12.8. 2010)

Normal average time required for scrutiny of each purchase case is given below:-

1.	Beyond Rs. 50 lakhs	3 mandays
2.	Beyond Rs. 10 lakhs but less than Rs, 50 lkhs	2mandays
3.	UptoRs. 10 lakhs	1 manday

(v) Staff for RAP/RSRTC

The requirement of staff for RAP/RSRTC is worked out on the basis of C.A.G.'s circular order No. 545/CA-IV/87-81/Vol. VI dated 11.9.1984.

Norms of selection and manday required for audit of purchase orders are given below:-

1	Less thenRs. 50,000	10%	1 manday per case
2	Rs. 50,000 but less than 1 lakh	25%	2 mandays per case
3	Rs. 1 lakh and above	100%	3 mandays per case

(vi) Relieving AAO/Section Officer-

Relieving AAO/SO on the basis of total parties as under

- 1. Between 1 & 24 Field Parties one AAO/SO.
- 2. Between 25 & above Field parties two AAO/SO.

(Authority: - C.A.G.'s letter No. 1595 NEG –II/109/ dated 8.6.1961 as amended vide No. 1258 BRS/15-65. Dated 30th June 1966, page 12-C of G.F.E-17ofCAW-I).

(vii) Officers for Commercial Audit Wing – The requirement of supervising officers are worked out on the basis of supervision days arrived at on the basis of percentage of gazette supervision for audit divided by 277 party days for each office in a year. Percentage of supervision for audit of Government Companies, Statutory Corporations and Government Departmental Commercial/Quasi- Commercial Undertakings would be as under: -

(i)	Government Companies/Corporations with paid up capital of above Rs. 2 crores	100% for H.O, 75% for units
(ii)	Government Companies/Corporoations with Paid up capital Rs. 25 lakhs and uptoRs. 2 crores.	Not below 40%
(iii)	Government Companies/Corporations with Paid up capital less than Rs. 25 lakhs.	33.1/3%
iv)	Government Departmental Commercial Undertakings	33%to50%depending uponSize and importance.
(v)	Resident and Peripatetic Audit of State Electricity /Companies/State Road Transport Corporation/	50%

(C.A.G.'s letter No. 1055-CA/23-GE-II/64, dated 28^{th} August at page 4-c, No. 576-CA-77-GE-II/65, dated 14^{th} May, 1965 at page10-C, and No. 1500-GE-II/221-67 dated 28^{th} May 1968 at page 14-C of Guard File No. E-17 of CAW-I) (Ref: Para 1.03(5) of the old CAW Manual)

After adoption of vision 2020 the staff requirement assessment/placement on work carried out by CAW I Section through risk analysis basis/CCO based audit which already discussed in the Chapter 2 of this manual. Gap analysis to determine whether all skills required for carrying out the audit are available in-house or can be built up by courses/training programmes in Regional Training Institutes or at higher management levels carried out. This is essential to decide on the need for appropriate experts/consultants to advise on key aspects of the audit e.g. selection of sample, issues for examination, audit methodology etc. In the event of deciding to hire experts/consultants, following points should be taken care:

4.2.12 Using the work of specialists

A specialist is some person or firm possessing a professional skill, knowledge or experience in a particular field other than audit or accountancy. When using the work of a specialist, it is necessary to assess their objectivity and professional competence and obtain sufficient and appropriate evidence that their work is adequate for audit purposes. It is essential that the audit team should be satisfied as to the professional standing and independence of the specialist and to ascertain whether they possess the skills and competence required. This requires consideration of the specialist's:

- professional certification or licensing by an appropriate, established professional entity;
- experience and reputation;

• Lack of conflicts of interest.

The audit team should also ensure that the scope of the specialist's work is sufficient to meet the relevant audit objectives. If the specialist has been engaged by the entity, the audit team should review the relevant terms of reference. If the Accountant General is engaging the specialist, he should ensure that clear written instructions of audit requirements are provided. The other factors to be considered by the audit team include:

- the accuracy and appropriateness of the underlying source data used;
- the assumptions and methods used, and the consistency of their application;
- the results of the specialist's work in the light of overall knowledge of the business and operations of the auditee entity;
- Whether the specialist's findings are properly reflected in the financial statements.

(Ref: FAA Manual Para 10.17 to 10.20)

4.2.13 Engagement of retired personnel/CAs/ICWAs as Consultants

The commercial Audit Cadre of AAOs perpetually suffers from shortage owing to the delay in recruitment, resignation and candidates declining the offer of appointment. These shortages affect the work. Therefore if field office desire to recruit consultant(to engage retired personnel/CAs/ICWAs) will sent a proposal to the Headquarters office sating the number of vacancies in AAO Commercial cadre and number to be hired, scope of the work and time frame and after approval field offices will invite applications from retired AAOs/CAs/ICWAs. The applications so received will be scrutinized by a committee nominated by the Accountant General. The committee will ensure the fulfillment of conditions

Retired commercial AAOs may be appointed for a maximum period of 11 months extendable up to 2 years and the CAs/ICWAs may be appointed for a maximum period of 11 months, extendable up to 5 years.

Ref: Hqtrs. No. 03/CA-I/98-2009 dated 6.1.2010)

4.3 **Parameters for distribution of work**

Allocation of time for the audit of each unit is dependent on the audit scope, manpower availability and other relevant departmental instructions contained in Manuals/guidelines, etc. The actual scheduling of audit should be subject to the mutual convenience of both auditor and auditee. As the Domain knowledge of the audit subject is a critical element of the **audit quality management framework** and the skills and experience of the staff deployed on the audit are expected to be commensurate with the requirements of the task. Offices should maintain an inventory of skills of its audit personnel which would enable them to match the task with required skills. There should be reasonable rotation of assignments of personnel so as to maintain objectivity and independence. It needs to be ensured that audit is carried out in an impartial and fair manner without favour or prejudice.

Specific parameters for distribution of workamongst the members of audit parties in respect of different streams of audit needs to be laid down, if not already prescribed, and

should be continuously reviewed so that each member of an audit team has to do some original work irrespective of his position in the hierarchy

(Abstract from **Annexure** 'A' OF CAG LETTER NO.No.172 -Audit (AP)/ 37-2008 Dated: June 4, 2009)

4.4 **Profile of the employees**

Staffing for the audit - skill & knowledge of audit personnel is a critical element of the audit quality management framework and the skills and experience of the staff deployed on the audit are expected to be commensurate with the requirements of the task. Offices should maintain an inventory of skills of its audit personnel which would enable them to match the task with required skills.

The profile of each employee maintained by the CAW-I section/Admn.I Section

4.5 Training and capacity building

INTOSAI Auditing Standards (INTOSAI Auditing Standards, p.36) state: "SAI should adopt policies and procedures to develop and train SAI employees to enable them to perform their task effectively and to define the basis for the advancement of auditors and other staff."

4.5.1 Capacity building is a concept which goes beyond training of individuals, and includes what has to be done by institutions in terms of attitudes, procedures and conditions. Capacity building is to stimulate the SAI to identify development priorities and further to identify priority changes in terms of approach and training needs, which aims at professional development with increased knowledge, skills and abilities of individuals.

4.5.2 Training should be a continuing process and should be adapted to the needs of the SAIs so that employees could continuously upgrade themselves and be in tune with the latest technological developments and changes in audit methodologies, techniques and tools. The training activities in the SAI may encompass the following:

- In-house training courses based on individual needs as well as SAI's core curriculum, including financial and performance audit methodologies.
- In-house seminars and workshops covering a wide variety of topics focusing on developing a well-rounded workforce.
- On-the-job training by attaching new entrants to work under the guidance of experienced staff.
- Improving and standardizing courseware to maintain training quality; if necessary, to outsource development of courseware
- Encouraging audit personnel to become members of various professional bodies relevant to their work for continuing professional education and to participate in the activities of professional bodies through suitable incentives given by the SAI.
- Encouraging audit employees to enroll in academic institutions to pursue various disciplines, such as computer science, law, management, research methodology

etc. In particular, SAI may assist in developing a 'Certificate Course in Performance and Financial Auditing' with a university or any other reputed academic institution. The certificate should be designed to provide a structured development programme for performance and financial auditors, and can be completed in 12-18 months (Adapted from Australian National Audit Office (ANAO) practices).

- Providing opportunity to have work experience in other public or private agencies, or audit offices overseas *in particular, establishing exchange placements for SAI officials within ASOSAI countries as part of reciprocal arrangements* (Adapted from the ANAO practices) to acquire and exchange knowledge and experience and to gain insights into the operations of other peers.
- In addition to the secondments of SAI staff to other agencies, SAI may accept staff from other agencies and legislative secretariat for temporary assignment to the SAI to enhance awareness and understanding of the SAI's role and responsibilities.
- Providing opportunity to participate in training course, seminars and workshops held by international or regional institutions, universities and other SAIs, e.g. training courses provided by INTOSAI development Initiative (IDI).
- Creating network with outside agencies domestic and international, and select issues for cooperation.
- Equipping personnel to audit effectively in new areas such as privatization, revenue audit, sustainable development, environment auditing, forensic auditing, IT auditing, etc.
- To assist newly employed staff to assimilate into the new work environment, SAI should develop and implement an induction programme or orientation programme, giving an overview of SAI's vision, mission, core values, audit methodologies and techniques, policies, procedures and practices and general information relating to SAI's operating environment.
- Audit of financial statements requires training in accounting, knowledge of legislation and executive orders affecting the accountability of audited entity. Performance audit requires training in public administration, management, economics and social sciences.
- As a part of knowledge dissemination, audit reports from different SAIs may be reviewed and discussed in presentation sessions participated by officers at all levels.

The SAI personnel should be encouraged to prepare an individual development plan, in consultation with a designated performance manager. The approved plan should be an action-oriented plan that should focus on a few specific competencies to address individual staff needs

(Ref: Para 3.11, 3.14, 3.16 of the Chapt.III of ASOSAI guideline ON audit quality management system Esdec 2004)

4.5.3 Training of staff taken up regularly by the ES-I Group soas to continuously upgrade skills and keep pace with changes in audit methodologies,techniques and tools. Training activities include in house training programmes, seminars and workshops as well as on the job training, training at RTIs /iCISA. The programmes got standardised and structured to ensure uniformity and quality, and overall effectiveness of training assessed periodically.Monthly Workshops were conducted for sharing the experience and **new developments**. Due care be given that officers trained in a specific area are retained in related auditfor a reasonable period. 'Training Standards' of the IA&D be followed forundertaking training activities. 'Training Needs Analysis' carried out in identifying gaps inknowledge, skills and ability for more focused and purposive training programmes for staff. To improve the audit quality of annual accounts of the PSUs, training on Accounting Standard and Financial Attest Audit Manual was provided to our officers. On-job Training was conducted for newly recruited Auditors. Training staff.

4.5.4 The Pr. Accountant General (E&RSA) given the following instruction during inhouse training Committee meeting held on 28.2.2013:

- 1. As a participant the name of the auditors may be included in the training programmes
- 2. Typing work may also be done by the auditors
- 3. CD of the lectures may be made available to participants
- 4. Analysis of Detailed Project Reports (DPR) may be done (RIICO, RSRDC etc.)
- 5. A Training Needs Analysis' may be done for which a questionnaire for training aspect, area of training etc. may be prepared and answers may be obtained from individuals

(Ref: Minutes of the meeting of in-house training Committee held on 28.2.2013)

4.6 Performance management and appraisal

4.6.1 Performance management system should be developed to provide timely and constructive feedback to employees for their performance. The objective of performance management is to maximize the individual potential of the staff for further improvement. Two key aspects of the competency-based performance system are performance feedback and appraisal. The system should provide the SAI management with the information to recognize and reward high performers, as well as information needed to deal with inadequate performance. The promotions and advancement of the audit personnel is normally based on seniority and merit, which are judged through the performance appraisals.

(Ref: Chapt.III of ASOSAI guideline ON audit quality management system Esdec 2004)

4.6.2 The performance of the organisation is ultimately the sum total of the performances of the individuals through which it functions. Therefore, to know from time to time how its constituents function. This information is essential for proper Personnel Administration and Management. It is in the interest of every employee that he should

know how well or otherwise, he is performing his job. Without this feedback information, it will be difficult for him to plan his career development in a systematic manner. In fact, he would be more interested in knowing his defects. His defects would affect his career advancements in the long run, unless he comes to know of them in time and overcomes them by taking special efforts. The immediate superior officers of a Government servant, who is the Reporting Officer, in the matter of writing his assessment Report, should be vitally concerned, in writing the Annual Performance Assessment Report (APAR) of every one of his subordinate in an objective and impartial manner. As the superior officer functions through his subordinates, he also gets credit for the good work done by them. It would, therefore, be in the interest of the Reporting officer himself to assess the performance of the subordinates objectively and thereby give them counseling and proper guidance for improvement of their performance.

4.6.3 The system of APAR on the performance of employee is a means to an end and not an end in itself. The ultimate goal is to optimise the achievement of Government policies and programmes. This is possible only if the APAR lead to the optimization of the performance of the concerned Government servants. The main focus of the Reporting Officer should, therefore, be developmental rather than judgemental. The APAR should be a true indicator of the achievement of the Government servant; it should not be a mere tool to control or discipline him.

4.6.4 The system of APAR has two principal objectives and the Reporting Officer should have a very clear perception of these objectives. The first and foremost is to improve the performance of the subordinate in his present job. The second objective is to assess the potentialities of the subordinate and prepare him through appropriate feed back and guidance for future possible opportunities in service. To a great extent, the second objective is dependent on the achievement of the first. It is the duty of the superior officer to give the subordinate a clear understanding of the tasks to be performed and to provide requisite resources for his performance. The subordinate is required to contribute to the best of his capacity to the qualitative and quantitative achievement of the given tasks making optimum use of the resources provided. Also, both the superior and his subordinate have to be necessarily aware of the ultimate goal of their organization, which can be achieved only through the joint efforts of both of them. This is the basic philosophy underlying any system of APAR

(Ref: Brochure on preparation & maintenance of annual performance assessment report for central civil services)

4.6.5 Salaries and allowances, personnel welfare and benefits for SAI employees are usually covered under the public service regulations in most states. A suitable reward scheme to commend or reward employees who meet or exceed clearly defined and transparent standards of high performance is in wag. SAI may consider the following incentives:

- Incentives may be introduced, such as naming and honouring the Auditor of the Year. Certificate of Excellence for outstanding performance may also be introduced.
- Additional financial remuneration/benefits to the auditors may be considered for performing high quality audit.

- Staff remunerations and promotions to be based on considered assessments of competencies, performance and experience, informed by comprehensive appraisal process and assessment centre courses for more senior promotions.
- As a powerful and meaningful incentive, high performers may be allowed to opt for training courses, domestically and internationally.

(Ref: Para Chapt.III of ASOSAI guideline ON audit quality management system Esdec 2004)

CHAPTER-V

Field Audit

(Entry conference; Risk analysis and sampling; Allocation of duties among party members; Determination of audit approach and methodology; Substantive checks; Supervision and review; Exit Conference)

5.1. It is of fundamental importance that the SAI is looked upon with trust, confidence and credibility. The auditor promotes this by adopting and applying the ethical requirements of the concepts embodied in the key words Integrity, Independence and Objectivity, Confidentiality and Competence. Any deficiency in their professional conduct or any improper conduct in their personal life places the integrity of auditors, the SAI that they represent, and the quality and validity of their audit work in an unfavorable light, and may raise doubts about the reliability and competence of the SAI itself.

It is the duty of every person working in the Indian Audit and Account Department or on behalf of the CAG of India, to acquaint themselves with the values and principles contained in the Code and Act accordingly

5.2. Codeof Ethics

The legislative and/or executive authority, the general public and the audited entities are entitled to expect the SAI's conduct and approach to be above suspicion and reproach and worthy of respect and trust. The legislative and/or executive authority, the general public and the audited entities should be fully assured of the fairness and impartiality of all the SAI's work. All work performed by the SAI must stand the test of legislative and/or executive scrutiny, public judgments on propriety, and examination against a national Code of Ethics. Integrity is the core value of a Code of Ethics. In order to sustain public confidence, the conduct of auditors should be above suspicion and reproach. Independence from the audited entity and other outside interest groups is indispensable for auditors. Auditors should strive not only to be independent of audited entities and other interested groups, but also to be objective in dealing with the issues and topics under review. . It is essential that auditors are independent and impartial, not only in fact but also in appearance. There is a need for objectivity and impartiality in all work conducted by auditors, particularly in their reports, which should be accurate and objective. Conclusions in opinions and reports should, therefore, be based exclusively on evidence obtained and assembled in accordance with the SAI's auditing standards. It is important to maintain both the actual and perceived political neutrality of the SAI.

The CAG of India derives mandate from the Constitution of India and Legal mandate provided in CAG's (D.P.C.) Act 1971 and Regulation on Audit and Accounts, 2007 which provides for full and free access to the auditors to all premises and records relevant to audited entities, including sensitive information. It is duty of the CAG of India to ensure that policies and procedures have been put in place to safeguard independence, objectivity and impartiality. To this end ,prior to commencement of an auditing assignment , all member of the audit party , including the supervising Group Officer , should give individual undertaking in the format given in **Annexure-I** Auditor should protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities which could influence or be perceived as influencing their independence and

integrity. Similarly, all individuals working for or on behalf of the CAG who are engaged in assisting him in discharge of his duties and responsibilities as enshrined in the Constitution of India should give an undertaking in the format enclosed in **Annexure-II**.

Auditors should be prudent in the use and protection of information acquired in the course of their duty. Information should not be used for personal benefit .Confidentiality should be maintained. Documents classified as 'Confidential',' secret' or 'Top Secret' should be dealt with in accordance with standing instructions. Auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality. The Code of Ethics is directed at the individual auditor, the head of the office, the executive officer and all individuals working for or on the behalf of the CAG who are involved in auditing and accounting work. The CAG has the responsibility to ensure that all his personnel acquaint themselves with the values and principles contained in the Code of Ethics and that they act accordingly.

(Authority: Circular No.- CCS/ E&RSA /R-11011/K-26/02/2012-13/TR-II/189 dated December 10/12, 2012)

5.3 Interaction with entity to be audited

5.3.1 The inspecting officer may hold a meeting with the officer in charge as soon as the work of audit commences. Entry conference at the commencement of each field audit serves more than one objective. It affords an opportunity for introduction of the audit team members with the chief of the entity and heads of various divisions. The entry conference affords an opportunity for the audit officer to explain the audit plan as applicable to the entity consisting of the audit objectives, approach and time frame besides appraising the entity of the information and documents that will be required by the audit team. The working procedures for audit may also be established in this meeting. The audit officer may also utilize this occasion to request the chief of the entity to provide assistance to the team by way of office accommodation, access to office equipment, etc. It is useful to make a request for the entry conference in the letter of understanding / audit engagement letter itself to enable the chief of the entity to set aside appropriate time on the very first day of the audit and inform his division heads in time. In the meeting, the audit objectives and criteria, general state of internal controls and areas of focus, concern or high risk identified by Audit may be discussed.

The officer in charge may nominate a sufficiently senior officer of his office for liaison with Audit Party. The officer in charge will, however, continue to be responsible for facilitation of audit.

It shall be the duty of the head of the office of the auditable entity to provide appropriate and reasonable office accommodation and other office amenities to the audit team for official use and at par with facilities available in the auditable entity.

(Authority: Para 175,183,184 of the Regulation of Audit and Accounts 2007 and Para 4.4 of the Financial Attest Audit Manual)

5.3.2 Considering the recommendation of External Peer Review team it was decided to obtain response to Audit Reports from audited entities and request audit entities to respond directly to each recommendations made in draft audit report and publish the

responses received in final Audit Report for Performance Audit/Financial/Compliance Audit. Interaction on the following stages in audit process is must:

1. Audit plan finalization

This will help in understanding the concern entities which also supplement the risk assessment exercise and for selection of subject areas of performance audit.

2. Intimation of Audit

To inform scope and extent of audit, constitution of the team and to requestfor their cooperation for successful completion of Audit

3. Entry conference

To inform the entities areas to be audited, audit objectives, audit approach, time frame and also discuss the subject matter, rules/ regulations etc. benchmarked, norms/Criteria adopted for evaluation ,nomination of liaison officer, production of record , gathering of evidences, issuing observation and time frame for replies to be received.

Entry conference should be followed by preparation of minutes which should be shared by the audited entity and acknowledgement request.

4. During Field audit

During the meeting the audit team gets an understanding of general state of internal controls and areas of concern or high risk, if any. Audit teams are required to keep a record of information and documents requested, during the audit and at the close of audit to seek observations on the audit conclusions/recommendations.

For reporting of instances of fraud and corruption, audit parties may not to wait for completion of audit and bring the instances to the notice of higher authorities/Group Officer/Accountant General

5. Exit Conference

All audit findings, conclusions and recommendations are to be discussed and as far as possible direct responses of audited entity are to be solicited and recorded

In case of Performance Audit Review the draft Audit Report including the responses of the audited entity must be issued at least two weeks before. The Accountant General/ Group Officer as a representative of SAI conclude an exit conference with the Chief Executive of the Audit entity.

If the audited entity not responding to holding Exist Conference, citing Regulation 76 of the Regulation of Audit and Accounts 2007 again may try to convince the head of the entity. Even after pursuance, exit conference could not be held; this fact could be recorded in the report.

6. Draft Final Report

Draft Final Report including response of the audited unit during exist conference after approval of the competent authority may be issued to response the audit findings/recommendations.

7. Follow up activity

For maintain a data base and for timely corrective action and to avail an opportunity to follow up the outstanding audit observations constant interaction with Departmental Audit Committees should be maintained.

It is expected that at least two meetings in a year must be organized for follow up activities.

(Authority: CAG Office Letter No I/B/8/117-PPG/53-2012 dated 14.5.2013)

5.4 Risk Analysis and Sampling

The Auditing Standards of CAG require that the audit should be planned in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective manner.As:

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

(2) Auditing standards shall apply both to the individual auditor and the audit department.

(3) All audits on behalf of the Comptroller and Auditor General are required to be conducted as per the auditing standards. In other words, auditing standards shall apply to all types of audit including financial audit, compliance audit and performance audit.

(4) Auditing standards shall be consistent with the guiding principles of auditing standards.

5.4.1 The field standards shall *inter alia* include:

(1) **Planning:** The auditor should plan audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

(2) **Supervision and review:** The work of audit staff at each level and audit phase should be properly supervised during audit and a senior member of the audit staff should review documented work.

(3) **Examination and evaluation of internal control:** The auditor, in determining the extent and scope of audit, should examine and evaluate the reliability of internal control. Auditors should obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing and extent of checks to be performed.

(4) **Compliance with applicable laws, rules and regulations:** The auditor shall verify compliance with applicable laws, rules and regulations and highlight deviations, if any.

(5) Audit evidence: Competent, relevant and reasonable evidence should be obtained to support the auditor's judgment as well as conclusions regarding the organisation, programme, activity or function under audit.

(Authority: Para 20&29 of the Regulation of Audit and Accounts 2007 and Para 3.6 & 3.9 of the Financial Attest Audit Manual, Group Order No. CAW-I/GS/AQMF/GO/2009-10/-1)

5.4.2 Sampling

While Audit is not required to examine all the transactions and vouchers, nonetheless, it has to obtain sufficient evidence to reach an appropriate conclusion. This requirement is met through careful selection and sampling of the transactions or items. The audit procedures like inspection, observation, enquiry and confirmation, computation and analysis are applied to transactions and account balances. Audit can apply such techniques to an entire set of data (100% testing) or may choose to draw conclusions about the entire set of data (the population) by testing a representative sample of items selected from it. This latter procedure is audit sampling.

Audit Sampling is the testing of less than 100% of the items within a population to enable Audit to form certain conclusions about the population. The population can be a class of transactions (like grants-in-aid) or an account balance (like loans). The transactions making up an account are usually examined by areas *where the transactions are of the same type and have the same risk of being misstated*. Account balances (for example, loans) are made up of individual items. All the transactions of an account area are known as its accounting population. Similarly, all the items making up an account balance comprise an accounting population. The documents which the auditor needs to examine for particular tests can also be regarded as population, for example, all the salary bills or running account bills.

Generally, a population should be divided (or stratified) into at least three segments:

- High value items;
- Key items; and
- The remainder.

The high-value and key items are separately examined 100% and Audit would examine a sample of the remainder.

The following methods cannot be expected to produce representative samples and are not generally considered as acceptable:

Block selection: Using this selection method the auditor selects all items of a specified type processed on a particular day, week, or month. For example, the auditor might examine all transactions of a selected month (usually March). The problem with this selection method is that the sampling unit is a period of time rather than an individual transaction and a valid sample size would normally be impractically large. However, if the auditor desires to lay special emphasis on the transactions for a selected month (say March) due to reasons like substantial expenditure or irregularities noticed in previous years, the auditor should treat it as a separate segment within the population and apply sampling procedures separately.

Judgemental selection: Using this selection method, the auditor selects large or unusual items from the population or uses some other judgmental criterion for selection. This selection method cannot be considered a representative selection method.

One of the main kinds of sampling called 'Attribute Sampling' is generally used for testing of controls. Monetary Unit Sampling (MUS) is an important sampling method,

which is mainly used in Substantive test of details in financial audits. This helps in the projection of findings, based on test results, in Rupee terms to the population tested.

5.4.3 Principles of Sampling Techniques

When designing the size and structure of any audit sample, the auditor should always:-

- identify the specific objectives to be addressed;
- ascertain the nature of the population; and
- Determine the sampling and selection methods which are most appropriate and cost effective for the objectives given the nature of the population. Where the auditor decided to use sampling, it should be recognised that results obtained from the sample will be different from those which would have been found if 100 per cent testing was carried out. Because of this sampling uncertainty, there is a risk that the auditor may either fail to detect material error, or may conclude that there is material error where this is not the case. However, the margin of uncertainty can be reduced to acceptable levels by increasing the sample size or by finding a more efficient sampling method, if available.

5.4.4 Statistical sampling

A major objection to the use of subjective selection of the individual 5.4.4(I) transactions to be tested is the possibility that such a sample may, despite the auditor's best intentions, be biased, that is, tend to lead to an estimate of total population values which is systematically either too large or too small. A further difficulty is that there is no objective method for calculating the uncertainty in the estimate produced. If, on the other hand, statistical sampling methods are used, the auditors can generally find a way of producing unbiased, or almost unbiased, estimates of population values and of calculating objective measures of uncertainty in the estimates. Provided that the use of statistical sampling is feasible and cost-effective, it should generally be used in preference to nonstatistical methods. While using statistical sampling, a random mechanism is applied to choose the transactions to be tested. For example, in simple random sampling each transaction has the same chance of being included in the sample. However, modifications of simple random sampling are more widely used in audit. A pre-condition for any statistical sampling is the availability of a sampling frame, in effect, a listing of all the transactions which make up the account or account area. Where accounting records are computerised, this listing may be readily accessible. The use of computer assisted audit techniques (CAATs), in particular IDEA, is likely to provide a cost-effective means of sample selection in such cases.

5.4.4(II) Non-statistical sampling

In most cases, 100 per cent testing of an account area is impracticable on cost grounds. However, in some instances, the auditors may be able to identify a relatively small group of transactions which are sufficiently important that an error in any one of them would have serious implications for the account area. This might apply, for example, to any transaction whose value was in excess of the planning materiality. The auditors may also wish to carry out 100 per cent testing when the results of the first phase of testing suggest that unexpected errors may be present in a precisely defined group of transactions, such as those authorised by a particular individual between specified dates. The 100 per cent testing would be applied only to the identified group of suspect transactions. The auditors can also use 100 per cent testing to audit a group of transactions within an account area which they believe have either a particular sensitivity, or a particular risk. Where the auditors apply 100 per cent testing to a group of transactions, they will know the monetary value of error for that group. For the remaining account areas, where the auditors have tested a sample of transactions, they can only estimate the error. Where the auditors have selected the sample statistically, there is a firmer basis for calculating the estimate.

5.4.5 Specific statistical sampling techniques for tests of detail

The most commonly used sampling methods in connection with tests of detail are:-

- Simple random sampling;
- stratified random sampling;
- Monetary unit sampling (MUS); and
- Multi stage sampling

5.4.5(I) Simple random sampling

The main characteristic of simple random sampling is that all transactions have the same chance of being included in the sample. A high value transaction is no more likely to be selected than one of low value, one with low risk of error has the same chance of inclusion as a high risk transaction. While the method is more straightforward to apply than stratified sampling and MUS, its application to sampling for tests of detail is generally restricted to situations where both the values and the risks associated with the transactions making up the account area are believed to be fairly homogeneous. The extrapolation of results from simple random sampling does not in general lead to significantly biased estimates of total population error. On the other hand, results can be subject to considerable variation, depending, for example, on how many high value transactions are sampled. Where either monetary values or assessed risks of error vary widely between transactions, alternative sampling methods are usually preferable.

5.4.5(II) Stratified random sampling

Stratified random sampling is an extension of simple random sampling, in which the population is first divided into discrete bands, or strata, each being fairly homogeneous with respect to value and risk. Sampling, usually simple random sampling, is then carried out separately in each stratum, but more intensively in some strata than in others. The use of 100 per cent testing in one or more strata is not precluded. The decision on where to draw the stratum boundaries is a matter for audit judgment. The auditor may, for example, wish to consider whether any identifiable types of transaction have a particularly high risk of error.

5.4.5(III) Monetary Unit Sampling (MUS)

Monetary Unit Sampling (MUS), as its name implies, is a statistical sampling method in which a high value transaction is more likely to appear in the sample than one of lower

value. It is a particular case of the statistical technique of probability proportional to size (PPS) sampling. Where the strata in stratified sampling are based on book values, and appropriate sampling fractions are used in each stratum, stratified sampling can produce results which are broadly similar to those obtained from MUS. Many variants of MUS are used in audit. It is more widely used than simple random sampling because it is usually more efficient, in the sense that the margins of uncertainty in the estimates of error are generally narrower with MUS than those based on a simple random sample of the same size. However, the calculations needed as a preliminary to carrying out MUS are liable to be cumbersome, unless they can be computerized. In most audit applications of MUS, a 100 per cent probability of selection is attached to transactions in excess of the Average Sampling Internal (ASI), which is defined as the ratio of the total book value in the account area to the sample size.

5.4.5(IV) Multi stage sampling

Multi stage sampling approach is required if transactions are processed or accounting records are held at a number of locations in such a way that we cannot directly extract a sample from across the entire population. In most cases, the locations are too numerous for it to be practicable to visit them all. In such a situation, a practical way of drawing a sample would be:-

- select the locations to be visited; then
- select the items to be tested at each location.

When selecting the locations to be visited a stratified sampling approach can be adopted, but MUS and simple random sampling may also be used. The strata may be based on number and value of transactions passing through each location, or on the levels of risk attached to them.

The evaluation of the test results will consider:-

- The error found at each sampled location;
- The combination of the test results from all locations.

The Statistical Advisor at Headquarters Office may be consulted when a multi-location sampling approach is planned, and in connection with the extrapolation of sample results.

(Authority: Para 2.95 to 2.119 of the Financial Attest Audit Manual)

5.5 General guidelines/instructions for field parties.

(i) Distribution of Work

The In-charge of the party (Sr. AO/AO/AAO/SO shall make a fair distribution of work among the party members keeping in view the devolution of duties and importance of the individual item of work and same should be noted by them under dated initials. On completion of audit the In-charge will certify whether the works as distributed to members of the audit party were successfully completed. This duty list together with copy of diary of work, actually done by each member of the party duly countersigned shall be attached with the draft Inspection Report sent to CAW Headquarter/RAP's.

General Allocation of duties in the field parties conducting audit of Companies/Corporations is given in the Appendix-II

(ii) Time schedule

The parties are required to follow the scheduled programme approved by the Headquarters. In exceptional cases where further extension of or deviation in the programme is considered necessary, prior approval should be obtained from group Officer (CAW) through telegram, telephone. Any deviation in programme not having prior approval would be viewed seriously.

(iii) Working hours and holidays

The working hours and holidays of the office under inspection shall be observed by the field audit parties.

(iv) Leave while inspection duties

Telegraphic/Telephonic intimation about persons leaving camp/station on casual leave, regular leave or otherwise should be sent to Headquarters on the same day on which leave is applied for Asstt. Audit Officers/ Section Officers and auditors should nor leave camp on holidays, not proceed on leave without prior sanction of Sr. Audit Officer/Audit Officer. In case of unsupervised audit sanction may be sought telegraphically or on telephone from Headquarters Sr. AO/AO should obtain prior approval of Group Officer before leaving camp or proceeding on leave.

(v) Visit to units by the field parties.

Prior permission is required in case the party visits units of the auditee organization Audit party should inform well in advance to headquarters to enable headquarters to give prior permission.

Further as and when field -party take up the new programme, the telephone number of the unit to be audited should be communicated in the CAW-I section (Ref:Group Order No. 2/2012-13 No . CAW-I/GS/2012-13/K-22/ DATED 24.9.2012)

(Authority: Para1.03. (9) Of the CAW Old Manual)

(vi) Criteria for selection in field

For scrutiny of service books party should prepare list of service book of the officials/officers working at auditee unit and indicate the selection of service books for scrutiny out of them. The outcome should also be narrated in the title sheet.

Regarding selection of particular month for detailed scrutiny of vouchers/other records of the auditee units, a list containing details of expenditure/revenue receipt of all months

under audit period should be prepared and criteria for selection of the month be mentioned in the title sheet enclosed with the draft Inspection Report.

(Ref: Group Order No. 3/2012-13 No CAW-I/RIICO LTD./2008-12/K-56/2008-12/TR-I/1005-1007 DT. 10.1.2013)

5.6 Decision regarding the Audit Approach to be adopted

1.6.1 The auditors should carefully note that the assessed levels of inherent and control risks cannot be sufficiently low to eliminate the need for auditors to perform any substantive procedures for material account balances and transaction classes.

To determine the most appropriate audit approach for different balances/transaction streams, the auditors should consider:

- If a risk exists
- If controls can be relied on
- If auditors can use an analytical procedure
- If auditors need to use other substantive procedures

The decision criteria should also be applied in turn to audit area populations that display similar characteristics. This focuses audit approach to a particular audit area based on the risky elements of a population.

It is the policy of the CAG to seek to adopt a cost-effective audit approach that will reduce audit risk to an acceptable level and provide a high degree of assurance. The audit approach chosen will:

- reflect understanding of the auditee entity and its business;
- take account of audit judgment on planning materiality; and

• Respond to the specific risk factors identified in the course of risk assessment.

A cost-effective audit approach is one that achieves this and an optimum mix of the following objectives:

i. Minimising sampling risk - the risk that audit procedures will fail to detect material misstatement or irregularity due to drawing a non-representative sample;

ii. Minimising audit cost - by achieving the most efficient deployment of audit resources taking account the overall timetable and minimising potential disruption to the normal functioning of the auditee;

iii. Maximising assurance on the audit objectives.

The risk assessment and audit procedures should provide a high degree of audit assurance in accordance with the instructions issued by the CAG.

The audit team members need to have a thorough understanding of the different types of audit procedure that may be undertaken for the purpose of adopting a cost-effective audit approach. The possible procedures include:

- testing of control by the audit team;
 - using the work of internal audit;
- substantive procedures:
 - direct tests based on statistical or non-statistical samples;
 - 100% testing;
 - predictive analytical procedures;
 - using the work of other auditors;
 - Using the work of third party experts.

Computer assisted audit techniques (CAATs) can be used for both tests of control and substantive procedures. The availability of appropriate techniques will inform the audit judgment on the most cost-effective mix of tests of control and substantive procedures.

5.6.2 Levels of substantive procedures to be performed

The substantive procedures can be performed at one of three levels (focused, standard and minimum) depending on the amount of assurance required. In general, the lower the level of assurance required, the lesser will be the extent of audit procedures. The level of the procedures to adopt depends on whether any specific risk factors were identified and whether any reliance is proposed to be placed on controls.

<i>Type of Substantive</i> <i>Procedure</i>	Circumstances in which performed	Audit Procedures generally included
Focused Substantive Procedures	Performed if the audit team identifies a risk that could lead to potential material misstatement and where no reliance can be placed on mitigating controls to address the risk	 Substantive Procedures: Testing high value and key items Sample testing of representative transactions Confirmation from third parties Reliance on internal audit work; Analytical Procedures are unlikely to be used
Standard Substantive Procedures	Performed if the audit team has not identified risks that could lead to material misstatement and no reliance is planned to be placed on controls.	 Modeling/Comparative Type Analytical Procedures Other Substantive Procedures
Minimum Substantive Procedures	Performed if the audit team plans to take assurance from	Comparison Type Analytical Procedures or

These procedures are explained in the following table.

mitigating controls (where there are risks of material misstatement) or from other controls (where there are no risks of material misstatements).	Other Substantive Procedures
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5.7 Designing audit approach

5.7.1 For each audit objective where specific risk factors were identified, the audit team should either rely on mitigating controls and perform a minimum level of substantive procedures; or perform focused substantive procedures. Where effective mitigating controls are identified, the audit team may plan to rely on them and reduce the extent of substantive procedures. It can be more efficient to identify and test relevant mitigating controls than to perform focused substantive procedures. Sometimes, focused substantive procedures are more efficient than a combination of tests of control and minimum substantive procedures. This is particularly true in cases where the effects of specific identified risk factors can be accurately identified and appropriate focused procedures are designed.

EXAMPLE

If the audit team identify a specific risk factor affecting a particular grant, it may be able to isolate the risk as affecting only the expenditure incurred at a particular location (say Treasury/Sub Treasury of a State Government). For that location the audit team might perform focused substantive procedures but, for other locations, the audit team can restrict substantive procedures to the standard level.

For auditobjectives where no specific risk factors were identified, the audit team should either confirm the reliability of the relevant accounting systems and controls and perform a minimum level of substantive procedures; orperform focused substantive procedures. In gaining an understanding of the control environment, the audit team may have identified significant weaknesses that may cause the team to believe that some or all of the internal controls are likely to be ineffective. In such a situation, the audit team should not plan to rely on controls; but should, instead, plan to obtain all assurance from substantive procedures.

5.7.2 Performing the audit procedures at interim date

Where reporting deadlines are tight, or if there are constraints on audit resources at the time of main audit visit, the audit team should normally perform some of the substantive procedures at an interim date. Where the team audits income or expenditure (or receipts and payments) figures at an interim date, it can adopt one of two approaches to the remaining of the accounting period at the time of final audit:

- place reliance on controls, together with a minimum level of substantive procedures; or
- Perform a standard level of substantive procedures.

5.7.3 Number of Locations

The number of operating locations of the auditee affects the audit plan. The larger the size of the auditee, the more likely it is that reliance on controls will be an efficient approach. Also, if the number of operating locations is large, it may be practical to visit only certain locations in a given year and to rotate audit visits. It may also be necessary to involve internal audit or other sub-auditors belonging to the Indian Audit and Accounts Department in the field work.

5.8 Substantive checks

After risk analysis with analysis of the fact and data, areas of substantive checks are identified (as also explained in details in para 5.6). Sustentative checks would involve checking of the transaction with its relevant records to judge its correctness and regularity. Details of the transaction subjected to substantive check should be kept in record for future references/and subsequent audits.

5.9 Supervision & Review

Supervision is a day-to-day control to ensure that the audit proceeds satisfactorily and that any problems are immediately attended to, review can take place in stages during the progress of work and after its completion.

According to the field standards in the Auditing Standards of the Comptroller and Auditor General of India, the work of the audit staff at each level and audit phase should be properly supervised during the audit, and a senior member of the audit staff should review documented work.

5.9.1 Supervision

Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is, therefore, necessary in all cases, regardless of the competence of individual auditors. Supervision should be directed both to the substance and to the method of auditing.

Day-to-day supervision should be exercised by the team leader (normally the Audit Officer in charge). Some of the more important supervisory responsibilities of the team leaders are:

- ensuring that the audit work is carried out in accordance with the audit plan, more particularly, in tune with the audit objectives;
- identification of important issues in course of audit;
- ensuring that no significant matters in the context of the audit objectives and evidence required remain unresolved;
- evidence collected fulfils the criteria prescribed in the Auditing Standards;
- the work performed and the results including the process of audit are separately documented, first in support of audit findings, conclusions and recommendations and the second in support of due diligence exercised by the audit team; and above all ensuring that the objectives of audit are fully met.

The supervisor, as a team leader, acts as a link with management. He is expected to inform higher management (i.e., Group Officer and Accountant General) of any problems and difficulties and, if necessary, to seek approvals for the audit plan to be amended.

The team leader should make sure that other members of the team are aware of what is required of them and that their work performed conforms to standard. If an audit programme cannot be fully executed, the team leader should ensure that any changes to it receive the approval of higher management.

1.9.2 Review

The field standards state that:

All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review brings more than one level of experience and judgment to the audit task and should ensure that:

- (a) all evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the finalaudit opinion or report;
- (b) all errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer(s);and
- (c) Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

Review should not be left pending till the completion of the audit. It should be conducted as soon as possible after discrete areas of the audit have been finalised and the working papers have been properly assembled. This ensures more effective control and that any necessary changes to coverage can be made promptly.

By reviewing the work done, the reviewing officer takes responsibility for its quality and for the audit conclusion reached as to whether or not material error exists in the account. If the reviewing officer is not satisfied with the work done, it is his responsibility to ensure that any deficiencies in the audit are remedied.

5.10 Review of old Outstanding Para/Index sheetpoints

All pending paras of old inspection reports should be reviewed to ascertain the present position. In case the inspecting officer is satisfied with the present position and/or convinced with the reply furnished, he may propose for dropping of the same. In case the irregularity is persist, an updated position of the para may be considered in current inspection report mentioning the reference of old para and old para may be proposed for deletion in old inspection report. All points marked as index sheet points in the previous inspection report file by the headquarter section should be examined and results recorded by inspecting officer.

5.11 Replies to audit memos

The officer in charge shall ensure that to-the-point replies are rendered to the auditobservations communicated through the audit memos. It will be the duty of the officerin charge to ensure that the particulars given in the replies to the audit memos arecorrect with reference to the records so that the accuracy of the facts and figures ofsuch cases as are included in the inspection report is not disputed. All such repliesshall be signed by the officer in charge or carry an indication of his approval.

5.12 Immediate steps for remedial action on audit observations

The officer in charge shall take immediate steps for appropriate remedial action, wherever possible, on the observations made by the audit team so that as many auditpoints as possible are settled during the course of audit.

5.13. Preparation of draft inspection report

On the completion of audit, the inspecting officer shall prepare a draft inspection reportas discussed in Chapter VI Documentation

5.14 Exit Conference

Exit Conference is a Meeting with officer in charge of auditable entity at the close of audit.

The inspecting officer and the officer in charge shall discuss the draft inspectionreport at the close of audit. The officer in charge shall confirm the facts and figuresincluded in the draft inspection report. Any point of disagreement may be brought outand discussed with the inspecting officer during the meeting with a view to resolve the same. The officer in charge shall also offer his observations on the auditconclusions and recommendations, if not already done in response to the auditmemos, and the inspecting officer shall reflect such observations in the inspectionreport. Where necessary and appropriate, the inspection report may makerecommendations for remedying systemic deficiencies and improving control.

A written record of the proceedings of the meeting duly signed by both the parties shall be kept.

Annexure-I'

(Ref: Para 5.2)

Declaration regarding adherence to the Code of Ethics of the Comptroller and Auditor General of India

(This declaration is required to be signed separately by each member of the audit team prior to the commencement of Audit. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Inspection Report).

I, Shri/ Smt. /Kum------ (Name) ------ (designation)

hereby declare that:

- I have read and understood that SAI India's Code of Ethics.
- I will uphold and abide by the SAI India's Code of Ethics and the CCS (Conduct)

Rules.

- I do not have any personal or professional interest in the audited entity.
- I do not have any personal or professional interest in the audit entity.

As a representative of the SAI India, I undertake to adhere to the following:

- I will conduct the audit assigned to me in a fair, honest, timely and competent manner.
- I will maintain strict confidentiality of all information gathered in the course of audit.
- I will not behave or conduct myself in an inappropriate manner with any official of audited entity.
- I will not accept any kind of inducement prohibited under the Central Civil Services (Conduct) Rules, 1964, directly or indirectly from audited entity.

Signed: -----

Annexure-II

(Ref: Para 5.1)

Declaration regarding adherence to the Code of Ethics of the Comptroller and Auditor General of India

(This declaration is required to be signed separately by individual who has been engaged as an expert, consultant, statutory auditor, etc. by the SAI India to assist him in his 245 auditing and accounting function prior to the commencement of Audit. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Report rwquired to be submitted to SAI India).

I, Shri/ Smt. /Kum------ (Name) ------ (designation) hereby declare that:

- I have read and understood that SAI India's Code of Ethics.
- I will uphold and abide by the SAI India's Code of Ethics and the CCS (Conduct) Rules.
- I do not have any personal or professional interest in the audited entity.
- I do not have any personal or professional interest in the audit entity.
- As a representative of the SAI India, I undertake to adhere to the following:
 - I will conduct the audit assigned to me in a fair, honest, timely and competent manner.
 - I will maintain strict confidentiality of all information gathered in the course of audit.
 - I will not behave or conduct myself in an inappropriate manner with any official of audited entity.
 - I will not accept any kind of inducement prohibited under the Central Civil Services (Conduct) Rules, 1964, directly or indirectly from audited entity.

Signed: -----Date: -----

Appendix-II

{Referred to in Para 5.5(i)}

STATEMENT-I

Duties of Staff in Audit Parties

(Authority CAG Letter No.CA-IV/Tech 4184/No. 545/CA-IV/87-81 Vil. VI Dated 11.9.1984)

Allocation of duties in the field parties conducting audit of annual accounts of under taking where the comptroller and Auditor General of India conducts a super imposed audit

AUDIT OFFICERS

1. Coordination and supervision of the work of the audit team.

- 2. Review of the Minutes and Agenda papers of the Board of Directors meetings or meetings of Committees regarding. Resolutions relating to annual accounts.
- 3. Review of the system of internal control and internal audit and their effectiveness to determine the extent of audit.
- 4. Review of the Balance Sheet and Profit and Loss Accounts to see that they meet the requirements of the relevant statute and the generally accepted accounting principles.
- 5. Examination of the Auditors report to the share-holders to see whether they indicate any persistent deficiencies in systems and similar examination of various disclosures made in the notes to the accounts to see whether adjustments which ought to have been reflected in accounts in accordance with the accounting standards have been carried out or not.
- 6. Review of the accounting policies.
- 7. Giving guidance to the other members of the party about the points/areas to be test checked.
- 8. Review of the Journal Vouchers involving large amounts relating to adjusting entries in connection with the annual closing of accounts.
- 9. Review the large and unusual items in sundry creditors Sundry Debtor, payments etc. brought to the notice of the Audit Officer by Assistant Audit Officer, Section Officer, auditor etc.
- 10. Finalisation of the draft comments and discussion with the management.

ASSISTANT AUDIT OFFICER

- 1 Review of the various items in the Schedule forming part of the Profit and Loss account and Balance Sheet to see that these are correct and meet the requirements of the relevant statute and accepted accounting principles.
- 2 Verification of the figures in the Profit and Loss Accounting and Balance sheet with reference to schedules.
- 3 Checking of the correctness of sales set up and checking of adequacy of the provisions for depreciation, taxation, dividends, bonus, outstanding expenses etc.
- 4 Allocation of expenditure between capital and revenue.
- 5 Contingent Liabilities.
- 6 Check of Consolidated annual accounts with reference to the audited accounts of the branches/units.
- 7 Preparation of Review of accounts.
- 8 Examination of the basis of valuation of inventories and adequacy of provisions.
- 9 General review of the Journal Vouchers including adjustment entries in connection with annual closing of accounts.
- 10 Any other items of work entrusted by audit Officer.

SENIOR AUDITOR/AUDITOR

1 Detailed calculations of items allotted by the Audit Officer/Asstt. Audit Officers/Section Officer.

- 2 Test check of postings in the ledgers correctness of the Trial Balances, groupings and correctness of annual accounts and schedules.
- 3 Totaling of Balance sheet, Profit and loss Account and schedules.
- 4 Checking of previous years figures.
- 5 Physical verification reports of assets.
- 6 Bank Reconciliation statement
- 7 Checking of valuation of inventories etc.
- 8 Adequacy of Provision for bad and doubtful debts and advances.
- 9 Prior Period adjustments.
- 10 Any other item of work entrusted by Audit Officers/Asstt. Audit Officer/Section Officer.

STATEMENT-II

Allocation of duties in the field parties conducting regularaudit of accounts of under taking where the comptroller and Auditor General of India conducts a super imposed audit.

SR. AUDIT OFFICERS/AUDIT OFFICERS

- 1 Coordinate Coordination and supervision of the work of the audit team.
- 2 Review of the Minutes and Agenda papers of the Board of Directors meetings or meetings of Committees regarding Resolutions relating to annual accounts
- 3 Review of the system of internal control and internal audit and their effectiveness to determine the extent of audit.
- 4 Review of the balance sheet and Profit and Loss Accounts to see that they meet the requirements of the relevant statute and the generally accepted accounting principles.
- 5 Review of the accounting policies.
- 6 Giving guidance to the other members of the party about the points/areas to be test checked.
- 7 Critical analysis of annual accounts.
- 8 Examination of certain selected aspects of the working of the undertakings for inclusion of the results of the examination of Audit Report.
- 9 Review the large and unusual items in sundry Creditors sundry Debtor, payments etc. brought to the notice of the Audit Officer by Assistant Audit Officer, Section Officer, auditor etc.
- 10 Finalization of the draft comments and discussion with the management.

ASSISTANT AUDIT OFFICER

- 1 Review of the various items in the Schedule forming part of the Profit and Loss account and Balance Sheet to see that these are correct and meet the requirements of the relevant statute and accepted accounting principles.
- 2 Verification of the figures in the Profit and Loss Accounting and Balance sheet with reference to schedules.

- 3 Checking of the correctness of sales set up and checking of adequacy of the provisions for depreciation, taxation, dividends, bonus, outstanding expenses etc.
- 4 Allocation of expenditure between capital and revenue.
- 5 Contingent Liabilities.
- 6 Check of Consolidated annual accounts with reference to the audited accounts of the branches/units.
- 7 Preparation of Review of accounts.
- 8 Examination of the basis of valuation of inventories and adequacy of provisions.
- 9 General review of the Journal Vouchers including adjustment entries in connection with annual closing of accounts.

SENIOR AUDITOR/AUDITOR

- 1. Checking of accuracy of Cash and Bank Balances with reference to physical cash balance report and bank Reconciliation statement.
- 2. Checking of book balances in the Physical inventory sheets with reference to the Stores Ledgers.
- 3. Reconciliation of the value of inventories as per priced ledger and general ledger.
- 4. Checking of Debtors and Creditors Ledgers and Fixed Assets Register.
- 5. Checking of interest on secured and unsecured loans and interest income.
- 6. Checking of previous years figures.
- 7. Physical verification action reports of assets.
- 8. Checking of valuation of inventories etc.
- 9. Adequacy of the provisions of bad and Doubtful Debtors and advances.
- 10. Prior Period adjustments.
- 11. Verification of the figures in the Profit and Loss Accounts Balance Sheet with reference to schedules.
- 12. Checking of posting from Cash Book/. Journal` to Ledger, from ledgers to Profit and Loss Account and Balance Sheet as per prescribed quantum of audit.
- 13. Any other item of work entrusted by Audit Officers/Asstt. Audit Officer/Section Officer.

NB: wherever quantum of audit has been prescribed the same will be allocated on the lines of the illustrative allocation made above.

STATEMENT -III

Allocation of duties in the field parties conducting audit of State Electricity Companies

(A). Headquarter Office of the Company

Sr.Audit Officers /Audit Officers

- 1. Minutes and Agenda Papers of the Board of Directors meetings and Committees thereof.
- 2. Coordination and overall supervision of the work of the audit Party.

- 3. Contracts/agreements of all types (purchase of stores, Capital items, construction works etc.).
- 4. Internal check/control/measures in actual operation
- 5. Investment of funds.
- 6. Agreements for power supply otherwise than on standard tariff.
- 7. Agreement of bulk purchase of Power.
- 8. Finalization of Inspection Reports and discussion with the management.

Assistant Audit Officer

- 1. Contracts/agreements of all types (purchase of stores, Capital items, construction works etc.) above Rs. 15 lakhs in each case.
- 2. Agreements for H.T. and bulk supply on standards tariffs.
- 3. Tariff structure.
- 4. Payment of compensation to licensees.
- 5. Loans raised by the company.
- 6. Remittances of funds from and to the Central Collection account of the company.
- 7. Inventory control, Credit control and Purchase procedure.
- 8. Examination of records relating to opening of L/C release/payment of foreign exchange in relation to import and in other purchase cases.
- 9. Review of vigilance and legal cases.
- 10. Review of physical verification of securities received from contractors, subordinates.
- 11. Any other item of work entrusted by A.O.

Senior Auditor/Auditors

- 1. Receipt and issues of stores transactions with reference to all connected records.
- 2. Cash Book/Bank pass book with reference to all connected records.
- 3. Pay/TA/Petty Cash Book with reference to all connected records.
- 4. Bank Reconciliation Statement.
- 5. Service records and other accounts relating to establishment.
- 6. Scrutiny of sanctions.
- 7. Examination of records maintained in respect of (i) Departmental vehicles (ii) Canteen (iii) Dispensary (iv) Library etc.
- 8. Review of budget provisions and actual expenditure there against.
- 9. Registers of advances to suppliers, staff etc.
- 10. Registers of earnest money deposit, security money deposit, Tender documents sold and Retention Money Register.
- 11. Any other item of work entrusted by AO/AAO
- (B). Audit in other formation of the Company.

Sr.AUDIT OFFICERS/AUDIT OFFICERS

- 1. Coordination and overall supervision of the work of the audit party.
- 2. Security of major contracts/agreements of all types Analysis of major works.
- 3. Cost statement of generation of electricity, auxiliary consumption, line losses, coal and Oil Consumption etc.
- 4. Installed capacity and utilization.
- 5. Examination of the cases of load reduction.
- 6. Examination of the cases of low load factors.
- 7. Review of the system of internal central in billing and collection of revenue.
- 8. Finalization of Inspection report and discussion with management.

Assistant Audit Officer

- 1. Security of contracts/agreements of all types
- 2. Analysis of Minor works.
- 3. Review of the Main Cash book.
- 4. Agreement of H.T. supply.
- 5. Scrutiny of energy bills of H.T. consumers with reference to tariffs, arrears, discount etc,
- 6. General review to ensure whether there is any system of reconciliation of the amount actually collected from the consumers and the collections being posted in the consumer's ledger.
- 7. Examination of inventory control, credit control
- 8. Examination of manpower analysis.
- 9. Review of the physical verification of securities received from contractors, subordinates and consumers.
- 10. Any other item of work entrusted by AO.

Senior Auditor/Auditor

- 1. Review of cash book with reference to receipts and all connected records
- 2. Pay/TA/Petty Cash book with reference to all connected records.
- 3. Main Cash Book with reference to all connected records.
- 4. Checking of Bill collectors Remittance challans with receipts issued to consumers and check totals.
- 5. Energy bills of L.T. consumers with reference to tariffs, arrears discount etc.

STATEMENT -IV

List of duties for conducting audit of State Road Transport Corporoations (Head Office)

	Sr. AUDIT OFFICERS/AUDIT OFFICERS		Asstt. Audit Officer		Auditor
1	Agenda/minutes of	1	Cash Book	1	Journal vouchers
	corporation and of sub-				other than that

	committees/standing committees.				earmarked for AAO/SO.
2	Body building contracts	2	Journal vouchers annual closing/ adjustment entries.	2	Daily payment register
3	Purchase above Rs. 15 lakhs in each cases on open tender basis including tender committee resolutions.	3	Register of cheques received	3	Income & expenditure register.
4	Civil works above Rs, 15 lakh in each cases (overall review of formulation scheduling and execution)	4	Bank Pass Book.	4	Summary register of expenditure and income.
5	Co-ordination and overall supervision of the work of the audit team, discussion with the Management and finalisation of Inspection Report.	5	Reconciliation of re- remittances into treasury/Bank	5	Contingent bills
		6	Emolument paid to member of the corporation.	6	Register of capital contributions.
		7	Register of call deposits and short term deposits	7	Pay bills, TA bills including over time register
		8	Register of investments and securities.	8	Scale audit.
		9	Allocation of expenditure between capital and revenue.	9	Service Books & Leave accounts.
		10	Retention money register	10	Rent register for staff quarters.
		11	Register of penalties recovered from contracts	11	Provident Fund A/C.
		12	Advertisement contracts	12	Stamp accounts.
		13	Purchase up to Rs. 15 lakhs including tender committee resolutions and stores committee resolutions and register of tenders and contracts.	13	Register of security deposits from staff & contractors etc.
		14	Scrutiny of sanctions	14	Register of fixed charges and periodical payments.
		15	Main ledger	15	Register of earnest money deposits.
		16	Register of cheque Books	16	Register of tender/application

					forms sold.
		17	Work abstracts Register of	17	Register of
		1,	Works Measurement	1,	recovery of
			books.		advertisement
			ooons.		charges
		18	Register of capital	18	Sections ledgers.
		10	expenditure	10	Sections reagers.
		19	Any other work entrusted	19	Monthly returns of
		19	by AO,	17	units.
			by AO,	20	Log books of
				20	departmental
					vehicles
					stores account
					stocks A/c of ticket
					books and passes
					Register of
					advances to
					suppliers
					Register of Transit
					Loss
					Register of losses
					written off
					Register of
					advance to staff
					and other parties
					Any other work
					entrusted by
DE	 POT				AO/AAO
	Sr. Audit Officers/Audit		Asstt. Audit Officer/Section	1	Auditors
	Officers		Officer.		Auditors
1	Review of fuel scales &	1	Cash Book.	1	Scrutiny of
	actual Consumption.				waybills.
2	Review of revenue	2	Audit of vouchers	2	Waybills extract.
	earning's route mileage				
	covered & vehicles				
	utilization.				
3	Review of vehicle	3	Imprest register	3	Columns register.
	detentions in workshops.		· · ·		
4	Finalization of annual	4	Register of casual	4	Stock A/c of ticket
	Inspection Reports		contracts and tenders.		books.
	including review of old				
	objections.				
5	Coordinating the work of	5	Log Book of vehicles	5	Stock account of
	the audit team.		tyres, batteries, & engines.		stores
		6	Use of oils vis-à-vis	6	Scrutiny of POL
			norms.		A/c
		7	Scrutiny of estimates and	7	Register of empty
			job orders of workshops		barrels
i		0		0	
I		8	Records relating to charter	8	Scrap register

		hire of Buses/Taxis		
	9	Drafting of Test Audit Note including review of old objections.	9	Register of uniforms
			10	History sheets of vehicles
			11	Stores A/cs of workshops.

Note: any other items of work maybe assigned to each member of resident audit office/audit party by the officer supervising them.

STATEMENT -V

Allocation of work in the audit party-conducting audit of Warehousing Corporations

Sr. AUDIT OFFICERS/AUDIT OFFICERS

- 1 Review of the Minutes and Agenda papers of the Board of Directors meetings and Executive Committees
- 2 Coordination and overall supervision of the work of the audit party.
- 3 Examination of the economics of storage charge fixed.
- 4 Review of major cases of hiring of godowns with reference to lease deeds/rent deeds.
- 5 Examination of the cases relating to the purchase of land for construction of godowns.
- 6 Examination of the cases of construction of godowns above Rs. 10 lakhs.
- 7 Examination of cash management system.
- 8 Review of the utilization of godowns capacity.
- 9 Review of the system of internal check/control/measures in operation.
- 10 Finalisation of the Inspection Report and discussion with the management.

ASSTT.AUDIT OFFICER

- 1. Examination of the purchases cased relating to gunny bags, insecticides turbulences etc. with reference to all connected records.
- 2. Examination of the cased of construction of godowns upto Rs. 10 lakhs.
- 3. Examination of transaction and handling contracts.
- 4. Analysis of manpower engaged in godowns.
- 5. Review of theft cases, losses and damages in storage/transit.
- **6.** Examination of records relating to recovery of storage charges.

STATEMENT -VI

Allocation of work in the audit party-conducting audit of Rajasthan Finance Corporations

Sr. AUDIT OFFICERS/AUDIT OFFICERS

- 1. Review of the Minutes and Agenda papers of the Board of Directors meetings and Executive Committee
- 2. Coordination and overall supervision of the work of the audit party.
- 3. Review the system of investment of funds.
- 4. Review of the system followed in the sanctioning of loans. Individual cases of loans exceeding Rs. 20 lakhs each.
- 5. Review of the system of internal check/control measures in operation.
- 6. Examination of under writing contracts.
- 7. Finalization of the Inspection Report and discussion with the management.

ASSTT. AUDIT OFFICER

- 1. Examination of Loan Register, applications Register, sanctions of loans. Individual cases of loans above Rs. 5 lakhs to Rs. 20 lakhs.
- 2. Checking of disbursement of loans and repayment of loans/interest with reference to all connected records.
- 3. Review of files of defaulting loanees.
- 4. Review of arbitration/court cases.
- 5. General review of work entrusted by Audit Officer.

SENIOR AUDITOR/AUDITOR

- 1. Review of the register of securities, bond Register.
- 2. Review of the Register of Registration of charges.
- 3. Review of Post disbursement inspection reports, progress reports etc.
- 4. Examination of loans upto Rs. 5 lakh.
- 5. Any other item of work entrusted by Audit Officer/Asstt. Audit Officer.

STATEMENT -VII

Allocation of work in the audit party-conducting Performance audit in Public Undertakings:-

Sr. AUDIT OFFICERS/AUDIT OFFICERS

- 1. Coordination and overall supervision of the work of the audit party.
- 2. Review the minutes and Agenda papers of the Board of Directors meetings and of Committees/thereof.
- 3. Review of the principal activity/activities including scrutiny of the major transactions in respect of the principal activity/activities and allocation of specific aspects/transactions for examination in this regard to other members of the audit party.
- 4. Scrutiny of contracts/agreements of all types above the limit specified by the Principal Audit Officers.
- 5. Review of the system of internal check/control measures in operation.

- 6. Review the cash management.
- 7. Finalization of the Inspection Report and discussion with the management.

Asstt.Audit Officer

- 1. Scrutiny of contracts/agreements of all types above the limit specified by the Principal Audit Officers.
- 2. Review of the activities of all service departments of the undertaking.
- 3. Examination of the specific aspects of the principal activity allotted by the Audit Officer.
- 4. Examination of inventory control and purchases procedure.
- 5. Investment decisions including modernisation, diversification and expansion programmes.
- 6. Examination of supplementary reports of the professional Auditors and of the Quarterly financial Reports.
- 7. Man and machine utilization.
- 8. Examination of specific points referred by the Headquarter,
- 9. Review of cost accounts, cost management and cost control including consumption, wastage and rejections.

Senior Auditor/Auditor

k.
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- 2. Records of Transport wing of the company.
- 3. Records of Guest Houses, canteens hospitals and library
 - etc.
- 4. Establishment audit.
- 5. Claim cases, cases of losses, theft, embezzlement and fire etc.
- 6. Records relating to the receipt and issue of stores transactions.
- 7. Records relating to customs/excise duty, sales tax, wharfage, demurrage and insurance payment etc.
- 8. Examination of the specific aspect/transactions of the principal activity/activities allotted by A.O.
- 9. Any other item or work entrusted by Audit Officers/Asstt. Audit Officer/Section Officer.

STATEMENT -- VII

Allocation of work in the audit party-preparing comprehensive appraisal

Sr. AUDIT OFFICERS/AUDIT OFFICERS

- 1. Preparation of the appraisal plan in respect of the undertakings selected for Comprehensive appraisal.
- 2. Performance review of the main activity/activities vis-à-vis objectives.

- 3. Financial Management. Project management.
- 4. Finalization of the draft appraisals.

ASSTT. AUDIT OFFICER

1. Draft chapter on.

- (a). Introduction and historical background behind the formation of the undertaking.
- (b). Location of the project and its execution.
- (c) Costing cell.
- (d). Quality control/Research and Development
- (e). various utilities and service departments.
- (f). Material management and inventory control.
- (g) Pricing policy and marketing operations.
- (h). Working Results.
- (i). any other work entrusted by Audit Officer.

Senior Auditor/Auditor

2. Draft chapters on.

- (a) Organization set up.
- (b) Capital structure.
- (c) Collection and comparison of Key documents.
- (d) Any other item of work entrusted by AO/AAO/SO.

(Authority C.A.G's Confidential letter No. 545CA-IV/87-81 Vol. VI/ dated 11.9.1984)

CHAPTER-VI

Documentation

(Maintenance of files of working papers of permanent nature and others which include duty list, risk analysis and sampling, minutes of entry and exit conference and other discussions with the auditee unit, policy documents of the auditee unit, memos and supporting papers, inspection report, title sheet etc.)

6.1 The Fundamental Auditing Principles state that audit evidence gathered must be adequately documented. Documentation includes documenting sufficiently matters that are significant in providing evidence to support the conclusions drawn and the report issued. The audit documentation should be sufficiently complete and detailed to enable an experienced auditor, having no previous connection with the audit, to understand what work was performed in support of the conclusion.

Documentation takes place throughout the entire audit process. Public sector auditors prepare compliance audit documentation on a timely basis, and maintain such documentation which records the criteria used, the work done, evidence obtained, judgments made and review performed. Public sector auditors prepare relevant audit documentation before the auditor's report is issued. Audit documentation is retained for an appropriate period of time.

(Ref- Compliance Audit Guidelines: ISSAI 4000 – 4200 para 7.2- 112&113)E:\New folder (2)\C 2\INTOSAI

6.2 Importance of adequate documentation

6.2.1 According to the Auditing Standards, adequate documentation is important for several reasons. It will:

- (a) Confirm and support the auditor's opinions and reports;
- (b) Increase the efficiency and effectiveness of the audit;
- (c) Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party;
- (d) Serve as evidence of the auditor's compliance with Auditing Standards;
- (e) Facilitate planning and supervision;
- (f) Help the auditor's professional development;
- (g) Help to ensure that delegated work has been satisfactorily performed; and
- (h) Provide evidence of work done for future reference.

6.2.2 The Standards further state that the auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor's proficiency, experience and knowledge. Working papers should be sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently ascertain from them what work was performed to support the conclusions.

of the investigation. Depending upon the subject of performance audit, the audit team may examine a sample selected at random." Therefore it may ensure that the evidence gathered for carrying out the audit tests against the criteria leading to audit findings stand the test of their sustainability assured by the standards of their competence, relevance and sufficiency (reasonableness). The grounds on which Accountants General are satisfied about fulfilment of these attributes of the quality of evidence should be recorded in the working papers.

(Ref: Evidence and documentation-Performance Auditing Guidelines - SAI India para 5.15&5.22/77)

6.2.3 The audit opinion given on an account should be based on competent, relevant and reasonable evidence. The audit should be planned to achieve this. The evidence is gathered by the audit party and conclusions are drawn from the tests carried out. The review of the audit by senior officers has to assess the adequacy of the evidence and the reasonableness of the conclusion reached. The Officers responsible for the audit work should ensure that all this has been carried out properly. Good documentation is, therefore, vital to show the quality of the audit attained.

6.2.4 Document Files

A standard method of filing documents is essential. The filing method should recognise that documents fall into two categories:

- those relevant to the audit of the entity (Government, Department etc. under audit) generally
- those relevant only to the audit of the entity (Government, Department etc. under audit) for a particular year of account

6.2.5 The documents to which the auditor needs to refer each year should be placed in a Standing File. This file should contain current information about the organisation itself, such as:

- the authority for the audit
- governing legislation
- organisation chart and key personnel
- descriptions of accounting systems
- manuals
- systems evaluations

6.2.6 The documents relevant to the audit of a particular year of account should be filed in a manner which brings together related working papers in a series of folders (or in separate sections within folders). An indication of how working papers might be grouped into Working Paper Folders (current file) is given in **Annexure-I**.

performance audit constitute the working papers. They include the documents recording the audit planning including the audit objectives, determination of criteria including the process of their determination, field audit and evidence gathering procedures, evidence analysis, the nature, timing and the extent of audit procedures performed and the process of arriving at the results of the audit tests *i.e.*, audit findings and conclusions. *Ideally the working papers should consist of three sections – each linked to the other: planning; execution and reporting*.

Working papers also serve as a connecting link between the fieldwork and the audit report. These should, therefore, be complete and appropriately detailed to provide a clear trail of the audit. The confidentiality of the working papers should be maintained and they should be retained for a period sufficient to meet the professional, legislative and legal requirements.

Working papers/documents so collected may be preserved as detailed in Annexure-III.

(Ref: Evidence and documentation-Performance Auditing Guidelines - SAI India para 5.28&5.29,Note no.58 of file CAW(R)/old records/K-521 Vol.-II and office order No. CAW-I/G.S./old record/2003-04 dt. 16.9.2003)

6.3 Broad characteristics of working papers

6.3.1 Some of the broad characteristic that working papers should have are set out below:

Completeness and accuracy:	Provide support to audit conclusions and recommendations.					
Clarity and conciseness:	Self contained in the sense that anyone using them should be able to understand the entire audit process without need for any supplementary examination.					
Ease of preparation:	While the audit teams will be called upon to collect large volumes of working papers, to the extent they can use the entity prepared documents and reports, pre-printed standard audit stationery and automatically generated standard working paper formats, the time and effort may be optimised.					
Legibility and neatness:	Applies particularly to photocopies.					
Relevance:	Working papers should be restricted to matters, which are important, pertinent and useful for the purpose.					
Ease of review:	The working papers should contain cross references to the audit memoranda, discussion papers, audit observation, field audit report and performance audit report, as the case may be, to enable the Accountants General and Headquarters Office management to link the working papers to audit conclusion.					
Organisation and ease of reference:						

6.3.2 To conduct an audit which provides the assurance that all the material irregularities/misstatements of facts would be detected, adoption of a scientific approach is necessary. The audit parties rely more on experience than on a scientific approach. The scientific approach involves a well documented plan prepared after having a good understanding of the audite entity/unit, identification of the high risk areas and the deployment of the available resources to the optimum utilisation so that maximum output can be obtained. Therefore, all supervising officers/heads of the local inspection parties are enjoined upon to prepare a plan, in the beginning of the audit, embodying the following features:-

(a) Identification of various activities performed by the auditee unit. The activities should be segmented in a pyramid manner down from broad sub-systems viz., personnel management, financial management, production management, marketing management etc. to narrow sub-sub-systems. For example, the sub-sub-systems of the financial management are arrangement of finance, realisation of revenues and servicing of debts. Further, these sub-systems should be divided into detailed executable parts thereof.

(b) Identification of the important activities impacting on the performance of the unit.

(c) Identification of the high value or risk areas and assigning materiality level i.e. high, medium or low.

(d) Selection of the items, sampling if required, for substantive examination.

- (e) Assignment of the task of substantive examination to a team member.
- (f) Review of the work by the supervisory officer/senior officer of the audit team.

(g) Certification, for each identified risk area, by the supervisory officer/senior officer of the audit team that the work performed was adequate to assure the detection of material irregularities.

All the above steps should be taken with full justification for each step. These steps should be documented in the manner that an experienced auditor with no previous connection with the audit should be able, without difficulty, to ascertain the evidence gathered and understand and agree with the conclusions reached. Further, the plan should be designed in the initial stage of the audit so that whenever the Group Officer or other senior officers conduct the supervision of the field parties, this plan is available.

The IR vetting sections would ensure that the aforesaid instructions have been complied with by the audit parties. Difficulties, if any /Non-compliance of these instructions would be brought to the notice of the Group Officer.

(Ref. GONO.-CAW-I/GS/AQMF/GO/2009-10/Group Order-1 approval dt.5.1.10)

6.3.3. Maintenance of files of working papers of permanent nature and others which include duty list, risk analysis and sampling, minutes of entry and exit conference and other discussions with the auditee unit, policy documents of the auditee unit, memos and supporting papers, draft inspection report, title sheet etc. discussed in chapter V and chapter VIII however on completion of audit, the audit party should fill up the title sheet with due care and diligence leading to the appraisal by the headquarters of the unit audited and status of audit being completed. Title sheet duly filled should be attached

with each draft Inspection Report by the field parties and forwarded to Headquarters. A Proforma of Title Sheet is given in **Annexure–II**.

As the title sheet contains points which should be specifically seen at the time of local audit, it is impressed that it should be treated as a secret document for the use of office only and its contents should not be made known to the management of the concerns under audit.

(D.A.G. letter No HA/18(12)/60/K.W.630, dated 31.7.1963 at page 252 of File CAW/Pt.-18/G.file II).

6.4 Quality Assurance

Quality assurance of evidence is ensured by compliance to these guidelines generally and through the following:

- Evidence gathering linked to audit criteria and audit objectives;
- Compliance to the Auditing Standards particularly with reference to the quality of competence, relevance and reasonableness of evidence;
- transparent test of evidence on the standard of competence, relevance and sufficiency for each audit conclusion;
- transparent sample selection with the help of appropriate sampling technique;
- application of appropriate sample gathering technique; and
- Supervision, peer review and technical inspection.

Quality assurance of documentation/working papers is ensured through:

- compliance with Auditing Standards and policy regarding audit completion;;
- compliance with these guidelines;
- Supervision, monitoring and review;
- Documentation of the fieldwork; and
- report approval process verification of the evidence by SAI top management with reference to the audit conclusion; and
- Peer review and technical inspection of the performance audit process and procedures.

(Ref: Evidence and documentation-Performance Auditing Guidelines - SAI India para 5.32 & 5.33)

Annexure-I

(Referred in the Para 6.2.6)

Layout of Working Papers

Working papers should be filed in such a way that different aspects of the audit are separated. A standardised layout such as that suggested below has the advantage that the location of papers can be easily identified.

Working Paper Folders (current file)

		Working paper Folders			
F	A	Audit Plan	1. Audit Planning Memorandum which should cover:		
			□ Background		
			□ Materiality		
			□ Risk Assessment		
			Audit objectives		
			Audit approach for each account area		
			Resources and timing		
			□ Key contacts at the entity		
			2. Understanding the entity - consider and document:		
			□ External Environment;		
			□ Legislation to which the entity is subject		
			3. Materiality calculation		
			4. Calculation of estimated error and precision		
			5. Review of Information systems (if applicable) – consider and document:		
			Physical controls (location of computer, back-up, etc;		
			□ and application controls.		
			6. Risk assessment – consider and document:		
			□ Inherent Risk for each account area		
			Control environment questionnaire and overall assessment		
			□ Control procedures questionnaire (if applicable)		
			Control Risk Assessment for each account area		
			Specific Risks for the entity		
			Specific Risks in respect of each account area		
			7. Assessment of key controls on each of the account		
			areas.8. Audit Approach for each account area: Including		
			calculation of sample sizes required, and where		
			applicable any use to be made of analytical procedures		
			or tests of control.		
			9. Approval of audit planning memorandum by Director and/or Counsellor		
	В	Draft Account	1. Transaction listings		
			2. Trial Balance;		
			3. Draft Account and amendments;		
			4. Cross reference from Draft Account to individual		
+	С	Profit and Loss	WPFs.		
	C	Profit and Loss Account Areas.	 Issues from last year; Audit planning document from the audit plan; 		
		For each account	 Audit planning document from the audit plan, Audit Programme; 		
		area, for example	4. Samples tested;		
		income, salaries,	 5. Errors found and evaluation of errors 		
		operating	6. Overall lead schedule to show the amount audited for		
		expenditure, etc.	each account area;		
			7. Summary of matters for attention;		
			8. Issues to carry forward into next year.		
	D	Balance Sheet Areas	1. Issues from last year;		
		For each account	2. Audit planning document from the audit plan;		
		area, for example	3. Audit Programme;		
		fixed assets, cash, debtors, creditors etc.	 Samples tested; Errors found and evaluation of errors 		
			6. Overall lead schedule to show the amount audited for		
			each account area;		
			7. Summary of matters for attention; 264		
			 8. Issues to carry forward into next year 		
F	Е	Losses	1. Details of losses;		
			2. Summary of matters for attention.		
	F	Internal Audit	1. Evaluation of Internal Audit;		

Notes:

1. The lead schedule for an account area should provide:

- i. a cross-referenced reconciliation from the account area to the financial statements;
- ii. cross-references to the supporting schedules and working papers and to the financial statements;
- iii. a brief explanation of any significant variations in actual figures;
- iv. confirmation that the audit approach was the same as approved in the audit plan;
- v. a brief summary of the audit work carried out and the results; and
- vi. an overall conclusion of the audit findings

2. In the example of a lead schedule given above, Section A provides for the auditor's analysis of the items on the financial statements which are in the account area. This analysis should be cross-referenced to supporting working papers and to the final account It should also record variations from estimates and previous year's figures. A brief summary of the explanations for these variations should be provided in Section B.

3. Section C provides for the auditor to give a summary of the audit work carried out. This is helped by the use of a checklist. All actions should be cross-referenced to working papers.

4. The overall audit conclusion on the account area should be recorded in Section D

Annexure-II

(Referred in the Para 6.3.3)

TITLE SHEET OF THE INSPECTION REPORT

(TO BE SUBMITTED WITH EVERY INSPECTION REPORT)

(Revised as per C.A.G. No. 120-CA IV 69-81 dated 28.3.88)

	CAW Wing	
	(PART-"A")	
	GENERAL	
1.	(a) Name of concern audited	
	(b). Full address	
	(c) Telephone No.	
2.	Name of party personnel	
	(i). Local Audit Officer	
	(ii). AAO/SO	
	(iii). Senior Auditor/Auditors	
3.	Name of officer in charge with Designation of Auditee Office	
4.	Period of audit/year of Accounts	
5.	Months selected for detailed audit	
6.	Duration of audit (Extension granted should be shown separately)	
7.	Whether any change in the time allotted is necessary for further audit? If so,	
	then justification thereof.	
8.	(a). No of potential draft paras included in part-II "A" of the Inspection	
	Report.	

	(b). whether relating key	documents enclosed. If	f not the reasons ther	efor				
9.	Paragraphs, if any, to be	e reported to higher auth	norities in advance a	nd/or to				
	be brought to the special	I notice of the Headquar	ters.					
10.	Whether all items requ	ired to be checked as	per Manual of Con	nmercial				
	Audit (Part-II) relating		1					
	have been checked? Th							
	with reasons therefore,							
11	should special audit party be sent? Actual date of submission of report/comments.							
11.	1							
12.	General remarks, if any.							
	(PART "B")							
-	(FOR PHASE AUDIT)							
1.	Whether part-I (A&B) a		Report have been d	iscussed				
	with the Head of the und	lertaking inspected?						
2.	Whether statement I sho	wing allocation of dutie	s among the member	rs of the				
	party has been enclosed	?	-					
3.	Whether statement No.	II showing contribution	made by each party	member				
	and AO/Sr. AO/(Inspect		5 1 5					
4.	Whether the quantum p		completed? Are not	be fully				
	investigated during the							
	audit? If so, these shou							
	during the course of cu							
	were checked during thi							
	be checked in next audit		ius nom which thes					
-	4			1.1.1				
5.	Whether daily dairy							
6	AO/AAO/SO/Sr. Ar. has			ers.				
6.	Whether a statement of persistent irregularities has been attached?Whether introductory para and the chapter for the technical manual has been							
7.		ira and the chapter for th	ie technical manual l	has been				
	prepared?							
	If the manual has already been prepared, whether any change therein is							
	required? If so, whether the same has been indicated?							
8.	Whether there has been delay on the parts of management in replying to the							
	audit queries for more th		ident audit, 3 days ir	n case of				
	other audit? If so, in how	v may cases?						
9.	Whether all the points	indicated in the regist	er of Important po	ints and				
	points marked for next a	udit by the H.Qrs. secti	ons have been review	wed and				
	action taken thereof?							
10.	Whether scrutiny of re-	ecords was specifically	made in reference	e to the				
	instructions contained ir	1 1						
11.	Whether the cases of			ked and				
	compliance of Govt. of Rajasthan finance Department Circular Order No. 2/1998 as circulates to the parties was examined (As per group order No 4/99-2000 File K-111, P-750)							
12.	Indicate the position of outstanding paras in respect of Inspection Report (Part-I-B) as under :							
14.				-				
	Period of Audit	No. of Paras	No. of Paras	Reasons for the paras				
	Report	outstanding	settled	remaining outstanding.				
	1	2	3	4				
13.	Whether the brief of rev	iews/paras of A.R. perta	ining to concerns ha	ive been				
	obtained from CAW(R)	and up dated? (H.Qrs. a	udit).					
		(PART-C)						
1.	List out the important i		dicated there agains	st if any				
	comment has been prop		C					
	i i i i i i i i i i i i i i i i i i i	······································		I				

2.	Whether the points raised in the draft comments have been discussed	
	personally by the LAO with the Head of the undertaking and whether the	
	facts mentioned the rein have also been verified by him?	
3.	Whether the draft comments proposed in the accounts of earlier years but	
	dropped by the audit party or Headquarters office on the assurance of the	
	management to take suitable action, have been verified to see that action as	
	promised, has been taken.	

SIGNATURE OF THE HEAD OF THE PARTY

STATEMENT-I

S.No.	Name	Details of work	Singature

STATEMENT -II

Statement showing contribution made by each party member in current Inspection Report

S. No.	Name	Designation.	Reference to para No of part-II-A/II- B.

SIGNATURE OF THE PARTY INCHARGE

Annexure-III

कार्यालय महालेखाकार (लेखापरोक्षा)-11, राजस्थान, जयपुर ।

क्रमांक : सी.ए.डब्ल्यू.1/जी.एस./पुराने अभिलेख/2003-04

दिनांक :

16.09.200

कार्यालय आदेश

विषय : पुराने अभिलेख की अनुरक्षण अवधि व उनको नष्ट करवाने के सम्बन्ध में !

उपरोक्त विषय पर वाणिज्य लेखापरीक्षा समूह के पुराने अभिलेखों के अनुरक्षण/नष्ट किये बाने हेतु अवधि का निर्धारण महालेखाकार (लेखापरीक्षा)-11, राजस्थान, जयपुर द्वारा निम्नानुसार अनुमोदित किया गया है ।

	क्र.स.	अभिलेख का विवरण	अनुरक्षण अवधि	नष्टीकरण हेतु अभिलेख	
	1.	कम्पनी/निगमों पर तैयार की गयी समीक्षाओं से सम्बन्धित पत्रावली	कोपू (COPU) मे चर्चा होने तक		
010	2	लेखापरीक्षा प्रतिवेदन में शामिल द्वाफट पैरा से सम्बन्धित प्रश्वपती (जिन समीक्षाओं/ड्वाफट पैरा पर COPU में चर्चा हो चुकी है तो समीक्षाओं/ड्वाफट पैरा को मुख्य पत्रावली ATN एवं Recommendations हेतु अनुरक्षित कर शेष प्रजावलियाँ नष्ट कर दी जाये)			
	3.	भारत के विद्येष्टक महालेखापरीक्षक कार्यालय द्वारा निरस्त किये गये झुफट पैरा (Dropped Para) से सम्बन्धित पत्रावली	3 वर्ष	31 मार्च 2000 तक	
	4.	महालेखाकार द्वारा निरस्त (Dropped) ज्राकट पैरा/पी.डी.पी.	3 वर्ष	·	
	\$.	संबंधानिक अंकंशको के पुरक प्रतिवेदन से सम्बन्धित पत्रावली	5 वर्ष	31 मार्च 1998 तक	
	б.	कञ्चली अधिनियम को धारा 619 (4) के अन्तर्गत टिप्पणियों से सम्बन्धित पत्रावली	১ বর্ষ	¹⁴ - ¹⁹	

(Referred in the Para 6.2.7)

b		in the second second	
5	अप-कामोलम/आमाशीम लेखापरीका बल (RAP4) के विभिन्न संबर्धा हेतु किये समे पताचार के सम्बन्धित प्रजामली	३ वर्ष	"-"
ě .	ก็ประเทศ มโทติอา	सभी पैस निम्सारित डोने को 5 वर्ष बाद तक	"-" (
•.	चार्थिक लेखों की वर्षित शीट (रपा शीट) सम्बन्धित प्रजावली	1 44	31 मार्च 2000 तक
10. •	শানিক,'রিমানিক ৰকাষা চুলিল্বৰ হব জন্ম চুলিক্বৰ কা ব্যাবলী	3 44	"_"
11,	लेखापरीका प्रसिवेदन (वाणि.) के पार्ट-! की सुचना की पत्रावली	3 44	"-"
12.	रजिस्टर (दाफाट पैरा, एजेण्डा, गिगिट्स) झांकि एवं डेमण हायरी, विवरणी	3	31 मार्च 1998 तज
13.	वाचिक केगाशिक लेखापरीका कार्यक्रम को पञ्चावली एवं सम्बन्धित पत्रावली	3 44	३१ मार्च २००० जन्म
14.	विभागीय उपक्रमों के प्रारूप लेखों की पत्रावली		31 मार्च 1995 तक
15.	तिक्रागरीका प्रतिवेदन के मुद्रण से कभ्वन्धित पत्रावली (३२ की.ए.जी.से अनुमोदित प्रति । (३२ जितिन इण्डेपट्स की पत्रावली ।	s 111	31 দাৰ্থ 1995 নক
10.	antherin view	10 **	31 মাৰ্থ 1993 নক
17.	area vforegy (eft.ger., d.ger., eft.g.	5 **	31 मार्च 1998 तक

मधीकरण करने हेतु भेजे जाने वाले अभिलेखों को सूची पर यह प्रमाण-पत्र कि निरोक्षण प्रतिकेषण में कोई विभागीव जानवेजाही, ज्याविक कार्यवाही, पी.ए.सी. अथवा कोष्ट्र (COPU) से सम्बन्धित कोई नागला नहीं है तथा निरीक्षण प्रतिवेषन वन्द हो गयी है, दर्व करावे (कोई पैरा सकाथा न हो) ; मुची हो प्रतियों में तैयार करना घर एवं करिष्ठ उप महालेखाकार (जा.) से अनुनोषन जे परचात उक्त अभिलेखों को बी.डी.सा अनुभाग में प्रोप्त करने का अम करे ;

> हरू बरिषा लेखापरीक्षा अधिकारी बरी.ए.हाव्यव्यु,1

CHAPTER-VII

Monitoring and Review of Audit Operations

(Assessment of the work; Vetting of the material for inspection report, audit comments, performance reports etc.)

7.1 Monitoring, Progress and Assessing Impact

7.1.1 Regular monitoring of the work at suitably levels would enable anticipation of problems and early intervention with appropriate action and solutions. Monitoring of the progress of audit and providing guidance and clarification to field parties would substantially improve the quality of audit product. A comprehensive and timely review would also ensure that all conclusions are based on and supported by reliable and sufficient evidence. A sound system of supervision and review of audits, particularly of the performance audits contributes to good quality of audit. Therefore it is essential that:

- 1. the members of the audit team have a clear and consistent understanding of the audit plan;
- 2. the audit is carried out in accordance with the auditing standards and practices of the SAI;
- 3. the audit plan and action steps specified in the plan are followed unless a variation is authorised;
- 4. working papers contain evidence, adequately supporting all conclusions, recommendations and opinions;
- 5. the auditor achieves the stated audit objectives; and
- 6. the audit report includes the audit conclusions and recommendations, as appropriate.

All audit staff and officers are individually and collectively responsible for the quality of the audit reports. It is, however, imperative that the audit personnel understand the most important role that they have to play. The Audit team is primarily responsible for *data collection*. The Audit Officer under the Group Supervisory officer are responsible for *data analysis* so that Accountant General may able to apply his *judgement* to the audit findings, conclusions and recommendations, while the most important role of the SAI top management is to impart *vision* to the entire audit process.

The audit officer under the supervision of the group supervisory officer will be responsible for monitoring and reporting the progress of audit to the next level supervisory officer; at intervals as may be provided *in* the detailed audit implementation plan or as demanded under the orders of Accountants General. The progress reports should contain all important information relating to the progress of audit, extent of data collection, sources of data collection, analysis of evidence, time spent in audit against the time allotted, dialogue with entity, problems encountered in the course of audit and modification applied to the audit plan, if any, *etc.*

7.1.2 Supervision and Review

The day-to-day supervision and control of the field audit will rest with the audit officer under the close monitoring by the group supervising officer and the Accountant General. Some of the important supervisory responsibilities of the audit officers are:

- ensuring that the audit work is carried out in harmony with the audit plan, more particularly, in tune with the audit objectives;
- identification of important issues in course of audit;
- ensuring that no significant matters in the context of the audit objectives and evidence required, therefore, remain unresolved;
- evidence collected fulfils the criteria prescribed in the Auditing Standards;
- the work performed and the results including the process of audit are separately documented, first in support of audit findings, conclusions and recommendations and the second in support of due diligence exercised by the audit team; and above all ensuring that the objectives of audit are fully met.

The Auditing Standards of SAI India state:

'All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review brings more than one level of experience and judgment to the audit task and should ensure that:

- All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report;
- All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer(s); and
- Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.'

A review ensures involvement of higher levels of management with the audit process and provides an assurance that the work has been carried out as per the standards and guidelines. The review of the audit works is carried out by the audit officer on concurrent basis when the team members conclude a particular stage in the field work; by group supervisory officer at the time of preparation of discussion papers, audit observations and field audit report; by the Accountant General at the time of preparation of field audit reports and draft audit report and by SAI top management during the mid-term appraisals and workshops; and while evaluating the draft performance audit report and quality checks before approval of the Comptroller and Auditor General of India at each stage of the performance audit cycle. By reviewing the work done, the reviewing officer takes responsibility for its quality and for the audit conclusion reached as to whether or not material error exists in the account. If the reviewing officer is not satisfied with the work done, it is his responsibility to ensure that any deficiencies in the audit are remedied. (Authority: CAG'sNo.172 -Audit (AP)/ 37-2008 Dated: June 4, 2009 &Audit Quality Management Framework para 7.vi and para 7.1, 7.3, 7.7, 7.9, 7.10, 7.15, 7.16 of the Performance Auditing Guidelines - SAI India)

7.2. Vetting of the material for inspection report

On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

After completion of assignment, Draft Inspection Report is to be submitted to concerned CAW section for further processing and issuance of Inspection Report in prescribed time. Depending on the veracity and relevance of replies/clarifications received and the materiality of the observations in the **Inspection Reports**, these are further processed for reporting in the **Audit Report** submitted by the SAI for being placed in the concerned Legislature.

S. No.	Heading /Brief	Checks to be exercised	
1	Vetting of Inspection Report		
	Entry conference and Audit Planning	 Has the entry conference with the head of the Auditable entity carried out and minutes prepared? Whether prior to commencement of an audit assignment, all members of the audit party, including the Supervising Group Officer, has given individual declaration regarding adherence to the Code of Ethics of the Comptroller and Auditor General of India in prescribed format. Has the audit plan prepared by the audit team here preparely 	
		 Has the audit plan prepared by the audit team been properly documented? Has all working papers relating to audit planning been kept? In support of planning a pyramid been prepared by the audit team. 	
	Audit materiality & Risk assessment	 Has before starting the assignment Audit Materiality been planned before & risk assessment been carried out by the audit team Has documents/evidence of risk assessment been kept in file Has all the transaction having materiality been examined 	
	Data bank	 Has data bank of auditable entity received by the audit team in time Has the data bank of auditable entity been prepared/ updated by the audit team? 	
	Preparing programme and distribution of work	 Has the work been distributed between the party members properly as per devolution of duties and importance of the individual item of the work Has all work to be checked been covered in the distribution 	

During processing of Draft Inspection Report following checks are to be exercised:

	3.	of the work Has distributed work was noted by the members of the audit
	4.	team Has distributed work duly completed successfully by each member of the audit team
Selection of the month(s)	ne 1.	Has the month been selected by the audit team in-charge after analysis of month-wise expenditure
	2.	Has the supporting documents/evidence been kept in file
Time schedule	1. 2. 3.	Has the Audit programme been completed in scheduled time or extension/deviation with prior approval taken place. Has any change required in man days/party days in the time schedule sought in the title sheet. Justification for change in time schedule given with evidences.
Requisition for production of the records	2.	Has all records required by audit team been provided by the auditable entity For non-production of record audit team issued reminder and intimated to controlling section well in time. Has matter been taken up at higher level by the vetting section?
Pre Observation Memos ar		Has sequence and chronological order of Pre Observation Memos/Half Margins were maintained
working papers	2.	The reply received from the management on the Pre Observation Memos/Half Margins was considered and duly vetted by the audit team and proper rebuttal prepared.
	3.	All required evidences were collected in support of Pre Observation Memos/Half Margins
	4.	Proper referencing with the working papers and Pre Observation Memos/Half Margins and with Draft Inspection Report been carried out by the audit team.
Press clipping and Index she points	-	Has all press clippings and Index-sheet points in previous inspection report been duly examined. A suitable note for above was given by the audit team.
Outstanding Paras of the Ol Inspection Reports.	1.	Has request been made for reply of Outstanding Paras of the Old Inspection Reports? Has non furnishing of reply been discussed in the exit conference and result been mentioned in the acknowledgement portion of the Draft Inspection Report.
	2.	Has the separate review sheet in each outstanding previous inspection report showing the present position been prepared by the audit team.
	3.	Where para is proposed for closure due to recovery of the objected amount, has the recovery been verified by the audit team and has the document related to recovery been placed in the file.
	4.	Where the paras is proposed for closure due to incorporating the up dated position in current Draft IR, has the reference of

		the old para given in the para of current Draft IR
	5.	Where para is shown outstanding, has the further requirement been mentioned in the review sheet.
	6.	Has the suitable details of outstanding para of Old IRs and further action to be taken by the auditee unit given in the New Draft IR
	7.	Has the compliance of Test Audit Notes of previous inspection reports been seen?
Drafting of Inspection	1.	Has the paras been drafted in most courteous and in polite language and as per reporting standards.
Report.	2.	Has the paras been drafted in third person considering the <i>Style Guide</i>
	3.	Has suitable headings with money value been mentioned giving events in chronological order
	4.	Has the reply received from the management been properly incorporated with a suitable rebuttal
	5.	Has Inspection Report drafted as given in the chapter- Reporting and follow ups
	6.	Has the factual statement file along with Key documents been submitted by the Inspecting Officer where para incorporated in part II-A of the Draft IR
	7.	Non-furnishing or KDs for PtII-A paras indicated.
	8.	Has the paras included in part –II B of the Draft IR required to bring to the notice of the higher authorities of auditable unit done.
	9.	Has calculations of figures given in paras and Annexure been checked and note to this effect recorded in the Inspection Report for approval? Mistakes noticed be pointed out
Discussion of Draft Inspection	1.	On completion of audit , the Draft Inspection Report been discussed with the Head of the Auditable Unit
Report and exit conference	2.	In case of report not discussed, the justification / reasons for non-discussion of report mentioned in the file
	3.	Has the minutes of discussion been prepared and signed by the audit team in-charge and head of the office concern
	4.	Has the exit conference with the head of the Auditee unit carried out and minutes prepared.
Title sheet and	1.	Has title sheet duly filled - up
other formalities	2.	Has calculation of figures given in paras and Annexure been checked and note to this effect recorded in the Inspection Report for approval? Mistakes noticed be pointed out
	3.	Has the Inspection Report along with old reports and rough sheets been received in time? Cases for delays be highlighted
	4.	Has all the items required to be checked as per the 'Check List' and Manual of Commercial Audit wing been duly checked as per quantum and extent prescribed and signature

			in taken there of obtained from the members of the field party. Reasons for non-auditing any items need to be enquired/indicated?	
		5.	Has the name and designation of the contributor of each para in the Inspection Report been indicated (alongwith POM No.) in prescribed column of the title sheet.	
2.	Issuance of Inspection		Has the vetting of each Inspection Report been done within the time prescribed?	
	Report		Has issue of duly approved Inspection Report along with required Annexure (if any) within the prescribed period of one month been ensured?	
			Reasons for delays in issue of Inspection Report be indicated.	

(Referred in the Para 1.03 (12) of old manual}

7.3 Comments

AUDIT OF COMMERCIAL ACCOUNTS

Industries and State Undertakings whether of the Central, State or Union Territory Governments which run on Commercial lines and whose commercial accounts come under the audit of the Comptroller and Auditor General can be broadly grouped into the following four categories.:

- (1) Government Companies (as defined in Section 2(45) of the Companies Act 2013), i.e. Companies in which not less than 51% of the paid up share capital is held by the Central Government or by State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary of such a Government company.
- (2) Statutory bodies wholly or mainly financed by Government and set up under Acts of Parliament and/or State or Union Territory Legislature.
- (3) Concerns which are run departmentally i.e. Government Commercial and Quasi-Commercial department/undertakings.

(Authority: para 2.5.1 of Chapter 5 of Section II of M.S.O. (Audit) General Circular No. 33/2014 of Ministry of Corporate Affairs, Government of India (letter No. F.No.1/33/13-CL-V dated 31.1.2014, Hqrs No. 358/WR/CA/Companies Act2013/16-2013 dt. 2.6.2014)

Duties and responsibilities of the Comptroller and Auditor General in relation to the audit of state under takings are described in the succeeding paragraphs.

7.4. Government Companies

7.4.1 Audit under Section 143(6) of the Companies Act, 2013

In pursuance of Section 143(6) of the Companies Act, 2013the auditor, appointed under sub-section (5) or sub-section (7) of section 139 of the companies Act, 2013, shall submit a copy of the audit report to the Comptroller and Auditor-General of India which, among other things, include the directions, if any, issued by the Comptroller and Auditor General

of India, the action taken thereon and its impact on the accounts and financial statement of the company who shall have the right to comment upon or supplement, the audit report in such manner as he may think fit. By virtue of the aforesaid provision, the audit of annual accounts of Government Companies under the audit control of this office is conducted. The comments under Section143(6)(b) should have a direct bearing on the accounts or any lacuna in the company Auditor's Report which needs to be commented upon or supplemented in terms of Section143(6)(b).

The Comptroller and Auditor-General of India shall within sixty days from the date of receipt of the audit report have a right to (a) conduct a supplementary audit of the financial statement of the company (b) comment upon or supplement such audit report: which also needs to be placed before the annual general meeting of the company at the same time and in the same manner as the audit report.

If considered necessary, by an order, cause test audit to be conducted of the accounts of such company and the provisions of section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit.

Where a company has a branch office, the accounts of that office shall be audited either by the auditor appointed for the company under this Act or by any other person qualified for appointment as an auditor who shall prepare a report on the accounts of the branch examined by him and send it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.

Every auditor shall comply with the auditing standards. The Central Government may prescribe the standards of auditing or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority. Until any auditing standards are notified, any standard or standards of auditing specified by the Institute of Chartered Accountants of India shall be deemed to be the auditing standards.

7.4.2 Statutory Provisions relating to Annual Accounts.

(i) According to Section 129(1) of the Companies Act, 2013 The financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III, provided that the items contained in such financial statements shall be in accordance with the accounting standardsProvided further that nothing contained in this sub-section shall apply to any insurance or banking company or any company engaged in the generation or supply of electricity, or to any other class of company for which a form of financial statement has been specified or under the Act governing such class of company.

According to Section 129(3) where a company has one or more subsidiaries, it shall, in addition to financial statements prepare a consolidated financial statement of the company and of all the subsidiaries in the same form and manner as that of its own which shall also be laid before the annual general meeting of the company along with the laying of its financial statement .the company shall also attach along with its financial statement,

a separate statement containing the salient features of the financial statement of its subsidiary.

(ii) Approval of financial statement including consolidated financial statement by the Board of Directors (Section 134(1) of the Companies Act, 2013).

(iii) Appointment of Auditors in accordance with the provisions laid down in subsection (5) or sub-section (7) of section 1390f the Companies Act 2013

7.4.3 Appointment of Auditors.

Section 139(5) and 139(7) of the Companies Act, 2013 lays down that auditor of a Government Company shall be appointed by the Comptroller and Auditor General of India (CAG).

As per Section 139(5) Notwithstanding anything contained in sub-section (1), in the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, the Comptroller and Auditor-General of India shall, in respect of a financial year, appoint an auditor duly qualified to be appointed as an auditor of companies under this Act, within a period of one hundred and eighty days from the commencement of the financial year, who shall hold office till the conclusion of the annual general meeting.

As per Section 139(7) the first auditor shall be appointed by the Comptroller and Auditor-General of India within sixty days from the date of registration of the company and in case the Comptroller and Auditor-General of India does not appoint such auditor within the said period, the Board of Directors of the company shall appoint such auditor within the next thirty days; and in the case of failure of the Board to appoint such auditor within the next thirty days, it shall inform the members of the company who shall appoint such auditor within the sixty days at an extraordinary general meeting, who shall hold office till the conclusion of the first annual general meeting.

Any casual vacancy in the office of an auditor shall, be filled by the Comptroller and Auditor-General of India within thirty days, provided that in case the Comptroller and Auditor-General of India does not fill the vacancy within the said period, the Board of Directors shall fill the vacancy within next thirty days.

It will be the primary responsibility of the company concern to intimate the CAG about its incorporation along with name, location of registered office, capital structure of such a company immediately on its incorporation. It is also incumbent on such company to share such intimation to the relevant government so that such Government may also send a suitable request to the CAG for appointment of auditor.

(Authority: Hqrs No. 154/WR/KC/ 140-2014 dt. 5.8.2014 and General Circular No. 33/2014of ministry of Corporate affairs, Government of India F.No.1/33/13-CL-V dt. 31.7.2014)

As per section 142 (1) The remuneration of the auditor of a company shall be fixed in its general meeting or in such manner as may be determined therein provided that the Board may fix remuneration of the first auditor appointed by it. Further as per section 142 (2) The remuneration under sub-section (1) shall, in addition to the fee payable to an auditor,

include the expenses, if any, incurred by the auditor in connection with the audit of the company and any facility extended to him but does not include any remuneration paid to him for any other service rendered by him at the request of the company.

In the case of appointment of auditors of a Government Company for the first time the Company is to take up the matter with the CAG who would appoint the auditor. In order to enable the CAG to appoint auditors for the second and subsequent accounting years, it would be necessary for the Accountant General to initiate necessary action in respect of appointment of auditors by a proper evaluation of the performance of auditors appointed previously. The timely appointment of auditors for Public Sector Undertakings (PSUs) depends upon the feedback provided by this office on information like performance of auditors during previous year, fee fixed for audit, changes if any effected in the organization, latest year up to which accounts of the PSUs have been certified etc. It was further decided that the statutory auditors of the companies who adopted SAP should deploy at least one partner/employee having ISA/CISA qualification to conduct the audit.

(Authority:- CAG's D.O. No. 152/CA II/17-96 dated 18-7-1996 at page 678 of CAW G.F/C. C-12, vol. V and letter No. 921/CA II/16-2000 dated 3.5.2000 (CAW-G.F. 99-2000 P. 322& No. 34/CA V/45-2001/Vol.II dated 28-4-11)

The following steps should be taken in the Accountant Generals offices for smooth and timely appointment of auditors:

(i) Performance Report of the auditors of the government company/corporation may be forwarded to Headquarters in the Performa (as per **Annexure-I**) while forwarding comments/nil comments on the account of the company/corporation.

(Authority: CAG No. 02/CA V/30-2003 dated 14.1.2011& No. 64/CA V/30-2003 dated 11.7.2011.)

(ii) In respect of the branch auditors, performance of only those auditors may be reviewed who have audited the accounts of branch selected for supplementary audit.

(iii) It has also been decided that failure by the auditors in any one of the parameters prescribed in the Performa should be interpreted as serious lapse and the auditor's performance might be adjudged as unsatisfactory. If the performance of the auditor is assessed as unsatisfactory, then a copy of the special memo issued to the auditor, copy of auditors reply to the special memo (or the fact of his failure to reply within a reasonable time) and the findings of the PAG/AG in the form of speaking order may be forwarded in an annoted statement to the headquarters. They may also be given an opportunity or personal hearing, in case, they desired to be heard.

(iv). In case of companies whose accounts are in arrears, the case of appointment of auditors should be initiated as soon as certified accounts for the preceding year are received without waiting for audit and finalisation of comments under Section **143(6)(b)** of the Companies Act, 2013. In case the Statutory Auditors are not appointed for all the years a request for the same may be submitted to HQ. Statutory Auditors stating (where applicable) that the previous year's account have not been placed before the AGM undertake the audit chronologically.AG may conduct Supplementary Audit simultaneously (excluding where non review certificate is proposed) at one go but prepare comments on the accounts for each year separately. Wherever there is a need to

revise accounts the same may be done in the latest accounts so that the need to revise each account is obviated.

(Authority: CAG's letter No. 1467/CA IV/II-93 dated 12.2.93 at page 546 of guard File C-12 vol. IV and CAG Letter No. 921/CA/10-2000 dated 3.5.2000 at page 322 of G.F. 99-2000 of CAW & No. 375-CA-II/Co-ord./Actionable Items/ 07-08/32-2009 dated 8.7.2009)).

(V) To clear the arrear, field office may continue to write to company management/Government and may take up the matter with the Finance Secretary/ Chief Secretary, Registrar of Companies and after exhausting the available avenues for the issue, attempting a DP on an individual Company may be considered.

(Authority: CAG's letter No. 298-CA-II/Co-ord./Q.Arrears/07-08/59-2007 dated 4.6.2009)

7.4.4 Power to issue Directives

In terms of Section 143(5) of the Companies Act, 2013, the Comptroller and Auditor General of India has the power to direct the manner in which the accounts of the Government company are required to be audited and thereupon the auditor shall submit a copy of the audit report to the Comptroller and Auditor General of India which, among other things, include the directions, if any, issued by the Comptroller and Auditor-General of India, the action taken thereon and its impact on the accounts and financial statement of the company.

In this connection, it has been decided that the four general directions (Annexure-IV-A), as finalized by the Audit Board for Central PSUs would apply to state PSUs in toto and as such may be issued to statutory auditors for compliance in respect of the annual accounts for the year 2014-15 and onwards. For earlier years accounts, existing directions may apply .In addition to above mentioned general directions, the Field Audit Officers can also issue additional company specific directions (sub directions) not exceeding five, with prior approval of Hqrs. Office.for compliance.

(Authority: Companies Act, 2013 Hqrs. No99/WR/ca/Sub-Directions/1-2013 dated 24.2.14 and No.526/WR/KC/Sub-Directions/1-2013 dated 16.7.14).

7.4.5 Selection of State Public Sector Undertakings (SPUS) for audit of accounts under Section 143(6) (a) of the Companies Act, 2013.

The following criteria are laid down by headquarters office for the selection of SPUS for supplementary audit of their financial statements under section 143(6) (a) of the Companies Act, 2013:

- (1) The periodicity of selection of annual accounts of State Government Companies for supplementary audit would be as under :
 - Annual Paid up capital above Rs. 50 crore or capital employed above Rs.200 crore or turnover above Rs. 500 crore whichever is applicable.

Triennial	Paid up capital Rs.20 to Rs. 50 crore or capital employed
	Rs.100 to Rs.200 crore or turnover Rs.200 to Rs. 500 crore whichever is applicable

Once in five year Others (not covered under above criteria)

- (2) Annual accounts where in disclaimer/adverse opinions have been given by the Statutory Auditors should be taken up for supplementary audit irrespective of the applicable selection criteria.
- (3) First accounts of the Company should be taken up for supplementary audit irrespective of the applicable selection criteria.
- (4) The Statutory Corporation may be audited annually as we are their sole auditors.
- (5) Notwithstanding the above criteria ,in case PAG/AG, based on assessment of risk, wishes to conduct the supplementary audit of Companies falling under category of (2)and (3) above for more than one year they may do so without any restriction.
- (6) While issuing non review Certificate in respect of Companies falling in the triennial or once in five year category, the PAG/AG must ensure that minimum checks such as arithmetical accuracy, general compliance to Accounting Standards in drawing the financial statements, compliance with earlier year observations and correctly carry forwarding the previous year's figures are done. The Report section of Commercial Wing may carry out the general checking of the annual accounts before PAG/AG signs the non-review Certificate.

(Authority: No. 500-507/WR/KC/Selection Criteria/./341-2013 dated 9.7.14)

7.4.6 Procedure relating to the audit under section 143(6) of the Companies Act, 2013:

As soon as accounts certified by the Statutory Auditors along with their report are received from the company (two certified copies in original must be obtained from the auditee companies) by the CAW/ES-I, the supplementary audit thereof should be taken up on top priority basis.

(i) In terms of the provisions of section 123,128,129,134 of the Companies Act, 2013(205, 210, 215 and 216 of the Companies Act, 1956,) the accounts of company reach finality only after the Balance Sheet and Profit and Loss account have been considered and adopted in Annual General Meeting. The CAW should obtain a copy of the resolution adopting previous years accounts in the Annual General Meeting (AGM) and should also ensure that current years accounts are approved by the Board of Directors and certified by Statutory Auditors

(Authority CAG letter No. 1/CA II/State Commercial/92/951/CA II/72-92 dated 3.8.1992 P. 480c of CAW GF /C-12 /Vol. IV)

(ii) The audit party should carry out the audit taking in to consideration the instruction and audit checks contained in succeeding para number 7.4.7.

While conducting the audit of annual accounts under Section 143(6)) of the (iii) Companies Act, the observations/irregularities noticed during the course of audit may be issued in the form of Audit enquiries simultaneously to the Statutory Auditors/Branch Auditors and to the management soliciting their remarks/replies immediately. On receipt of replies, the draft comments may be finalised by the audit party and submitted to CAW/I Section even in case where no reply is received from the Auditors/Management, the audit memo issued may be finalised and draft comments be submitted to CAW I Section. While forwarding the draft comments to the Management/Statutory Auditors it should be made clear that if their final replies are not received with 10 days of close of audit the facts stated in the draft comments will be treated as accepted by the Management/Auditors. CAW-I Section on receipt of draft comments from the audit party will finalise it on the basis of reply from the Statutory Auditors/Management under the approval of Accountant General. The draft comments are then sent to the Central Office along with aid-memoire (invariably signed by the Group Officer) containing our observations, replies of the Management, statutory auditors and further observations for final approval. In case where the reply of the management/Auditors is not available within the specified period, the draft comments should be finalised without waiting for replies and forwarded to Central Office within 3 weeks of completion of audit with specified mention of non-reply from managment. On receipt of approval of the CAG final comments/nil comments are issued under Section 143(6)(b)of the Companies Act, 2013, in the format prescribed as mentioned in Succeeding para 7.4.9.To issue comments on accounts to follow time limit of 2 months the progress of the audit may be closely monitored as to avoid delay in issue of comments

(Authority: CAG's letter No. 1416 /CA/81-65 dated 3.12.1965 and No. 1/1733 CA V/33-74 dated 14.2.1980 P. 246c of CAW/GF/C-12 Vol.-III & 25/CA-II/Cordn./Accounts Instructions/30-2008 dt. 01-02-2012,No. 25/CA-II/Misc/2003-04//32-2003 dt. 24.12.08).

(iv) In case Accountant General has no comments to offer, a 'Nil comments certificate as per prescribed proforma (proforma given in para 7.4.9) may be issued to the company by the Accountant General under intimation to CAG. All such 'Nil' comments certificates, to be sent to CAG Office after issuance should be supplemented with the aid-memoire indicating there in the preliminary observations issued, replies of Management/Statutory Auditors and justification for dropping the observations.

(Authority CAG's letter No. 262/CA II/17-99 dated 19.3.1999-Page 570c of CAW/GF/C-12 Vol.-VI).

(v) The following information may be supplied to the CAG Office at the time of forwarding draft comments including the cases of nil comments/non selection certificate' are issued.

- (a) Date of approval of accounts by Board of Directors,
- (b) Date of certification by the Statutory Auditors
- (c) Date of receipt of accounts (i). Provisional (ii) Approved.
- (d) Date of commencement and completion of audit
- (e) Date of issue of draft comments to

- (i) Management.
- (ii) Auditors.
- (f) Date of receipt of replies from:
 - (i) Management.
 - (ii) Auditors.
- (g) Proposed date of Annual General Meeting

(Authority: CAG's letter No. 228/CA-II/113-78 dated 27.2.1980-page 258c of CAW/GF/GC Corp/C-12/Vol-III).

7.4.7. Audit Checks for Audit of annual accounts of Government Companies under Section 143(6) (b) of the Companies Act, 2013

(i) While conducting the audit of annual accounts of Government Companies under Section 143(6) of the Companies Act, 2013following provisions/instructions/ Guidelines etc. should be kept in view.

- (a) Provisions of the Companies Act, 2013, check whether Balance Sheet and Statement of Profit and Loss account has been drawn as performa set out in schedule III of the Companies Act, (Section 129 & 133 of the Act). Also see whether as per requirement of PART II – STATEMENT OF PROFIT AND LOSS of Schedule III with regards to disclosure of various items has been fulfilled.
- (b) Memorandum & Articles of Association of the company,
- (c) Instructions of Government of India.
- (d) Institute of Chartered Accountants (ICAI) following pronouncements
 - (i) Accounting Standards (Check list and title sheet given in Annexure-II & Annexure-III)
 - (ii) Guidance Notes and opinions
 - (iii) Statement on Standard Auditing Practices
- (e) I A & A D's Auditing Standards.
- (f) Provisions of CARO 2003 and the Micro, Small and Medium Enterprises Development Act, 2006(MSMED Act 2006)
- (g) Compendium of important comments issued from time to time under section 143(6) (a) of the Companies Act, 2013ibid by the CAG and instructions issued from CAG and AG. (Authority: CAG letter No. 1413 CA II/1034-93 dated 14.12.1994 and CAW Group Order No. 8 dated 12.6.98 P. 76C of GF/1998-99/K-237 & No.358/WR/CA/Companies Act 2013/16-2013 Dt.2.6.14).

(ii) It should be checked in audit that the assurances given during audit of previous years account are implemented by the Companies. After reviewing the statutory auditor's qualifications and comments issued during past one year to identify comments/qualifications which have material impact on the Profit and Loss Account or

the Balance Sheet of the company the matter may be taken up with the Secretary of the Administrative Department and the company management stating that the issues raised in the comments / qualifications may be addressed and the deficiencies rectified during subsequent year's accounts and in case that is not done, the office constrained to issue 'adverse' comments or a 'disclaimer' as the case may be

(iii) Scrutinize Statutory Auditors Report carefully. The statement included in the Auditors Report, in compliance of the CARO 2003 is a constituent part of the Auditors Report and has to be scrutinized in the same manner as the rest of the Auditors Report. Examine the matter with reference to records and determine whether the reservation, qualification or adverse remarks contained in Auditors Report, which is contested by the management, needs to be commented upon. Examine whether Auditors have complied with the instruction issued by ICA in Guidance Notes etc. and are mandatory for Auditors.

(iv) Critically examine the Accounting policies adopted by the company and Notes on Accounts for conformity with accounting principles, standards etc. Mere disclosure is not a substitute for proper accounting and that the use of improper or unsound methods is not caused by mere disclosure. Instances have been noticed where the auditee has departed from accepted accounting principles by introducing an accounting policy which covered the erstwhile practice they were following and the statutory auditors did not comment on it. It has been decided that in such cases a comment should be made, even ifdisclosure exists.

(Authority Para 2.7 and 2.13 of ICIA's Statement of Auditing practices and CAG's letter No. 1413-CA III/1-34-93 dated 14.12.1994 –P. 200c of CAW/GF/C-12 /Vol. –V & no. 247/CA-II/Cordn./ Instructions/2008-09/82/2005/vol.II dt. 011-05-2009).

(v) While conducting the audit under section 143(6)(a) of the Companies Act, 2013the requirement of Companies (Cost Record &Audit) Rules 2014 (Appendix-III) applicable to some of the Industries as notified by the Department of Company Affairs should be kept in view and suitably commented upon whenever necessary.

(vi) To facilitate audit parties for conducting effective audit of annual accounts of Government Companies under section 143(6) of the Companies Act, 2013 (619(4) of the Act, 1956)a check-list on various items of accounts is given **Annexure-II**. The parties should amplify the check list and also determine, with reference to materiality the checks to be undertaken in each individual company.

(Authority CAG's letter no. 1413-CA III/1034-93 dated 14.12.1994 and CAW/Group Orders No. 8 dated 12.6.98 P. 76c of GF/ 1998-99/K-237& Companies Act, 2013).

(vii) A revised annual accounts must be accompanied by a revised Auditors Report. This has also enjoined upon the statutory auditor that he is under obligation to the shareholders to report afresh in case the company choose to revise its accounts in terms 'Guiding Note No. 5 issued by the Institute of Chartered Accountants of India

To cut down on time taken to issue the comments, a full set of annual accounts must be sent to Hqrs as soon as they are received and draft comments and aid memoire on the accounts can be sent by email.

(Authority Hqrs No. 72/CA-II/Cordn./Accounts Instructions/30-2008 dt. 08-02-2010).

(viii) As per provision of Standard on auditing a statutory auditor can while certifying the annual accounts of the company give a qualified, unqualified, disclaimer or adverse certificate. Field offices must accept the accounts whatever be the kind of audit certificate the accounts may have attracted.

(Authority Hqrs No. 70/CA-II/Cordn./Accounts Instructions/30-2008 dt.02-02-2010)

(ix) The comments may be sent to Headquarters office indicating impact of a particular transaction on both the heads of accounts.

(Authority Hqrs No. 616/CA-II/Cordn./Accounts Instructions/30-2008 dt. 30.10.09).

(x) The powers to approve the comments undersection 143(6)(b) of the Companies Act, 2013 remains with the HQ(except in case of companieswhose accounts are in arrears for more than 5 years or where comments are nil. Therefore field have no authority make change in the comments approved by the Hq and always must issued as approved by the HQ. These comments of CAG, together with the audited account and the statutory auditor's report, are required to be placed in the AGM of the company. Thus the comments of CAG acquire the status of legal document.

(Authority Hqrs No. 1687 /CA-II/Cordn./Accounts Instructions/30-2008 dt.16.12.2008)

(xi) The Title sheet for comments of the Accounts given in Annexure-III.

(xii) Accounting standards.

Accountant Standards issued by the Council of the Institute of Chartered Accountants of India may be kept is view while conducting audit of annual accounts under Section 143(6) of the Companies Act, 2013 of a Government Company. A check list is given in **Annexure-II.**

7.4.8. Time limit for issue of comments under Section 143(6)(b) of the Companies Act, 2013

The following time schedule for issue of comments has been prescribed by CAG office.

(i) All process in the issue of final comments including receipt of replies from Management/Auditors should be completed within a period of 2 months from the date of receipt of certified accounts from the Statutory Auditors/Company. Where the period exceeds 2 months reasons should be sent to Headquarters

As non-selection of accounts of the companies for audit under section 143(6)(b) of the Companies Act, 2013 is known to the Accountant General well in advance, the non-review/non-selection certificate should be issued immediately on receipt of certified accounts from the Company/Auditors.

(Authority CAGs Letter No. 1420/No. 312-CA-II/85 (Circular No. 3-CA-II/89) dated 21/25.7.1989-Page 202C of G.F. /C-12/Vol. IV)

(ii) In terms of Section 143(5) of the Companies Act, 2013 the CAG's direction are issued to auditors of 'Government Company' and auditor's reply to those directions will now form the part of his Audit Report. Hence, there is no need for obtaining a 'Compliance Certificate' of these directions from the statutory auditors.

(Authority: Hqrs. No.358 /WR/KC/ 105-2014 Dt.4.6.14).

7.4.9 Form of communication of comments on the accounts of the Government Companiesunder section 143(6)(b) of the companies Act:-

Form of communication of comments on the accounts of the Government Companies under section 143(6)(b) of the companies Act given in the **Annexure-IV-B**

(Authority: Hqrs. No.358/WR/CA/Companies Act 2013/16-2013 Dt.2.6.14).

7.4.10. Audit of companies falling under Section 619-B of the Companies Act 1956,

Doubts have been raised about applicability of Section 139(5) and 139(7) of the Companies Act 2013, which deals with appointment of auditors by CAG, to Deemed Government Companies referred in section 619B of the Companies Act 1956. By virtue of introduction of Section 139(5) and 139(7) of the Companies Act 2013, CAG appoint auditors of the Government Companies. Further it has also been observed that the words "any other company owned or controlled, directly or indirectly by the Central Government and partly by one or more State Governments" appearing in sub section (5) and (7) of section 139 of the Companies Act 2013 are to be read with the definition of 'control' in section 2(27) of new act. Thus documents like articles of association and shareholders agreements etc. envisaging control under section 2(27)are to be taken in to account while deciding whether an individual company, other than those referred above are covered under section 139(5)/139(7)of the new act.

(Authority: Hqrs No. 154/WR/KC/ 140-2014 dt. 5.8.2014 and General Circular No. 33/2014of ministry of Corporate affairs, Government of India F.No.1/33/13-CL-V dt. 31.7.2014)

7.5. Statutory Corporation.

By virtue of the provision of Section 19(2) of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971, audit of the accounts of Corporations established by or under law made by Parliament is to be conducted by the Comptroller and Auditor General in accordance with the provisions of the respective legislations. There are three statutory Corporations in the state, the audit of which is entrusted to this office. Each of these corporations has been set up under separate Acts of Parliament and/or State Legislature as indicated below:-

- 1. Rajasthan State Road Transport Corporation-Set up under the Road Transport Corporation Act, 1950.
- 2. Rajasthan Financial Corporation-Set up under Financial Corporation Act, 1962.
- 3. Rajasthan State Warehousing Corporation -Set up under Warehousing Corporation Act, 1962.

Note: Audit Certificate in case of SAR with Nil Comments on the accounts of Statutory corporation / Regularity authority revised vide Hqrs No. 695*CA-II/ Audit Certificate/04-05/8-2005 KW dated 13.6.2006 given in the **Annexure-V.**

7.5.1 Rajasthan State Road Transport Corporation (RSRTC)

7.5.1.1 The Rajasthan State Road Transport Corporation was established on 1st October 1964 under Section 3 read with Section 5 of Road Transport Corporations Act, 1950 vide Home Department Notification No. F.2 (3) HB/Gr.I/64 dated 22.9.1'964, with the objective of providing efficient, adequate, economical and properly co-ordinated system of Road Transport Service. The Comptroller and Auditor General of India is the sole auditor of RSRTC. Section 33(2) of the Road Transport Corporation Act, 1950, provides that the accounts of the Corporation shall be audited annually by the Comptroller and Auditor General of India or his nominee and that any expenditure incurred by him in connection with such audit shall be payable by the Corporation. The annual Accounts of the Corporation viz., Balance Sheet, Profit and Loss Accounts etc., are required to be drawn up in the form prescribed by the State Government in consultation with the Comptroller and Auditor General of India under section 33(1) of the Act. These forms have been approved by the Comptroller and Auditor General of India vide his letter No. 979-CA/13-65 dated 11.9.67.Separate Audit Report incorporating comments on the accounts is prepared by the Accountant General and issued to the State Government for placement before the State Legislature in accordance with the provision of Section 33(4) of the Road Transport Corporation Act 1950.

As per Section 33(I) of the Act, 'ibid' the Corporation maintains annual statement of accounts including Profit and Loss Account and the Balance Sheet in such form as prescribed (November 1993) by the State Government in consultation with the Comptroller and Auditor General of India. In Rajasthan State Road Transport Corporation, the primary accounts are maintained at unit level and are rendered to Head Office for consolidation.

Apart from the general checks prescribed for audit in Chapter III of the Manual, INTOSAI Guidelines Audit Standards on Performance audit of the Manual, the important checks as given in the **Annexure-II** should be exercised in the audit of accounts of the RSRTC.

7.5.1.2 Audit Report and Certification of Annual Accounts

(a) After audit of annual accounts of units and Head Office, the draft comments are finalised on the basis of replies received, and inspection report issued to the Corporation. On receipt of replies to the inspection report the draft audit report will be finalised, as required under Section 33 (4) of the Road Transport Corporation Act 1950. In the event of any revision of accounts based on audit comments, the revised accounts are checked. The Separate Audit Report (SAR) will be finalised based on the replies of the Corporation/Government and the instructions of the Comptroller and Auditor General of India. The SAR alongwith aide-memories showing objection raised, reply of the management, comments raised will be forwarded in duplicate to the Comptroller and Auditor General of India in the manner and form prescribed in C&AG (Annexure–V) for his approval. The SAR should contain comments on accounts as well as review of accounts, which would indicate the operational performance as well as the working results. Points of purely propriety nature should not be included in the SAR (Authority: C.A.G. No. 1415-CA III/1034-93 dated 14th December 1994)

(b) On receipt of approval of Comptroller and Auditor General of India the SAR will be authenticated by the Accountant General and issued to the State Government

alongwith a copy of certified accounts for being placed before the State Legislature in compliance with the provisions of the Act, 'ibid'. A copy of such SAR and certified accounts will also be endorsed to Corporation if it is so provided for or implied in the relevant Act. But it will be necessary to advise the concerned corporation to treat the certified accounts and Separate Audit Report thereon as secret till these are presented to the legislature as required under the Act,

(Authority: C.A.G.s letter no. CA IV/Tech/5/81-666-CA IV/16-79 dated 18.7.81 at page 222 of RAP/RSRTC File No. S-4/K-49 Vol- II)

(c) With a view to expedite the finalisation of Separate Audit Report and certification of annual accounts, instructions issued by C&AG from time to time and time schedule as prescribed under letter No. 173 Rep (AB) 27-84(I) dated 10.9.99 should be kept in view.

(Authority: C&AG s letter dated 7.1.1975, 22-1-77,Oct. 1978 dated 31.8.79 at page 175, 447, and 461 of CAW I/GF/C-15)

(d) While forwarding the draft audit comments for approval by C.A.G. on annual accounts, the following information may also be sent to central office.

- (i) The date on which the accounts were authenticated.
 - (ii) The date of submission of the accounts to the audit.
 - (iii) The date on which the audit of annual accounts was taken up and completed.
 - (iv) The date, on which the replies of the management were furnished and date of discussion, if any, held with the management.

(v) Dates of presentation of the previous Audit Reports before legislature.

(Authority: C&AG's letter No. 499-CA. II-113-78 dated 12.7.78 at page 182 of RAP/RSRTC /S-4/K-49 Vol. II read with SAR letter No. 173-Rep (AB) 27-84(1) dated 10.9.1999 (Appendix-IV).

(Ref: para 4.1.1, 4.1.3, 4.1.8, 4.1.9 of Chapter 4 old manual)

7.5.2 Rajasthan Financial Corporation.

7.5.2.1 Introduction.

The Rajasthan Financial Corporation (RFC) was established on 17th March 1955 under Section 3(I) of the State Financial Corporation Act, 2013. The accounts of the Financial Corporations shall be audited by the auditors duly qualified to act as the Auditors under Section 226(I) of the Companies Act, 1956, shall be appointed by the Financial Corporation in general meeting of shareholders out of the panel of auditors approved by the Reserve Bank of India for such terms and on such remuneration as the Reserve Bank of India may fix.

(Authority Amendment in Section 37 (I) of State Financial Corporation Act 1951 by extraordinary Gazette of India notification dated 6th September 2000)

Under provision of Section 37(3) of the Act ibid the auditors shall make a report to shareholders and in every such report they shall state whether in their opinion the Balance

Sheet is a full and fair so as to exhibit a true and correct views of the state of affairs of the Corporation.

The Financial Corporation shall send a copy of every report of the auditors to the Comptroller and Auditor General of India at least one month before it is placed before the share holders.

(a) C&AG s Audit

Under provisions of Section 37(6) of the Act 'Ibid' the C&AG of India may either on his own motion or on a request received in this behalf from State Government undertake such audit and at such times as be may consider necessary. Every audit report of CAG of India under section 37(6) shall be forwarded to the State Government and the Government shall lay the same before the State legislature.

In terms of above provision and instructions issued under the Comptroller and Auditor General of India's confidential letter No. 67-CA/6-69 dated 13th January 1969 and No. 352/CA/102-68 dated 10th March 1969 (page 141 & 143 of Guard File C-15) the audit of Rajasthan Financial Corporation shall be conducted annually irrespective of the fact whether any payment on accounts of guarantees given by the State Government under Section 6,7, or 8 of the Act "ibid' has been made by them or not.

7.5.2.2 Audit Report.

- (a) On submission of annual accounts after audit by Charterered Accountant by the Corporation, a supplementary audit on the accounts of the Corporation is conducted by this office and on completion of this audit a Separate Audit Report (SAR) in the form prescribed by the Comptroller and Auditor General of India vide Letter No. 1795-CA/104-65 dated 31.12.66, No. 272-CA-104-65 dated 12.3.68 and No. 1472-CA-IV/99-78 Tech 16-80 dated 26.11.80 (Specimen of the form is given in Annexure-VI) is prepared. The SAR should contain comments on accounts. Points of purely propriety nature should not be included in the SAR (Authority: C&AG No. 1415-CA-III/1034-93 dated 14th December 1994). The SAR so prepared is sent to the C.AG. for approval and on receipt of approval from CA.G the SAR will be authenticated by the Accountant General (E&RSA) and issued to the Corporation and State Government who causes to be laid before the State Legislature in accordance with Section 37(7) of the State Financial Corporation Act. 1951.
- (b) With a view to expedite the finalisation of the Audit Report on the State Financial Corporation a phased programme has to be drawn up by CAW with the authorities concerned so that the Audit Reports are issued to the State Government for placing before the Legislature by November each year.

(Authority:- C.AG's letter No. 20-CA/157-70, dated 7-1-75 at page 175 of CAW GF-C-15).

(c) For timely finalisation of Separate Audit Report and certification of accounts it has been decided that, audit office should invariably consider the replies of organisation and only the final draft version after taking into account the replies of the organisation be sent to the Head Quarters office for approval together with aid-memories showing objection raised, replies received, comments framed and deleted.

(Authority:-CAG letter No. 20/RAP/27-84(1) dated 4.2.99 placed at P. 412 CAW-I file C-12 Vol. VI Appendix-V and No. 173 –Rep (AB) 27-84 (1) dated 10.9.1999 Page 616C of CAW/GF/C-12/Vol. VI-Appendix-V).

(d) Audit Report on the accounts should be finalized only after giving opportunity to the State Government to offer comments on the audit observations. For this at least six weeks time or such lesser time as is settled with the State Government should usually be given. If no comments are received within the time allowed the reports should be finalised stating that comments of the State Government have not been received.

(Authority: C.AG's letter No. 262-C, II/157-70, dated 16.7.71 at page No. 159/C CAW GF C-15 & No. 497-CA, II/157-70 dated 18.8.71 at page 163/C of GF C-15)

(e) Check Register for watching the progress of finalisation of Audit Report indicating in chronological order all the relevant dates about various stages involved in the preparation of accounts and finalisation of Audit Reports upto the placement of reports to State Legislature should be maintained in CAW-I Section.

(Authority Order of A.G. on C.AG's letter No. 713-Rep(c)/408-79 dated 5.2.80 at page 499 of CAW/GF C-15).

(f) A copy of the audit report and certified accounts may also be endorsed to the Corporation if it is so provided for or implied in the relevant Act. But it will be necessary to advise the Corporation to treat the certified Accounts and Audit Report thereon, as secret till these are presented to the legislature as required under the Act.

(Authority: C.AG's confidential letter No. CA-IV/Tech/5/81-666, CA IV/16-79, dated 18.6.81 at page 680 of CAW GF C-15).

(g) Audit should satisfy that the certified accounts with Audit Report for the previous year was placed on the table of the Legislature and was complete in all respect. If the information about the placing of report has not been received the same should specifically be called for in the forwarding letter of the Audit Report to the State Government.

(Authority: C.AG's letter No. 625-Rep(C) 300-77, dated 18th April 1979 at page 449-C of Guard File C-15 of CAW-I)

- (h) While sending the Separate Audit Report with certified accounts to Central Office for approval, the following information may also be sent to Central Office.
 - (i) The date on which the accounts were authenticated
 - (ii) The date of submission of the accounts to the audit.
 - (iii) The date on which the audit of annual accounts was taken up and completed.

- (iv) The date on which the replies of the management and auditors were furnished and date of discussions, if any, held with management.
- (v) Dates of presentation of the previous Audit Reports before State Legislature

(Authority C&AG letter No. 343-CA,IV/35-72 dated 14.6.70 at page 171/C of File No. CAW-I/EB 44/59-62/209/C-15 and No. 1418/Rep (C) 16.7.77 of October 1978 at page 443 CAW/GF/C-15 and C&AG letter no. 173-Rep(AB) 27-84(1) dated 10.9.1999 (Appendix-V).

(i) State Financial Corporations are required to follow the cash system as regards income on loans and advances and other income, and on accrual basis in respect of interest on borrowings and other expenditure.

(Authority C&AG's letter No. 402 CA-II/47-93 dated 15.3.1994 in CAW file C-12 Vol. V page 262c).

Apart from the general checks prescribed for audit in Chapter III of the Manual, INTOSAI Audit Standards on Performance audit of the Manual, the important checks should be exercised in the audit of accounts of the RFC as given in the **Annexure-II**.

(Ref: para 4.2.1, 4.2.4, 4.2.5 to 4.2.7 of Chapter 4 old manual)

7.5.3 Rajasthan State Warehousing Corporation.

The Rajasthan State Warehousing Corporation (RSWC) was established on 30th December 1957 under section 28 of the Agricultural Produce (Development and Warehousing) Corporation Act, 1956. Following the repeal of this Act, by the Government of India in 1962 and its replacement by the Warehousing Corporation Act, 1962, the Corporation functions under the Act.

The annual accounts of the Corporation are audited by the Chartered Accountants who are appointed by the State Government in consultation with the Comptroller and Auditor General of India. As there is no specific provision in the Warehousing Corporations Act, 1962 for issue of Separate Audit Report by the C&AG, no Separate Audit Report, on RSWC need be prepared. On completion of the audit an evaluation on the performance of auditors and comments on accounts on the lines similar to those of the Government Companies is prepared and is sent to the Office of the Comptroller and Auditor General of India.

(Authority C&AG secret letter No. 453-CA/I/65 dated 12/14th April 1965- Guard File 12 (Part-I).

The accounts of the Corporation are audited by this office under Section 31 (8) of the Warehousing Corporation Act. 1962. In addition to supplementary audit of annual accounts, the propriety audit is also conducted by this office and the important financial irregularities are processed as draft paras which are included in the Audit Report (Commercial) of the C&AG of India for the Government of Rajasthan.

Apart from the general checks prescribed for audit in Chapter III of the Manual, the important checks may also be exercised in the audit of RSWC as given in the **Annexure-II**.

(Ref: para 4.3.1, 4.3.4 of Chapter 4 old manual)

7.6 Audit of Proforma accounts of Departmental Undertakings

As envisaged in Rules 84-85 of GFR2005 and Rule 18 of Government Accounting Rules 1990, the form of Proforma accounts would be prescribed by the Government concerned on the advice of C&AG. These Proforma accounts comprise of manufacturing, trading, Profit and loss account and Balance Sheet as per functioning of the entity. These departmental undertakings are receiving budgetary support from the Government and are preparing Proforma accounts which are audited by the CAG.

Following instructions may be observed while preparing audit certificate/report after audit:

- Auditor must state whether or not the financial statements(listed by individual statement)present fairly the financial position and results of operation of the audited entity in accordance with an identified accounting framework
- Auditor must obtain sufficient understanding of the audited entity and its environment, including its internal control, to assess the risk of material misstatement of the financial statement whether due to error or fraud,
- Auditor must obtain sufficient and appropriate audit evidence as the basis to form an opinion;
- An unqualified(or clean) audit opinion must be issued if the financial statements present fairly in material respect, i.e., free from material misstatement whether due to error or fraud; in accordance with applicable financial reporting framework;
- A qualified opinion must be issued if the financial statements present fairly in all material respect, except for instance of clearly noted departures from the identified financial reporting framework; whereas the rest of the financial statements confirms to applicable financial reporting framework;
- A qualified opinion must include an explanatory paragraph explaining the qualification and describing the departure;
- An adverse opinion must be issued if the financial statements are materially misstated and, when considered as a whole , do not confirm to applicable financial reporting framework;
- A disclaimer of opinion must be issued if the auditor could not form and consequently refuses to present, an opinion on the financial statement because auditor could not complete the audit due to several reasons including lack of independence and significant scope limitations, whether international or not, which hinder the auditor's work in obtaining evidence and performing audit procedure(illustrative criteria for use of consistent wording and language in case of disclaimer and adverse opinion in the audit certificate/report(given below). These may be suitably modified according to the circumstances and with respect to individual cases.)

- Audit findings must contain adequate description of the required elements i.e., condition, criteria, cause and effect
- Draft of Audit Report for departmental undertakings given in Annexure-VII.7

(Authority: C.AG's confidential letter No. III/S/19/81-PPG(AB)26-2007, dated 11.7.12).

7.7 Critical issues in performance audit

7.7.1 While all steps and actions in performance audit process consisting of planning, implementation, reporting and follow-up are important and must be negotiated deftly; the most critical among them are outlined below with the objective of at a glance recapitulation. The crucial issues are presented in two sections. The first section contains the important considerations in the context of management of performance audit and consists of steps that must be traversed and documented to provide assurance of consistent high quality of audit. The second section consists of the most crucial issues in relation to techniques and documentation that should be applied to performance audits. The list of issues should ensure the quality of audit, monitor and review the crucial procedures in management and implementation of performance audits. Public Sectoraudits have certain basic elements (i) three parties in audit i.e. the auditor, the responsible party, intended user,(ii) the subject matter/ information and (iii)criteria to assess the subject matter. The main objective of performance audit is to constructively promote economical, effective and efficient governance.

7.7.2 Mandate for performance audit

- Mandate under article 151 of the Constitution of India and Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971;
- Mandate underSection 13 to 17,19 & 20 of the CAG (DPC) Act 1971 under which a particular audit is covered, read with section 23 of the Act; and
- > Chapter 7 of the Regulations on Audit and Accounts 2007
- Mandate strengthened through convention performance audits are carried out over the past 50 years on a variety of subjects, the reports on all of them having been presented to the Parliament and State Legislature.

7.7.3 Strategic planning for performance audit

The objectives of strategic audit planning are to:

- a. Provide a firm basis for the Department's Management to give strategic direction for future audit coverage;
- b. Identify and select audits with the potential to improve public sector accountability and administration;
- c. Understand entity risks and take them into account in audit selection;
- d. Provide a basis for Department's accountability; and
- e. Produce a work programme that can be achieved with expected/available resources

Steps for strategic planning

- Rules forstrategic planningfor performance auditshould be consistent with the strategic planning of SAI India;
- Set strategic goals and strategic objectives to be achieved through performance audits;
- Prepare performance audit strategic plan to fulfil the strategic goals and objectives and document how the selected performance audits will accomplish them;
- Prepare comprehensive directory of data sources, collect and update all possible data that assists the strategic planning;
- Ensure that the strategic goals and objectives are set in the context of perceived risks and materiality of issues of financial, non-financial or governance nature;
- Be alive to the major policy shifts affecting the governance and large sections of public and select cutting-edge and sunrise subjects for performance audit;
- Prescience of the policy shifts and anticipation of the risks associated with the policy shifts and emerging national or international environment demonstrate the cerebral capability of the institution; and
- Plan performance audits in time to ensure value addition to the management of the programmes. The following step indicates the process involved in planning of individual performance audits:
 - 1. Understanding the entity/ programme
 - 2. Defining the objectives and the scope of the audit
 - 3. Determining audit criteria
 - 4. Deciding audit approach
 - 5. Developing audit questions
 - 6. Assess audit team skills and whether outside expertise required
 - 7. Preparation of Audit Design Matrix
 - 8. Establishing time table and resources
 - 9. Intimation of Audit programme to audit entities

7.7.4 Annual operational plan

- Consists of the performance audit of the subjects, including the subjects brought forward from the previous years that are to be implemented during the year;
- Provides an opportunity to review the plan in the light of new developments and risk assessment since the approval of strategic plan; and
- Provides a basis for assessment of the performance of the Audit Offices on annual basis and affords an opportunity to assess and re-assess the skill and knowledge

required and those available in-house, which forms a basis for training programmes, engagement of consultants / experts and outsourcing.

7.7.5 Performance audit implementation plan

- Gather all relevant data and documents to understand the entity and the programme;
- > Intimate the entity about the intent to carry out the performance audit;
- Facilitate / persuade formal presentation to the entity to explain the various aspects of the programme;
- Invite representatives of other departments / agencies which have a stake in the programme by way of provision of funds, evaluation, etc;
- State the reasons for conducting the performance audit by setting out audit objectives and sub-audit objectives;
- Set audit objectives in the form of complete statement of questions, the answer to which will satisfy the reasons for conducting the performance audit;
- Set audit objectives under distinct themes and sub-themes with reference to programme objectives, further developed in the context of audit concerns;
- Specify the audit concerns of economy, efficiency and effectiveness that the audit objectives and sub-audit objectives address individually or severally as also the equity and ethics aspects, in so far as they affect one or more of the primary concerns of economy, efficiency and effectiveness;
- Set quantitative and qualitative audit criteria against which the performance will be tested to develop audit findings;
- > Set one or more criteria for each audit objective or sub-objective;
- Identify tentatively the evidence/ data required to be collected for testing each criteria;
- > Identify sources of data and determine the methods of data collection;
- Plan for procurement of expert advice or the services of consultant;
- Assign duties and responsibilities; and
- Make a formal presentation to the entity of the audit plan, including the audit objectives, criteria, evidence required and tentative location of audits and invite the representatives of other concerned departments also.

Audit design matrix should be suitably updated at each stage of audit considering the following steps:

- I. Audit criteria (what should be)
- II. Audit evidence (what is)
- III. Audit finding ('what is' compared with 'what should be')

- IV. Determine the causes and effects of the findings
- V. Developing audit conclusions
- VI. Developing audit recommendations

The Audit Design Matrix is prepared on the basis of information and knowledge obtained in the planning phase during the course of pilot study. Audit teams are encouraged to update the Audit Design Matrix as and when it acquires more in-depth knowledge of the audit subject matter. A well-designed Audit Design Matrix leads to efficient planning and resultant effective audits thereby providing highest assurances to the audited entities and those charged with governance.

7.7.6 Use of expert, consultant and outsourcing

- Document transparently the assessment of knowledge and skill required for each performance audit;
- Examine and document how the required skill can be fully met in-house, without compromising the audit quality; and
- Follow the procedure in vogue within the SAI, in the matter of procedure for procurement of services of expert/consultants.

7.7.7 Entity consultation, cooperation and response

- Entity cooperation and response being the hallmark for the success of performance audits, Accountant General will be called upon to adopt a persuasive approach to attain goal-matching;
- Rather than quitting in the face of inadequate response, the objective will be to continue making efforts with a view to making such cooperation a routine in time to come;
- The method of persuading the entity for full cooperation is left to the judgement of Accountant General;
- The cooperation of the entity is not to be confused with agreement on all issues. Recognition of possibility of difference in opinion and its resolution is inherent in cooperation;
- Entity cooperation and response should be obtained throughout the performance audit process- from the intimation of the intent, to the recommendation and finally to the implementation of the recommendations; and
- > Entity cooperation is to be secured through a series of transparent measures:
- Sharing of the subject selected for performance audit in the strategic plan with the Secretary;
- > Intimation to the Secretary when the subject is taken up for performance audit;
- Presentation by the entity for understanding the subject;
- Presentation by the Accountant General on audit implementation plan containing audit objectives and audit criteria;

- Request for agreement with the criteria;
- Entry and exit conference;
- Discussion papers and audit observations;
- > Formal presentation of audit findings, conclusions and recommendations; and
- > Follow-up procedures involving implementation of the recommendations.

7.7.8 Supervision and review

- Supervisory responsibilities should be delineated in the audit plan;
- Supervision trail, as far as possible, must be maintained for subsequent review; and
- The performance audit work and documentation should be reviewed as per the plan as well as at random intervals.

7.7.9 Monitoring progress and periodic reports

- The frequency of monitoring by various levels of officers should be built into the audit plan;
- Progress report on various stages of performance audit cycle should be built into the plan and should be submitted with appropriate explanatory note; and
- Accountants General office to submit quarterly 'work-in-progress' report, to the SAI's top management with explanatory notes.

7.7.10 Quality assurance and quality control

- The members of audit team and supervisory officer will be made aware of the quality control system within the offices of Accountant General and in SAI headquarters;
- All audit personnel ought to be aware of the quality assurance system established in SAI India and ensure compliance to the quality standards;
- Assurance memo in the prescribed format will be enclosed with (i) strategic plan, (ii) annual operational plan, (iii) audit implementation guidelines and, (iv) draft performance audit report;
- > SAI may draw up a quality assurance programme for each office; and
- A summary of the results of quality assurance reviews should be published highlighting good practices for emulating and deficient practices and procedures to be addressed for improvement.

7.7.11 Duties, responsibilities and accountability

The duties and responsibilities of each member of the audit team, audit officer and supervisory officer shall be stated clearly with reference to compliance to the prescribed procedures, professional conduct, field audit, evidence/data gathering, quality of data and documents, documentation, dialogue with entity, audit test, audit findings, recommendations, guidance to the team members, monitoring, supervision, reporting and preparation of reports, etc;

- A review may be made during the course of audit and upon conclusion of the performance audit on the quality of fulfilment of the responsibility by the performance audit team members and supervisors;
- Accountants General may prescribe assurance memo to be furnished by the group supervisory officer and audit officer for each performance audits and on completion of the audit of each unit or stage in the performance audits; and
- Assessment of the quality of audit and the performance of audit personnel for each procedure, data collection, data analysis, documentation and output during the performance audit cycle enhance the quality of performance audit.

7.7.12 Process documentation

- Documentation of all management actions and judgments may be retained throughout the audit to provide a trail for review of management actions;
- The process document should contain all considerations that do not form part of the working papers for the performance audits in support of the audit findings, conclusions and recommendations; and
- The more important among the process documentation, which demonstrates management actions, should be sent to SAI top management with the draft performance audit report along with assurance memo in the format prescribed by SAI top management.

7.7.13 Impact evaluation of performance audits

- All performance audits will be conducted keeping the expected impact on the programme in mind. The expected value addition- *qualitatively and quantitatively* will be estimated before taking up the performance audits;
- Impact evaluation against the expected impact of *each* performance audit and *collectively* for all performance audits conducted by the Accountant General shall be carried out annually; and
- The impact evaluation will be carried out with reference to the recommendations accepted and implemented.

7.7.14 Fundamental principles

- Performance audit is an assessment of efficiency and effectiveness of the programmes, with due regard to economy;
- Addresses the issues of inputs, processes, outputs (products) and outcomes (impact);
- Apart from the question whether the things are being done the right way, it also addresses the question of whether the right things are being done, in other words, it also focuses on *what is not being done* rather than only on *what is being done*;

- Performance audits also address the issues of *equity* and *ethics*, which impacts one or more of the core concerns of economy, efficiency and effectiveness and include, apart from others, integrity in preparation of performance reports;
- Distinction between regularity and performance audit should always be kept in mind;
- Performance audits are undertaken with the objective of improving performance of public sector undertaking/ programmes and, therefore, an assessment of the expected impact-qualitative and quantitative-on the undertaking /programme must be made before undertaking the audit;
- The subjects selected for performance audits could be a programme, segments of a programme - including the processes, procedures and systems, an entity itself or parts of an entity, etc.;
- The subjects of performance audits could be financial, non-financial or public interest and governance issues;
- The subjects selected for performance audits should include cutting edge issues that form the core of governance and sunrise issues in the light of policy shifts;
- Prescience of the risks to programmes or public interest demonstrates the competence of the institution;
- > Performance audits can be carried out *posteriori* or concurrently;
- Performance audits use many techniques used in programme evaluation;
- While the performance audit may and should assess the implementation of the policy through one or more programmes, the scope of audit should be limited to assessing and impact of the implementation of policy and the policy *per se* should not be questioned;
- Performance audit should be conducted in time, when scope for remedial measures is encouraged; and
- Performance audits being knowledge-based exercise, in which conclusions emerge from interpretations, call for special skills, knowledge and competence of the audit personnel.

7.7.15 Audit plan and programme – detailed guidelines for conduct of audit

- The detailed audit implementation guidelines will consist of all relevant information and document required for complete understanding of the entity, besides the audit objective, criteria, types and sources of evidence to be gathered, audit test programme, delineation of duties and responsibilities among team members and supervisors, progress reports etc;
- The implementation guidelines should be such as to address all issues designed in the prescribed structure; and
- Unless authorised by general or special order, the performance audit guidelines will be approved by SAI top management.

7.7.16 Audit objectives

- > Audit objectives will be the focus of field audit and data collection;
- All audit objectives and sub-objectives will address one or more of the core audit concerns of economy, efficiency and effectiveness and the concerns addressed by each audit objective and sub-objective will be identified against each of them;
- > The evidence testing will also revolve around the audit objectives; and
- Audit objectives need not be limited to testing of the programme objectives. The audit objectives go much beyond the programme objectives to test the programme for economy, efficiency and effectiveness.

7.7.17 Audit criteria

- Audit criteria are performance measures against which the evidence is tested for arriving at the audit findings and conclusions;
- ➢ For each audit objective or sub-objective there must be at least one criterion and testing on more than one criteria against the same audit objective enhances the acceptability of audit findings and makes them convincing;
- > Audit criteria should be acceptable to the entity;
- In the event of disagreement in a few cases, it may be a good practice to request the entity to suggest alternative criteria;
- > All possible sources of criteria should be consulted to arrive at the best fit;
- Criteria developed by or in consultation with the experts of repute assume enhance credibility and are easily acceptable;
- Institututional consultancy for criteria and for other consultancy or advice in the performance audits have better credibility and acceptance;
- Performance criteria prescribed in the programme or later developed by the entity should be tested for appropriateness and unless otherwise established that they may hide underperformance or over-pitch the performance, these should be adopted in performance audits;
- Performance audits need not confine to the entity established criteria, but should go beyond to establish more criteria to provide tests for all audit objectives and sub-objectives; and
- The ultimate objective should be to persuade the entity to include performance criteria within each programme.

7.7.18 Audit evidence for testing against criteria

All data and evidence to be gathered will, as far as possible, be predetermined with reference to each criterion, which are intrinsically linked to each audit objective or the sub-objective;

- The sources and location of data / audit evidence and method of gathering them shall be determined in the audit implementation plan;
- Evidence in support of each audit finding will be transparently tested on the standards of relevance, competence and sufficiency (reasonableness) in the working papers;
- The secondary evidence viz. surveys, photographs, physical inspection, etc. should be corroborative and should not form the only basis of audit finding, unless accepted by the entity;
- Accountants General are encouraged to identify secondary/ corroborative sources of evidence and establish means for gathering them with the approval of the SAI top management; and
- They may also determine approach and methodology for physical verification in programmes in which asset verification and beneficiary survey are crucial inputs to establish the actual delivery or the output and the quality of output/delivery. While nothing prevents physical verification by audit team, the question of credibility and acceptance should also be taken into account, since physical verification by audit team may, sometimes, be contested later as incorrect. Some of the methods that could be considered are joint physical inspection with attestation from both sides, survey by reputed agencies, etc.

7.7.19 Sampling

- The audit findings should be based on objective sampling and the sampling techniques used should be disclosed;
- > As far as possible, statistical sampling techniques should be used;
- Assistance of statistical adviser in the SAI headquarters may be obtained for statistical sampling; and
- Adequate sample size should be selected to be able to generalise the audit findings and be able to meet the standard of sufficiency.

7.7.20 Audit findings

- Audit findings should be developed on the basis of audit tests carried out on the sample;
- > Audit findings should be in the context of the audit objectives and criteria;
- The causes of underperformance should be determined to be able to recommend remedial measures; and
- All evidence used for audit findings should be tested transparently on the standards of relevance, competence and sufficiency and the basis on which the satisfaction of fulfilling the standards is established, should be documented in the working papers.

7.7.21 Recommendations and follow-up procedure

- All audit reports must contain recommendations arising out of audit findings and the cause of audit findings;
- ➤ As the performance audit revolves around the audit objectives, the follow-up procedure is built around the recommendations and the impact of performance audit is measured on the basis of implementation of the recommendations; and
- Follow-up procedure is conducted with reference to the nominal information on the implementation of the recommendations and the quality of implementation of recommendations through a more detailed follow-up audit.
- The audit teams are encouraged to prepare an Audit Findings Matrix indicating the audit findings vis-à-vis good practices and the potential audit recommendation along with the expected benefits in case the recommendation is implemented. It is meant to provide a link between the audit objectives, criteria, the audit observation and the recommendations emerging there from.

7.7.22 Publication

- > Stand-alone volume for each performance audit report;
- > Deviation from this only with authorization; and
- Performance audit reports prepared and presented during all sessions of legislature round the year as per the pre-determined schedule.

7.7.23 Reporting and follow up procedures

- The reporting covers all types of reporting and includes discussion papers, audit observations, field audit reports, draft performance audit report and the final report;
- Same standards should be applied on all forms of reporting, except that the discussion papers, audit observations and field audit reports will contain more detailed, including the details of evidence used and evidence testing;
- > The style guide is to be followed uniformly;
- Lower levels of reporting viz. discussion papers, audit observations, etc. should be written keeping the objective of next level of report and the final report in view;
- The reporting should be strictly in accountability-centred style by designation only, and
- The prescribed structure of performance audit reports should be followed meticulously.

The Audit team should be encouraged to use Audit Design Matrix as well as Audit Finding Matrix for cross references to insure that nothing is left out and they have completed the work inconsonance with the matrix ibid

Performance audit reports are essentially a means to improving public sector performance and accountability. This can be achieved through implementation of the recommendations contained in the performance audits. Consistent and systematic follow-up process in the Department may contribute significantly to the effectiveness of performance audit in improving the programme management when conducting a follow-up of audit reports, the auditor should concentrate on findings and recommendations that are still relevant at the time of the follow up and adopt an unbiased and independent approach.

The follow-up of performance audit reports is aimed at the following objectives:

- Assisting the legislature
- Achieving improvements in performance of the public sector programme
- Evaluating the Department's performance

Inventory of recommendations

Follow-up can contribute to a better understanding of the value added through performance auditing in a given time period or subject matter area. Auditors should follow-up on previous audit findings and recommendations when appropriate. The starting point for follow-up procedures could be a comprehensive inventory of recommendations maintained in appropriate data base by all Offices. The inventory, maintained performance audit wise should consist of all recommendations, with appropriate grading under 'vital or critical', 'significant' and 'important'. The database should also contain other relevant information *viz*. the year of audit report, status of acceptance *viz*. accepted, partially accepted not accepted and not replied, nominal implementation reported by the entity and the time of such reporting, risk associated with non-implementation or poor implementation, besides follow-up reviews. This inventory should be maintained as a permanent database, which may assist in performance audit planning in future.

Where the committee of legislature has examined a performance audit report, the inventory may contain the final recommendations made by the committee.

(Authority PA Guide-SAI India) (Performance Auditing Guidelines – C&AG of India 2014)

Annexure-I

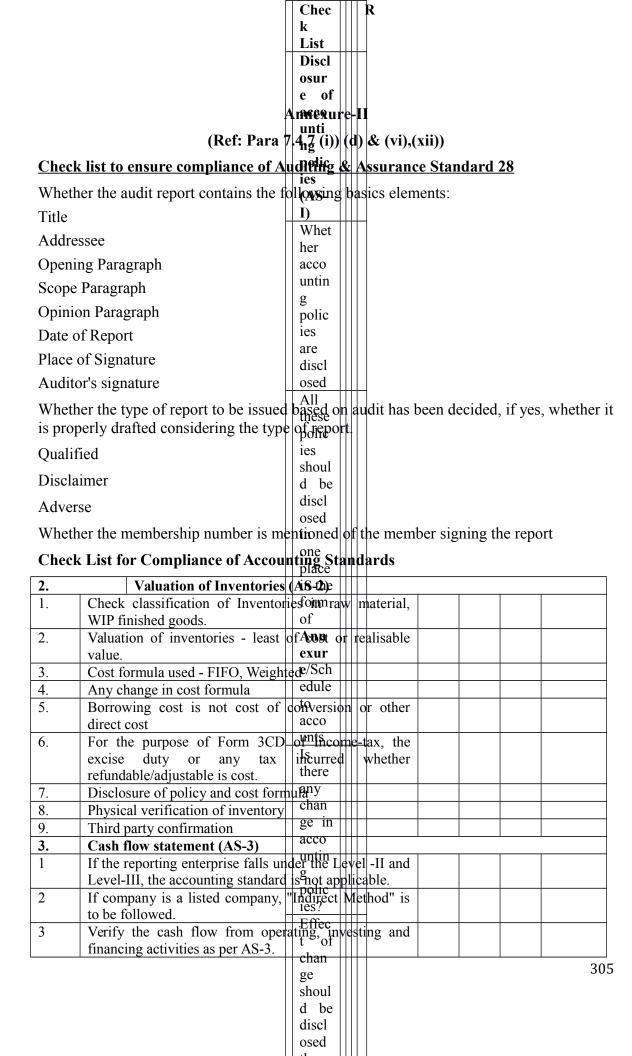
(Ref para 7.4.3.(i))

Information regarding Performance of Auditors in respect on the accounts offor the year 200 -0

A.	Basic	: Data						
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	Partn	ers/CA Employees	on th		<u> </u>			
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		appointment						
		letter						
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					(ii) VA	AT audit		Rs.
					(iii)	Half yearly	financial	Rs.
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	_					vices rendered)		
B.		ers for assessing t					YES	NO
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		ng Standard by the			-			
2		tatutory failed to re						
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3	Whether	the Auditor failed	to re	eport on	any ma	atter specified in		
-	CARO 20			Port on	any me	specifica in		
	0							

4	Whether the Auditor failed to report non compliance of any of the provisions of Part-I and Part II of Schedule VI of the Companies Act 1956 regarding preparation of Balance Sheet and Profit and Loss Account?	
5	Whether the auditor failed to report non compliance of any of the requirements prescribed by any Regulatory authorities viz SEBI, IRDA, RBI, BPE, NHB and Administrative Ministry etc. regarding preparation of financial statements?	
6	Whether the auditor failed to state (wherever possible) the effect of individual qualification and total effect of all the qualifications on profit or loss or state of affairs	
7	Whether the Auditor failed to offer his comments on the provisional comments issued by the AG office within time stipulated by AG.	
8	Whether the Auditor failed to submit Report under section 619(3) (a) of the Companies Act 1956 within one month of the statutory auditors report.	
9	Whether the auditor delayed the audit and submission of Audit Report without proper justification	
C.	Assessment of performance of Statutory Auditors	
(i)	Failure by the auditor in any one of the above parameters should be interpreted as serious lapse. Accordingly, if the reply is in affirmative in any one of the above, the performance of the Statutory/Branch auditor may be adjudged as unsatisfactory.	
(ii)	If the performance is assessed as Unsatisfactory,	
(a)	Whether any special memo was issued to statutory auditors spelling out the various failures/lapses on account of which their performance is proposed to be considered as unsatisfactory?	
(b)	Date of issue of special memo to the auditor.	
(c)	Date of reply of the auditor to the special memo.	
(d)	Whether the auditor was given an opportunity for personal hearing in case they desired to be heard in person?	
(iii)	 The proforma assessing the performance of the auditor as unsatisfactory should invariably be sent along with the following documents: 1. A copy of the special memo issued to the auditors. 2. A copy of the reply of the auditors to the special memo (or the fact of their failure to reply within a reasonable time) 3. Remarks of the AG on the reply of the auditors in aide-memoirs form. 4. A detailed note in the form of speaking order of the AG indicating the reasons and justification for considering the performance of the statutory auditors as adverse. 	

Accountant General (E & RSA) Rajasthan, Jaipur



	4 Cont encie and even	es ts						
	occu							
┢	ng a	iter If	reporting enterprises are bank, share broker,					
		"Inv	stment Company, report cash flow on net basis for					
		h ope	ating activities.					
F	5 date	Dis	losure of non-cash transaction by way of note.					
	6. (AS-	4Dis	lose cash or cash equivalents which are not freely					
┢	Refer	frem	ssible to the company or there is restriction on					
	AAS	usir	g those.					
	7 <u>-</u> 19	Rec	onciliation of cash and cash equivalent.					
	"subs		Net profit or loss for the period, prior p	eriod	items	and	change	in
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5.			
1.	Ensure that prior period term represent only the items		
1.	due to errors or omission not and change of estimate.		
2.	Make list of prior period items detailing their nature.		
3	Verify clause 22(b) of Form 3CD of Income tax Act,		
5	1961.		
4.	Disclose them separately in Profit and Loss Account		
5.	Make a list of extraordinary items and disclose		
	separately.		
6.	Is there any change in accounting policy?		
7.	If yes it's calculate, impact on current year profit and		
	if material on subsequent year profit.		
8.	Refer these changes in Audit Report, if material.		
6.	Depreciation Accounting		
1.	Check the cost of asset.		
2.	Check the rate of depreciation based on useful life.		
3.	In case of companies check whether the depreciation		
	rate is more than Schedule XIV rate.		
4.	If yes, see the disclosure in accounting notes and		
	mention in it audit report also.		
5.	If assets are revalued, check whether depreciation is		
0.	on revalued value.		
6.	In case of tax audit verify, clause 14 of Form 3CD of		
0.	Income-tax Act.		
7.	Check whether the calculation of managerial		
1.	remuneration is based on the depreciation rate of		
	Schedule XIV to Companies Act, 1956.		
7.	Construction Contract (Revised) (AS-7)		
1.	Check that only the percentage of completion method		
1.	is followed for recognising the revenue of construction		
	contract.		
2.	Check the method of making reliable estimate of cost		
4.	to completion.		
3.	Check the method of calculation of contract revenue.		
4.	Check the disclosure requirement as set out in AS-7.		
4 . 5.	Check the accounting policies regarding revenue		
5.	recognition.		
6.	Is provision for expected loss required?		
<u>8.</u>	Revenue recognition (AS-9)		
o. 1.	Check in case of sales whether the seller has		
1.	transferred all significant risk and rewards of		
	ownership to the buyer and no effective control on the		
	goods transferred is retained by the seller.		
2.	No significant uncertainty regarding the collection of		
∠.	sale amount exists.		
2			
3.	Check whether interest and royalties are recognised on		
	accrual basis with no significant uncertainty in		
1	collection of the interest and royalties.		
4.	Due provision for un-expired warranty if sales is		
	warranty sales.		20

5.	Accounting policies as regards revenue recognition are disclosed.				
9.	Accounting for fixed assets (AS - 10)				
1.	Check fixed assets register and details as per Schedule-VI, Part-I.				
2.	Check the addition and deletion				
3.	Is there any revaluation or restructuring, if yes, verify.				
4.	Check disclosure of revaluation or reduction in balance sheet.				
5.	Asset held for disposal to be separately shown at realisable value or book value whichever is less.				
6.	Check the result of physical verification				
7.	Any CENVAT credit availed on fixed assets and reduced from the fixed assets.				
8.	In case of Tax Audit verify point - 14 of Form 3CD of Income tax Act.				
9.	Is any subsidy or grant received for fixed assets, if yes, see treatment as per AS-10 and AS-12.				
10.	Exchange fluctuation properly dealt or not.				
11.	Are fixed assets subject to impairment, if yes, whether AS-28 has been followed wherever applicable.				
10.	The effects of changes in foreign exchange rates (AS-	11) (R	evised	-2003)	
1.	Check whether foreign currency transaction was entered before 1.4.2004.				
2.	If yes, AS-11 (pre-revised) shall continue to apply.				
3.	If foreign currency transactions are entered on or after 1.4.2004, AS -11 (revised 2003) applies.				
4.	If there are foreign operations.				
5.	Whether classified as integral or non-integral.				
6.	Exchange difference on integral operation and foreign currency transactions to be expensed or recognized as income.				
7.	Exchange difference in translation of non-integral operation to be transferred to foreign exchange translation reserve.				
8.	Is there partial or full disposal of net investment in integral foreign operation?				
9.	If yes, transfer proportionately or full amount to income or expenses as the case may be Check if there is re-classification of foreign operation.				
10.	If yes, apply the re-classification provision.				
11.	Whether reporting enterprises entered into exchange forward contract.				
12.	If yes, classify whether it is for risk management/hedging or for trading or speculation.				
13.	If for hedging/risk management apply the relevant provisions of accounting standard.				
14.	If for speculation apply the relevant provisions of accounting standard by marking to market place, the outstanding forward contract.				30

accounting standards. 11. Accounting for Government grants (AS-12) 1. Check whether asset specific grant has been treated a per AS-12. 2. Check allocation of deferred income. 3. Un-apportioned deferred income is disclosed in balance sheet 4. Grant in nature of promoter contribution credited to capital reserve. 5. Refund of grant if debited in profit and loss as extra adjacent in the second secon	n		
 Check whether asset specific grant has been treated a per AS-12. Check allocation of deferred income. Un-apportioned deferred income is disclosed in balance sheet Grant in nature of promoter contribution credited to capital reserve. Refund of grant if debited in profit and loss as extra 	n		
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 Un-apportioned deferred income is disclosed in balance sheet Grant in nature of promoter contribution credited to capital reserve. Refund of grant if debited in profit and loss as extra 	0		
5. Refund of grant if debited in profit and loss as extra			
	a		
ordinary items.			
6. Accounting policy relating to Government grant i disclosed with accounts.	s		
7. In case of tax audit verify point 14 (d)(iii) of Form 3CD.	n		
8. Whether Government grant receivable a compensation for expenses or losses incurred in the previous is credited to profit and loss account and disclosed as an extra ordinary item.	e		
12. Accounting for Investments (AS-13)			
1. Check initial recording of investment at cost.			
2. Check investment classified in current and long-term.			
3. Check valuation as per AS-13			
4. Check disclosure of accounting policy as regard investment.	t		
5. Check the requirements of Schedule VI of Companie Act, 1956.	s		
6. Auditor report if required covers point u/s 227(IA) in case of company.	n		
7. In case of bank check RBI Guidelines.			
8. In case of mutual fund check SEBI guidelines.			
13. Accounting for amalgamation (AS-14)			
1. Go through the scheme sanctioned under section 39- of Companies Act, 1956 by the court/tribunal.	4		
2. Whether it is merger or purchase			
3. If merger-pooling interest method of accounting, i purchase - the purchase method of accounting i applied.			
4. Check the disclosure requirements as per AS-14			
5. Check whether the scheme sanctioned prescribes different treatment to be given to reserves of the transferor company as compared to AS-14			
6. If yes, see whether deviation has been reported.			
7. Check whether the notes to accounts give the note regarding the previous year figure not comparable.	s		
14. Employees benefits (AS-15) (Revised 2005)			
1. Check type of enterprises - Level I or more than 50 employees or less than 50 employees.	0		

2.	Check short-term employee benefits are expensed at the time of rendering of services by the employees.		
3.	Check whether for post-employment benefits- defined contribution plans or defined benefit plans.		
4.	If defined benefits plans - go through the actuary reports.		
5.	Examine the assumptions made by the actuary are in compliance with AS-15.		
6.	Check whether projected unit credit method to measure the obligation is followed.		
7.	Examine the policy for employee benefits with reference to AS-15		
8.	Check whether all disclosures requirements are complied with AS-15		
9.	Check whether termination benefits (VRS) is expensed or if incurred upto 31.3.2009 is accordance with accounting policy.		
15.	Borrowing costs (AS-16)		
1.	Check whether enterprise has purchased or constructed any qualifying asset during the period.		
2.	If yes, whether borrowing cost is incurred.		
3.	Check amount of borrowing cost as per AS-16		
4.	Whether borrowing cost is capitalised.		
5.	Whether capitalisation of borrowing cost is as per AS- 16		
6.	Whether accounting policy as regard borrowing cost is disclosed.		
7.	Whether borrowing cost capitalised is disclosed as per accounting note.		
16.	Segment reporting (AS-17)		
1.	Check whether AS-17 is applicable		
2.	If yes, ask enterprise to make segment reporting.		
3.	Check whether segments are truly based on risk and reward.		
4.	Tally the segments revenue to total revenue in Profit and Loss Account		
5.	Tally the segments assets, segments liabilities with consolidated figure in Balance Sheet.		
6.	Check secondary segment reporting as pe AS-17		
7.	Check- same accounting policies followed for segment reporting as followed as preparation of financial statements.		
8.	If the reporting enterprise falls under the level-2 and level-3, the accounting standard is not applicable.		
17.	Related party disclosure (AS-18)		
1.	See whether AS-18 is applicable		
2.	If yes, follow the audit procedure prescribed in AAS- 23		
3.	Classify the related parties in to two categories -		

	control and significant influence		
4.	Whether disclosure is done as per AS-18		
5.	If required, get representation from management		
<u>6.</u>	In case of tax audit verify clause 18 of Form 3CD		
7.	If the reporting enterprise falls under the level-II and		
,.	lever-III the accounting standard is not applicable.		
18.	Accounting for Lease (AS-19)		
1.	Check lease agreement		
2.	Verify the Accounting policy as regards lease.		
3.	Classify the lease to be financial or operational.		
4.	If operating-check the accounting as per AS-19 for		
	lessor and lessee.		
5.	If financial lease check the accounting as per AS-19		
6.	In case of finance lease, verify the implicit rate of		
	interest/discounting factor.		
7.	If assets are acquired under H.P. system, the same		
	should be accounted for as per finance lease.		
8.	In case of sale of lease back, classify the lease.		
9.	Check whether accounting is done as per AS-19		
10.	Check the detailed disclosure requirements of AS-19		
11.	Check whether there is difference in accounting		
	income and taxable income due to lease, if yes create		
	deferred tax as per AS-22		
12.	Few disclosure requirements are not applicable to		
	level-II and level-III enterprises.		
19.	Earning per share (AS-20)		
1.	Check EPS as mentioned as per IV of schedule VI of		
	the Companies Act, 1956 is the basic EPS and has		
	been calculated as per AS-20		
2.	If it is listed company		
	- The basic and diluted EPS must be disclosed on the		
	face of profit and loss statement.		
	- Reconciliation of weighted number of shares and		
	profit available for equity shareholders is disclosed		
	through notes to accounts.Check whether basic or diluted EPS has been		
	disclosed with and without extraordinary		
	income/expenses.		
3.	Level - II and Level - III enterprises are not required to		
э.	disclose diluted earning per share.		
20.	Consolidated financial Statements (AS-21)		
1.	If company under audit is holding and is listed, AS-21		
••	applies.		
2.	Check whether the company is covered by exceptions		
	prescribed in AS-21		
3.	Consolidation required as per clause 32 of listing		
	agreement.		
4.	Consolidation procedure shall be as per AS-21		
5.	Check disclosure requirement as per AS-21 and		

	General Clarification (GC-5) issued by ICAI.					
6.	Check the particulars under section 212 of the					
0.	Companies Act, 1956.					
21.	Accounting for taxes on Income (AS-22)					
1.	Check whether AS-22 is applicable for enterprises					
-	under reporting.					
2.	Check whether accounting income and taxable income differ.					
3.	If yes, is it due to permanent or timing difference.					
4.	Ignore, if due to permanent difference. Create deferred tax for timing difference.					
5.	Apply prudence for recognising deferred tax asset.					
6.	Verify virtual certainty while creating deferred tax asset for an absorbed depreciation and carry forward losses.					
7.	Review deferred tax assets.					
8.	Apply transitional provision if applicable					
9.	Present deferred asset and deferred tax liability in balance sheet after investment and unsecured loan respectively.					
10.	Disclose break up of deferred tax assets and liabilities					
11.	Verify accounting policy as per AS-22					
12.	Verify other disclosure requirement as per AS-22					
	Verify other disclosure requirement as per AS-22 Accounting for investments in associates in consoli (AS-23)	datio	n fina	ncial st	atements	s
12.	Accounting for investments in associates in consoli (AS-23)	datio	n fina	ncial st	tatement	s
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1.	AS-25 is mandatory in case of listed company and banks				
2.	SEBI guidelines to be considered				
3.	Minimum components of an interim financial report to be disclosed.				
4.	Accounting policy should be the same as followed for annual accounts.				
5.	Generally discrete view is followed in AS-25 except for tax.				
6.	Selected explanatory statements to be enclosed.				
7.	Format given under AS-25 is suggestive not compulsory, generally listed company has to follow the format prescribed by SEBI.				
8.	AS is not applicable for Level - II and Level - III enterprises.				
25.	Intangible assets (AS-26)				
1.	Whether asset is intangible asset as per AS-26				
2.	Whether recognition criteria as per AS-26 are fulfilled				
3.	Useful life is presumed to be 10 years if contrary is not proved.				
4.	Residual value taken as NIL				
5.	Amortisation is on straight line method if pattern of benefit not established.				
6.	Goodwill as per AS-14 and 21 excluded.				
7.	Addition/subsequent expenditure to intangible				
8.	Intangible asset to be recognised on disposal or when no further benefit is expected.				
9.	If standard being applicable first time adjustment to any intangible asset as required by AS-26 to be made with opening reserve "Transitional Provision".				
10	Impairment losses to be recognised				
11.	Disclosure as per AS-26				
26.	Financial reporting of interest in joint venture (AS-2'	7)	!	11	
1.	Check joint venture agreement	<u> </u>			
2.	Classify type of joint venture into jointly controlled operation, jointly controlled assets or jointly controlled entity.				
3.	Check accounting in separate financial statements for jointly controlled operations and jointly controlled assets as per AS-27				
4.	Check accounting for jointly controlled entity in separate financial statement and if consolidated statement are prepared in consolidated financial statement.				
5.	Check transaction between a venture and a joint venture				
6.	Verify disclosure requirements as per AS-27				
7.	AS is not applicable to the extent of requirements				
	relating to consolidated financial statements to Level-				

	II and Level - III enterprises.				
27.	Impairment of assets (AS-28)				
1.	Has management reviewed/assessed the asset for				
	impairment?				
2.	Consider the indications.				
3.	Verify the future cash inflow				
4.	Assess the net selling price.				
5.	Verify the impairment loss				
6.	Where net selling price or value in use for individual				
	asset is not determinable, check the cash flow of Cash				
	Generating Unit (CGU)				
7.	Also consider goodwill, corporate asset and their				
	allocation.				
8.	Verify the impairment loss for Cash Generating Unit				
	(CGU).				
9.	Verify allocation of impairment loss in case of Cash				
	Generating Unit (CGU).				
10.	Check the disclosure requirements.				
11.	Accounting standard is applicable w.e.f. 1.4.2004 for				
	Level-I, 1.4.2006 for Level-II and 1.4.2008 for Level-				
	III enterprises.				
28.	Provisions, contingent liabilities and contingent asset	s (AS-	-29)	, , , , , , , , , , , , , , , , , , ,	
1.	Check whether there is present obligation as a result of				
	past event not recorded in books.		_		
2.	If yes, is it probable?				
3.	Can the amount be estimated reliability?				
4.	If yes, recognise the provision		_		
5.	If there is possible obligation or amount cannot be				
	estimated reliably-disclosure the contingent liability.				
6.	Ensure that happening of ever should not be remote				
	for contingent liability.		_		
7.	Ensure the disclosure requirement is met for				
	provisions and contingent liability.				
8.	Contingent asset neither recognise nor disclosed.				
9.	Few disclosure requirements are not applicable for				
	Level-II and Level-III enterprises.				

Annexure-III

{Ref: Para 7.4.7 (i)) (d)&, (xi)}

Title Sheet for Comments on Accounts

PART	- A	
1.	Name of the Company/	
2.	Name of the Party Personnel with dates of attendance	
2.	i. Supervisory Officer	
	ii. Assistant Audit Officer/Section Officer	
	iii. Auditors	
3.	Year of accounts	
<u> </u>	i Date when the financial statements were approved by the	
4.	Board of Directors	
	ii. Date of the Audit Report (Applicable where a separate	
	Statutory Auditors is appointed)	
	iii. Date of receipt of certified accounts along with Auditor's	
	Report (To be filled by MAB's HQ office)	
	iv. Period of Audit	
	v. Detail of extension sought for, if any, and the No. of days for	
	which extension granted beyond six weeks	
5.	Provisional Comments (To be filled by PAG/AG's HQ's office)	
5(i)	Date of issue of provisional comments to	
0(1)	i. Statutory Auditors	
	ii. Company	
5(ii)	Date of receipts of replies to the provisional comment from:-	
	(i) Statutory Auditors	
	(ii) Company	
5(iii)	Date of sending draft comments to Hqrs.	
6.	Date of the AGM in which the accounts for the previous year	
	were adopted.	
7.	Did the Audit Committee have a discussion with Auditors and	
	review the financial statements before their submission to the	
	Board of Directors	
8.	Whether Statutory Auditors attended the meetings convened for	
	planning and finalization of audit of accounts. If not details of	
	the meetings not attended. (To be filled by PAG/AG's HQ	
	office)	
9.	Whether all the Audit Enquiries have been replied to by the	
	Management/Statutory Auditors? If not, whether it has been	
1.0	brought to the personal attention of Chief Executive?	
10.	Whether all records/information required by Audit Team were	
	made available. If not, the details of records not produced to	
	Audit.	

PAR	ХТ-В	
1.	Review of Statutory Auditor's Report	
1.	Whether all the statutory assertions as specified in Sections 227(2) and (3) of the Companies Act 1956 have been stated in the Report	
2.	Whether the requirements of AAS 28 have been fulfilled as regards the forms and content of the Report (A check list is enclosed as Annexure-I)	
3.	Whether the Report includes the required statements on all matters specified in CARO 2003. Whether the following requirements of CARO 2003 have been complied withi. If the auditor is unable to report on any of the matters, whether	
	that fact has been indicated along with reasons.	
	ii. Whether the assessment made by statutory auditors on the adequacy of internal control system is consistent with other observation of the Auditors.	
	iii. Whether the report of auditor on maintenance of proper books of accounts under law is correct and verifid ¹	
4.	Qualifications in Auditor's Report Whether the requirements of Section 227(4) and Statement on qualifications in Auditor's Report as indicated below have been complied with.	
	i. Has the auditor stated the full information about the subject matter of qualification?	
	ii. Has the auditor stated the reasons for the qualifications?iii. Has the auditor stated all the qualifications in their report itself and also without referring to a report made in earlier year?	
	iv. If any note to accounts is a subject matter of qualification, whether the auditor has stated the full subject matter of the note in his qualifications, instead of making a reference to the note.	
	v. Whether the auditor has stated, wherever possible, the effect of individual qualification and total effect of all the qualification on profit or loss or state of affairs.	
	vi If it is not possible to quantify the effect of qualifications accurately, whether the auditor has stated the effect on th basis of estimates made by the management, after indicating the fact that the figures were based on management estimates.	

^{1&}lt;sup>1</sup>The purpose of this item is to verify the audit observations relating to non-maintenance of proper books of records required by the Companies Act and/or any other relevant Act with reference to records of the company. There is no need to examine all the records of the company but where the statutory auditor has made audit observations on this aspect, only those observations need to be examined and not all the records.

5.	Whether the auditor has furnished the report u/s 619(3)(a) along	
	with Auditor's Report u/s 227. If not the date of receipt of report.	
6.	Has the auditor complied with all directions issued u/s 619(3)(a)	
	and sub-directions issued?	
7.	Whether Statutory Auditors has shared his working papers with	
	the Audit Team as and when asked for.	
8.	Whether the opinions expressed by the auditor on the financial	
	statements is fair keeping in view their qualifications.	
9.	If the auditor has revised his Audit Report, whether the same is	
	in accordance with 'Guidance Note on Revisions of Auditor's	
	Report'.	
10	Whether Statutory Auditors has issued any communication to	
	those charged with Governance under AAS 27? If yes, whether	
	the same has been reviewed ²	
11.	Is there any material evidence regarding non-compliance with	
	any Auditing and Assurance Standards by the Auditor? ³	
II	Review of Financial Statements	
	Whether the following have been verified?	
1.	Whether the Balance Sheet and Profit and Loss Account have	
	been prepared in the forms set out in Schedule VI-Part I and Part	
	II of the Companies Act 1956 respectively.	
2.	Whether the Balance Sheet abstract and company's general	
	business profile have been stated in prescribed format as	
	business profile have been stated in prescribed format as required in Part IV, Schedule VI of the Act.	
3.	required in Part IV, Schedule VI of the Act.	
3.	1 1	
3.	required in Part IV, Schedule VI of the Act. Whether financial Statements have been approved by Board of	
3.	required in Part IV, Schedule VI of the Act. Whether financial Statements have been approved by Board of Directors as required under Sections 215(3) if the Companies	
3.	required in Part IV, Schedule VI of the Act. Whether financial Statements have been approved by Board of Directors as required under Sections 215(3) if the Companies Act 1956 and authenticated as required under Section 215(1) of	
	required in Part IV, Schedule VI of the Act. Whether financial Statements have been approved by Board of Directors as required under Sections 215(3) if the Companies Act 1956 and authenticated as required under Section 215(1) of the Act.	
	required in Part IV, Schedule VI of the Act. Whether financial Statements have been approved by Board of Directors as required under Sections 215(3) if the Companies Act 1956 and authenticated as required under Section 215(1) of the Act. Whether all significant Accounting policies have been disclosed. ⁴	
4.	required in Part IV, Schedule VI of the Act. Whether financial Statements have been approved by Board of Directors as required under Sections 215(3) if the Companies Act 1956 and authenticated as required under Section 215(1) of the Act. Whether all significant Accounting policies have been	
4.	 required in Part IV, Schedule VI of the Act. Whether financial Statements have been approved by Board of Directors as required under Sections 215(3) if the Companies Act 1956 and authenticated as required under Section 215(1) of the Act. Whether all significant Accounting policies have been disclosed.⁴ Whether the Accounting Policies form Part of the financial 	
4.	required in Part IV, Schedule VI of the Act. Whether financial Statements have been approved by Board of Directors as required under Sections 215(3) if the Companies Act 1956 and authenticated as required under Section 215(1) of the Act. Whether all significant Accounting policies have been disclosed. ⁴ Whether the Accounting Policies form Part of the financial statements.	

 $^{2^{2}}$ Communication under AAS 27 can be reviewed either before taking up or during the supplementary audit to review the observations of statutory audit contained therein which may be helpful in deciding the scope and extent of supplementary audit.

 $^{3^{3}}$ To be reported only on exception basis if some convincing evidence indicating material non-compliance of AAS are noticed during the normal course of supplementary audit.

^{4&}lt;sup>4</sup>List of the areas where the entity should frame accounting policy as given in AS-I, can be considered as significant areas. In addition to this, based on the experience, MAB office may be aware of the major significant areas where the company should have an accounting policy. Such examination is not necessary during supplementary audit, it can be done before the start of audit or any part of the year as change in Accounting Policies is not a routine feature of a company and most of the accounting polices remain the same.

	Standards/relevant laws.	
7.	If there is a change in accounting policy, whether such change	
	has approval of the competent authority.	
8.	Whether auditor have signed their report only after adoption of	
	previous years accounts in AGM as required in Companies Act	
	1956 and letter of appointment of auditor.	
9.	Whether unusual transactions have been dealt within accounts	
	properly. If no, has the Auditor given sufficient comment on it?	
10.	Whether test checks revealed that AAS 21 regarding due	
	consideration of laws & regulations has been followed by the	
	Auditor is adequately reported?	
III	Compliance with Accounting Standards (AS)	
1.	Whether the financial statements complied with the AS as	
	required in Section 211 (3A) of Companies Act 1956.	
2.	Cases of non compliance if any noticed during test check (A	
2	<i>check list is enclosed as</i> Annexure -II)	
3.	(i) Whether the company has made disclosures as required in	
4	Section 211 (3B) of Companies Act 1956 and	
4	(ii) If not, whether the Statutory Auditors has stated the non-	
IV	compliance in their report. Compliance with Assurances :	
1 V	Whether the company has complied with all the assurances	
	given to audit in the previous year (s).	
V	Compliance with requirements of Regulatory Authorities	
v	relating to preparation and presentation of financial	
	statement/accounts	
	Whether the requirement of any, regulatory authorities viz SEBI, IRDA RBI,	
	BPE, NHB and Administrative Ministry etc. with regard to financial reporting	
	been complied with by the Company? If not, indicate whether specific non-	
VI	compliance has been pointed out. Recommendations of Supervisory Officer	
<u>v i</u> 1.	Whether any change in time allotted is necessary for future	
1.	audit?	
2.	What are the areas to be focused on in transactions audit?	
3.	Other recommendations/remarks	
		1
Part	- C	
(The	matter included in this part are not exhaustive, PAG/AG office	may include
other	matter according to their requirement) 1	
1	Whether all the points indicated in the register of important	

1.	Whether all the points indicated in the register of important	
	points marked for verification in the accounts audit by the OAD	
	section have been reviewed and action taken	

2.	Whether list of audit points, which may have some audit value	
	for other RAPs been attached.	
3.	Whether the Statutory Auditor's report and the audited accounts	
	of units not selected for audit been reviewed.	
4.	Whether contribution statement with money value and the name	
	of the RAP/LAP official been attached.	
5.	A list indicating allocation of duty amongst the party members to	
	be attached along with a certificate signed by all the members of	
	the audit party that duty assigned to him or her was completed.	

Submitted to Sr. DAG/DAG

Signature of Sr. AO/AO I/C of Party

ANNEXURE-IV-A

{Referred to in Para-7.4.4}

Under Section 143(5) of the new Companies Act, the directions to be given by the CAG to the Statutory Auditors will form part of the Statutory Auditors Report. Accordingly, in keeping with the provision of the Section 143(5) of the Companies Act, 2013 directions under Section 619(3) (a) have been revised as under-:

Directions under section 143(5) of Companies Act 2013

Applicable from the year 2014-15 and onwards

(Authority: CAWI/AA/Direction/2013-14/K-555)(

SI. No.	Directions						
1.	If the Company has been selected for disinvestment, a complete status report in terms of						
	valuation of Assets (including intangible assets and land) and Liabilities (including						
	committed and General Reserves) may be examined including the mode and present stage of						
	disinvestment process.						
2.	Please report whether there are any cases of waiver/ write off of debts/loans/interest etc. If						
	yes, the reasons there for and the amount involved.						
3.	Whether proper records are maintained for inventories lying with third parties and assets						
	received as gift from Govt. or other authorities.						
4.	A report on age-wise analysis of pending legal/ arbitration cases including the reasons of						
	pendency and existence / effectiveness of a monitoring mechanism for expenditure on all						
	legal cases (foreign and local) may be given.						

Further, advised to examine the compliance with section 22 of the MSMED Act, 2006 by the company and report the extent of non-compliance in the Audit report.

Declaration regarding adherence to the Code of Ethics of the Comptroller and Auditor General of India

(Authority: CAWI/AA/Direction/2013-14/K-555)(

Based on the International best practices and also incorporates the values and principles contained in the Central Civil Services (Conduct) Rules, 1964 and broad principles contained in ISSAI 30(INTOSAI Standards for Supreme Audit Institution) a Code of Ethics for the organization was adopted. All individuals working for or on behalf of the CAG who are engaged in assisting him in the discharge of his duties and responsibilities as enshrined in the Constitution of India should give an undertaking in the format as mentioned in chapter v of this manual

Annexure-IV-B

(Ref para 7.4.9)

Form of communication of comments

A. (Format of Certificate for conducting Supplementary audit of financial statements and issue of Comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^*$ of the Act is/are responsible for expressing opinion on these financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143(6) (a) of the Act of the financial statements of (Name of the company) for the year ended 31 March (year). This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

- A. Comments on Profitability
- B. Comments on Financial Position
- C. Comments on Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditors' Report
- F. Other Comments

(May be arranged in order of decreasing importance)

For and on the behalf of the Comptroller and Auditor General of India

Place: Date:

Signature

Name of the PAG/AG

[.] In Case of first auditor appointed by the CAG

B. (Format of Certificate for conducting Supplementary audit of financial statements and issue of Nil Comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^1$ of the Act is/are responsible for expressing opinion on these financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143 (6) (a) of the Act of the financial statements of (Name of the company) for the year ended 31 March (year). This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comments upon or supplement to Statutory Auditors' report.

For and on the behalf of the Comptroller and Auditor General of India

^{1&}lt;sup>1</sup>In Case of first auditor appointed by the CAG

Place: Date:

> Signature Name of the PAG/AG

A. (Format of Certificate for not conducting Supplementary audit of financial statements)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^{1}$ of the Act is/are responsible for expressing opinion on these financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have decided not to conduct the supplementary audit of financial statements of (name of Company) for the year ended 31 March (year) and as such have no comments to make under Section 143 (6)(b) of the Act.

For and on the behalf of the Comptroller and Auditor General of India

^{1&}lt;sup>1</sup>In Case of first auditor appointed by the CAG

Place: Date:

> Signature Name of the PAG/AG

D (Format of Certificate for conducting Supplementary audit of financial statements, revision of financial statements and consequent issue of Nil Comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^{1}$ of the Act is/are responsible for expressing opinion on these financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143(6) (a) of the Act of the financial statements of (Name of the company) for the year ended 31 March (year). This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. In view of the revision made in the financial statements by the management, as a result of my audit observations highlighted during supplementary audit as indicated in the Note No. of the financial statements, I have no further

^{1&}lt;sup>1</sup>In Case of first auditor appointed by the CAG

comments to offer upon or supplement to the Statutory Auditors' Report, under Section 143(6)(b) of the Act.

For and on the behalf of the Comptroller and Auditor General of India

Place: Date:

> Signature Name of the PAG/AG

E (Format of Certificate for conducting Supplementary audit of financial statements, revision of financial statements and consequent issue of Comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^{1}$ of the Act is/are responsible for expressing opinion on these financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143(6)(a)of the Act of the financial statements of (Name of the company) for the year ended 31 March (year). This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. The financial statements of the company have been revised by the management to give effect to some of my audit observations highlighted during supplementary audit as indicated in the Note No.-of the financial statements. In addition, I would like to highlight the following significant matters under section 143(6)(b) of the Act which

^{1&}lt;sup>1</sup>In Case of first auditor appointed by the CAG

have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

- A. Comments on Profitability
- B. Comments on Financial Position
- C. Comments on Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditors' Report
- F. Other Comments

(May be arranged in order of decreasing importance)

For and on the behalf of the Comptroller and Auditor General of India

Place: Date:

Signature Name of the PAG/AG

A. (Format of Certificate for conducting Supplementary audit of consolidated financial statements and issue of Comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of consolidated financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^1$ read with section 129(4) of the Act is/are responsible for expressing opinion on these financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143(6) (a) read with section 129(4) of the Act of the consolidated financial statements of (Name of the company) for the year ended 31 March (year). We conducted a supplementary audit of the financial statements of (Name of Company, subsidiary) but did not conduct of supplementary audit of financial statements of (Name of subsidiaries, associate companies and joint controlled entities)² for the year ended on the date. This supplementary audit has been carried out independently without access to the working

^{1&}lt;sup>1</sup> In Case of first auditor appointed by the CAG

 $^{2^2}$ If the number exceeds three the same may be listed in as **Annexure**

papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the consolidated financial statements and the related audit report:

- A. Comments on consolidated Profitability
- B. Comments on consolidated Financial Position
- C. Comments on consolidated Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditors' Report on consolidated financial statements

F. Other Comments

(May be arranged in order of decreasing importance)

For and on the behalf of the Comptroller and Auditor General of India

Place: Date:

Signature Name of the PAG/AG

B. (Format of Certificate for conducting Supplementary audit of consolidated financial statements and issue of Nil Comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of consolidated financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^1$ read with section 129(4) of the Act is/are responsible for expressing opinion on these financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143(6) (a) read with section 129(4) of the Act of the consolidated financial statements of (Name of the company) for the year ended 31 March (year). We conducted a supplementary audit of the financial statements of (Name of Company, subsidiary) but did not conduct of supplementary audit of financial statements of (Name of subsidiaries, associate companies and joint controlled entities)² for the year ended on the date. This supplementary audit has been carried out independently without access to the working

^{1&}lt;sup>1</sup> In Case of first auditor appointed by the CAG

 $^{2^2}$ If the number exceeds three the same may be listed in as **Annexure**

papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my audit nothing significant has come to my knowledge which would give rise to any comments upon or supplement to statutory auditors' report.

For and on the behalf of the Comptroller and Auditor General of India

Place: Date:

> Signature Name of the PAG/AG

C. (Format of Certificate for not conducting Supplementary audit of consolidated financial statements)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of consolidated financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^1$ read with section 129(4) of the Act is/are responsible for expressing opinion on these financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have decided not to conduct the supplementary auditof consolidated financial statements of (name of Company) for the year ended 31 March (year) and as such have no comments to make under Section 143 (6)(b) read with section 129(4) of the Act.

For and on the behalf of the Comptroller and Auditor General of India

^{1&}lt;sup>1</sup> In Case of first auditor appointed by the CAG

Place: Date:

> Signature Name of the PAG/AG

D. (Format of Certificate for conducting Supplementary audit of consolidated financial statements, revision of consolidated financial statements and consequent issue of Nil Comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of consolidated financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^1$ read with section 129(4) of the Act is/are responsible for expressing opinion on these financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143(6) (a) read with section 129(4) of the Act of the consolidated financial statements of (Name of the company) for the year ended 31 March (year). We conducted a supplementary audit of the financial statements of (Name of Company, subsidiary) but did not conduct of supplementary audit of financial statements of (Name of subsidiaries, associate companies and joint controlled entities)² for the year ended on the date.

^{1&}lt;sup>1</sup> In Case of first auditor appointed by the CAG

 $^{2^2}$ If the number exceeds three the same may be listed in as **Annexure**

This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

In view of the revision made in the financial statements by the management, as a result of my audit observations highlighted during supplementary audit as indicated in the Note No. of the of consolidated the financial statements, I have no further comments to offer upon or supplement to the statutory auditors' report, under Section 143(6)(b) read with section 129(4) of the Act.

For and on the behalf of the Comptroller and Auditor General of India

Place: Date:

Signature Name of the PAG/AG

E. (Format of Certificate for conducting Supplementary audit of consolidated financial statements, revision of consolidated financial statements and subsequent issue of Comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (NAME OF COMPANY) FOR THE YEAR ENDED 31 MARCH (YEAR).

The preparation of consolidated financial statements of (Name of Company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under Section 139(5) or $139(7)^1$ read with section 129(4) of the Act is/are responsible for expressing opinion on these financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143(6) (a) read with section 129(4) of the Act of the consolidated financial statements of (Name of the company) for the year ended 31 March (year). We conducted a supplementary audit of the financial statements of (Name of Company, subsidiary) but did not conduct of supplementary audit of financial statements of (Name of subsidiaries, associate companies and joint controlled entities)² for the year ended on the date.

^{1&}lt;sup>1</sup> In Case of first auditor appointed by the CAG

 $^{2^2}$ If the number exceeds three the same may be listed in as **Annexure**

This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

The consolidated financial statements of the company have been revised by the management to give effect to some of my audit observations highlighted during supplementary audit as indicated in the Note No.-of the consolidated financial statements. In addition, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4)of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

- A. Comments on consolidated Profitability
- B. Comments on consolidated Financial Position
- C. Comments on consolidated Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditors' Report on consolidated financial statements
- F. Other Comments

(May be arranged in order of decreasing importance)

For and on the behalf of the Comptroller and Auditor General of India

Place: Date

> Signature Name of the PAG/AG

Annexure-V

(Ref. Para 7.5., 7.5.1.2)

Draft Separate Audit Report of the Comptroller and Auditor General of India on the Accounts of Rajasthan State Road Transport Corporation for the year ended 31 March -----

We have audited the attached Balance Sheet of Rajasthan State Road Transport Corporation (Corporation) as at 31 March ----- and the Profit & Loss Account for the year ended on that date under Section 33 (2) of the Road Transport Corporations Act, 1950. These financial statements include the accounts of ----- Depots and -- Workshops besides Head Office of the Corporation. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

This Separate Audit Report contains the comments of the Comptroller & Auditor General of India (C&AG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Laws, Rules & Regulations (Propriety and Regularity) and efficiency-cumperformance aspects etc., if any, are reported through Inspection Reports/CAG's Audit Reports separately.

We have conducted our audit in accordance with Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- **ii.** The Balance Sheet and Profit and Loss Account dealt with by this report have been drawn up in the format approved by the Government of Rajasthan under Section 33 (1) of the Road Transport Corporations Act, 1950.
- iii. In our opinion, proper books of accounts and other relevant records have been maintained by the Corporation as required under Section 33 (1) of the Road Transport Corporations Act, 1950 in so far as it appears from our examination of such books.
- **iv.** We further report that the original accounts of the Corporation disclosed a net loss carried to the Balance Sheet of Rs.--- crore. As a result of the CAG's audit, the accounts were revised by the Corporation and the revised accounts disclosed net loss carried to the Balance Sheet of Rs....crore. The following further observations are made on the accounts:
- A. Balance Sheet

B. Profit & Loss Account

C. General

Significant Accounting Policies and Notes on Accounts

- v. Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts and subject to the significant matters stated above and other matters mentioned in **Annexure**-1 to this Audit Report give a true and fair view in conformity with accounting principles generally accepted in India:
 - a. In so far as it relates to the Balance Sheet, of the state of affairs of the Corporation as at 31 March ------; and
 - b. In so far as it relates to the Profit and Loss Account, of the loss for the year ended on that date.

On the basis of comments of CAG, the position of net loss for the year and Assets and Liabilities would be as under:

			(` in crore)
Head	Figures shown by the Corporation in the revised accounts	Figures should have been after considering the comments of CAG	Difference
Net loss for the year			
Reserves			
Provisions			
Current Liabilities			
Capital Expenditure			
Sundry Debtors			
Cash and Bank Balance			

For and on of behalf of the C&AG of India

Accountant General (E&RSA) Rajasthan, Jaipur

Annexure-1 to Audit Report

(i). Adequacy of Internal Audit System: The Corporation has its own internal audit wing to carry out internal audit under overall control of Financial Advisor and Chief Accounts Officer. There are -----accounting units (including head office) which are to be audited annually by the internal audit wing. There is pendency in internal audit of all the units for the year -----.Furthermore, the internal audit of head office and centralized purchase cellinvolving huge expenditure was not conducted.

Observations of Internal audit parties are reported to the Financial Advisor and very important matters are reported to Managing Director. However, there is no system of reporting the important observations to the Board of Directors. Further, system of compliance of internal audit observations was not effective as ------ paras of internal audit reports for the year ------ and onwards were pending for settlement.

Thus, the Corporation should ensure timely conducting of internal audit of all the units and improve its internal audit system by covering head office and purchase cell, periodical reporting of important observations to the Board of Directors and prompt settlement of internal audit observations.

(ii). Adequacy of Internal Control System: The Corporation has codified various manuals prescribing system and procedures to carry out all the activities including the duties and responsibilities of the officers for carrying out such activities. The system and procedures prescribed in the manual was also found satisfactory. Thus, the system of internal control is overall adequate and satisfactory.

(iii). System of Physical verification of Fixed Assets: As provided under rule 34 of the Rajasthan State Road Transport Corporation Rules, 1964, a physical verification of all the assets of the Corporation should be carried out at least once a year by officers of the Corporation specially authorized in this behalf who should not be the custodians thereof. However, the physical verification

of land and building was never conducted. No material deficiency was noticed during physical verification of other fixed assets. The Corporation should introduce a system for conducting physical verification of all the fixed assets including land and buildings at regular interval of one year.

(iv). System of Physical verification of Inventory: As provided under rule 34 of the Rajasthan State Road Transport Corporation Rules, 1964, a physical verification of all the inventories should be carried out at least once a year by officers of the Corporation specially authorized in this behalf who should not be the custodians thereof. Accordingly, the stock verification was carried out of all the inventories at regular interval of one year. The result of the verification indicating the shortages or excesses or both are prepared in writing and the orders of the Corporation or the competent authority are obtained to regularize the same.

(v). **Regularity in payment of statutory dues:** All the undisputed statutory payments are made on time and there were no outstanding dues for more than six months as on 31 March ----- except SRT of Rs.----- crore, the provision of which has been made in the accounts.

(vi). Risk in Reporting Advance to Staff (Pay & TA):

(vii). Risk in Reporting and claiming Tax Deducted at Source:

(viii). Any other observation on the functioning of the Corporation which suggests a significant risk to financial reporting: The Corporation has --- accounting units including head office which prepares annual financial statements. Annual accounts of these accounting units were compiled at head office. These units were not considered as profit centers and proper accounting principles were not followed in keeping accounts and preparing annual accounts at units. Accounts of these units are largely based on actual payment basis and necessary adjustments were made at head office level. Non observance of proper accounting principles at unit level increases risk to financial reporting.

Senior Resident Audit Officer

Annexure-VI

{Referred to in Para 7.5.2.2(a)}

Draft Separate Audit Report of the Comptroller and Auditor General of India on the Accounts of Rajasthan Financial Corporation for the year 31 March (Year)

The preparation of the financial statements of Rajasthan Financial Corporation for the year ended 31 March ------in accordance with financial reporting framework prescribed under the State Financial Corporations Act, 1951 and the generally accepted accounting principles is the responsibility of the management of the Corporation. The Statutory Auditors appointed by the Shareholders out of the panel of Auditors approved by the Reserve Bank of India under section 37 (1) of the State Financial Corporations Act, 1951 are responsible to express an opinion on these financial statements based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body- the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated -------.

This Separate Audit Report contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules & regulations (Propriety and Regularity) and efficiency-cum-performance aspects, etc., if any are reported through Inspection Reports/CAG's Audit Reports separately.

We, on behalf of the Comptroller and Auditor General of India, have conducted the audit of the financial statements of the above said Corporation for the year ended 31 March 2008 under section 37 (6) of the State Financial Corporations Act, 1951. This audit has been carried out

independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the statutory auditors and the Corporation's personnel and a selective examination of some of the accounting records. Based on our audit, we would like to highlight the following significant matters under section 37 (6) of the State Financial Corporations Act, 1951 which have come to our attention and which in our view are necessary for enabling a better understanding of the financial statements and the related Audit Report issued by the Statutory Auditors.

(A) BALANCE SHEET

(B) PROFIT & LOSS ACCOUNT

- (I). Expenditure
- (II). Income
- (C). ACCOUNTING POLICIES & NOTES (Schedule-Q)

For and on the behalf of The Comptroller and Auditor General of India

Place:-Jaipur Date:

> Accountant General (E&RSA) Rajasthan, Jaipur

Information as required by the Central Office vide their letter no. 228 CA.II/113-78 dated 27.2.80 in respect of Rajasthan Financial Corporation, Jaipur for the year ended on 31 March, 2008.

a)	Date of approval of accounts by the Board of Directors	:	
b)	Date of certification by the Statutory Auditors	:	
c)	Date of receipt of accounts (approved)	:	
d)	Date of commencement and completion of audit	:	
e)	Date of issue of draft comments to	:	
	Management :		
	Auditors		
f)	Date of receipt of draft replies from	:	
	Management		
	Auditors		
g)	Proposed date of Annual General Meeting	:	

Sr. Audit Officer/CAW-I

SECRET

Shri..... Secretary to the Government, Industries Department, Rajasthan, Jaipur

Subject:-Audit Report on the accounts of Rajasthan Financial Corporation for the year ended 31 March -----

Sir,

I enclose the Audit Report on the accounts of Rajasthan Financial Corporation for the year ending on 31 March ------

The date of presentation of the Audit Report before the State Legislature may be intimated to this office. In case Hindi version of this Report is prepared by the State Government for presentation before State Legislature along with the English version, it may please be indicated in the Hindi version that the original Report is in English and in case of doubt; the original English version should be treated as authentic.

The Audit Report may please be treated as 'Secret' till it is presented before the State Legislature.

The receipt of this letter along with the Audit Report may please be acknowledged

Encl: As above.

Yours faithfully,

Place:-Jaipur Date:-

Accountant General (E&RSA) Rajasthan, Jaipur

SECRET

No. CAW-I/AA/RFC/2007-08/K- /D-

Dated:

Copy alongwith a copy of Audit Report forwarded to the Chairman and Managing Director, Rajasthan Financial Corporation, Jaipur for information. The Audit Report may please be treated as "Secret" till it is presented before the State Legislature by the Government.

Encl.: As above

Place:-Jaipur Date:-

Accountant General (E&RSA) Rajasthan, Jaipur

No. CAW-I/AA/RFC/2007-08/K- /D-

Dated:

Copy alongwith a copy of Audit Report as issued to the State Government forwarded to the Comptroller and Auditor General of India (Commercial Audit Wing,)10, Bahadur Shah Zafar Marg, New Delhi-110124 for information with reference to Headquarters office letter No. /CA-II/Raj/Report/RFC/ dated .

Sl. No	Name of Company/ Corporation	Category /reference of para in audit certificate issued under section 37(6) of SFC Act, 1951	Matrix grade	Matrix Weight	Period of accounts	Mone y Value (Rs. in lakh)	Weight Money Value (Rs. in lakh)
		Total					

Encl.: As above

Place:-Jaipur Date:-

Accountant General (E&RSA) Rajasthan, Jaipur

Information as required by the Central Office vides their letter No. C.A.-II/Coordn./MAE/2002-03/ 55-2003 dated 8.10.2003 in respect of Rajasthan Financial Corporation for the year ending on 31 March, -----

Sr. Audit Officer/CAW-I

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Annexure-VII

(Ref: Para7.6)

<u>Draft Audit Report of the Comptroller and Auditor General of India on the Proforma</u> <u>Accounts of (name of the Departmental Undertaking) for the year ended 31March—</u>

We have audited the Proforma accounts of the (indicate the name of Departmental Undertaking) consisting of Balance sheet as at 31 March ------ (year) and Manufacturing Account/Trading Account/ Profit & Loss Accounts (strikeout which is not applicable) for the year ended on that date under Section 13 (c) of theComptroller and Auditor General's (Duties, (indicate section and name of the relevant Act) read with orders (if applicable) These financial statement include the accounts of units/branches(strikeout which is not applicable). These Performa accounts are the responsibility of the Departmental Undertaking. Our responsibility is to express opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by managements, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, we report that:

i. We have obtained all information and explanations, except as stated here under (strikeout which is not applicable) which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. The Balance Sheet and Manufacturing Account/Trading Account/ Profit & Loss Accounts have been drawn up in the format approved by the ------ (mention the name of the authority approving the format of the Proforma accounts) under Section/Rules------(mention the relevant Section of the Undertaking).

iii. In our opinion, proper books of accounts and other relevant records have been maintained by the (name of Departmental Undertaking) as required under section ------ (mention the relevant Section of the Undertaking) in so far as it appears from our examination of such books .

We further report that

Balance Sheet

Manufacturing account/Trading Account/Profit & Loss Account

Accounting Policies

General

(Note: Significant Audit observations on financial transactions may be classified in to above categories)

Subject to our observations in preceding paragraphs, we report that the Balance Sheet and Manufacturing account/ Trading Account/Profit & Loss Account delt with by this report are in agreement with the books of accounts.

In our opinion and to the best of our information and according to the explanations given to us, the said Proforma Accounts read with the Accounting Policies and the Notes on Accounts and subject to the significant matters stated above give a true and fair view in conformity with accounting principles generally accepted in India:

a. In the case of Balance Sheet, of the state of affairs of the ------ (name of Departmental Undertaking) as at 31 March -----and

b. In the case of the Profit & Loss Account of the profit /loss for the year ended on that date.

For and on the behalf of the Comptroller & Auditor General of India

Place: Date:

Accountant General

Annexure-I

An auditor may not be able to express an unqualified opinion when either of the following circumstances exists and, in the auditors' judgment, the effect of the matter is or may be material to the financial statements:

(a) There is a limitation on the scope of the auditor's work; or

(b) There is a disagreement with management regarding the applicability of the accounting policies selected, the method of their application or the adequacy of financial statement disclosures.

The circumstances described in (a) could lead to a qualified opinion or a disclaimer of opinion. The circumstances described in (b) could lead to a qualified opinion or an adverse opinion.

A Qualified opinion should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management is not so material and pervasive as to require an adverse opinion, or limitation on scope is not so material and pervasive as to require a disclaimer of opinion. A qualified opinion should be expressed as being 'subject to' or except for 'the effect of the matter to which the qualification relates.

A disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient

appropriate audit evidence, accordingly, unable to express an opinion on the financial statements.

An adverse disclaimer of opinion should be expressed when the disagreement is so material and pervasive to the financial statement that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements

Whenever the express opinion that is other then unqualified, a clear description of all the substantive reasons should be included in the report and, unless impracticable, a quantification of the possible effect(s), individually and in aggregate, on the financial statements should be mentioned in the auditor's report.

Example of disclaimers:

For limitation of scope as a whole

The circumstances which warrant to issue of disclaimer of opinion may be suitably substantiated depending on the circumstances and relating to the specific matters in the financial statements.

Because of the significance of the matters discussed in the preceding paras, we are not able to express an opinion on the financial statements of (name of Departmental Undertaking) for the year-----

Annexure II

Examples of the adverse opinion are as under:

v. Subject to our Observations in preceding paragraphs, we report that the Balance Sheet and Manufacturing account/ Trading &Profit & Loss Account delta with this report are agreement with the books of accounts

vi. In our opinion and to the best of our information and according to the explanations given to us, the said Proforma Accounts read together with the Accounting Policies and the Notes on Accounts, and subject to the significant matters stated above do not give a true and fair view in conformity with accounting principles generally accepted in India:

a. In the case of Balance Sheet, of the state of affairs of the (name of Departmental Undertaking) as at 31 March -----and

b. In the case of the Profit & Loss Account of the profit /loss for the year ended on that date.

Note: Books may be in agreement but even then an adverse opinion can be given if the effect meets the above criteria.

Annexure III

Disclaimer of opinion: Where the auditor is unable to arrive at an opinion regarding financial statements taken as a whole due to an uncertainty or scope restriction that is so fundamental that an opinion, which is qualified in certain respects, would not be adequate, a disclaimer is given. The wording of such a disclaimer makes clear that an opinion cannot be given, specifying clearly and concisely all matters of uncertainty.

It is customary to provide a detailed report amplifying the opinion in circumstances in which it has been unable to give an unqualified opinion.

The circumstances which warrant to expressing a disclaimer of opinion may be:

Limitation on scope of audit: for instance a situation that may include the auditee's imposed restrictions upon audit, restrictions beyond the auditee's control or existence of other conditions precluding necessary audit procedures.

Appendix-III

(Ref to para7.4.7 (V))

Companies (cost records and audit) Rules, 2014

Ministry of Corporate Affairs

NOTIFICATION

New Delhi, the 30th June, 2014

G.S.R. 425 (E).—In exercise of the powers conferred by sub-sections (1) and (2) of section 469 and section 148 of the Companies Act, 2013 (18 of 2013) and in supersession of Companies (Cost Accounting Records) Rules, 2011; Companies (Cost Audit Report) Rules, 2011; Cost Accounting Records (Telecommunication Industry) Rules, 2011; Cost Accounting Records (Petroleum Industry) Rules, 2011; Cost Accounting Records (Electricity Industry) Rules, 2011; Cost Accounting Records (Sugar Industry) Rules, 2011; Cost Accounting Records (Fertilizer Industry) Rules, 2011 and Cost Accounting Records (Pharmaceutical Industry) Rules, 2011, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules, namely:-

1. Short title and commencement.-(1) These rules may be called the Companies (cost records and audit) Rules, 2014.

(2) They shall come into force on the date of publication in the Official Gazette.

2. Definitions: In these rules, unless the context otherwise requires -

(a) "Act" means the Companies Act, 2013 (18 of 2013);

(b) "Cost Accountant in practice" means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959), who holds a valid certificate of practice under sub-section (1) of section 6 of that Act and who is deemed to be in practice under sub-section (2) of section 2 thereof, and includes a firm or limited liability partnership of cost accountants;

(c) "cost auditor" means a Cost Accountant in practice, as defined in clause (b), who is appointed by the Board;

(d) "cost audit report" means the report duly audited and signed by the cost auditor including attachment, **Annexure**, qualifications or observations etc. to cost audit report;

(e) "cost records" means books of account relating to utilisation of materials, labour and other items of cost as applicable to the production of goods or provision of services as provided in section 148 of the Act and these rules;

(f) "form" means a form annexed to these rules;

(g) "institute" means the Institute of Cost Accountants of India constituted under the Cost and Works Accountants Act, 1959 (23 of 1959);

(h) all other words and expressions used in these rules but not defined, and defined in the Act or in the Companies

(Specification of Definition Details) Rules, 2014 shall have the same meanings as assigned to them in the Act or in the said rules.

3. Application of cost records—For the purpose of sub-section (1) of section 148 of the Act, the following class of companies, including Foreign Companies defined in sub-section (42) of section 2 of the Act, shall be required to include cost records in their books of account, namely:-

- (A) Companies engaged in the production of following goods in strategic sectors, such as:
- (a) (i) machinery and mechanical appliances used in defence, space and atomic energy sectors excluding any ancillary item or items; Explanation: - For the purposes of this subclause, any company which is engaged in any item or items supplied exclusively for use under this clause, shall be deemed to be covered under these rules.

(ii) turbo jets and turbo propellers;

(iii) arms and ammunitions;

(iv) propellant powders; prepared explosives, (other than propellant powders); safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators;

(v) radar apparatus, radio navigational aid apparatus and radio remote control apparatus;

(vi) tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons and parts of such vehicles, that are funded (investment made in the company) to the extent of ninety per cent or more by the Government or Government Agencies;

(b) provisions of clause (A) shall be applicable, if the net worth of the company is rupees five hundred crore or more or the turnover is rupees five hundred crore or more.

(B) Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government:

(i) Port services of stevedoring, pilotage, hauling, mooring, re-mooring, hooking, measuring, loading and unloading services rendered by a Port in relation to a vessel or goods regulated by the Tariff Authority for Major Ports under section 111 of the Major Port Trusts Act, 1963(38 of 1963);

(ii) Aeronautical services of air traffic management, aircraft operations, ground safety services, ground handling, cargo facilities and supplying fuel rendered by airports and regulated by the Airports Economic Regulatory Authority under the Airports Economic Regulatory Authority of India Act, 2008 (27 of 2008);

(iii) Telecommunication services made available to users by means of any transmission or reception of signs, signals, writing, images and sounds or intelligence of any nature (other than broadcasting services) and regulated by the Telecom Regulatory Authority of India under the Telecom Regulatory Authority of India Act, 1997 (24 of 1997);

(iv) Generation, transmission, distribution and supply of electricity regulated by the relevant regulatory body or authority under the Electricity Act, 2003 (36 of 2003), other than for captive generation (as defined under the Electricity Rules 2005);

(v) Steel;

(vi) Roads and other infrastructure projects;

(vii) Drugs and Pharmaceuticals;

(viii) Fertilisers;

(ix) Sugar and industrial alcohol;

(x) Petroleum products regulated by the Petroleum and Natural Gas Regulatory Board under the Petroleum and Natural Gas Regulatory Board Act, 2006(19 of 2006);

(xi) Rubber and allied products being regulated by the Rubber Board.

(b) For the purposes of clause (B), the thresholds limit shall be as under, -

(i) in the case of a multi-product or a multi services company (i.e. a company producing more than one product or service), any product or a service for which the individual turnover (from such specific product or such specific service) is rupees fifty crore or more;

(ii) in the case of a company, producing any one specific product or service, if the net worth of the company is rupees one hundred and fifty crore or more or the turnover is rupees twenty five crore or more.

(c) in the case of companies engaged in an industry regulated by a sectoral regulator, the requirements of sectoral regulator regarding cost records shall be taken into account.

- (C) Companies operating in areas involving public interest such as:
- (a) (i) Railway or tramway locomotives, rolling stock, railway or tramway fixtures and fittings, mechanical including electro mechanical) traffic signalling equipment's of all kind;

(ii) Mineral products including cement;

(iii) Ores;

(iv) Mineral fuels (other than Petroleum), mineral oils etc.;

(v) Base metals;

(vi) Inorganic chemicals, organic or inorganic compounds of precious metals, rare-earth metals of radioactive elements or isotopes, and Organic Chemicals;

(vii) Jute and Jute Products;

(viii) Edible Oil under Administrative Price Mechanism;

(ix) Construction Industry;

(x) Companies engaged in health services viz. functioning as or running hospitals, diagnostic centers, clinical centers or test laboratories;

(xi) Companies engaged in education services, other than such similar services falling under philanthropy or as part of social spend which do not form part of any business.

(b) For the purposes of clause (C), the thresholds limit shall be as under, -

(i) in the case of a multi-product or a multi services company (i.e. a company producing more than one product or service), any product or a service for which the individual turnover (from such specific product or such specific service) is rupees fifty crore or more;

(ii) in the case of a company producing any one specific product or service, if the net worth of the company is rupees one hundred and fifty crore or more or the turnover is rupees twenty five crore or more.

(D) Companies (including foreign companies other than those having only liaison offices) engaged in the production, import and supply or trading of following medical devices, namely:-

(a) (i) Cardiac Stents;

(ii) Drug Eluting Stents;

- (iii) Catheters;
- (iv) Intra Ocular Lenses;

- (v) Bone Cements;
- (vi) Heart Valves;
- (vii) Orthopaedic Implants;
- (viii) Internal Prosthetic Replacements;
- (ix) Scalp Vein Set;
- (x) Deep Brain Stimulator;
- (xi) Ventricular peripheral Shud;
- (xii) Spinal Implants;
- (xiii) Automatic Impalpable Cardiac Deflobillator;
- (xiv) Pacemaker (temporary and permanent);

(xv) patent ductus arteriosus, atrial septal defect and ventricular septal defect closure device;

- (xvi) Cardiac Re-synchronize Therapy;
- (xvii) Urethra Spinicture Devices;
- (xviii) Sling male or female;
- (xix) Prostate occlusion device; and
- (xx) Urethral Stents.
- (b) For the purposes of clause (D), the thresholds limit shall be as under, -

(i) in the case of a company engaged in multiple products, any product or device for which the individual turnover (from such specific product or device) is rupees ten crore or more, or one third of the turnover, whichever is less.

(ii) in the case of a company engaged in one specific product or device, if it has net worth of rupees one hundred and fifty crore or more or the turnover is rupees twenty five crores or more;

4. Applicability for cost audit-

(1) Every company engaged in a strategic industry and covered under sub-clause (b) of clause (A) of rule 3 shall be required to get its cost records audited in accordance with these rules.

(2) In the case of a multi-product or a multi services company specified in sub-clause (b) of clause (B) and sub- clause (b) of clause (C) of rule 3, the requirement for cost audit shall apply to a product or a service for which the individual turnover (from such specific product or such specific service) is rupees one hundred crore or more;

(3) In the case of a company producing any one specific product or service specified in subclause (b) of clause (B) and sub-clause (b) of clause (C) of rule 3, the requirement for cost audit shall apply if the net worth of the company is rupees five hundred crore or more or the turnover from such product or such service is rupees one hundred crore or more.

(4) In the case of a company engaged in medical products or devices referred to in sub-clause (b) of clause (D) of rule 3,

(i) which has multiple products or devices (i.e. a company producing, importing and supplying or trading in more than one medical device or product), the requirement for cost audit shall apply to

a medical device or product for which the individual turnover (from such specific medical device or product) is rupees ten crore or more, or one third of the turnover, whichever is less;

(ii) which has only one product or device (i.e. a company producing, importing and supplying or trading one medical device or product), the requirement for cost audit shall apply if the net worth of the company is rupees one hundred fifty crores or more or the turnover is rupees twenty five crores or more.

5. Maintenance of records.- (1) Every company under these rules including all units and branches thereof, shall, in respect of each of its financial year commencing on or after the 1st day of April, 2014, maintain cost records in **form CRA-1**.

(2) The cost records referred to in sub-rule (1) shall be maintained on regular basis in such manner as to facilitate calculation of per unit cost of production or cost of operations, cost of sales and margin for each of its products and activities for every financial year on monthly or quarterly or half-yearly or annual basis.

(3) The cost records shall be maintained in such manner so as to enable the company to exercise, as far as possible, control over the various operations and costs to achieve optimum economies in utilisation of resources and these records shall also provide necessary data which is required to be furnished under these rules.

6. Cost audit.- (1) The category of companies specified in rule 3 and the thresholds limits laid down in rule 4, shall within one hundred and eighty days of the commencement of every financial year, appoint a cost auditor.

(2) Every company referred to in sub-rule (1) shall inform the cost auditor concerned of his or its appointment as such and file a notice of such appointment with the Central Government within a period of thirty days of the Board meeting in which such appointment is made or within a period of one hundred and eighty days of the commencement of the financial year, whichever is earlier, through electronic mode, in **form CRA-2**, along with the fee as specified in Companies (Registration Offices and Fees) Rules, 2014.

(3) Every cost auditor appointed as such shall continue in such capacity till the expiry of one hundred and eighty days from the closure of the financial year or till he submits the cost audit report, for the financial year for which he has been appointed.

(4) Every cost auditor, who conducts an audit of the cost records of a company, shall submit the cost audit report along with his or its reservations or qualifications or observations or suggestions, if any, in **form CRA-3**.

(5) Every cost auditor shall forward his report to the Board of Directors of the company within a period of one hundred and eighty days from the closure of the financial year to which the report relates and the Board of Directors shall consider and examine such report particularly any reservation or qualification contained therein.

(6) Every company covered under these rules shall, within a period of thirty days from the date of receipt of a copy of the cost audit report, furnish the Central Government with such report along with full information and explanation on every reservation or qualification contained therein, in **form CRA-4** along with fees specified in the Companies (Registration Offices and Fees) Rules, 2014

(7) The provisions of sub-section (12) of section 143 of the Act and the relevant rules made there under shall apply *mutatis mutandis* to a cost auditor during performance of his functions under section 148 of the Act and these rules.

7. Rules not to apply in certain cases.- The requirement for cost audit under these rules shall not be applicable to a company which is covered under rule 3, and, (i) whose revenue from exports, in foreign exchange, exceeds seventy five per cent of its total revenue or (ii) which is operating from a special economic zone.

FORM OF THE COST AUDIT REPORT

[Pursuant to rule 6(4) of the Companies (Cost records and Audit) Rules, 2014]

I/We,..... having been appointed as Cost Auditor(s) under Section 48(3) of the Companies Act, 2013 (18 of 2013) of (mention name of the company) having its registered office at (mention registered office address of the company) (hereinafter referred to as the company), have audited the Cost Records maintained under section 148 of the said Act, in compliance with the cost auditing standards, in respect of the (mention name (s) of good(s)/service(s) for the period/year (mention the financial year) maintained by the company and report, in addition to my/our observations and suggestions in para 2

(i) I/We have/have not obtained all the information and explanations, which to the best of my/our knowledge and belief were necessary for the purpose of this audit.

(ii) In my/our opinion, proper cost records, as per section 148 of the Companies Act, 2013, have/have not been maintained by the company in respect of good(s)/service(s) under reference.

(iii) In my/our opinion, proper returns adequate for the purpose of the Cost Audit have/have not been received from the branches not visited by me/us.

(iv) In my/our opinion and to the best of my/our information, the said books and records give/do not give the information required by the Companies Act, 2013, in the manner so required

(v) In my/our opinion, company has/does not have adequate system of internal audit of cost records which to my/our opinion is commensurate to its nature and size of its business.

(vi) In my/our opinion, information, statements in the **Annexure** to this cost audit report gives/does not give a true and fair view of the cost of production of good(s)/rendering of service(s), cost of sales, margin and other information relating to good(s)/service(s) under reference.

2 Observations and suggestions, if any, of the Cost Auditor, relevant to the cost audit.

Dated: this _____ day of _____ 20___

at _____ (mention name of place of

signing this report)

SIGNATURE AND SEAL OF THE COSTAUDITOR (S)

MEMBERSHIP NUMBER (S)

NOTES:

(1) Delete words not applicable.

(2) If as a result of the examination of the books of account, the Cost Auditor desires to point out any material deficiency or give a qualified report, he/she shall indicate the same against the relevant para (i) to (vi) in the prescribed form of the Cost Audit Report giving details of discrepancies he/she has come across.

(3) The report, suggestions, observations and conclusions given by the Cost Auditor under this paragraph shall be based on verified data, reference to which shall be made here and shall, 50 wherever practicable, be included after the company has been afforded an opportunity to comment on them.

ANNEXURE TO THE COST AUDIT REPORT

1. GENERAL INFORMATION:

- 1. CIN or GLN of the company:
- 2. Name of the company:
- 3. Registered office address:
- 4. Corporate office address:
- 5. E-mail address of the company:
- 6. Company's financial year to which the Cost Audit Report relates:
- 7. Name, address, membership number and e-mail of the Cost Auditor(s):
- 8. SRN Number and date of Filing of Form of intimation of appointment of cost auditor with the Central Government:
- 9. Date of first commencement of commercial production/delivery of service of good(s)/service(s) under reference.
- 10. Date of Board of Directors' meeting wherein the **Annexure** to the cost audit report was approved:
- 11. No. of Audit Committee meetings held by the company, and attended by the Cost Auditor during the year.
- 12. If there is any foreign technical collaboration for the good(s)/service(s) under reference, the following details shall be given:

(a) Name and address of the foreign collaborators;

(b) Main terms of agreement;

(c) Amount of royalty, lump sum payment, technical aid fee payable and the basis of calculating the same;

(d) Whether the technical collaborator has contributed to the share capital. If so, the paid up share capital so held.

2. COST ACCOUNTING POLICY:

(1) Briefly describe the cost accounting policy adopted by the Company and its adequacy or otherwise to determine correctly the cost of production/operation, cost of sales, sales realization and margin of the good(s)/service(s) under reference separately for each good(s)/service(s). The policy should cover, inter alia, the following areas:

a) Identification of cost centers/cost objects and cost drivers.

b) Accounting for material cost including packing materials, stores and spares etc., employee cost, utilities and other relevant cost components.

c) Accounting, allocation and absorption of overheads.

d) Accounting for Depreciation/Amortization.

e) Accounting for by-products/joint-products or services, scarps, wastage etc.

f) Basis for Inventory Valuation.

g) Methodology for valuation of Inter-Unit/Inter Company and Related Party transactions.

h) Treatment of abnormal and non-recurring costs including classification of other non-cost items.

i) Other relevant cost accounting policy adopted by the Company.

(2) Briefly specify the changes, if any, made in the cost accounting policy for the good(s)/service(s) under audit during the current financial year as compared to the previous financial year.

(3) Observations of the Cost Auditor regarding adequacy or otherwise of the Budgetary Control System, if any followed by the company.

3. PROCESS OF MANUFACTURE OF GOOD(S)/DELIVERY OF SERVICE(S):

A brief note regarding the process of manufacture of good(s)/delivery of service(s) along with flow chart covering manufacture of good(s)/provision of service(s), utility and production/service department engaged in the manufacturing of the good(s)/delivery of service(s).

S. No	Name of each Good(s)/Service(s)	Net Sale taxes, du	s (net of ties etc.)	Cove Cost (Yes/		under Audit
Α	Production of Goods				,	
	1.					
	2.					
	3. etc.					
	Sub-Total (A)					
B	Services					
	1.					
	2.					
	3. etc.					
	Sub-Total (B)					
С	Trading Activities					
	1.					
	2.					
	3. etc.					
	Sub-Total (C)					
D	Other Income					
	Total Income as per Audited Annual Report(A+B+C+D)					
5. QU	JANTITATIVE INFORMATION FOR EACH	GOOD(S)/SERVI	CE(S)	SEPAF	RATELY:
	e of the Good(s)/Service(s)					
Finan	cial Year		From			to
Partic	ulars	Unit	Current	Year	Previ	ous Year
1. Ava	ailable Capacity					
	stalled Capacity					
~ /	apacity enhanced during the year, if any					
~ /	apacity available through leasing arrangements,	if				

4. GOOD(S)/SERVICE(S) DETAILS (FOR THE COMPANY AS A WHOLE):

any	
(d) capacity available through loan license/third party	
(e) Total available capacity	
2. Actual Production/Services rendered	
. Available Capacity	
(a) Installed Capacity	
(b) Capacity enhanced during the year, if any	
(c) Capacity available through leasing arrangements, if	
any	
(d) capacity available through loan license/third party	
(e) Total available capacity	
2. Actual Production/Services rendered	
(a) Self Manufactured/rendered	
(b) Produced under leasing arrangements/outsourced	
(c) Produced on loan license/by third parties on job	
work/outsourcing agency	
(d) Total Production/Services rendered	
3. Production/services rendered as per excise	
records/service tax records	
4. Capacity utilization (in-house)	
5. Stock purchased for trading/Services hired	
(a) Domestic purchase/hiring of services	
(b) Imports	
(c) Total Purchases/Services hired	
6. Stock and other adjustments	
(a) Change in stock of Finished Goods/Value of	
outgoing services	
b) Self/Captive Consumption/internal services (incl.	
samples services etc.)	
(c) Other quantitative adjustments, if any (wastage etc.)	
(d) Total adjustments	
7. Total Available Quantity/Service rendered [2(d)+5(c)	
-6(d)]	
8. Actual Sales	
(a) Domestic Sales (Goods/Services)	
(b) Domestic Sales (Trading)	
(c) Export Sale (Goods/Services)	
(d) Export Sale (Trading)	
(e)Total Quantity sold/services rendered	

Notes:

1. It should be mentioned whether the installed capacity is on single shift or multiple shift basis.

2. In order to have a meaningful comparison of production and installed capacity, wherever necessary these details should be expressed in appropriate units.

6. Details of the major input materials/service used for good(s) manufactured/service(s) rendered under reference.

Particulars	Unit	Current Year		I	Previous Year		
		Quantity	Rate	Amount	Quantity	Rate	Amount

1. Indigenous:				
(specify)				
(a)				
(b)				
(c) etc.				
2. Self-manufactured:				
(specify)				
(a)				
(b)				
(c) etc.				
3. Imported: (specify)				
(a)				
(b)				
(c) etc.				
4. Total				

Note: Details should be furnished in respect of major input material(s)/service(s) each constituting at least 5% of the total raw material cost.

6(A) STANDARD/ ACTUAL CONSUMPTION OF INPUT MATERIAL(S)/SERVICE(S) PER UNIT

Particulars	Unit	(Current Year			Previous Year			
		Quantit	Rate	Amount	Quantit	Rate	Amount		
		У			У				
1. Indigenous:									
(specify)									
(a)									
(b)									
(c) etc.									

Note: Details should be furnished in respect of major input material(s)/service(s) each constituting at least 5% of the total raw material/input service cost.

6(B) BREAK-UP OF COST OF INPUT MATERIAL(S)/SERVICE(S) IMPORTED DURING THE YEAR:

Particulars	Current Year	Previous Year
A) Goods		
1. F.O.B. Price (in foreign currency/INR)		
2. Insurance & freight/Travelling expenses, if any		
3. Customs duty, if any		
4. Clearing charges, if any		
5. Inland freight, if any		
6. Other expenses		

7. Total	
(B) Service(s)	
1 (please specify)	
2	
3etc.	
4. Total	

7. UTILITIES

For Company as a whole

Particulars	For the whole	For the Company as a whole			Share of good(s) produced/service(s) rendered (in case of more than one good(s)/service(s) additional columns may be added.						
				Current Year			Previous	good(s)/ service(s) under reference			
	Quantit v	Rat e	Amoun t	Quantit v	Rat e	Amoun t	Quantit v	Rat e	Amoun t		
1.	y		ι 	<u> </u>		ι. 			L.		
Indigenous											
: (specify)											
(a)											
(b)						ĺ					
(c) etc.											
2. Self-											
Generated:											
(specify)											
(a)											
(b)											
(c) etc.											
3.											
Imported											
(specify)											
(a)											
(b)		ļ									
(c) etc.		ļ									
Total											

8. SALARIES AND WAGES – For the good(s)/Service(s) Covered: For Company as a whole

Particulars	For the whole	Comp	any as a	Share of case of n columns	ered (in Iditional	Basis of apportion- ment of the				
				Current			Previous	Year		good(s)/ service(s) under reference
	Quantit y	Rat e	Amount	Quantit y	Rat e	Amount	Quantit y	Rat e	Amou nt	
Quantitative Details:	y							L L		
1. Direct										
Workers: a. Average										
number										
during the										
year b. Mandays										
available										
Mandays actually										
worked for:										
(i) own										
production/ provision of										
services										
(ii) job work/ services										
outsourced										
d. Reason-										
wise analysis of idle man-										
days(a-b)										
Absenteeism Shortage of										
raw										
materials/										
input services										
Power										
shortage/ failure										
Others										
(specify)										
2. Indirect Workers:										
a. Average										
number										
during the year										
b. Mandays										
available Mandays										
actually										
worked for:										
(i) own production/										
provision of										
services										
(ii) job work/ services										
outsourced										
d. Reason-										3
wise analysis of idle man-										
days. (a-b)										
i. Absenteeism										
ii Shortage of										

9. REPAIRS AND MAINTENANCE

for Company as a whole

Particulars	For the Company as a whole				nore th	an one go	ed/service(s od(s)/servic 1y be addec	ce(s) ad		Basis of apportion- ment of the good(s)/	
				Cui	rrent Y	ear	Pre	service(s) under reference			
	Quantit y	Rat e	Amoun t	Quantit y	Rat e	Amoun t	Quantit y	Rat e	Amoun t		
1. Land and				<u> </u>	-						
Building											
2. Plant and Machinery											
3. Staff											
Quarters and colony											
4. Others											
(specify)											
5.Total											
Amount											
6.Amount capitalized / deferred											
during the year											
7. Net Amount (5-6)											
8. Defferred amount of											
earlier years, if											
any,											
9.Total amount											
(7+8) 10 NET ED										as a whole)	

10. NET FIXED ASSETS AND DEPRECIATION:

(For the Company as a whole)

Particulars	Current Year	Previous Year
1. Net Fixed Assets		
2. Amount of depreciation provided in the financial records		
3. Method of providing depreciation		
4. Amount of depreciation absorbed in the cost records		
5. Shortfall / Excess, if any		

Note: The impact of re-valuation of assets, if any, shall not be included.

Particular s	Net Fixed Assetsa t the end of the year	Depreciatio n for the year	Leas e Rent paid, if any	Tota 1		Apport Good	tionme s/Servi	Basis of Apportionmen t	
	(a)	(b)	(c)	(b+c	a	b	c	d… etc	
Name of major cost centers for good(s) /service(s): (specify)									
(a)									
(b) etc.									
total									

11. NET BLOCK, DEPRECIATION AND LEASE RENT: [For good(s)/service(s) covered]

Note: Excluding Net block of assets given on lease, if any.

12. OVERHEADS:

For Company as a whole

Particulars	For the whole	any as a	Share of case of n columns	Basis of apportion -ment of the						
			Current	Current Year			Previous Year			
	Quantit v	Rat e	Amoun t	Quantit v	Rat e	Amoun t	Quantit v	Rat e	Amoun t	
Factory Overheads (specify) a. betc. Administration Overheads (specify) a. betc. Selling										
Overheads (specify) a. betc. Distribution										
Overheads (specify) a. betc.										

Note: The break-up under each head should be furnished in respect of major items constituting atleast 90% of the overhead cost under each head.

Particulars	Current Year (For the	Share of covered		ods/Services	Basis of apportionm
	Company as a whole)	а	b	Cetc.	ent
1. Process development and improvement					
2. Existing product/service/service					
development					
3. New product/service /service					
development					
4. Others, if any					
5. Total amount					
6. Amount capitalized/ deferred during the					
year					
7. Net amount (5-6)					
8. Deferred amount of earlier years, if any					
9. Total amount provided in the cost records					
(7+8)					

13. RESEARCH AND DEVELOPMENT EXPENSES:

14. ROYALTY AND TECHNICAL KNOW HOW CHARGES:

Particulars	Current Year	Share Coode/	of	the	Basis of
	(For the Company as	Goods/	Services c	C	apportionmen t
	a whole)			etc.	·
1. Royalty on production/ Sales/provision of					
services					
2. Lump sum payment of royalty, if any					
3. Technical know-how charges					
4. Others, if any					
5. Total amount					
6. Amount capitalized/ deferred during the					
year					
7. Net amount (5-6)					
8. Deferred amount of earlier years, if any					
9. Amount provided in the financial					
accounts (7+8)					
10. Amount absorbed in the cost records					
11. Shortfall/ Excess, if any					
12. Amount paid to related parties					

Note : The details should be furnished in respect of each agreement separately.

15. ABNORMAL/NON-RECURRING COST

Particulars (Specify)	Current Year	Previous Year
1.		
2.		
3etc		
Total		

16. NON-MOVING STOCK (Goods-wise/service-wise details of non-moving stock may be provided):

Particulars (Specify)	Current Year	Previous Year	
A) Goods/Service (Specify)			
1.			
2.			
3etc			
(B) Goods/Service (Specify			
1.			
2.			
3etc			
(C) Goods/Service (Specify			
1.			
2.			
3etc			

17. WRITTEN OFF STOCK /FORFEITED SERVICES (Goods-wise/service-wise details may be provided):

Particulars (Specify)	Current Year	Previous Year
A) Goods/Service (Specify)		
1.		
2.		
3etc		
(B) Goods/Service (Specify		
1.		
2.		
3etc		
(C) Goods/Service (Specify		
1.		
2.		
3etc		

18. INVENTORY VALUATION (at the end of the year):

Particulars	Basis of	Current Y	Year		Previous '	Year	
	valuation	Quantit	Rat	Amoun	Quantit	Rat	Amoun
		у	e	t	У	e	t
1. Input material:							
(i) Purchased							
- Indigenous							
- Imported							
(ii) Self manufactured							
2. Chemicals, additives and consumables							
3. Stores and spares							
4. Packing materials							
5. Tools and implements and							
Jigs, Dies and Fixtures							
6. Work-in-progress:							
(i) material cost							

(ii) conversion cost (details to				
be given)				
7. Finished goods:				
(i) unpacked				
(ii) packed				
8. Scrap/wastage				
9. Others, if any				
10.Total value of inventory as				
per cost accounts				
11. Total value as per				
financial accounts				
12. Reasons for major				
differences, if any				

Notes: (1) In respect of item at Sr. Nos. 1 and 6 details be furnished in respect of each major input material constituting at least 5% of the total material cost.

(2) Give in brief the method of inventory valuation system indicating the elements of cost included therein and the extent thereof.

(3) Capital work-in-progress to be shown separately.

19. Sales/Revenue of the good(s)/service(s) covered:

Particulars	Cu	ear	Previous Year			
	Quantity	Rate	Amount (Rs)	Quantit y	Rat e	Amount (Rs)
1. Purchased Goods/Outsourced services: (specify)						
(a)						
(b)						
2. Loan License Basis: (specify)						
(a)						
(b)						
3. Own Manufactured/self rendered: specify						
(a)						
(b)						
4. Total Sales/Revenue						

20. Margin per Unit of Output/service rendered:

Particulars	Current Ye	ear		Previous Year		
	Sales/ Revenue (Rs.)	Cost of Sales	Margi n (Rs.)	Sales/ Revenue (Rs.)	Cost of Sales	Margin (Rs.)
		(Rs.)			(Rs.)	
1. Purchased Goods/Outsourced services:						
(specify)						
(a)						
(b)						
2. Loan License Basis:/third party service						
(specify)						
(a)						
(b)						
3. Own Manufactured/self rendered: specify						
(a)						
(b)						
4. Total Sales/Revenue						

Note: (i) Above details shall be furnished for good(s)/service(s) covered.

(ii) Separate details shall be furnished for margin on indigenous sales and export sales. Whereas the good(s)/service(s) (such as sugar, bulk drugs, formulations etc.) is sold at different prices in accordance with government policy, sales realization and margin on such good(s)/service(s) at different prices shall be shown along with quantity and value.

21. Related Party Transaction:

SI. NO	Name & Address of the Related Party	Good(s)/service(s)	Quantit y	Transfe r	Pric e	Nature of Transactio n (sale, purchase etc.)	Amoun t	Norma l Price	Basis adopted to determin e the Normal Price

Note: 1. Details should be furnished for each sale/purchase separately.

22. Central Excise/Service Tax Reconciliation for the Good(s)/service(s) under reference

S.	Particulars Unit	Good(s)/Service	(s)					
No.		a	b		c			
Α	Quantitative Details:							
1	Opening Stock							
2	Add: Production/ services							
3	Less: Closing Stock							
4	Total Sales/ Clearances							
	Particulars	Assessable (Rs.)	Value	Rate of D	outy	Amour (Rs.)	nt of	Duty
B	Details of Clearances:							
1	Total Clearances							
2	Less: Duty Free Clearances							
3	Excisable/Service taxable							
	Clearances							
4	Penalty/Fine/Interest payable, if any							
5	Total Duty Payable (total 3 & 4)							
	Particulars			Inputs		pital oods	Total	
С	Summary of CENVAT Credit							
1	Opening Balance							
2	Add: Availed during the year							
3	Add: Refunds received during the ye							
4	Less: Closing Balance as per Records	Excise/Service	Tax					
5	Total CENVAT Credit utilized	during the	vear					
•	(1+2+3+4)		<i>J</i> = ==					
6	Closing Balance as per Annual Acco	unts						
7	Difference between 4-6							
8	(State amount and reasons for different	ence)						
	Particulars	/			ļ		Amount (Rs)
D	Reconciliation of Duty Paid							
1	Excise Duty Payable as per 'B							
2	Total Excise Duty paid through:							
	(a) CENVAT Account- (Input goods/	services)						
	(b) CENVAT Account- (Capital Good							
	(c) P.L.A.							
	Total (a+b+c)							
3	Difference between (1-2)							

4	(State amount and reasons for difference)
5	Excise Duty as per RT – 12
6	Difference between (2-5)
7	Amount and reasons for difference
Е	Reconciliation of Duty Paid & Recovered:
1	Excise Duty paid as per P and L A/c
2	Excise Duty recovered as per P and L A/c
3	Difference between duty paid and recovered
4	Amount and reasons for difference
F	Reconciliation of Turnover
1	Turnover as per excise/ST records
2	Turnover as per Annual Accounts (Net off Duties & Taxes)
3	Difference between (1-2)
4	Amount and reasons for difference

23. Profit Reconciliation:

S. No.	Particulars	Current Year	Previous Year
1	Profit or Loss as per Cost accounting records		
2	Add: incomes not considered in cost accounts: Specify		
3	Less: expenses not considered in cost accounts: Specify		
4	Add: overvaluation of closing stock in financial accounts		
5	Add: under-valuation of opening stock in financial accounts		
6	Less: under-valuation of closing stock in financial accounts		
7	Less: overvaluation of opening stock in financial accounts		
8	Adjustments for others, if any (specify)		
9	Profit or Loss as per financial accounts		

24. Cost Statement: (for each good(s)/service(s) separately)

S. No.	Particulars	Quantit y	Rate	Amoun t	Cost	per unit
100		3	(Rs)	(Rs)	Current Year (Rs)	Previous Year (Rs)
1	Material consumed:					
	1.Purchased:					
	(a): Indigenous (specify)					
	(b): Imported (specify)					
	2.Self-Manufactured/Rendered					
	(specify)					
2	Process Chemicals (specify)					
3	Utilities:					
	1.Purchased:					
	(a) Indigenous (specify)					
	(b) Imported (specify)					
	2. Self-Manufactured (specify)					
4	Direct Wages and Salaries					
5	Consumable Stores & Spares					
6	Depreciation					
7	Outsourced Servcie Cost					
8	Intermediate Service Cost		1			
9	Lease Rent, if any					
10	Repairs and Maintenance:					
	(a) Building					
	(b) Plant & Machinery					
	(c) Others, if any					
11	Other works overheads					
12	Total Works Overheads					

13	Overheads related to service cost			
14	Overheads related to service cost			
14	service cost			
15	Royalty, if any			
16	Technical assistance/know-how fee	 		
17	Research and Development			
18	Quality Control			
19	Administrative overheads (relating			
	to production/service activities)			
	(a) Salaries and Wages			
	(b) Others (specify)(c) Total (a+b)			
20	Total			
21	Adjustment for variances (where standard costing system is			
	standard costing system is followed)			
22	Add: Opening Stock			
22	Less: Closing Stock			
	(Work-in- progress)			
23	Less: Credits (from wastage and			
25	byproducts/ services)/recoveries, if			
	any			
24	Packing cost Primary			
	(a) Material			
	(b) Others			
	(c) Total			
25	Cost of Production/service			
26	Finished Goods purchased, if any			
27	Opening Stock			
	Closing Stock			
	(finished goods/services)			
28	Total			
29	Quantity and cost transferred for:			
	(i) Captive consumption, if any			
	(ii) Sales			
	(iii) Others, if any	 	 	
30	Packing cost Secondary			
	(a) Material			
	(b) Others (c) Total			
31	Other expense:			
51	(a) Administrative overheads			
	(others)			
	(b) Others (specify)			
32	Selling & Distribution Expenses:			
-	(a) Salaries & Wages			
	(b) Freight & Transport charges			
	(c) Commission			
	(d) Advertisement expenses			
	(e) Royalty on sales, if any			
	(f) Warranty expenses			
L	(g) Total (a to f)		 	
33	Interest & Finance Charges:			
	(a) For manufacturing activity			
	(b) Others			
24	(c) Total (a to b)			
34	Total Cost of Sales (excluding			
	excise duty/service tax) of packed quantity sold			
35	Sales realization			
	Sures realization	L		

	Less: Excise duty & others statutory levies			
36	Net Sales Realization			
37	Margin			
38	Add: export benefits and incentives, if any			
39	Total margin (including export benefits)			
40	Ex-factory price (excluding sales tax)			
41	Maximum retail price (excluding sales tax etc.)			
42	Maximum retail price, if any, prescribed by the Government/statutory body etc.			

Note:

1. Separate proforma shall be prepared for each type/variety/ description of good(s)/service(s) under reference.

2. Separate proforma shall be prepared for the quantity used for captive consumption, quantity sold within the country and the quantity exported. Expenses incurred on export and the incentive earned thereon shall be indicated in the proforma applicable for the quantity produced and exported.

3. Separate proforma shall be prepared for any related party/inter-unit transfer of intermediate/finished good(s)/service(s) under reference.

4. The proforma may be suitably modified to cover the special features, if any, of the good(s)/service(s) covered.

5. Indicate whether the prices of the good(s)/service(s) covered are ex-factory prices, F.O.R prices, door delivery prices or any other terms. In case of ex-factory prices, whether cost of dispatch packing materials, freight, insurance and delivery charges are recoverable from the customers separately.

Form No. CRA-4

Form for filling Cost Audit Report with the Central Government

[Pursuant to Rule 6 (6) of the Companies (cost records and audit) rules, 2014]

PART 1—GENERAL INFORMATION

Note: All fields marked in *are to be mandatorily filled.

- 1 (a) * Corporate identity number (CIN) or foreign company registration number of the company Pre-Fill
 - (b) Global location number (GLN) of company
- 2. (a) * Name of the company
 - (b) *Address of the registered office or of the
 - Principal place of business in India of the company

(c) *E-mail address of the company

3. (a) *Financial year

(DD/MM/YYYY)

(b) *Date of Board of Directors meeting in which **Annexure** to the cost audit report was approved (DD/MM/YYYY)

4 (a) *State number of good (s) /service (s) for which the Cost Audit Report is being submitted

(b) *Details of such good (s) /service (s) of the company (Number of rows depending on 4 (a) above) Good (s)/servie (s) Covered

5 (a) *State number of goods (s)/service (s) not covered in the Cost Audit Report

(b) *Details of such good (s)/service (s) of the company (Number of rows depending on 5 (a) above)

То

From (DD/MM/YYYY)

Good (s)/service (s)

6 Details of the cost auditor

(a) *Category of the cost auditor Individual Cost accountant's firm LLP

(b) *Name of the cost auditor or the cost auditor's firm appointed as cost auditor of the company

- (c) *Membership number of cost auditor or cost auditor's firm's registration number
- (d) Address of the cost auditor or cost auditor's firm

(i) Line I

Line II

(ii) City

(iii) State

- (iv) Country
- (v) Pin Code

(f) *E-mail Id of the cost auditor or cost auditor's firm

7 (a) *Whether the cost auditor's report has been qualified	Yes/ No
If yes, please state	
(b) *Whether the cost auditor's report has any reservations	Yes/ No
If yes, please state	
(c) *Whether the cost auditor's report has any adverse remarks	Yes/ No
If yes, please state	
8 (a) *Whether the cost auditor's report contain any observation or suggestions	Yes/ No
(b) *If yes, cost auditor's observations/ suggestions	Yes/ No
PART-II -Attachments:	
1 Cost audit report	Attach
2 Operational attachments (s) – if any	Attached

List of attachments

Remove attachment

Verification:

To the best of my knowledge and belief, the information given in this form and its attachments is correct and complete.

I have been authorised by the Board of Director's resolution dated (DD/MM/YYYY) number

To sign and submit this form. I am authorised to sign and submit this form.

To be digitally signed by :

Managing Director or Director or Manager or Secretary (in case of an Indian company) or an authorised representative (in case of a foreign company)

Digital Signature

*Designation

Signatures

*Director identification number of the Director or Managing Director; or the manager

or of authorised representative; or Membership number, if applicable of the secretary

Director of the company

Digital

Director identification number of the director

Modify Check Form Pre-scrutiny	Modify	Check Form	Pre-scrutiny	
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This e-form has been taken on the file maintained by the Central Government through electronic mode and on the basis of Statement of correctness given by the filling company and the cost auditor

Submit

APPENDIX –IV & V

{Referred to in para 7.5.1.2(d) & para 7.5.2.2(c)}

Copy of letter No. 173 –Rep (AB)/27-84 (I) dated 10.9.1999 from Shri A. Mukupadhaya, Principal Director (AB), Office of the Comptroller and Auditor General of India, New Delhi addressed to Accountant General (Audit).

Sir,

A reference is invited to this Office circular letter No. 1094-Rep-(c)/117-83 dated 9.6.1983, 180-Rep(AB)/27-84 dated 7.5.1984, 53Rep(AB)/27-84 (I) dated 25.2.1993 and No. 20-Rep(AB)/27-84(I) dated 4.2.1999 on the subject cited wherein instructions have been issued, inter-alia, prescribing a time-schedule, time to be allowed to auditee units to furnish replies to the draft SARs and procedure to be followed in case of non-receipt of replies from the auditee units.

(2) The matter of giving only a reasonable time to the organization for furnishing their comments/replies to the draft SAR and the need for having a proper time-schedule for completion of all activities since the date of submission of accounts by the auditee the issue of final SAR by the Accountants General/Pr. Directors of Audit to the management/Government have been considered by this office. In partial modification of instructions issued in the aforesaid circulars it has been decided that henceforth-following time schedule may be followed for various audit activities:

(i) Availability of annual accounts by the autonomous body latest by 30th June.

(ii) Commencement of audit of annual accounts of the autonomous body sometime in June itself by internal arrangement, if possible.

(iii) Consolidated draft SAR, including important and interesting points/comments on branchunits as reported in inspection reports by sub-audit offices, to be issued to the Chief Executive of the autonomous body within 15 days from the completion of audit (i.e.15th September). Only two weeks time (i.e upto 30th September) should be given to the autonomous body to furnish their response to the draft SAR and the organization should be informed while forwarding the draft SAR that they should furnish reply to the draft SAR within two weeks time and if no reply is received within this stipulated time, it would be presumed that the organisation has no response to make and that the facts, figures and comments mentioned in the draft SAR would be taken as having been verified and accepted by the autonomous body and further action would be initiated for processing the draft SAR accordingly.

(iv) The draft SAR- with or without response/replies from the autonomous body- to be sent to Headquarters for approval within a week's time (i.e. 7th October). If replies have been received from the autonomous body, draft SAR should accompany an aide-memoire showing objections raised, reply of management, comments framed and remarks of AG/PDA office as to why comment should retained or deleted.

Subject: Timely finalization of SARs and certification of annual accounts of autonomous bodies whose audited accounts alongwith SARs are required to be placed before the Parliament/State Legislatures(s).

(v) The approved SAR will be sent by Hqrs. Office to the field office normally within two weeks from the receipt from the field office. i.e. by 21^{st} October.

(vi) The final SAR in English version with the Audit Certificate should be issued to autonomous body/government latest by 31st October.

(vii) Hindi version of final SAR, where this is done by Accountants General/Pr. Directors of Audit themselves should be issued latest by 15th November, i.e within 15 days of issue of English version.

(viii) The dates mentioned in the above time-schedule indicate only the outer limits and there should not be any objection to take up and accomplish the tasks earlier. If the accounts of the autonomous body are not received within the stipulated time, Director General/ Accountants General/Pr. Directors of Audit concerned should specifically bring out the delay to the notice of the Chief Executive of the autonomous body through a DO letter so that the delay is not attributable to Audit. If, however, the accounts are received belatedly, every effort should be made by the Audit Office to take up the audit as expeditiously as possible. The time frame prescribed above should be made to compress them whenever possible. In other words, the final dispatch of approved SAR should not have an element of any slippage more than the delay that is due to late submission of accounts.

(ix) Since the work of certification of annual accounts and issue of SARs is required to be completed in a time bound manner, it should be ensured that the documents to be sent alongwith the draft SARs are complete in every respect and following documents are invariably sent:

- Two copies of draft SAR alongwith aide-memoire and key linking the figures.
- Two copies of draft audit certificates proposed to be issued.
- One copy of annual accounts to be certified by your office.
- Proforma showing progress of audit, etc.

(x) In view of the changed steps vis-à-vis time frame for audit activity, in order to enable this office to know the time taken in various activities in audit, it is requested that the requisite information may be furnished in the enclosed revised proforma vide **Annexure** alongwith draft/final SAR as at para 2(4) and 2(8).

(xi) Necessary amendments to the provisions of the Manual of Instructions for Audit of Autonomous Bodies would be issued in due course and these instructions may please be followed with immediate effect.

Annexure to Circular letter No. 173 Rep-(AB)/27-84 (I) dated 10.9.1999. PROFORMA

(Referred in paragraph 4.11 of the Manual of Instructions for Audit of Autonomous Bodies)

Proforma on progress of audit to be sent to the Office of the Comptroller and Auditor General along with the audited accounts and Audit Reports:-

- (1) Name of the Autonomous Body
- (2) Date of submission of the accounts to the Audit by the Autonomous Body.
- (3) Where applicable, reasons for returning the accounts for revision indicating why the accounts could not be certified with qualifications.
- (4) Date of submission of revised accounts to Audit where revision was considered essential.
- (5) Dates on which audit was taken up and completed.
- (6) Date of issue of draft SAR to Autonomous Body for replies/comments.
- (7) Date of receipt of replies/comments from Autonomous Body (if received)
- (8) Date of issue of draft SAR including replies/comments of Autonomous Body alongwith an Aide-memoire to CAG's office for approval.
 - (a) Date of CAG"s office letter communicating approved SAR.
 - (b) Date of receipt of letter and approval at 8 (a).
 - (c) Date of issue of final Audit Report to Govt. of India/State Govt. /CAG's office.

English version-

Hindi Version (if required)-

- 1. Reasons for delay, if any, at various stages.
- 2. Dates presentation of the previous Audit Reports before Parliament/Legislature.

(Where the Audit Report for previous years has not been placed, years to, which these pertain, may also be indicated.).

Director General

Pr. Accountant/

Accountant General/

Pr, Director of Audit.

Note: This proforma is to be enclosed alongwith the draft.final Separate Audit Report to be sent to CAG's office as per para 2 (4) and also para 2 (8) of circular.

Appendix – V {Referred in para 7.5.2.2(c)}

Appendix - VI

Copy of letter No. Rep (AB) 27-84(I) dated 4.2.1999 from CAG all Accountant General.

Subject: Timely finalisation of SARs and certification of accounts of autonomous bodies whose audited accounts alongwith SARs are required to be placed before the Parliament/ State Legislature(s).

Sir,

The need for timely finalisation of SARs has been emphasized by this office earlier and in this connection this office circular letters No. 1094-rep(C)/117-83 dated 9.6.1983 and No. 53-Rep-(AB)/27-84 Vol. I dated 25.2.1993 read with paras 3.03.08 and 4.07 of the Manual of Instructions for audit of autonomous bodies also refer.

As per the existing procedure, draft SARs are being issued to the organisations after completion of audit for furnishing their replies and these draft SARs are also simultaneously sent to Head Quarters Office for approval and the SARs, are finalized subsequently based on replies of organisation/instructions of Headquarters. Thus, the draft SARs generally being received in Headquarters for approval sometimes contain untenable comments as these are prepared without getting the response in the first instance from the organisation concerned.

The matter regarding reasonable opportunity for organisations to explain their view point on comments in draft SAR has been under consideration of this office and it has been decided that after completion of audit, audit offices should obtain the replies to the draft SAR and invariably consider the replies of organisation and only the final draft version after taking into account the replies of the organisiation be sent to the headquarters office for approval together with an aidememoire showing objections raised, replies received, comments framed and remarks of A.G./PDA Office as to why comment should be retained or deleted. If, howsoever, no replies are received to the draft SAR within 45 days of its receipt by the auditee and the SARs are to be finalised without receipt of replies/comments and confirmation of facts & figures from the organisations, despite all efforts, SARs should include a specific comment about non-receipt of replies.

In order to ensure that the SARs were finalized and audit certificates were issued to Government of India as per the time-schedule prescribed in this office circular dated. 9.6.1993 the duration of audit was to be suitably adjusted by the audit offices themselves keeping in view the fact that the SARs, were to contain only comments on accounts as per instructions issued in shri S. Lakshminarayanan, Pr. Director (Audit)'s circular D.O letter No. 364-Audit II/72-90 dated 17.3.1992. It has been noted that AGs/PDAs are not planning the audit of autonomous bodies meticulously so as to combine transactions and certification audit in the case of a few selected institutions each year and conduct only certification audit in the other cases as required by circular of 17.3.1992. It has therefore been decided that each year by end February AGs/PDAs should indicate to PDA (AB) at Headquarters the names of at least two important autonomous bodies selected for the combined transactions and certification audit during the year.

It is requested that in future draft SARs may be prepared accordingly.

CHAPTER-VIII

Reporting and Follow up

(Issuance of inspection reports, factual statements and draft paragraphs, audit comments, conventional audit reports and follow up thereof)

8.1 The audit reporting process begins with submission of an Inspection Report to the Head of any Office or Department which has been audited with a request to submit replies and clarifications/comments on the audit observations. Depending on the veracity and relevance of replies/clarifications received and the materiality of the observations in the **Inspection Reports**, these are further processed for reporting in the **Audit Report** submitted by the CAG for being placed in the concerned Legislature. Besides this basic distinction, there are audit certificates of financial statements or of statements of expenditure, which are issued to the management of a company/corporation and departments dealing with them.

On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

(Authority-Para 1Chapter-IV- Reporting Standards of the Auditing Standards, 2002)

a. Audit Reporting

Auditors should report all significant instances of non-compliance and all significant instances of abuse that were found during or in connection with the audit of **Financial Statements, for Audit of Financial Operations and other Regularity Audits & for Performance Audit.** The report should state that the audit was made in accordance with government auditing standards. The statement should be qualified in situations where the auditor did not follow an applicable standard.

8.2.1 Reporting for Audit of Financial Statements

For attestation or certification audit, the auditor's opinion on a set of financial statements is generally in a concise, standardized format, which reflects the results of a wide range of tests and other audit work. The basic principles governing reporting for attest audit are:

- The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles.
- The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
- Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
- The report shall either contain an expression of opinion regarding the financial statements taken as a whole, or an assertion to the effect that an opinion cannot be

expressed. When an overall opinion cannot be expressed, the reasons therefore should be stated.

Opinions should be appended to and published with the financial statements to which they relate indicating whether it is unqualified or qualified, and if the latter, whether it is qualified in certain respects or is adverse or disclaimer paragraph. The opinion should be preceded by a suitable title, properly signed including reference to the objectives and scope of the audit, whom it is addressed, financial statements to which it relates, the **Legal basis** indicate the auditing standards or practices followed in conducting the audit.

8.2.2 Reporting for Audit of Financial Operations and other Regularity Audits

For regularity audits, there is a requirement to report as to the compliance of transactions with laws and regulations and to report on the adequacy of systems of internal control. The auditor should also report on significant irregularities, whether perceived or potential, or inconsistency of application of regulations or on fraud and corrupt practices. Auditors should report the scope of their testing of compliance with laws and regulations and of internal control and present the results of those tests. In presenting the results of such tests, auditors should report fraud, illegal acts or other material non-compliance.

The report on regularity audit may either be a part of the report on the financial statements, or a separate report.

- When auditors report on compliance and internal control over financial reporting in the report on the financial statements, they should include an introduction summarizing key findings in the audit of the financial statements and the related compliance and internal control work.
- When they report separately on compliance with laws and regulations and internal control over financial reporting, the report on the financial statements should state that they are issuing those additional reports.

8.2.3 Reporting for Performance Audit

Performance audit is wide-ranging in nature and is more open to judgment and interpretation. Its coverage is more selective and may be carried out over a cycle of several years, rather than in one financial period, and it does not normally relate to particular financial or other statements. For performance audits, the auditor shall report on the economy and efficiency with which resources are acquired and used, and the effectiveness with which objectives are met. The performance audit report should state clearly the objectives and scope of the audit and the audit criteria used. It may include significant criticism of how programmes are implemented and give independent information, advice or assurance as to whether and to what extent economy, efficiency and effectiveness are being or have been achieved.

Auditors should recognize that their judgments are being applied to actions resulting from past management decisions. Care should therefore be exercised in making such judgments. The presentation of weaknesses or critical findings should be in such a way as to encourage correction and to improve systems and guidance within the audited entity.

Performance Audit reports should not concentrate solely on criticism of the past but should be constructive.

The auditor's conclusions, recommendations and impact analysis are an important aspect of the audit, and where appropriate are written as a guide for action. Conclusions reached against each audit activity should be brought out clearly. The auditor comments on the policies and programmes and recommends changes designed to result in improvements. Generally, these recommendations suggest what improvements are needed rather than how to achieve them, though circumstances sometimes arise which warrant a specific recommendation, for example to correct a defect in the law in order to bring about an administrative improvement. The reporting process involved the following steps:

- 1. Preparation of audit observations
- 2. Draft report issued to the entity
- 3. Response of the entity
- 4. Exit conference
- 5. Sr. Management response to the report
- 6. Draft Final report
- 7. Response of the entity or those charged with Governance on Draft Final report
- 8. Final Report

(Ref: Para 4.131 to 4.143 of Chap IV of the ASOSAI Guide line on Audit quality management systems & *Performance Auditing Guidelines – C&AG of India 2014*)

8.3 Guidelines for drafting the Inspection Report.

- (a) The drafting of the paras should be in a most courteous and polite language and adequate care should be taken in use of words like forgery, misappropriation, embezzlement, frauds etc. As a matter of fact, the more serious the nature of objection, the greater is the need for using language which should be polite, unexceptionable, moderate and impersonal. Reporting Standard- Chapter IV of Auditing Standard (2ndEdition) 2002 & Style guideline may also be kept in view while drafting the I.R.
- (b) The paras should be drafted in third person.
- (c) All details necessary for clear understanding and narration of the objection should be given which may interalia include (i) an explanation of the transaction, (ii) a description of the nature and magnitude of the irregularity, (iii) any extra ordinary circumstances that might have existed, (d) the detect lacunae, if any in the system which led to the irregularity and (iv) the adequacy/inadequacy of remedial action taken, if any.
- (d) Each para should be drafted properly under a suitable heading showing money value of the objection also and events should be mentioned in chronological order. Reference of paper clipping should not be given in POM's issued and such case should be examined independently. (CAW Groups order No. 13 Dt. 5.2.99 Group order file.).
- (e) The para should be drafted after due consideration of the reply furnished by the management. After narrating the main objection the reply of the management

should invariably be incorporated in brief even though the reply is not acceptable to audit and the ground on which the reply is not acceptable in audit should also be mentioned in the paragraph.

- (f) Isolated routine objection need not be taken in the report but if a number of similar points are noticed, all these should be clubbed under a suitable heading.
- (g) The material for report should be gathered by audit party themselves after detailed examination of available records. In case the auditee organisation was asked to furnish the details on which conclusion in audit has to be based, data furnished by the management should be examined to ensure its accuracy.
- (h) Where in the opinion of the Inspecting Officer any para may develop in to a draft para, he should invariably discuss the pros & cone of potential draft para bringing out, *inter-alia*, the historical background of the project, its draw backs etc. to ensure the correctness of the factual position of the para and see that all relevant copies of orders and extracts are attached as **Annexure** to the para. The facts and figures and detailed calculation should enviable be given in support of observations. (CAW Group order No. 8 Dated 15.6.92.-GO File P.46)
- (i) During the course of audit, the audit party should ensure the even flow of audit observations and lump sum issue of observation at the completion stage of audit should be discouraged.
- (j) In case of any, points noted in Index sheet of previous Inspection Reports for examination, the points should be examined with reference to records, and a suitable Para should be included in the Inspection Report.
- (k) To bring down the number of outstanding paras of Inspection Reports the incharge of the party while drafting the paras for Inspection Report should see that serious objections which have potential of developing in to draft para or those requiring recoveries or denote system failure and are to be reported to higher authorities only are included in inspection Report and other objections should be incorporated in Test Audit Note.)(CAW Group order No. 5 dated 23.4.98 G.O. File P. 50)

8.4. Discussion of Inspection Report.

8.4.1 On completion of audit, the draft Inspection Report should be prepared and discussed with the head of the office concerned on the last day of the inspection. On completion of discussion, a certificate to the effect that, "draft reports discussed and facts and figures confirmed" may be recorded in the draft Inspection Report with dated initials of the Head of Office. Minutes of the discussions should invariably be prepared and signed by the party in-charge and head of the office. In this connection Rule 191 of Regulation on the Audit & Accounts 2007 may also be kept in mind.

8.4.2 Non-Production of records.

In the event of non-production of records by the auditee unit inspite of the efforts put forth by the party members concerned, the matter may be brought to the notice of Headquarters in time so as to take up the same at higher level.

(Ref: Para 1.3(9) of the old CAW Manual)

8.4.3 Preparation of Review Sheet-

Following instruction should be kept in view: -

Where a para is proposed for closure on the ground of it being incorporated in the current Inspection Report, the complete para with upto date positions of the facts should be incorporated in the current Inspection Report; and the reference of the para number of the current Inspection Report given in the review sheet against the relevant paras.

Due to transfer of work if the para is required to be pursued by the other office, this fact should be specified and para should not be considered for closure from the Inspection Report. In fact the objection could be pursued from the same Inspection Report till it is finally settled. A copy of such para should however be kept in the file of the office from where it is to be pursued now.

(Authority:- CAW-I/K-248/51-80-81, dated 4.2.1981)

Review sheet should be prepared in following proforma.

S No	Referenc e of I/R.	Perio d	Par a No.		Remarks/recommendati on of the Inspecting Officer	
				101000		

(Authority: CAW-II/K-362, dated 15.11.1979)(Ref:Page 16 of Old CAW Manual)

8.4.4 Inspection Report.

The Inspection Report will consist of three parts Part-I, II and III. Part-II will be subdivided into A & B. as discussed in **Annexure-I**.

8.4.5 Title Sheet.

(a) On completion of audit, the audit party should fill up the title sheet with due care and diligence leading to the appraisal by the headquarters of the unit audited and status of audit being completed. Title sheet duly filled should be attached with each draft Inspection Report by the field parties and forwarded to Headquarters. A proforma of Title Sheet is given in **Annexure-II**.

(b) As the title sheet contains points which should be specifically seen at the time of local audit, it is impressed that it should be treated as a secret document for the use of office only and its contents should not be made known to the management of the concerns under audit.

(Ref: D.A.G. letter No HA/18(12)/60/K.W.630, dated 31.7.1963 at page 252 of File CAW/Pt.-18/G.Gile II & para 1.3(10&11) of old CAW Manuel)

8.5 Factual statement

8.5 A. As soon as para of inspection report is marked for probable draft para by the inspecting officer or Sr. A.O. (CAW)/Sr. D.A.G. (CAW) it should be noted in the probable draft para register (proforma given in **Annexure-III**). A copy of the para should be sent to the Head of the Department/Government. After considering the replies/comments of the head of the department/Government, a factual statement duly approved by the Group officer, will be sent to Report Section (ES-I/ESII/G&SSA). **Factual statement** as approved by the Sr. Dy. AG. /Accountant General shall be issued by name (Proforma for issuing factual statement given in **Annexure-IV**) to the following authorities with the request to sent replies to the FS within 6weeks time copy along with Key documents copy to Sr. Audit Officer, Report:-

- i. Secretary to the Government, CAW (Report) Administrative Department concerned.
- ii. Head of the Department/PSU
- iii. Secretary, Department of Finance, Government of Rajasthan.

(Ref: para 7.01A of old CAW Manuel & letter No.CAW-I/GS/Guard File 2003-04/K84 dt.)

8.5.B. Issue of Draft Para-

(1) A copy of the proposed audit observations in the form of a draft paragraph to the concerned Secretary to Government by name for communicating the comments, observations and explanation of the Government within a period of **six weeks** from the date of the letter or within such other period of time as may be specified.

(2) The draft paragraph shall be annotated with reference to the supporting audit evidence. The Accountant General (Audit) shall provide copies of any relevant documents and evidence in his possession that may be required by the Government department.

(Ref :Rule no 207 of the Regulation of Audit and Accounts 2007)

Before issue of final draft para views of State Government shall be considered. In case the reply/comments to the factual statement are not received within **time period** from the date of issue of factual statement, a draft para should be prepared by the Report Section on the basis of available facts in the Paragraphs proposed for inclusion in the Audit Report. Draft para should be so drafted to bring out thrust in the paragraph. While finalising the draft para, the points raised by the management should be dealt with adequately. The paras of the similar nature may be consolidated for the organisation as a whole.

Copies of the draft para should be sent to the following authorities simultaneously *demi officially* for acceptance of facts over the signature of Accountant General.

- (i) Secretary to the Government concerned Administrative Department.
- (ii) Head of the Department/PSU
- (iii) Secretary, Department of Finance, Government of Rajasthan.

Proforma of covering letter of the draft para is given at Annexure-V.

Draft paragraphs/reviews/Performance Audit may be discussed in meetings between the Accountant General and the Administrative Secretaries, the Chief Secretary and the Finance Secretary may also be associated in these meetings.

(C.A.G.s letter No. 792/294, dated 23rd August 1978 at page 166-c of K-115 of Caw-Report)

(Ref: para 7.01B of old CAW Manuel)

The draft para can continue to be issued by the Accountant General to Government for their remarks before sending them for vetting in Central Office but these shall be finalized subsequently with such modification etc. as may be necessary in the light of comments/suggestions of the Central Office.

8.6 Reply to draft paragraph by Government

(1) The Secretary to Government of the concerned department shall (a) confirm or cause to be confirmed, the receipt of the draft paragraph to the Accountant General (E&RSA) as soon as it is received, and (b) communicate the comments, observations and explanation of the Government on the draft paragraph in writing to the Accountant General (E&RSA) by name within the specified period. The reply shall be signed by the Secretary or carry an indication of approval by the Secretary.

- (2) The reply of the Secretary to Government shall state:
 - (a) Whether the department accepts the facts and figures mentioned in the draft paragraph; if not, the reasons supported by the relevant documents and evidence duly authenticated;
 - (b) Comments, observations and explanation of the Government on matters included Recommendation wise in the draft paragraph;
 - (c) Government's response to suggestions and recommendations made in the draft paragraph;
 - (d) Remedial action taken or proposed to be taken; and
 - (e) Any other observations or remarks of the department.

(3) Consistent with the schedule of preparation, finalization and presentation of the audit report in the legislature, the Accountant General (E&RSA) may consider a request made by the concerned Secretary to Government for extension of time for sending the reply to the draft paragraph. Every such request shall (i) specify the reasons for seeking extension beyond the time stipulated, and (ii) state the date by which the final reply to the draft paragraph shall be sent.

(4) The Report Section will proceed on the assumption that the Government has no comments, observation and explanation in the matter in case a final reply is not received within the specified period or the extended period agreed to. The Government shall bear responsibility for the accuracy of the facts, figures and the related audit evidence mentioned in the draft paragraph in such cases.

(5) Full consideration shall give to the reply of the Government. The draft paragraph may be modified or settled or may not be included in the audit report in the light of the reply.

(Ref: Para 208 of the Regulation on Audit and Accounts 2007)

8.7 Modified Draft paragraph.

Normally it is not necessary to send the modified/revised draft paras to the government on receipt of Comptroller and Auditor General's remarks on the original draft paragraph. Where, however, as a result of further examination with reference to the comments of the Comptroller and Auditor General of the or on further material being available, fresh points arise on which Government's remarks have not been asked for such points or the modified/revised paragraphs shall be communicated to government well in time so that before the paragraph is finalized Government's remarks are available on all the points. (CAG's letter No. 305-Rep/106-76-I, dated 14th February 1967)

8.8 Revised Draft paragraphs

The comments of the Comptroller and Auditor General on the draft paragraph are only indicative of the lines on which they would like the paragraphs to be revised and the points to be taken into consideration in that connection. Accountant General is free to make such further amendments as may be considered necessary to bring out factual position correctly and completely. No lengthy notes are required to be sent to the Comptroller and Auditor General in reply to their comments but a brief mention of any background information may be made where necessary as marginal remarks against the revised paragraphs. (CAG's D.O. No. 2282-Rep/406-61 dated 25th October 1961)

8.9 Sending of material to Head Quarters Office.

8.9.1 The material for Audit Report shall be sent in batches (as per schedule prescribed by the Central Office from time to time) to the Central Office in duplicate for approval. After all the batches of the draft paragraphs/reviews have been vetted by the Central Office, the material would be arranged in the form of chapters after taking into account the remarks of Central Office and the replies of the Government/Undertaking.

Material for Audit Report sent to Head Quarters for approval need be printed in double space leaving 2"margin in left side for convenience to carry out modification/corrections.

(Ref; HQRs letter No. 104-CA.II/Co-ord./Instructions/07-08/82-2005 Dated 10.3.2008¶ 7.02-7.04 of old CAW Manuel)

The observations in relation to the audit findings and conclusions, recommendations, evidence, drafting, etc. by the CAG is a combination of quality control, quality assurance and supervision measures. The observations and suggestions for improvements by CAG provide assurance on the logical development of findings and conclusions, quality and validity of supporting evidence and objective approach in audit by the CAG, which has not been involved on day-to-day basis with the conduct of the audit. It also facilitates review by the CAG to ensure that appropriate procedures have been followed by Accountants General in implementation of the audit.

8.9.2 Second journey of the report to headquarters

The system of simultaneous forwarding of the draft audit report to the entity for its response and headquarters for approval facilitates parallel processing. On receipt of the response of the entity and observations of the Headquarter, Accountants General may incorporate the modifications, warranted by them and forward the draft report along with a response sheet to the headquarters for approval of the report.

8.9.3 Final report

8.9.3.1 On approval of the report by Headquarter, the Accountant General may send the bond copy of the report with appropriate annotations for formal approval of the report by Comptroller and Auditor General, after which the report stands cleared for printing of the prescribed number of copies, signature copies for signature of the Comptroller and Auditor General in ink and others with his facsimile signature.

8.9.3.2 The printed signature copies of the report are to be forwarded to the headquarters for signature of Comptroller and Auditor General. The signed copies of the report should be forwarded for placing it on the table of the state legislatures. Simultaneously, a Signed copy of the report is to be sent to the Secretary to the Governor informing him that requisite copies having been sent to the Ministry /Department of Finance *demi officially* by the Pr.AG/AG

The remaining copies of the printed reports are forwarded to the legislature secretariat on their request, generally on the day the report is presented.

(Authority: Para 6.23 to 6.26 of the *Performance Auditing Guidelines - SAI India*& HQR's Letter No.III/S/6/313-PPG/43-2012 Dated 12.9.2012,No.I/C/4308-PPG/34-2012 Dated 4.9.12)

8.9.3.3 The Accountant General (Audit) shall send copies of the audit report to the Secretary to Government of concerned department after the presentation of the report in the legislature.

(Ref: Para 210-211 of the Regulation on Audit and Accounts 2007)

8.10 Processing/vetting of replies to Factual statement/draft paras

8.10.1 Processing/vetting of replies to Factual statement/draft paras.

(i) In order to ensure that the paras included in the Audit Report do not contain any factual inaccuracy and the Government's view points are fully taken into account, every effort should be made to hold discussions with the concerned administrative Secretary or his nominee in respect of all the factual statement preferably before the draft paras are prepared. There is no objection to such discussion being held even after issue of draft paras. The discussion should be formal and followed by a record note of discussion irrespective of whether or not a reply to factual statement/draft para is received.

(ii) Though replies to the factual statements, are to be received through the Administrative Department of government, comments if any, received from the head of the Department/Undertaking may also be scrutinized by originating Section and by CAW (Report) in case of reviews mainly with a view to make sure that facts have been correctly stated in the factual statement and no vital aspect have been left out. Verification

of the reply should be done with reference to initial records/documents. Necessary clarification should be obtained in writing wherever there is doubt. If there are changes to be made in the factual statement/draft paras as result of such scrutiny, these changes should be communicated to the Government under intimation to Report Section (ES-I/ESII/G&SSA).

(iii) Any reply received from Government right upto the time of submission of the Audit Report in its final form (after printing) to Comptroller and Auditor General of India for his signature may be taken into account for correction, if required of any factual in accuracies. However, to avoid delay, efforts should be made to get the replies within prescribed dates by personal contact. Comments on the replies to the factual statement/para should be furnished to Report Section (ES-I/ESII/G&SSA) to enable that Section to take the orders of the Accountant General on the changes, if any, to be made. No change whatsoever shall be made in the Audit Report approved by the Comptroller and Auditor General without obtaining clearance from Central Office.

(iv) As no changes are possible after the Audit Report has been submitted to the Governor, no immediate action is called for on replies received after that date. A polite reply should be sent in such cases that the due date for reply being long since over, the Audit Report had already been finalized based on the available information. The reply should be examined in due course and comments given to Report Section (ES-I/ESII/G&SSA)for purpose of brief to be prepared for the use of the Committee on Public Undertakings/Public Accounts Committee. Where any points are not clear or are incorrect they may be pointed out to Government by giving reference to relevant order/documents so that controversy may be avoided during discussion in the Committee on Public Undertakings/Public Accounts committee.

(T.M./80-C/45, dated 25.8.1980/Rep. Vol. III G.F. T.M. and CAG's letter No. 411-Rep/125-79, dated 28/23.2.1980 at page 316-C, 314-C,278 of K-115 of CAW-Report)

(Ref: para 7.6 of old CAW Manuel)

8.10.2 C&AG desired that the expression "auditee" should not be used in Audit Reports and whenever necessary, "Audited entity" may be used.

(Ref: HQRs letter No. 130-Audit (AP)/PPG/4-2010dated 12.12.2011)

8.10.3 It has directed that the field audit offices, in their capacity of external auditors, should invariably look the mandate, scope powers, capabilities and performance of internal audit as well as the competence and integrity of its financial advice apparatus. Based on that, suitable comments should be incorporated in Audit Inspection Reports, in management letters to the Secretaries to the Government as well as in the CAG's Audit Report. Appropriate guidance may be taken in this purpose from Internal Controls Evaluation Manual' of SAI.

(Ref: HQRs letter No.III/M/9/151-Audit (AP)/33-2008 KW. I dated 9.5.2011)

8.11. Preparation of Introductory Chapter and preface

8.11.1 Preparation of Introductory Chapter and preface

After restructuring of Audit offices in state these Audit Reports may be on a sector, or on a department, or consolidated Report on a few selected departments or on a PSU. Audit findings of autonomous bodies would be included along with the concerned departments. All these Audit Reports will include both compliance audit findings as well as the performance audit findings. Any isolated audit findings on a transaction will be suitably included.

(Authority: HQRs No. 123-SMU/PP/Reorganisation/5-2011 dt. 29.3.2012)

Introductory Chapter of the Audit Report (Public Sector Undertakings) dealing with the Government Companies and Corporations shall be prepared strictly in the **format** prescribed by the Comptroller and Auditor General of India. vide letter No. 667/CA II/48-99/KW II dated, 1.9.1999 which amended time to time .C.A.G' has also approved the recommendations of the Committee of officers appointed for improving and pruning of Chapter I of Audit Report (Public Undertakings) incorporation of recommendation of (NCAER) regarding bench marking and interstate comparison in the Audit Report and reducing the size of Audit Report to **100 pages**.

There may be certain Companies having Government investment but there are not subject to audit by the Comptroller and Auditor General of India as Government hold less than 51 percent of their share capital. This fact should be mentioned in the preface of the Audit Report.

(Ref: Para 7.07 of old CAW Manuel)

The maximum length of a report (excluding overview and appendix) should not exceed 100 typed pages. The appendices/annexes should be limited to as far as possibleto allow for a reader to be able to collect and understand the audit conclusion made. Transaction audit paragraph should not normally exceed two typed pages. Thematic paragraphs should be restricted to a maximum of 10 typed pages. The performance Audit should not be more than 25 typed pages.

(Authority: Hqrs. No.WR/Coord/AP/317-2012 dated 7.8.2013.)

Standard model format of preface (Revised draft) is annexed as -Annexure-VI.

(Ref: CAG Office letter No.54-PPG/5-2013 DATED 14.3.2013.)

Standard model format of chapter I. **Annexures** and recommendations of the aforesaid Committees received vide ADAI's DO letter No. 6671 CAII/48-99/KWII dated 1.9.1999and modified wide letter No.399 CA-II/Co-ordn./Modification-Intro Chap/AR(C)/46-2009 dated 24.7.2009 are given in **Annexure-VII-(A&B)** to this chapter.

Chapter –I of Audit Report (PSUs) contains overview of state PSU's gives an idea of the investment in PSU's of various sectors. For this purpose of maintain uniformity in approach in various stat PSUs have been categorized in to seven sectors as detailed below:

- 1. Agriculture & allied
- 2. Financing
- 3. Infrastructure

- 4. Manufacturing
- 5. Power
- 6. Service and
- 7. Miscellaneous

The data of PSUs may be broadly grouped in to (a) Working Companies (b) Working Corporations (c) Non-Working Companies (d) Non-Working Corporations

This may be further group sector wise in alphabetical order under Annexure I to III

(Authority: HQrs No. 452-CA-II/Cord/Chapter-I/46-2009 dated 17.8.2009.)

8.11.2 Compliance to Auditing Standards in Audit Reports

To insure compliance of Auditing standards all the field offices required to clearly certified as follows in the Preface or in the Audit Certificate:

"It is certified that the audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India".

(Authority: HQ's Office Memorandum No. 105-audit (AP)/4-2007 dated 25.6.2007)

8.11.3 Confidentiality of material for Audit Reports.

In order to maintain confidentiality/secrecy of draft Audit Report and material for Audit Report, the following points should invariably practiced:

The confidentiality may be claimed once a conscious decision is taken to develop any audit observation whether in the form of Draft Para/ Long Para/ Performance Audit etc. for inclusion in the Audit Report.

(i) Any such material and records relating thereto should have restricted access and placed in password protected computers as the ultimate responsibility for confidentiality would remain with the Head of the Department.

(ii) A confidentiality statement (**Annexure-VIII**) should be got signed from those dealing with the report material (including outside parties engaged for design and printing of Report) and placed on record.

(iii) All the pages of the material decided to be processed for inclusion in Audit Report should be marked as Confidential and issued to Audited Unit or Administrative Department / Government in Sealed Cover with a remark "To be opened by addressee only".

(iv) While forwarding the draft material to the Audited Unit or Administrative Department / Government for verification of facts and for eliciting their comments thereon, it should categorically be mentioned that material are interim and may change depending upon the response of Audited Unit or Administrative Department / Government. Besides, it should also be mentioned in the forwarding letter that the Audited Unit or Administrative Department / Government should also exercise due care to ensure confidentiality of draft material for audit Report.

(v) The report material invariably be sent through official mail and to the official addresses only with a request to acknowledge receipt.

(vi) In case material is transmitted by Email the following should be expressed:

"This Electronic mail message and any attachment file(s) contain information intended for exclusive use of individual or entity to which it is addressed and may contain information that is proprietary, privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient, you are hereby notified that any viewing, coping, disclosure or distribution of this information may be subject to legal restriction or sanction. Please notify the sender of any unintended receipt and delete the original message along with all attachments thereto without making any copies."

The above instructions may strictly followed for the material contained in the Draft Audit Report and may also be brought to the notice of all the officers / staff connected with Audit Report work for strict compliance.

(Authority: HQ's letter no. III/S/5/258-PPG/24-2012 Dated 27.7.2012)

8.12 Preparation of overview.

Every Audit Report without any exception will have on overview. The overview of the report should be well drafted for easy understanding and should not be summary of the Report. This should be in narrative form and information in tabular form should be avoided. It should contain brief of only those paragraphs/reviews having very significant audit findings. It is not necessary to mention all the paragraphs/reviews therein. Contents of the overview should have total identify to facts and figures of the report.

The paragraph numbering in the overview will be Arabic viz. 1,2,3,4, and so on. Crossreference to the relevant paragraph of the Report should be given at the end of the overview. Page numbering of table of contents, prefatory Remarks and overview will be in consecutive numbers as (i), (ii), (iii) and so on and the first page of the Report shall start from page 1 in chapter I. The overview will invariably be printed in colored pages.

(Authority: CAG letter No. 1678 Rep©/99-87 Vol.I dated 28.9.1988 page 920 of K-115)

8.13 Format of Audit Report (Public Sector Undertakings)

(i) It has been decided by the CAG that format of the Audit Report shall be uniform for all Reports. Besides the format some other features relating to drafting and contents of Audit Reports have been decided for uniform introduction. Standardization of the format has become necessary to enable there straightway transfer to web site without modification. Standard format as prescribed by the CAG vide letter No. 85 Rep (C) 156-98 dated 25.1.1999.

(Circulated vide CAG letter No. 107/CA-II/118-94 dated 2.2.1999 page 60c of file CAW(R) K-487 vol II)

(ii) CD containing formatted version of the Report along with the prescribed certificates given below should be sent to CAG office for placing the same on website.

(Authority: CAG Letter No. 160/ CA II/10-2000 dated 8.2.2000 page 242 of CAW(R) file K-487)

Certificate

It is certified that the audit Report (Public Sector Undertakings) has been formatted after creating 'Styles' as per the instructions laid down in PD (RC)'s circular No. 85 Rep(C)/156-98 dated 25.1.1999 to up date received vide Head quarters letter No. 107/CA-II/118-94 dated 9.2.1999 and further instructions contained in Headquarters letter No. 864-CA II/118-94 dated 9.12.1999.

(Ref: Para 7.08&7.09 of old CAW Manuel)

8.14 Printed Audit Report (Public Sector Undertakings)

Printed copies of Audit Reports (Public Sector Undertakings) should be thoroughly checked before submitting to Headquarters Office for counter signature of Comptroller &Auditor General of India. In addition to the instructions as contained in Head Quarters office letter No. 107/CA-II/118-94 dated .2.2.1999 (Annexure IV), the following points may also be kept in view while formatting and printing Audit Report (PSUs) 1999-2000 and onward.

1. The emblem of the respective states may only be adopted.

2. Audit Report (PSUs) for the year ended 31^{st} march 20---in the cover as well as first page be mentioned.

3. Year of the Report may be the year in which bond copy of the report is approved by CAG even if it is printed in the subsequent year.

4. Detailed table of contents may be prepared only in the beginning of the Report and separate indexing for each chapter need not be prepared.

5. After approval of bond copy of the Report by CAG, any modification/corrections in the printed copy shall be done only with the prior approval of Headquarters Office.

6. The brochure should be titled as "What do the Report of CAG say?" in case a single brochure for all the Reports is brought out. However, in case individual Report wise brochure is printed it should be titled as "What does the Report of CAG say?" The brochure should also contain highlights, marginal gist and be properly formatted.

(Authority C&AG letter No. 666 CA II/398-99 dated 2.8.2000 page 316c of file CAW(R)/K-497 Vol. 401-D)

7. Number of the Audit Report (PSUs) need not be mentioned on the coverinner title page, spine side and header of the Report.

8. The spine side of the Report should indicate as under

(Audit Report (Public Sector Undertakings) Government of Rajasthan -----)

9. Each page of the Audit Report (Public Sector Undertakings) (except the first page of each chapter should have a header in font Times New Roman 10 points (italic). The header should indicate name of the Report viz. Audit Report (Public Sector

Undertakings) for the year ended 31st March ------on the even page aligned to---- left and chapter heading viz. Chapter I - overview of State Public Sector Undertakings, Chapter II - Performance Audit relating to Government Companies, Chapter III -Performance Audit relating to statutory corporations, Chapter IV -Transaction Audit observations, as may be relevant, on the odd page aligned to right. Similarly on all 'even' pages of **Annexures** should indicate name of the Report aligned to the left similar to the rest of the report. The header on all odd pages of **Annexures** should indicate, "**Annexure**" aligned to. Single line footer with page number below should also be indicated.

10. The web site address should also be printed on the inner cover page/back page of the Audit Report (Public Sector Undertakings)

(Authority: CAG's letter No. 72-CA II/398-99 dated 18th January 2001 and dated 6th February 2001 P. 364 C and 386 C of CAW (R) file K-497 Vol. II)

11 It has been decided by the CAG that once the Bond copy is approved by the CAG, its printing and presentation to the State Legislature should be constantly monitored. The status report in the following format should be sent to ADAI(C), by name every weekly/monthly once the Bond copy has been approved so as to reach by 1st of each month.

8.15 Status of Audit Report (Commercial) Approval, Printing and presentation to State Legislature.

- a. Date of approval of bond copy by CAG -----
- b. Date of completion of Hindi Translation.-----
- c. Date of sending the Report to press------
- d. Actual date of printing of Report-----
- e. Date of counter signature of the Report by CAG------
- f. Date when Report was sent to Government for presentation to State Legislature---
- g. Date of presentation of Report to State Legislature.-----
- h. Remarks, if any,-----

(In case Report is not presented in the Budget Session, the reason for delay and action taken by AG to expedite the presentation may be given)

(Authority: CAG's letter No. 1082-CA-II/238-93 II dated 26th July 1994-File K-497 CAW(R) page 170c)

(Ref: Para 7.10 of old CAW Manuel)

As soon as the report tabled in the state legislature, intimation to this effect is given to functional wing concerned on the same day and a copy of the same may be endorsed to IS wing email at <u>sao2is@cag.gov.in</u>. A soft copy (CD) of State Audit Reports also be submitted to concerned wing of Headquarters office so it may reaches to IS Wing for hosting with in time limit.

(Ref; Hqtrs. Letter no. 469-ISW/41-2011 dated 28.4.2011)

As per the Standing orders of the CAG, all state Audit Reports should be hosted on CAG's website within 5 days of tabling of these reports in State Legislature. Therefore soft copies of Audit Report and their ancillary product including 'Noddy' Books (ancillary product of audit Reports including abridged version of such Report) to be forwarded to HQRs immediately after placement of these reports in State Legislature

(CAG's letter No.CA-II/Cord/Printing of AR/2007-08/38-2005/Vol-II dated 8.12.2011)

Reports as and when placed before the State Legislature A Copy of the same may be forwarded to National Academy of Audit & Accounts Shimla and International Centre for Information System & Audit, Noida under intimation to Headquarters.

(CAG's letter No. CA-II/Cord/Misc/2008-09/34-2006/Vol-II dated 26.8.2010)

8.15.2 Forwarding of Hindi version of Reports:-

While forwarding Hindi version of the Audit Report for CAG's signature, the certificate in the following format shall be given by the Accountant General:-

"I have gone through this report prepared in Hindi and English and certify that this (Hindi) text is identical with the English text.

(CAG's letter No. 833-Rep/45-70 (II), dated 24th August 1976at page 238-C of K-115 of file CAW –Report)

8.16. Performance audits of working of Public Sector Undertakings (PSUs).

8.16.1 Public Sector audits have certain basic elements (i) Three parties in the audit i.e. the auditor, the responsible party, intended user, (ii) the subject matter information and (iii) criteria to assess the subject matter. Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement. Performance audits deliver new information, knowledge or value by:

- providing new analytical insights (broader or deeper analysis or new perspectives);
- making existing information more accessible to various stakeholders;
- providing an independent and authoritative view or conclusion based on audit evidence;
- providing recommendations based on an analysis of audit findings

Audits address the issues of **Economy** to minimize the cost of resources used by acquiring them in due time, appropriate quantity and quality at the best price, **Efficiency** for the relationship between resources employed and outputs delivered; in terms of quantity, quality and timing and for **Effectiveness** meeting the objectives set and achieving the intended results.Performance audit should be aimed at adding value to the Management by way of reliable, objective and independent information, highlighting the shortcomings in programme planning, implementation, information systems affecting the outputs and outcome specifically and quality of expenditure or management generally. In addition, performance audit reports provide valuable information and independent assessment on programme management and the extent of fulfilment of the policy

objectives to the stakeholders including the Parliament, the State Legislatures and the general public. Thus, good quality performance audit contributes to good governance.

The subject matter of a performance audit need not be limited to specific programmes, entities or funds but can include activities (with their outputs, outcomes and impacts) or existing situations (including causes and consequences). The subject matter is determined by the objective and formulated in the Audit criteria (audit questions). The criteria should be discussed with the audited entities, but it is ultimately the auditor's responsibility to select suitable criteria. Auditors should maintain effective and proper communication with the audited entities and other parties sharing the responsibility of the subject matter throughout the audit process and define the content, process and recipients of communication for each audit.. Performance auditing generally follows one of three approaches:

- a system-oriented approach, which examines the proper functioning of managementsystems, *e.g.* financial management systems;
- a result-oriented approach, which assesses whether outcome or output objectives have been achieved as intended or programmes and services are operating as intended;
- a problem-oriented approach, which examines, verifies and analyses the causes of particular problems or deviations from criteria.

A detailed and sophisticated planning is required before appraisal/review is undertaken. For the purpose of preparing reviews of PSUs, data bank and documentation covering reports of various Committees, Study Reports, Plan/Budget documents, newspaper and journal clipping etc. should be Case fully built up in Office as these can effectively assist in Audit probes.

The following steps indicate the process involved in planning an individual performance audit in practice;

- Understanding the entity/programme
- Defining the objectives and the scope of the audit
- Determining audit criteria
- Deciding audit approach
- Developing audit questions
- Assess audit team skills and whether outside expertise required
- Preparation of Audit Design Matrix
- Establishing time table and resources
- Intimation of Audit programme to audit entities

As per instructions contained in Headquarters letter No. O&M/7,81 (III) dated 26.4.82 a portfolio in respect of each scheme is required to be built up to contain, inter-alia, complete details of the PSUs covering its objectives, financial and fiscal target, performance standards, time schedules for different components of sanctions etc. and should form the basis for drawing up detailed plan for review of PSUs. The guidelines

should be prepared on the basis of audit plan covering the under mentioned points and issue to audit parties.

- (a) Background material.
- (b) Objectives of the performance audit.
- (c) Areas to be covered.
- (d) Points to be seen.
- (e) Information to be collected.
- (f) Methods of analysis of information.
- (g) Objection likely to be noticed.
- (h) Time frame for completion of performance audit.

8.16.2 The following criteria may be adopted for selection of performance audit.

Normally major schemes including substantial amount with activities spread throughout the state should be selected. However the complexity and the content of the scheme and the apparent difficulties in implementation should also be a factor. The schemes which are implemented in smaller geographical area should carry priority over the schemes which are implemented throughout the state with a thin annual budget. The schemes, which are of, interest to the Public as well as the Member of committee on Public Undertaking/Public Accounts Committee merit selection. Audit criteria must be sought to be obtained from the following sources:

- Enabling and related legislation which governs the operations of the audited entity;
- Entity operating and procedure manuals; entity policies, standards, directives and guidelines;
- Multilateral international accords signed by India;
- Criteria used previously in similar audits;
- Performance standards used by the entity for the programme / activity to be audited, or previous inquiries by the legislature;
- Criteria used by the same entity or other entities in similar activities or programmes;
- Criteria used or developed by professional organisations and standard setting bodies;
- Independent Expert advice and know how,
- Services of expert for developing criteria
- New or established scientific knowledge and other reliable information;
- Criteria published by other SAIs; and
- General management and subject matter literature and research papers.

(Authority D.O. letter No. 1453/Rep(C)/99-87 dated 12.8.87 from Add. Dy. CAG –P 30 of CAW-I/Guard file /C-12 para 1.16, 1.5, 1.27, 1.28, 2.5, 2.7, 2.9, 2.152.28 4.4 4.17, of the Performance Auditing Guidelines – C&AG 2014)

8.16.3 Selection of Undertakings/topics for performance audit

(i) While sending proposals for selection of Companies/topics for performance audit for inclusion of in the Audit Report (PSUs) information on each of the topics in brief should be sent to Central Office in the following proforma. Comparative figures for last three years up to the latest available accounts should be given whenever possible.

PROFORMA

- 1. Name of the Company/Corporation.
- 2. Place of the registered office & branches (in case of Government Companies).
- 3. Extent of performance audit (whether the entire working of certain particular aspects.)
- 4. Status in case of Government Company.
- 5. Objects of the Company/Scheme in Brief.
- 6. Brief description and activities undertaken.
- 7. How long in operation?
- 8. Capital structure/pattern of shareholding by Government/Corporations/Others (in the case of Government Companies).
- 9. Borrowings (extent, purpose and defaults in repayment etc.).
- 10. State of Accounts-Period for which accounts were prepared/audited.
- 11. Expenditure for the past three years (revenue and capital also indicating working results.)
- 12. Production/Operational performance.
- 13. Sales performance.
- 14. Expansion programmes and extent of outlay & period of execution & date of completion.
- 15. Areas identified for review and important points to be stressed.
- 16. Special features, if any and topics proposed to be covered in the performance audit.
- 17. Considerations for selecting the Company/Corporation aspects for performance audit.
- 18. Whether the Company/Corporation subject was covered in earlier performance auditand if so whether taken up by COPU. What are the recommendations and action taken thereon?
- 19. Whether the Company/Corporation subject had been subjected to *suo moto* examination by COPU earlier, and if so, the additional consideration for review in audit Report.

(Authority CAG's letter No. 135-CAII/271-81, circular No. I/CA II/State Commercial audit II/82, dated 25.1.82, page 76-C. K-220 of CAW (R).

The selection of audits to be taken up requires serious deliberations as the potential areas for audit could be considerable and the Department's capacity in terms of effort and time is limited where desirable, the subjects of performance audit may be selected cutting across various departments or entities. Emerging issues like environmental challenges, sustainable development and information technologies should also find a place in the performance audits of various entities. Programmes, schemes *etc.* For selection of subjectsAssessing risks, Materiality and Significance, Visibility, Past audits, Estimated impact, Coverage, The stage of the programme development etc. may be considerations

(Authority: Performance Auditing Guidelines – C&AG of India para 3-7 to 3.9)

8.16.4 A reference should be made to all the Secretaries of various departments in the State in January itself enquiring whether they would suggest any programme for scrutiny. After taking their suggestions into account, proposals for selection of schemes may be sent to Central Office in the month of March.

(CAG's letter No. 792-Rep/294-78, dated 23rd August 1978 at page 166-C of Caw (Report) K-115)

8.16.5 Instructions for preparation of performance audits/appraisal of PSUs

(a) While preparing an overall appraisal of the performance for the first time following points should be kept in view.

- (i) Background behind the formation
- (ii) Capital structure and changes from time to time made therein.
- (iii) Objectives of the Organisation
- (iv) Summarised version of actual realization of the objectives or the extent of such realization.
- (v) Financial position of the Undertakings and financial working results.
- (vi) Specified points noticed in audit. While dealing with specific points it will not be sufficient to mention facts as they are, reasons for the situation obtaining should be analysed.
- (vii) When appraisal reports refer to organizations already reviewed, reference should be drawn to earlier published report.
- (viii) In individual audit paragraphs the procedural or other lapses that have contributed to a particular situation should be brought out to make meaningful reading and help all concerned to draw lessons for the future.

(CAG's Letter No. CA. II/State-Commercial Audit-2/79, D.O. No. 443-C II/182-78, dated 7.4.1979 at page 396-C of G.F. C/12 of CAW-I.).

(b) The following instructions regarding preparation of performance audit should be kept in view in preparation of the required material.

(i) The performance audit should be precise and to the point. The thrust of each para should be brought out very clearly. Every statement made in the performance audit should be supported by the relevant documents.

- (ii) The working results as well as production performance should be critically examined and comments appended suitably. The remarks of the Management should also be obtained and incorporated after due examination. In the past, it was seen that the replies of the Management were incorporated in some cases without any scrutiny. This should be avoided.
- (iii) The salient features of new project or scheme would have its basis either on a project report or Board's proceedings. While examining the performance, it should therefore, be viewed with reference to the frame-work and objectives envisaged in such documents. A copy of the relevant document should also be collected and kept on record.
- (iv) Efforts should be made to obtain the replies to the half margins issued to the Unit/Company and after due examination they should be suitably incorporated in the performance audit.
- (v) The performance audit, when ready, should be discussed with the management and discussion noted containing para wise comments of the management prepared and got signed by the management.
- (vi)The reviews so prepared should be duly referenced.
- (vii) A summing-up para should be given at the end of the review bringing out in brief all the important irregularities covered in the review.
- (viii) It should be ensured that all facts and figures incorporated in the review/para are correct in all respects.
- (ix) As we have to adhere to a fixed time schedule for finalisation of the Audit Report. All effort should be made to complete the performance audit within the time allotted.

(Authority: CAW (R) CTR/K115/21 dated 21.4.1980)

(x) Important points brought out by internal audit, the recommendations implemented by the management and general response of the management to the internal audit should be included in the performance audit.

(Authority: CAG's circular No. CAII/State Commercial Audit 3179, D.O. No. 595 CA II/182-78, dated 23.5.79. at page 396 of G.F. C-12 of CAW—I).

- (xi) While reviewing cases of avoidable loss of interest in taking recourse to cash credit arrangement, instruction contained in CAG's confidential letter No.210-ADAI(C) 1978 dated 18th August 1978 may be kept in view.
- (xii) Besides highlighting in all the review cases of wastage, failures, shortfall etc. to bring out as penetrating as see of reasons therefore as far as possible.

(Authority CAG's letter No. 560-Report/58-81, dated 6.4.1981 at page 422 of G.F. K-115

of CAW Report)

(xiii) Performance Audits of schemes and projects should receive greater emphasis on quality rather on quantity and on analysis rather than mere narration. The

thrust of the paragraph and review should come out clearly. Long and complex paragraph should end with a conclusion. Whatever is stated in the Audit Report should be in impersonal language and supported by facts and figures.

(Authority CAG's letter No. 792-Rep. 294-78, dated 23.8.78 at page 166 of K-115, CAW Report)

- (xiv) The performance audits on the working of Public Sector Undertakings should bring out the objectives and an analysis of the activities undertaken in furtherance of specified objectives. Such analysis should aim at bringing out the deficiencies or shortfall etc. and reasons for shortfall. The performance audits should also include specific cases of irregularities/losses or another important matter of financial magnitude relevant to the said activities.
- (xv) While reviewing specific Scheme and programme attempts should be made to assess achievement of social benefits from Schemes and programmes (Social benefits means both direct and indirect to the community as whole) and proper comments included in performance audit. The performance audits of Schemes/programmes should be brief and precise.

(CAG's letter No. 970-Report/73-78, dated 20/25 July 1979 at page 262-C of K-115 of Caw Report)

(xvi) After discussing the objectives of the organization, analysis should be made of the actual activities undertaking in furtherance of the specified objectives one by one to ensure how far organization has been able to achieve the objects with reference to programmes formulated from year to year and if there had been any deficiencies at shortfalls what they are, how they had occurred and why? After dealing with this aspect with reference to each one of the activities, specific cases of irregularities/losses or any other important matters of financial magnitude relevant to the said activity may be dealt with.

(CAG's D.O. letter No. 852-CA. II/182-78, Circular No. CAW-II/State Commercial Audit-3/78 dated 13th November 1978 at page 192-C of K-115 of CAW Report)

(xvii) While examining the working of a company mainly involved in development work, audit should also examine other positive aspects such as the value of the goods/services produced, the employment potential created etc besides the considerations on which the company was set up and how far there objectives have been achieved and what is their impact on the economy of the State.

Any evaluation made by the Companies/State Government may also be critically examined for comments in the performance audit on the working of the company

(CAG's letter No. 1467-CA. II/182-78, Circular No.CA.II/Sate Commercial Audit –9/80, dated 15.10.80 at page 350-C of K115 of CAW Report)

(Ref: Para 7.11 to 7.13 of old CAW Manuel)

Audit design matrix should be suitably updated at each stage of audit considering the following steps:

- a. Audit criteria (what should be)
- a. Audit evidence (what is)
- b. Audit finding ('what is' compared with 'what should be')
- c. Determine the causes and effects of the findings
- d. Developing audit conclusions
- e. Developing audit recommendations

The Audit Design Matrix is prepared on the basis of information and knowledge obtained in the planning phase during the course of pilot study. Audit teams are encouraged to update the Audit Design Matrix as and when it acquires more in-depth knowledge of the audit subject matter. A well-designed Audit Design Matrix leads to efficient planning and resultant effective audits thereby providing highest assurances to the audited entities and those charged with governance

Follow-up procedure is conducted with reference to the nominal information on the implementation of the recommendations and the quality of implementation of recommendations through a more detailed follow-up audit.

The audit teams are encouraged to prepare an Audit Findings Matrix indicating the audit findings *vis-à-vis* good practices and the potential audit recommendation along with the expected benefits in case the recommendation is implemented. It is meant to provide a link between the audit objectives, criteria, the audit observation and the recommendations emerging there from. The audit teams should link the Audit Findings Matrix with Audit Design Matrix and highlight the Para number as well as chapter number of the draft report against each of the audit objective where the observations are reported. The Audit team should be encouraged to use Audit Design Matrix as well as Audit Finding Matrix for cross references to insure that nothing is left out and they have completed the work inconsonance with the matrix ibid.

Performance audit reports are essentially a means to improving public sector performance and accountability. This can be achieved through implementation of the recommendations contained in the performance audits. Consistent and systematic follow-up process in the Department may contribute significantly to the effectiveness of performance audit in improving the programme management. When conducting a follow-up of audit reports, the auditor should concentrate on findings and recommendations that are still relevant at the time of the follow up and adopt an unbiased and independent approach.

The follow-up of performance audit reports is aimed at the following objectives:

- Assisting the legislature
- Achieving improvements in performance of the public sector program
- Evaluating the Department's performance:
- providing an input to strategic planning of performance audit by the Department.

(Ref para 4.37 & 5.19, 7.5, 8.2 of the *Performance Auditing Guidelines – C&AG of India*)

8.17 Points to be considered finalizing Performance audit Report

8.17.1 Focussed reporting

Performance audit reporting is to be viewed as a continuous process. At various stages, during the performance audit, the audit team will be required to issue different forms of reports. While writing the various reports, it is important to keep the final report in mind. *Thus, all forms Reporting process of reports (discussion papers, audit observations and draft field audit report) leading to the finalisation of the draft audit report should be focussed on the final output.* This modular approach, apart from facilitating the development of the final performance audit report, would also provide assurance of high quality of audit throughout. The reporting process begins with discussion papers, navigates through the stages of audit observations, field audit report and ultimately to the draft performance audit report.

8.17.2. Discussion papers and Audit observation

The discussion papers and audit observations both serve more or less similar purpose. The discussion papers, however, are issued early in the process of developing audit observations and may not be as precise as audit observations. The audit officer or the supervisory officer may determine consciously whether findings on a segment, theme or sub-theme may be processed directly as an audit observation or should be developed with the help of issue of a discussion paper. A discussion paper is designed to bring together findings and conclusions for a specific segment or area of audit. Discussion papers may contain suggestions after their approval by the group supervisory officers or the Accountant General, It may assist the performance audit team to understand relatively more complex issues better and to develop good audit findings, if discussion papers are issued early in the audit and lead to early implementation of CAG recommendations and can, thus, contribute to improving public administration. In such cases, it would be appropriate to mention in the report that, during the audit, the CAG raised a specific issue to which the entity took remedial action. It is not uncommon for the entities to overreact or tend to be uncooperative with the issue of the discussion papers. It may facilitate desirable entity response if it is made clear in the discussion papers that these are preliminary findings and are intended for facilitating a dialogue with the entity to sort-out any weakness in development of the audit findings and for obtaining entity response at an early stage. As far as possible, the discussion papers may be discussed with the entity, which may be requested for a written response, preferably before the meeting.

Audit observations are developed keeping the field audit report and the final report in mind. These may be developed from the discussion papers and the response of the entity to them or directly as a result of audit test programme if the audit team is confident that convincing and logical audit findings and conclusions can be developed straightway as audit observation. It is a good practice to develop audit observation in a modular fashion, containing the audit findings, conclusions and recommendations (where applicable) along with details of evidence, their sources and analysis, so that the portion containing audit findings, conclusions can be used directly in the field audit report and finally in the draft performance audit report. One segment or theme is included in a *single audit observation rather than dispersing them in many audit observations*.

8.17.3 Exit conference/interview

Audit observations form the basis of the formal exit conference/interview with the entity chief at the conclusion of the audit of each field unit. It assists the entity in *Reporting process* providing its comments for consideration in preparing the field audit report or the draft Performance audit report. *Ideally the audit observations should contain the bulk of the information, findings, conclusions and recommendations and they may differ from the field audit report or draft performance audit report, only to the extent warranted by the entity response.*

8.17.4 Field audit report

In cases where the performance audit is conducted across several field units of the entity, if it will assist in development of the draft performance audit report by way of ensuring acceptance of the audit findings and conclusions as well as other facts and figures by the head of each unit audited, in so far as they relate to the particular field unit. However, since the audit is conducted in a multilayered and sometimes variously controlled environment, it may determine the level of units to whom the field audit reports are to be issued.

8.17.5 Draft performance audit report

The purpose of preparation of the draft report is to seek formal response of the entity-inchief. Draft performance audit report is to be prepared upon conclusion of the field audit of the controlling unit of the entity (for example the ministry) and all field units selected for audit. *The draft performance audit report provides the first opportunity to the audit as well as to the entity to view the full context of audit findings*. It is important that the draft report describes the objectives and scope of the audit to enable any reader understand the purpose of the audit. Any limitation imposed on the scope of the audit, the reasons thereof and efforts made to resolve it should be indicated in the draft report.

8.17.6 Level of details in the report

Emphasis on quality of performance audit report implies *inter alia* that it should be selfcontained in the sense that a reader is able to understand the scope, audit objectives, audit criteria and evidence used, audit findings and conclusions in a logical manner. At the same time, the standard of conciseness of the report entails that it should be brief.

While the final report is *meant* for the legislators, the draft report is oriented towards the entity (secretary of the ministry), which should contain sufficient details, particularly in relation to the evidence, their sources and methods of evidence gathering and evidence analysis in support of the audit findings and conclusions to enable him/her to send the response in proper perspective. One way to achieve this balance could be to write the draft report as designed for the final.

8.17.7 Adherence to style guide

The presentation and language of the performance audit report should abide by the 'style guide' of SAI India. The essence of the style guide is to adopt uniform format and language, render the report simple and reader friendly as well as interesting. Accountability-cantered, third person active voice narration by designation enhances the

readability and interest of the reader and induces objective response from the entity. It should be followed uniformly.

8.17.8 Response of the entity

It is important that the entity is persuaded to provide written response to the draft performance audit report. This may be achieved through correspondence, personal meetings and presentation of the draft audit report. A formal response, apart from ensuring compliance to the orders of the government, issued mostly at the behest of Parliamentary/legislative committees demonstrates earnestness of the entity in implementing the recommendations of audit for improvement in programme management. Since the audit report is presented to the Parliament/state legislature, it is crucial that the response of the entity has the approval of the secretary of the ministry/department. Accountants General may evolve procedures to assure that the response by the entity is issued by or with the approval of the secretary and an indication to these effects given in the latter case. A point wise reply on each recommendation may also be sought from the entity.Before Final report, Draft final report, after the approval of the Senior Management, including the responses of the audited entity/minutes of exit conference should be issued to the head of the audited entity or persons charged with governance as a numbered and confidential copy requesting responses to the audit conclusions and recommendations within a period of two weeks. The response of the audited entity to the conclusions and the recommendations received on the draft final report should be included in the final report.

In order to ensure the timely completion of the performance audits and also that the topics may not lose their importance, all the performance Audits should ideally be completed within a period of ten months.

The contents of the report should be consistent with the provisions of SAI's Auditing Standards

8.17.9. Structure of the report

The performance audit report should be presented as per the following structure: The performance audit report should preferably be presented as per the followingstructure:

Title: the subject of the performance audit;

Executive summary: It provides the précis of the main report. The summary should not be very long and should contain only essential information. The major audit findings should be placed in the same sequence as the audit objectives and sub-objectives along with recommendations in brief;

Introduction: It consists of a brief description of the subject of study, information on programme, activity, or institution, its objectives, inputs, implementation structure, expected outputs and outcome, *etc*. The introduction should be brief, yet sufficient to enable the reader understand the context of the programme;

Audit objectives: They are the pivots of the performance audit, which set out the reason for undertaking the audit. The entire exercise of performance audit is built around the audit objectives. These should, therefore, be stated in simple and clear terms. It is useful

to set out the audit objectives and sub-objectives within each audit objective in the form of complete statement/question;

Scope of audit: It is defined in terms of the period of the programme covered in audit and segments of the programme audited should be set out precisely;

Audit methodology: It describes methods used for data collection/evidence gathering and testing may be stated in brief. This adds to the acceptability of the audit findings and forms a statement for transparency of the audit procedure;

Audit criteria: to arrive at the audit findings and conclusions with reference to each audit objective and sub-objective which should be stated with appropriate explanations;

Audit findings and conclusions made during an audit with reference to each objective should be stated;

Recommendations: They should be presented along with the conclusions wherever applicable in a box or highlighted print;

Acknowledgement: it may be useful to indicate or acknowledge in brief the cooperation, acceptance of the criteria/findings and recommendations by the entity. In case the co-operation or response was not forthcoming at any stage it may be indicated if it has resulted in any limitation along with its implication and the special efforts made by the Accountant General to seek cooperation or response;

Glossary of terms: It is helpful to the reader if explanations are provided in a glossary or easy-to-find footnotes. Glossary should be comprehensive, explaining all technical and uncommon terms used in the report.

(Ref: para7.16 of Performance Auditing Guidelines – C&AG of India)

8.17.10 Data in the report

Excessive statistical data diminish the readability of the report. Care should be taken to make sure that the audit findings and conclusions are stated with the help of logic emerging out of the audit procedures and that the main issues are not underplayed in the maze of statistical data. Where inescapable, the explanatory data may be included in the form of annexes or appendices, as the case may be; keeping in mind that too many annexes or appendices may make the report appear longer.

8.17.11 Enhancing the presentation and readability of the reports

Modern publishing techniques should be used to highlight in box form (i) significant audit conclusions and (ii) to explain the technical terms and more importantly; technical processes used in the performance audit reports. The distinction in presentation between the highlights of significant audit findings and explanation of technical procedures, etc. may be achieved with help of formatting and publishing techniques, including different backgrounds and font colours for the two.

8.17.12 Quality assurance of reporting

Quality assurance of reporting process and the final output is assured by:

• Adherence to the auditing standards and the guidelines;

- Transparent audit and audit management process documentation of entire reporting process;
- securing entity response at all stages of performance audit process;
- Concurrent supervision and control;
- Quality control assessment and review by SAI top management before approval of the report; and
- Technical inspection by SAI and peer review of the performance audit process.

(Authority: Para 6.23 to 6.32 of the *Performance Auditing Guidelines - SAI India*, HQR's Letter No.399 CA-II/Co-ordn./Modification-Intro Chap/AR(C)/46-2009 dated 24.7.2009

8.18 General instructions regarding examination/scrutiny of the material for the Audit Report (PSUs).

It has been noticed that the material proposed by the Inspecting Officers for inclusion in the Audit Report (PSUs) as draft paragraphs or as performance audit sometimes do not merit inclusion in the Audit Report. This results in the wastage of the process of detailed scrutiny which each material is subjected to at the CAW (Report) Section. In order to ensure that only well-conceived and relevant material appropriate for inclusion in the Audit Reports are proposed, the following instructions are issued for guidance of the inspecting officers and Asstt. Audit Officer/Section Officers.

While processing the material particular attention to be given to the following points:

(i) As a general rule transaction over five years old should not be included in Transaction Audit Report, where same may be included reasons for doing so may be sent for submission. Exceptions can, however be only in respect of cases that could not have come to notice of Audit earlier and question of principal is involved.

(ii) Care should be exercised to ensure that obvious errors in Audit Reports are not repeated.

(iii) Audit Reports do not make any reference to any document, which is of secret/confidential nature. In particular no reference should be made to noting and notes for the Cabinet or Committees.

(iv) Care should be taken to ensure that audit does not take credit where the matter has already come to the notice of the Executive on its own or through internal audit.

(v) Highlights appearing in Performance Reviews should list out major audit findings and not be a mere statement of facts.

(vi) Money value attributed to Paras should not be inflated.

(vii) To highlight the paras relating to fraud/misappropriation, such paras should be printed in bold. A system of monitoring such paras should be put in place and a brief mention should be made in the letter to the Chief Minister.

(viii) Fiscal situation should be analysed carefully on the basis of accounts. Proper course should be to rely on the figures available with the A&E office.

(Ref: CAG letter No. 435-Rep(S)/120-2006 dated 7.4.2006.

Weighted aggregation of money value of reviews and audit paragraphs included in the bond copy as per revised matrix may also be submitted in the statement along with the bond copy as per instructions

(Ref: CAG letter No. 481/CA.II/Co-ordn./MAE/2002-03/55-2003 dated 24.5.2005.)

(i) Paragraphs to have Clear thrust.

The paragraphs should not be in the nature of rambling, loud thinking; these should be well drafted bringing out clearly the point of objection sought to be stressed. We should straightway say what we want to say indicate what defect has been noticed, bring out what we want to high light and also what we want the PAC/COPU to look into. Every paragraph should have a thrust provided in it. One way of ensuring this is that as the paragraph is initially drafted, a set of questions that in the opinion of audit would arise out of it should be kept in mind. Audit should also be able to suggest an alternative by which the deficiencies commented could be/could have been avoided/imposed upon.

(Ref: CAG's Speech in A.G.'s conference held in New Delhi in July 1978)

(ii). Proposed paragraphs/reviews to indicate points sought to be emphasized.

While sending paragraphs/reviews to CAW (Report) Section, the points sought to be emphasized and the questions that may arise as a result of what is stated in the said paragraph/reviews should be indicated in the margin or at the end of each paragraph or review. It should also be seen that apart from paragraphs of introductory or of summing up nature, the others are so drafted that they bring out the points to be emphasized duly supported by factual material. Long and complex paragraphs/reviews should contain a summary of the major points of objections, which should be given as the last paragraph.

(Ref. Confidential D.O. No. 729-CA-II/182-78, dated 29.9.1978)

(iii) Objections reporting finding of other agencies.

Paras drafted on the basis of findings made by an agency other than audit should be finalized keeping in view the CAG's decision mentioned below:-

"At the outset, it needs to be pointed out that the question of inclusion of paragraph in the Audit Report would depend upon the importance of the audit findings proposed to be brought out therein. It would not appear desirable to report only the finding of other agency, or even merely add a comment relating to disciplinary aspects without making any attempt to examine the findings further in order to bring out the procedural failure that took place, lack of follow-up action or investigation, non-recovery of dues even after a long interval, etc. It should be our attempt to examine and bring out these and related aspects, which would then constitute the audit findings wherever it is considered worthwhile including a paragraph containing merely the findings of another agency".

(Ref: CAG's D.O. No 1048-Rep/275-78/VIII, dated 07.10.1978)

(iv) Responsibility of inspection officers

Inspecting officers should play their part in the selection of potential material for draft para cases and should not leave the entire exercise to the Headquarters and the higher officers. It is reiterated that much responsibility vests with the officers/officials in the field in contributing material for the Audit Report. The Inspecting Officers are the main source of the material for the Audit Report, the quality of audit in the field would, thus, decide the quality of Audit Report. It has been noticed that quite a few objections raised follow a routine or a set pattern and do not indicate the exact job done by audit. These objections are based on different subsidiary record/registers of the departments rather than on the independent scrutiny of the original records by audit parties. The inspecting officers should issue audit memoranda for all objections raised, obtain department's replies and include the objection after examining the management's replies with reference to the original records. The observations of audit should then clearly be stated duly supported by relevant key papers (to be obtained by audit). Responsibility to ensure this shall always lie with the Inspecting Officer(s) concerned.

(v) Attempting of general paras:

Performance audit/Inspection Reports usually contain certain traditional paras like working results, targets and achievements, excess of expenditure over budget, provision purchases in excess of requirement, etc. Department's replies are also quoted as it is in the audit paragraph without indicating whether the management's reply is acceptable to audit or not. Incorporating management's replies without giving the counter viewpoint of audit ordinarily renders the paragraph barren. No purpose is served by such paragraphs unless an in-depth and analytical study leading to some audit conclusion bearing on the functioning of the agency audited is indicated, refuting with facts and the reasons, the replies given by the Management.

(vi) Performance audit to portray how and to what extent the objectives have been achieved

It has been observed that when performance audits on public sector undertakings are made, the objectives of the organization are given. However, in a large number of cases no analysis of the actual activities undertaken in furtherance of the specified objectives, one by one, are given nor any attempts made to portray how far the said activities, with reference to the programmes formulated from year to year, have been achieved and if there had been any deficiencies or shortfalls what they are, how they occurred and why., For the presentation of a review on the working of an institution, such an analysis will be of prime need. After dealing with this aspect with reference to each one of the objectives, specific cases of irregularities/losses or any other important matter of financial magnitude relevant to the said activity may also be dealt with.

(vii) Regarding the procedure of submission of factual statements etc. and matters other than those mentioned above, reference to Manuals of CAW and Report should be made frequently.

(Authority CAW (Report) G.O. No. 47 vide K-115, dated 20.11.78)

(Ref: Para 7.14 of old CAW Manual)

8.19 Follow up procedures on Audit Report

The audit reports are essentially a 'means to the end' of improving auditee performance and accountability. This can be achieved through implementation of the audit recommendations. Consistent and systemic follow-up process in the SAI may contribute significantly to effectiveness of audit in bringing systemic improvement in the functioning of the entity. The auditee management is basically responsible for implementation of audit recommendations. The responsibility of the auditor is to ensure the likelihood of implementation of audit recommendation

(Ref: Para 4.153 to 4.154 of Chap IV of the ASOSAI Guide line on Audit quality management systems)

The essence of audit and recommendations included in them is in the expectation of securing the corrective actions that may achieve the desired results, briefly said, the guiding spirit is 'getting the results'.

8.19(a) Pursuance of paras, which appeared in the Audit Report:

For the settlement of outstanding paras/objections which have appeared in the audit Report, following procedure is to be observed: -

(i) The Headquarter Section shall clearly mention on other Index sheet of the Inspection Report as well as against the para of the typed/manuscript copy of the Inspection Report the number of para and year of Audit Report in which the para stands included.

(ii) The para should not be dropped from the Inspection Report but should be marked as "will not be pursued through Inspection /Report after giving reference of the Audit Report in the review sheet".

(iii) The Department/Concern may be informed that para would not be pursued through the Inspection Report as the same has been included in the Audit Report (G&SSA) or (PSUs) for the year 20-----vide para No.-----and would be discussed in due course by Public Account Committee/Committee on Public Undertakings with reference to the Audit Report concerned.

(iv) Copies of the letter should be sent to the Sr. A.O Report (G&SSA)/(PSUs) for reference. (Group Order No. 48, dated 30.11.1979 at page 244-C of K115 of CAW Report)

(v) Objections involving money value (as for example recovery of over payments, want of financial sanction, etc.) have to be pursued to finality and should not be dropped from the Inspection Report. (CAG's Letter No. 1820 TA -I/256-71, dated 26th July 1971 at page 48-C of K-115 of CAW(Report).

(Ref: Para 7.12 of the old CAW Manual)

8.20 Matters relating to the printing and presentation of Audit Reports to PAC/COPU and its discussion

8.20.1 Instructions/guidelines contained in the Manual of Report Section (GSSA) will apply mutates mutandis in respect of the following matters and matters connected therewith:-

- 1 Printing of Audit Report.
- 2 Procedure for consideration of the report presented to the Legislature.

- 3 Sending of Key-statement of PAC/COPU.
- 4 Attending of the Meetings of the PAC/COPU.
- 5 Delay in considering of the report by the PAC/COPU.
- 6 Preparation of Memo on important points for the PAC/COPU.
- 7 Examination of the reply furnished by government to the PAC/COPU.
- 8 Preparation of synopsis of discussion held in the meeting of PAC/COPU.
- 9 Correspondence with of PAC/COPU.
- 10. Matters relating to the recommendations of the PAC/COPU. And other reports of the PAC/COPU.
- 11 Procedure to the followed by the executive government in dealing with the reports of PAC/COPU.

(Ref: Para 7.15 of old CAW Manuel)

8.21. Discussion of Audit Report (Commercial/PSUs) by Committee on Public Sector Undertakings/ (COPU).

8.21.1 With a view to improve the position of pendency of Audit Report (Commercial/PSUs) and commercial chapters of Civil Audit Report by COPU/PAC, the following course of action should be taken.

(i) State Government may be approached to submit to the State COPU/PAC time bound notes explaining action taken by them on paras included in the Audit Report/Commercial/PSUs (Chapter) within 3 months.

(ii) State Government maybe requested to submit Action Taken Notes on the recommendations of COPU/PAC within a period of 6 months from the date of issue of such reports.

(iii). COPU/PAC may be approached to adopt a selective approach in discussion of the paras of audit Report and priority should be given to current Audit Reports. However, a number of important paras of earlier reports may also be chosen.

(iv). COPU/PAC may also be requested to make recommendations for paras already discussed and increase the number and duration of their meetings so that sufficient time for discussion of as many as audit paras could be possible.

(Authority: CAG's letter No. 118/CA II/183-2000 dated 7th February 2001).

(Ref: Para 7.16 of old CAW Manual)

8.21.2 Preparation of action taken note for submission to COPU

The Secretary to Government of the concerned department shall cause preparation of self-explanatory action taken note(s) on the audit paragraph(s) relating to his department, that are included in the audit report, for submission to Committee on Public Undertakings. In each case, the self-explanatory action taken note shall carry the approval of the Secretary and state:

(1) Whether a written reply on the draft audit paragraph was sent to the Accountant General (E&RSA) and if not, the reasons for not doing so;

(2) Whether the facts and figures stated in the audit paragraph are acceptable and if not, the reasons for not pointing this out when the draft paragraph was received by the Secretary;

(3) The circumstances in which the loss, failure, infractuous expenditure, etc. as pointed out in the audit paragraph occurred; whether due to (a) deficiency in the existing system including the system of internal control, (b) failure to follow the systems and procedures, or (c) failure of individuals including individuals at supervisory levels;

(4) The action taken to fix responsibility on the individual(s) responsible for the loss, failure, in fructuous expenditure, etc; and the likely time frame within which such action is expected to be completed;

(5) The current status of recovery of any amount due to Government as pointed out in the audit paragraph;

(6) The action taken or proposed to be taken on the suggestions and recommendations made in the audit paragraph;

(7) The result of review of similar other cases, and the action taken;

(8) The remedial action taken or proposed to be taken to avoid occurrence of similar cases in future, to streamline the systems and to remove system deficiencies, if any; and

(9) Such other information as may have been prescribed by the Committee on Public Undertakings.

8.21.3 Vetting of action taken notes and responses on the recommendations of COPU by Accountant General

In case where legislative committees or the Government desire the Comptroller and Auditor General to vet the action taken notes and the responses of the Government on the recommendations of the Committee on Public Undertakings, the following procedure will apply:

(1) The Secretary to Government of the concerned department shall send two copies of the draft self-explanatory action taken note to the Accountant General for vetting along with the relevant files and documents on which the explanatory note has been formulated, properly referenced and linked. This shall be done within such period of time as may be decided consistent with the requirements of the time-schedule for the submission of the self-explanatory action taken notes prescribed by the Public Accounts Committee/Committee on Public Undertakings.

(2) The Accountant General shall return the self-explanatory action taken note to the Secretary duly vetted as soon as possible but not later than one month. Subject to any requirements that may have been prescribed by the Public Accounts Committee/Committee on Public Undertakings, the vetting comments of the Accountant General (E&RSA) may include suggestions for further course of action.

(3) The Secretary shall send the requisite number of copies of the vetted note, as prescribed by the Committee on Public Undertakings, to the secretariat of the Public

Accounts Committee/Committee on Public Undertakings in accordance with the time schedule prescribed by the latter and also forward a copy each to Ministry of Finance or Finance Department as the case may be, and the Accountant General.

(4) On receipt of the recommendations of the Public Accounts Committee/Committee on Public Undertakings, the Secretary shall initiate action to prepare the Government's response by way of action taken note for submission to the respective Committee within such period and in such form as the Committee on Public Undertakings may prescribe.

(5) The Government's response on the recommendations of the Committee on Public Undertakings shall be sent to the Accountant General for vetting before its submission to the respective Committee with the relevant files and documents properly referenced and linked. The vetting comments of the Accountant General shall be duly reflected in the response that may be sent to the Committee on Public Undertakings.

8.21.4 Duty of Government for systems and procedures to ensure timely response

It shall be the duty of the Government to establish and enforce adequate and reliable systems and procedures, clearly defining *inter alia* the roles and responsibilities at all levels that ensure that (i) the replies to the draft paragraphs, (ii) the self-explanatory action taken notes on matters included in the audit reports and (iii) the action taken notes on the recommendations of the Committee on Public Undertakings are sent to the appropriate authorities within the time limit prescribed in each case

(Ref: para 212 to 214 of the Regulation Audit & Accounts 2007)

Follow-up procedures in relation to performance audit essentially concentrate on implementation of the recommendations. The follow-up of SAI's recommendations is aimed to *increasing the effectiveness of audit reports, assisting the legislature, evaluating the SAI performance, provides an input* to the strategic planning of performance audit by the SAI. Good quality of audit being assured with the help of the quality assurance measures adopted by SAI,

(Authority: Para 8.2 of the *Performance Auditing Guidelines - SAI India*,)

8.21.5 Procedure for recommendations not accepted

Accountants General may be faced with situations where the performance audit reports include one or more recommendations, which were not accepted by the entity. In such cases, Accountants General may persist with further discussions and persuasion to take such recommendation(s) to logical conclusion, rather than abandoning them as deadlock. One of the methods could be to take it up with Political executive (Prime Minister, Minister, Chief Minister, etc.) as per the extant procedure obtaining within the SAI, if the implications are vital. Another method could be to take all such major issues, where the SAI is of the considered opinion that their implementation is likely to contribute significantly to the improvement in programme management, to the respective committees of the Parliament/state legislature in the form of a generic follow-up report.

(Authority: Para 8.9 of the Performance Auditing Guidelines - SAI India,)

8.21.6 Inventory of recommendations

The starting point for follow-up procedures could be a comprehensive inventory of recommendations maintained in appropriate data base by all Accountants General. The inventory should consist of all recommendations, with appropriate grading under 'vital or critical', 'significant' and 'important'. The database should also contain other relevant information viz. the year of audit report, status of acceptance viz. accepted, partially accepted, not accepted and not replied, nominal implementation reported by the entity and the time of such reporting, risk associated with non-implementation or poor implementation, besides follow-up reviews. This inventory should be maintained as permanent database, which may assist in performance audit planning in future.

Where the committee of legislature has examined a performance audit report, the inventory may contain the final recommendations made by the committee.

On the monitoring and the preparation and updating of the inventory a reports to headquarters may be send at the prescribed intervals.

8.21.7 Method to deal with significant delay in implementation of the recommendations

It may be desirable to persuade the secretary of the department to implement the accepted recommendations as expeditiously as possible, so that the value addition through performance audits is realised at the earliest. They may bring the delay in implementation of significant recommendation(s) to the notice of the minister, in case of the recommendations relating to state governments.

If the matter is significant enough so as to warrant taking up with the Chief Minister, the issue may be referred to the Headquarters in regard to matter may be taken up with the Chief Minister by Comptroller and Auditor General. Accountants General may refer such matters to Headquarters along with the consequence of delay in implementation of the recommendation(s).

Another method could be to prepare a generic follow-up report for presentation to the legislature. This will involve detailed field study to highlight the risk of delay in implementation of the recommendation(s).

(Authority: Para 8.14 to 8.17 of the Performance Auditing Guidelines - SAI India,)

8.22 Audit access and Transparency

• The reports should only significant and pervasive irregularities. Trivia should not be reported through CAG Reports.

• Management letter could be issued to Chief Secretary/Head of the Department by the PAG/AG highlighting irregularities which could not reported in the CAG's Report but still required attention and corrective measures at executive level; and Compendium of all such letter may be compiled at the end of the year along with action taken, if any.

(Authority-HQ no. 147/WR/Co-ord/51-2012 dated 15.6.2012)

8.23 Crucial issues featured in audit Reports

If it felt that Audit Report contains an important issue which deserves that the attention of the Chief Minister is drawn thereto, to bring up the matter by way of D.O. from C.A.G. to Chief Minister in a letter Draft not exceeding one page may be submitted for approval.

(Authority-HQ's No. 16/CA-II/Cordn./Ref from other wings/48-2009 dated 30.1.2012).

8.24 Annual follow-up programme

Accountants General may prepare annual operational plan for follow-up programme in relation to the performance audits conducted in the past. The annual operational follow-up programme should be incorporated in the annual audit plan prepared by each field office under distinct section. The annual follow-up programme should be supported by data on major recommendations made in the past, recommendations stated to have been implemented but not tested through follow-up audit and recommendations not implemented by the entity. This should be supplemented by the feedback received from other field audits, including regularity audits suggestive of persistence of the programme weaknesses, which should have been addressed with the implementation of the recommendations. Similar information may be available from other sources; viz. media, legislative debates, academic research, *etc.* suggesting shortcomings in the areas that were expected to have been addressed through the performance audit.

Auditors should follow-up on previous audit findings and recommendations when appropriate. The follow-up should be reported appropriately in order to provide feedback to the legislature together, if possible, with the conclusions and impacts of the corrective actions taken where relevant.

Follow up results may be reported individually, or as a consolidated report. Consolidated follow-up reports may include an analysis of different audits, possibly including common trends and themes across a number of reporting areas. Follow-up can contribute to a better understanding of the value added through performance auditing in given time or subject matter.

(Authority: Para 8.10& 8.11 of the Performance Auditing Guidelines - SAI India,& Performance Auditing Guidelines – C&AG of India para 8.11, 8.12)

8.25 Effectiveness of audits: Assessment

An efficient follow-up programmer serves dual purpose, both linked intrinsically to each other. Apart from achieving improvements in performance of the public sector programmes, it is an important instrument of evaluation of effectiveness of performance audits. Accountants General may carry out an evaluation of the effectiveness of the performance audits annually. The internal evaluation may consist of:

• The expected outcome of each performance audit anticipated at the time of planning;

• The actual value added, qualitatively and quantitatively to the programme or the entity as a result of implementation of the recommendations; and

• The reasons for significant variation between the expected value addition and the actual. The variations may be attributed to under assessment or over assessment, deficient entity response and deficient quality of performance audit. The evaluation will include the remedial measures also.

(Authority: Para 8.18 & 8.19 of the Performance Auditing Guidelines - SAI India,)

8.26 Reporting to SAI Headquarters on audit effectiveness

Accountants General may send the result of their internal impact evaluation on the effectiveness of the performance audit to CAG top management with detailed explanatory notes.

(Authority: Para 8.20 of the Performance Auditing Guidelines - SAI India,)

Annexure-I

(Referred in the Para 8.4.4)

The Inspection Report will consist of three parts Part-I, II and III. Part-II will be sub-divided into A&B. as detailed below

Part-I:

This will contain: -

(A) Introductory.-

(1) Organisational Set up.

Under this para the basic function/objectives and organisational set up of the auditee unit may be included. The name of officers/officials who held various charges during the period covered under audit should also be mentioned.

(2) Working Results.

Whenever applicable, the working results of the auditee unit under various heads of income and expenditure for the last three years should be included. In case of auditee unit running into losses, the reasons for the losses should be analysed and commented suitably in Inspection Report.

(3) Physical Performance.

Under this sub para the physical performance with reference to the target fixed for the auditee unit should be examined and in case of short fall/non-achieving the targets, the reasons for short fall of each item should be analysed and commented upon in inspection report.

(4) Audit.

The name of the incharge of the party and the Supervising Officer along with the period covered under audit and dates of audit should be included.

(5) Acknowledgement

It may be useful to indicate or acknowledge in brief the co-operation, acceptance of the criteria/findings and recommendations by the entity.

(B) Details of the outstanding objections of the previous inspection reports in the following proforma.

Period of	Date of	Para's (individual)	Para's	Total pares	Remark
Inspection report	Issue I/R.	numbers outstanding	settled	outstanding	S
1	2	3	4	5	6

Details of Previous Inspection Reports and outstanding Para's

Sr.	Para	Brief of Para	Details required	Reply of	Position of
	no.			Management	Outstanding Para
1	2	3	4	5	6

(Authority Group Order No. 25 dated 12.2.1976, page 134 of Guard File and present status of IR).

(C) **Persistent irregularities**

A schedule of persistent irregularities should be in the following proforma.

S.No.	Nature of	Reference of para/I.R. of earlier	Reference of paras of current
	objection	years	inspection Report.
1	2	3	4

Part-II-(A)

This will contain major irregularities, which are likely to materialise into draft paras for audit report

Factual Statement along-with the key statement with properly authenticated documents in support of all the objections included in Part-II (A) of the Inspection Report should be prepared and sent to Sr. D.A.G./D.A.G. (ES-I) directly by the Inspecting Officer.

Reasons for not preparing the factual statement in respect of paras included in Part-II-A of Inspection Report should be mentioned invariably.

(Authority: CAW-I(D.P) Circular/K-118, dated 23.11.1972 (P.30 of Group order File) and CAW-I/Circular/K-118, dated 28.12.1973, (P.80 of Group Order File) and Group Orders No. 10 Dated 16.8.84, No. 18 dated 10.3.99, No. dated. 12.2.2000 issued by CAW-I).

Part-II (B)

This will contain irregularities though not capable of being converted into draft paras, but which are worth bringing to the notice of the higher authorities or the Department concerned and to be pursued.

Part-III

Test Audit Note.

This will contain minor and procedural irregularities in respect of which the Head of the Office has held out assurances about following correct procedure in future. The test audit note will be prepared in duplicate and will be issued by the Asstt. Audit Officer/Supervising Officer/Inspecting Officer (as the case may be) on the spot. One copy of this note will be attached with the inspection report. If at the time of vetting the inspection reports, some more paras are considered to be transferred to test audit note, a supplementary test audit note shall be issued by the CAW Head Quarters. The objection in the test audit note shall not be pursued by headquarters section but it is the duty of next audit party to verify the compliance thereon and to incorporate the outstanding items in the current Inspection Report.

In case of audit of revenue sub-divisions of the Electricity distribution companies, the point relating to the audit of accounts of electricity duty should be incorporated in part-III of an Inspection Report and a new part IV should be opened for Test Audit Note

(Authority:- No. RAP I/Circular/dated 3-8-1974, page 108 of Group order File)

Note: A brief mention should be made in the Inspection Report as follows: -

A test Audit Note containing minor irregularities has been issued on the spot separately. Its compliance should be shown during next audit for verification'.

(Authority: Note and orders in paras 53-59N and minutes of discussion of CAW Officers and Superintendents dates 6.3.1969 at pages 194-187/C, File CAW/Minutes/67-68).

Annexure-II

A proforma of Title Sheet

(Referred in the Para 8.4.5)

TITLE SHEET OF THE INSPECTION REPORT

(TO BE SUBMITTED WITH EVERY INSPECTION REPORT)

(Revised as per C.A.G. No. 120-CA IV 69-81 dated 28.3.88)

CAW Wing

		(PART-A)	
		GENERAL	
1.	(a)	Name of concern audited	
	(b)	Full address	
	(c)	Telephone No.	
2.		Name of party personnel	
	(i)	Local Audit Officer	
	(ii)	AAO/SO	
	(iii	Senior Auditor/Auditors	
)		
3.		Name of officer Incharge with Designation of	
		Auditee Office	
4.		Period of audit/year of Accounts	
5.		Months selected for detailed audit	
6.		Duration of audit (Extension Granted should be	
		shown separately)	
7.		Whether any change in the time allotted is necessary	
		for further audit ? If so, justification thereof.	
8.	(a)	No of potential draft paras included in part-II "A" of	
		the Inspection Report.	
	(b)	Whether relating key documents enclosed. If not the	
		reasons thereof.	
9.		Paragraphs, if any, to be reported to higher authorities	
		in advance and/or to be brought to the special notice	
		of the Headquarters.	
10		Whether all items required to be checked as per	
•		Manual of Commercial Audit (Part-II) relating to this	
		Company/Corporation or codified else-where have	
		been checked? The items, if any, left unchecked may	
		be enumerated with reasons therefore, whether these	
		items can wait for the next audit or should special audit party be sent?	
11		Actual date of submission of report/comments.	
11		Actual date of submission of report/comments.	
. 12		General remarks, if any	
14		Scherm femurks, if uny	
-		(Part-B)	
		(FOR PHASE AUDIT)	
1.		Whether part-I (A&B) and II of the Inspection Report	
		have been discussed with the Head of the undertaking	
		inspected ?	

2.	Whether stater								
-	among the men		* · ·						
3.	Whether statem								
	by each party has been enclos		ia/AU/Sr. Au	J/(Inspection)					
	Whether the		record fo	r audit was					
	completed? Are	* *							
	current audit ar								
	audit ? If so, th			•					
	for not checkir								
	audit indicating								
	checked during								
	which these sho								
5.	Whether daily of	diary indicat	ting the docu	ments/records					
	checked by	AO/AAO/							
	maintained& su								
6.	Whether a stat	ement of p	ersistent irre	gularities has					
	been attached?								
7.	Whether introc								
	technical manu								
	has already b	A A							
	therein is requi	red? If so, v	whether the s	ame has been					
0	indicated?	1 1	1.1	41 4 6					
8.	Whether there								
	management in than 7 days in c								
	other audit? If s			lays in case of					
9.	Whether all th			ne register of					
	Important point								
	the H.Qrs. sect								
	taken thereof.?								
10	Whether scrutin	ny of record	ls was specifi	ically made in					
	reference to the	instruction	s contained i	n G.Os issued					
	from time to tim								
11	Whether the ca								
.	were checked a								
	finance Depart								
	circulates to the parties was examined (As per group order No 4/99-2000 File K-111, P-750)								
12									
12	Indicate the po		• •	-					
•	of Inspection Re	•		·					
		lo. of	No. of	Reasons					
		Paras	Paras	for the					
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			2	g					
12	1.	2.	<u>3.</u>	4.					
13	Whether the brit								
•	to concerns nav	to concerns have been obtained from CAW(R) and up							

	dated? (H.Qrs. audit)	
	(PART-C)	
1.	List out the important item test checked and indicated there against f any comment has been proposed (yes/No).	
2.	Whether the points raised in the draft comments have been discussed personnally by the LAO with the Head of the undertaking and whether the facts mentioned the rein have also been verified by him?	
3.	Whether the draft comments proposed in the accounts of earlier years but dropped by the audit party or Headquarters office on the assurance of the management to takesuitable action, have been verified to see that actions promised, has been taken.	

Signature of the Head of the Party

STATEMENT-I

S.No.	Name	Details of work	Signature	

STATEMENT -II

Statement showing contribution made by each party member in current Inspection Report

S. No.	Name	Designation.	Reference to para No of part-II-A/II- B.

Signature of the Party Incharge

ANNEXURE-III

{Referred in para 8.5 (a)}

Proforma of the Register of Draft paras:

- 1. Serial Number
- 2. Date/Month of noting the case.
- 3. Reference to Para of the case, I.R. file No of D.P.
- 4. Brief particulars of the case (subject).
- 5. Amount involved.
- 6. Date of reference made to Government.
- 7. Date of examination by Headquarters.
- 8. Date of sending Factual Statement to Government.
- 9. Date of issue of Draft Para to Government.
- 10. Remarks.

Register of Draft paras shall be closed and submitted to the Sr. Dy. Accountant General on the last day of each month and on 15th of January, April, June and October each year to the Accountant General. The form of Monthly closing shall be as under.

PART-A

1.	Total number of cases (opening Balance)
2.	Number of cases added during the month.
3.	Number of cases closed during the month

4. Number of cases in hand.

PART-B

- 1. Number of cases issued to Government.
- 2. Number of cases under process of issue.
- 3. Total.

PART-C

1.	Number of cases examined by AAO/Sr. AO during the preceding month.
----	--

- 2. Number of cases examined by AAO/Sr. AO during the month.
- 3. Number of cases examined so far.
- 4. Number of cases yet to be examined.

PART-D

- 1. Number of cases with field parties for examination.
- 2. Number of cases for which Factual Statement issued-
- (a) During the month----- (b) total up-to-date-----
- (c) Under process issue out of c (3) above
- 3. Number of cases for which draft para issued to Government/Deptt-
- (a) During the month----- (b) total up to date-----
- (c) Yet to be issued

(Authority: OAD/Gr. Order 10/104 at page 10c of K-115 CAW(R) and AG/ Order Dated 27.7.99 in CAW-II/K-6/99-2000).

Annexure-IV

(Reference to Para-8.5 (A)

Proforma of forwarding letter of factual statement

OFFICE OF THE ACOUNTANT GENERAL (E&RSA), RAJASTHAN, JAIPUR

CONFIDENTIAL

No. CAW-/

Shri Secretary to the Government/Department, Rajasthan, Jaipur

Subject: Factual Statement for a draft paragraph proposed to be included in Audit Report (PSUs) for the year 200-----200----.

Sir,

2. It is requested that acceptance of the facts contained in the Factual Statement as well as comments, if any, thereon may please be conveyed to this office within the prescribed period of 6 weeks.

3. A copy of this letter along with a copy of the factual statement and its relevant documents is also being forwarded by name to the (Name of the head of the Department shall be mentioned in the blanks) for communicating acceptance/comments direct to the Government. He is also being requested to endorse a copy of the reply to this office as well as for facility of examining the case further, if need be. Nevertheless, the government's reply will be treated as the final reply to the factual statements, which may kindly be sent expeditiously.

4. The views expressed in the material so issued are interim and may change depending upon the response of audited unit or concerned administrative department/ Government. You are requested to exercise due care to ensure confidentiality of draft material for Audit Report.

Yours faithfully,

Encls.: As above.

DAG/Sr. DAG (ES-I)

CONFIDENTIAL

No. CAW-/

Copy together a copy of the Factual Statement and relevant documents forwarded to Shri------, for information and communicating the comments to the Government. A copy of this reply/comments may also please be sent to this office so that the views/remarks contained therein may be scrutinized further.

DAG/Sr. DAG (ES-I)

CONFIDENTIAL

Copy along with a copy of the factual statement and relevant documents forwarded to Financial Commissioner & Secretary to the government of Rajasthan, finance Department, Jaipur, for information and any action considered necessary.

DAG/Sr. DAG (ES-I)

Copy along with a copy of the factual statement and relevant documents forwarded to Sr. A.O. Report (PSUs/G&SSA).

A.O./Sr. A.O./CAW

ANNEXURE-V

(Referred to in Para -8.5 (B).

(Proforma of forwarding letter of draft para)

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Annexure-VI

(Referred to in Para 8.11.1)

Model for Preface

The Report of the Comptroller and Auditor General of India has been prepared for submission to the Governor under Article 151 of the Constitution for being laid before the State Legislature.

The Report, covering the 'n' year period 200x-x+n, contains significant results of the compliance or performance audit of the **Departments or PSUs/Autonomous Bodies of Departments** of the **Government of (name of the State)** under the General and Social Services, including **Departments*of or PSUs/ Autonomous Bodies of Department** *of Agriculture and allied activities, Food Security-Public Distribution System/Civil Supplies Cooperation and Rural Development Panchayati Raj. However, *Departments*of or PSUs/Autonomous bodies of Department*of Public works is/are executed and covered in Report on the Economic and Revenue Services*.

(Applicable for Report on General and Social Services)

Or

The report, covering the 'n' year period 200x-x+n, contains significant results of the **compliance** <u>or performance</u> audit of the **Departments** <u>or PSUs/Autonomous Bodies of Departments</u> of the Government of (name of the State) under the Economic and Revenue Services, including **Department*of** <u>or PSUs/Autonomous Bodies of Department</u> * Public Works. However, **Departments*of** <u>or PSUs/Autonomous bodies of Department*of</u> Agriculture and allied activities, Food Security-Public Distribution System/Civil Supplies Cooperation and Rural Development Panchayati Raj covered in Report on the General and Social Services.

(Applicable for Report on Economic and Revenue Services)

The cases mentioned in Report are among those which came to notice in course of test audit (**period of audit**) of accounts for the period 200x-x+n as well as those which has come to notice in earlier years but could not be reported in previous Audit Reports; matter relating to the period subsequent to 200x-x+nhave also been included wherever necessary.

Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India, based on the auditing standards of international organization of Supreme Audit Institutions.

Chapter 1^{**} of the Report covers auditee profile, authority for audit, planning and conducting of audit and responses of the department to draft paragraphs. Highlights of audit observations included in this Report have also been brought out in this chapter.

*This is only an illustrative list. PAG/AG needs to modify it based on the exception(s) taken by them in allocation of departments among General& Social Services and Economic & Revenue Services as compared to the list of Major and Minor Heads.

** PAG/AG needs to modify/delete this para as per contents of Chapter 1 of their Report.

Annexure-VII-A

(Referred to in Para 8.11.1)

Model chapter I

Chapter I

Overview of State Public Sector Undertakings

Introduction

1.1 The Public Sector Undertakings (PSUs) occupy an important place in the State economy. The Government of Rajasthan (GoR) undertakes commercial activities through PSUs which are owned, managed and controlled by the State Government on behalf of public at large. The PSUs are categorised into Statutory Corporations and Government Companies. Statutory Corporations are public enterprises that came into existence by a special Act of the Legislature. The Act defines the powers and functions, rules and regulations governing the employees and the relationship of the Corporation with the Government. Government Companies refers to companies in which not less than 51*percent*of the paid up capital is held by Government(s). It includes a subsidiary of a Government Company. Further, as per the provisions of Section 619-B of the Companies Act 1956, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government is treated as if it is a Government Company (deemed Government Company).

1.2 The PSUs operate in five major sectors of the economy *viz.*, Power, Finance, Service, Infrastructure and others (including Manufacturing, Agriculture & allied and Miscellaneous). The State PSUs had provided employment to about one lakh persons as on 31 March 2013. A sector-wise summary of the PSUs is given below:

Name of sector	Government Companies* Statutory Corporations				Total	Investmen t [*]
	Working	Non-working*	Working Non-working			(` in crore)
Power	16	-	-	-	16	66477.81
Finance	3	-	1	-	4	736.85
Service	13	-	2	-	15	2542.65
Infrastructure	3	-	-	-	3	882.03
Others	8	2	-	-	10	1378.79
Total TI	43 2 5 2 Common of SI		$\frac{3}{12}$ A 20 $\frac{1}{21}$ 22 and 42 and		48	72018.13

There are four 619-B Companies at Sl. No.- A- 30, $\overline{31}$, 33 and 42 and one company registered under section 25 at Sl. No. A-38 of **Annexure**-1.

Investments includes capital and long term loans.

Non-working PSUs are those which have ceased to carry on their operations.

As on 31 March 2013, there were 48PSUs, of which 46were working and two were nonworking. Of these, no company was listed on the stock exchange(s). During the year 2012-13, three^{*} new PSUswere established while Shekhawati Transmission Service Company Limited (working PSU) was privatized in February 2013 and Hi-Tech Precision Glass Limited (non-working PSU) was amalgamated with Rajasthan State Ganganagar Sugar Mills Limited.

1.3 The investment in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below in the bar chart. The thrust of PSU investment was mainly on power sector during the five years which increased by 227.87*percent*from `20275.42 crore to `66477.81 crore in 2012-13.

(Figures in brackets show the percentage of total investment)

Accountability framework

1.4 The accounts of the Government Companies/Statutory Corporations for every financial year are required to be finalised within six months from the end of the relevant financial year*i.e.* by 30 September.

.

Rajasthan State Refinery Limited in September 2012 and Rajasthan State Power Finance Corporation Limited in December 2012.Rajasthan Ex-Servicemen Corporation Limited was established in March 2012 but intimation from the State Government was received in 2012-13.

Statutory audit

1.5 The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. The Statutory Auditors submit their Audit Report to the various stakeholders.

1.6 The audit of Statutory Corporations follows different pattern as provided by their respective legislations. Thus,

• the CAG is the sole auditor for Rajasthan State Road Transport Corporation;

• Statutory Auditor appointed by the Government in consultation with CAG is the auditor for Rajasthan State Warehousing Corporation; and

• Statutory Auditor appointed by the Corporation out of the panel approved by Reserve Bank of India is the auditor in the case of Rajasthan Financial Corporation.

Supplementary audit of CAG

1.7 The accounts of State Government Companies are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956. CAG also conducts supplementary audit in respect of the two Statutory Corporations *viz.*, Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation.

Role of Legislature and Government

1.8 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government. The accounts of these PSUs are also subjected to scrutiny by the Finance department of the State Government.

1.9 The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Report together with the Statutory Auditors' Report and Comments of the CAG, in respect of State Government Companies and Separate Audit Report in case of Statutory Corporations are to be placed before the Legislature as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19 A of the CAG's (DPC) Act, 1971.

Stake of Government of Rajasthan

1.10 The financial stake of GoR in these PSUs is of mainly three types:

• Share capital and loans – In addition to the share capital contribution, GoR also provides financial assistance by way of loans to the PSUs from time to time.

• Special financial support – GoR provides budgetary support by way of grants and subsidies to the PSUs as and when required.

• Guarantees – GoR also guarantees the repayment of loans with interest availed by the PSUs from financial institutions.

1.11 As on 31 March 2013, the total investment (capital and long term loans) in 48 PSUs (including 619-B companies) was `72018.13crore as shown below.

							(`in crore)
Type of PSUs	Government Companies			Statutory Corporations			Grand
	Capital Long Term Total		Capital	Long	Total	Total	
	_	Loans		_	Term		
					Loans		
Working	17953.25	52250.36	70203.61	552.54	1249.73	1802.27	72005.88
Non-working	8.89	3.36	12.25	-	-	-	12.25
Total	17962.14	52253.72	70215.86	552.54	1249.73	1802.27	72018.13

A summarised position of Government investment in State PSUs is given in **Annexure-1.1.12.** As on 31 March 2013, of the total investment in State PSUs, 99.98 *per cent* was in working PSUs and the remaining 0.02*percent* in non-working PSUs. This consisted of 25.71*percent* towards capital and 74.29*per cent* in long-term loans. The investment has grown by 227.39*percent* from ` 21997.39 crore in 2007-08 to `72018.13crore in 2012-13 as shown in the graph below:

1.13 The capital investment as well as long-term loans increased by `12325.55 crore and `37695.19 crore respectively during the period from 2007-08 to 2012-13. There was overall net increase in investment by `50020.74 crore during the period.

Erosion of capital due to losses

1.14 As per the latest finalised accounts of the State PSUs, the capital investment was of `15827.72 crore and the accumulated losses there against were `50951.85 crore.This had entirely eroded the capital of the State PSUs and culminated into negative net worth* of `35124.13 crore.

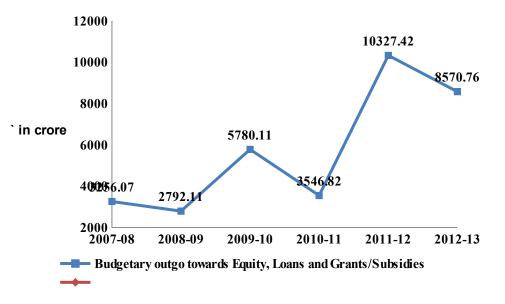
Net worth represents paid up capital plus free reserves less accumulated losses.

Budgetary support to PSUs

1.15 The GoR provides additional investment and support to PSUsin various forms through annual budget. During the year 2012-13, the GoR extended budgetary support of `8570.76 crore to 23 PSUs. The details of budgetary outgo towards equity, loans and grants/ subsidies as well as support by way of loans written off, loans converted into equity and interest waived in respect of PSUs are given in **Annexure-3**. The summarised details for the three years ended 2012-13 are given below:

							(`in crore)
SI.	Particulars*	2010-11		2011-12		2012-13	
No.		No. of PSUs	Amount	No. of PSUs	Amounts	No. of PSUs	Amount
1.	Equity Capital outgo	12	1599.89	11	1725.09	14	4648.37
2.	Loans given	2	0.39	8	5552.21	7	813.81
3.	Grants/Subsidy	14	1946.54	14	3050.12	13	3108.58
4.	Total Outgo (1+2+3)	208	3546.82	188	10327.42	23*	8570.76
5.	Loan repayment written off	-	-	1	0.10	-	-
6.	Loans converted into equity	-	-	4	1086.25	1	15.65
7.	Guarantees issued	6	24781.66	6	17349.50	7	20209.01
8.	Guarantee Commitment	8	48088.19	7	57559.34	7	70365.08

1.16 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the six years ending 2012-13 are given in a graph below:



Amount represents outgo from State Budget only.

The figure represents number of companies which have received outgo from budget under one or more head *i.e.* equity, loans, grants /subsidies.

1.17 The above indicates that the budgetary assistance in the form of equity, loan and grant/subsidy by the GoR to PSUs had increased from `3256.07 crore in 2007-08 to `8570.76 crore in 2012-13. During 2012-13, the GoR had converted loan of `15.65 crore into equity in respect of Rajasthan Financial Corporation. The main beneficiary of budgetary outgo was power sector which received 82.78 percent (`3848.00 crore) of total equity capital outgo (`4648.37 crore) and 84.41 percent (`7234.21 crore) of total budgetary outgo(`8570.76 crore).

Guarantees for loans and outstanding guarantee commission

1.18 The Government decided (February 2011) to charge guarantee commission at therate of one *per cent* per annum in case of loan availed PSUs from banks/financial institutions without any exception under the provision of the Rajasthan State Grant of Guarantees Regulation 1970.

There was increasing trend of outstanding guarantee commitments which increased from `18153.83 crore in 2007-08 to `70365.08 crore in 2012-13 showing rise of 287.60*percent*. During the year 2012-13 guarantee commission of `345.87 crore was payable by the PSUs out of which`227.41 crore was paid during the year.

Failure to ensure proper accountability of the Government stake in PSUs

1.19 As stated above GoR has huge financial stake in the PSUs. We, however, found that the PSUs/ Government did not ensure proper accountability of this investment. The lapses were mainly in two areas:

- To provide an accurate figure for investment;
- To prepare annual account and get them audited;

Theselapses have wide ranging implications including adverse impact on legislative financial control.

Absence of accurate figure for the investment in PSUs

1.20 The Finance Accounts of GoR prepared by the PAG (A&E) and certified by the CAG depicts the Government stake in PSUs in respect of equity, loan and guarantees. These figures as per records of the State PSUs should agree with that appearing in the Finance Accounts. In case of difference, it should be reconciled immediately by the PSU concerned and the Finance department. The position in this regard as on 31 March 2013 is stated below.

				(` in cro) <u>re</u>)
Outstanding respect of	in	Amount as per Finance Accounts	Amount as per records of PSUs	Difference	
Equity		18032.46	18048.35	15.8	39
Loans		3324.75	2388.74	936.0)1

Guarantees 71584.26	70365.08	1219.18
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1.21 These differences occurred in respect of 19^{*} PSUs. The matter was taken up from time to time with Finance Department, Government of Rajasthan regarding difference in figures relating to equity, loans and guarantee as per Finance Accounts and as per PSU's records. The Government and the PSUs should take concrete steps to reconcile the differences a time-bound manner.

Arrears in finalisation of accounts

1.22 The accounts of the Companies/Statutory Corporations for every financial year are required* to be finalised within six months from the end of the relevant financial year. Thus accounts for 2012-13 were to be finalised by 30 September 2013. The progress made by these PSUs in finalisation of accounts by 30 September is shown below:

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working PSUs	29	37	42	44	46
2.	Number of accounts finalised during current year	25	27	46	33	59*
3.	Number of working PSUs which finalised accounts for the current year	16	16	25	24	33
4.	Number of Working PSUs with arrears in accounts	13	21	17	20	13
5.	Number of accounts in arrears	14	28	24	33	21
6.	Number of previous year's accounts finalised during current year	9	11	21	9	25
7.	Average arrears per PSU(5/1)	0.55	0.76	0.57	0.75	0.46
8.	Extent of arrears	One to two years	One to three years	One to four years	One to five years	One to six years

1.23 Out of 46 PSUs, only 33 PSUs had finalised their accounts for the year 2012-13 by 30 September 2013and remaining 13 working PSUs had 21 accounts in arrear for the period from 2007-08 to 2012-13. Two^{*} working PSUs did not finalise even a single account during 2012-13. Further, 25 accounts in arrears were finalised during 2012-13 as compared to 9 during 2011-12 consequently average arrears per PSUs decreased from 0.75in 2011-12 to 0.46in 2012-13.

1.24 Of the 13 working PSUswith arrears of accounts, the GoR had extended budgetary support to six PSUs which was `5501.41 crore (Equity:

At Sl. No.-A-1, 2, 5, 6, 7, 10, 11, 13, 14, 21, 22, 26, 27, 31, 35, 41, B-1, C-1 and 2 of Annexure-1

[.] Sections 166, 210, 230, 619 and 619-B of the Companies Act in case of Companies and provisions of respective Act in case of the Statutory Corporations.

[.] Barmer Lignite Mining Company submitted revised accounts for the year 2011-12.

[.] Rajasthan State Road Development and Construction Corporation Limited and Kota City Transport Services Limited.

'2486.91 crore, Loan:' 3004.97 crore, Subsidy: '9.53 crore) during the years as detailed in **Annexure-4**.

Finalisation of accounts by Statutory Corporations

1.25 Three working Statutory Corporations had forwarded their latest accounts of 2012-13 by 30 September 2013. The audit of the accounts of two*Statutory Corporations was in progress (September 2013).

1.26 Separate Audit Reports (SARs) are audit reports of CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The SARs in respect of these Statutory Corporations for the period 2011-12 had been placed* in State Legislature during February to March 2013.

Failure of the administrative departments

1.27 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period.

1.28 As the position of arrears in finalisation of accounts was alarming, CAG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements along with actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme which allowed the PSUs with arrears in accounts for the past several years to finalise the latest two years accounts and clear the backlog within five years.

1.29 The Accountant General also addressed (July 2013) the Chief Secretary/Administrative Departments/ Managements of the PSUs whose accounts were in arrears. The progress in liquidation of arrears of accounts has been discussed in paragraph 1.22 and 1.23.

Impact of non-finalisation of accounts

1.30 Non-finalisation of accounts by 30 September is a violation of the provisions of the Companies Act, 1956.

1.31 In the absence of accounts and their subsequent audit, there is no assurance that the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

[.]PSUs at Sl. No.B-1and B-2 of Annexure-2.

Rajasthan State Warehousing Corporation (22 February 2013), Rajasthan Financial Corporation (7 March 2013) and Rajasthan State Road Transport Corporation (20 March 2013).

1.32 Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956. In view of the above state of arrears, the actual contribution of PSUs to the State Gross Domestic Product (GDP) for the year 2012-13 could not be ascertained. However, as per the latest finalised accounts the contribution of PSUs to State GDP was seven *per cent*. Further, the result of operation of these PSUs for the year 2012-13 and their contribution to State exchequer was also not reported to the State legislature.

1.33 The Government should monitor and ensure timely finalisation of accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

Performance of PSUs

Problems in assessing performance

1.34 The actual performance of the PSUs, in view of the backlog in finalisation of accounts, could not be ascertained. Thus, the performance of PSUs was assessed on the basis of their latest finalised accounts. The performance of major PSUs like Jodhpur Vidyut Vitran Nigam Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited and Rajasthan Rajya Vidyut Utpadan Nigam Limited could not be commented in the absence of finalisation of account for the year 2012-13.

Performance based on finalised accounts

1.35 The financial results of PSUs, financial position and working results of Statutory Corporations are detailed in **Annexures-2**, **5**and**6** respectively. The ratio of PSUs' turnover to State GDP shows the extent of PSU activities in the State economy. The table below provides the details of working PSUs' turnover and State GDP for the period 2007-08 to 2012-13.

(`in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover*	16644.45	17510.67	25275.63	30152.24	32440.58	33486.33
State GDP*	194822.00	230949.00	265825.00	341865.00	416755.00	478160.00
Percentage of Turnover to State GDP	8.54	7.58	9.51	8.82	7.78	7.00

The turnover of PSUs has recorded continuous increase over previous years. Percentage of increase in turnover ranged between 3.22 and 44.34 during the period from 2007-08 to 2012-13, whereas percentage of increase in GDP ranged between 13.90 and 28.61 during the period from 2007-08 to 2012-13. The turnover of PSUs recorded compounded annual growth of 15.01*percent* during last five years which was lower than the compounded

[.]Turnover as per the latest finalised accounts.

State GDP as per Economic Review 2012-13 of Government of Rajasthan.

annual growth of19.67*percent* of State GDP. This had resulted in decrease of PSUs share of turnover to State GDP from 8.54*percent* in 2007-08 to 7.00*percent* in2012-13, despite increase in number of PSUs from 28 to 46 during 2007-08 to 2012-13.

1.36 Profit*earned or losses incurred by State working PSUs during 2007-08 to 2012-13 are given below in a bar chart.

The working PSUs incurred a loss of `13710.85 crore in 2012-13in comparison of profit of `768.55 crore in 2011-12.The main reason attributable to heavy losses during 2012-13 was depiction of losses in latest finalised accounts by Power distribution companies* (Discoms)which were earlier showing "No Profit No Loss" in their accounts prepared upto 2011-12. According to latest finalised accounts of 46 PSUs, 18* PSUs earned profit of `1071.40 crore, 26¹⁸ PSUs incurred loss of `14782.25 crore, one* PSUhad no profit and loss while one* PSU is yet to submit its first accounts since inception. Further, out of

Rajasthan State Refinery Limited.

. Kota City Transport Services Limited.

Figures are as per the latest finalised accounts during the respective years.

[.] Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

[.] Including those PSUs which had not started their business activities but were showing marginal profit/loss.

46 PSUs, 15^{*} PSUs incorporatedduring2006-07 to 2012-13did not commence their commercial activities till 2012-13.

1.37 As per their latest finalised accounts, Rajasthan State Mines and Minerals Limited (`615.83 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (`271.39 crore)were the major contributor to the profit while Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) (`6178.90 crore), Jaipur Vidyut Vitran Nigam Limited (JVVNL)(`4161.23 crore) and Ajmer Vidyut Vitran Nigam Limited (AVVNL) (` 3904.73 crore)incurred heavy losses.

Reasons for the losses

1.38 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Report of CAG shows that the State PSUs incurred losses to the tune of `96.67crore which were controllable with better management. Yearwise details from Audit Reports are stated below.

				(` in crore
Particulars	2010-11	2011-12	2012-13	Total
Net Profit (loss)	(548.14)	768.55	(13710.85)	(13490.44)
Controllable losses as per	111.34	138.11	96.67	346.12
CAG's Audit Report				
Infructuous Investment	120.55	Nil	Nil	120.55

1.39 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The tableabove indicates that with better management, the losses can be reduced. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.40 Some other key parameters pertaining to State PSUs are given below.

						(` in crore)
Particulars*	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Return on Capital Employed [*] (<i>per cent</i>)	6.00	5.82	2.89	5.64	8.09	-16.32
Debt	15808.26	20955.24	26437.80	36260.08	45976.15	53503.45
Turnover*	16644.45	17510.67	25275.63	30152.24	32440.58	33486.33
Debt/Turnover Ratio	0.95 : 1	1.20:1	1.05:1	1.20:1	1.42:1	1.60:1
Interest Payments ²⁴	1338.95	1599.84	2374.73	3551.29	3681.11	7864.69
Accumulated Profits (losses) ²⁴	117.98	364.89	(1343.22)	(2066.69)	(1590.48)	(50951.85)

PSUs at Sl. No.A-4, 12, 13, 15, 16, 17, 18, 20, 23, 24, 25, 29, 30, 32 and 33 of Annexure 2

Position for the year 2012-13 was as per the latest information made available up to 30 September 2013.

. Upto 2011-12, Capital employed has been worked out using formula (Net fixed assets + Working capital). For the year 2012-13, Capital employed has been worked out using formula (Shareholder's fund + Long-term borrowings).

As per latest finalised accounts.

.. .

1.41 During last five years, the turnover of PSUs recorded compound annual growth of 15.01*per cent*. However, the compound annual growth of debts was 27.61*per cent* indicating increase at a much faster rate than the turnover. The rising debts to turnover ratio from 0.95:1 in 2007-08 to 1.60:1 in 2012-13 indicated increased reliance on debts by PSUs.

1.42 The State Government had formulated (September 2004) a dividend policy under which all profit making PSUs are required to pay a minimum return of ten *per cent* on the paid up share capital or 20 *per cent* of the profit after tax, whichever is lower. As per their latest finalised accounts, 18 PSUs earned an aggregate profit of `1071.40 crore and eight* PSUs declared a dividend of `63.86 crore which worked out to 0.40*per cent* of equity capital of all the PSUs. Out of eight PSUs declaring dividend, three* PSUs declared dividend more than the prescribed limit while two* PSUs declared dividend less than the prescribed limit in the Government dividend policy. Ten* PSUs which earned profit, did not declare dividend due to accumulated losses or marginal profits.

Non-working PSUs

1.43 There were two non-working PSUs (all companies) as on 31 March 2013 having a total investment of `12.25 crore towards capital (`8.89 crore) and long term loans (`3.36 crore). Rajasthan State Agro Industries Corporation Limitedhad arrear in accounts for two years.

1.44 The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
No. of non-working companies	4	4	3	3	2

During the year 2012-13, one non-working PSU (Hi-Tech Glass Precision Limited) was amalgamated with Rajasthan State Ganganagar Sugar Mills Limited.

1.45 None of these non-working companies was under liquidation. The Government may take a decision regarding winding up of two non-working PSUs.

Accounts Comments and Internal Audit of PSUs

1.46 Forty one working Companies forwarded their 56 audited accounts to the Accountant General during the period from October 2012 to September 2013. Of these, 39 accounts of 28 Companies were selected for supplementary audit. The Audit Reports of Statutory Auditors appointed by the CAG indicate that the quality of maintenance of

PSUs at Sl. No.-A-1, 5, 6, 9, 10, 11, 28 and B-3 of Annexure-2.

[.] PSUs at Sl. No.-A-6, 11 and B-3 of Annexure-2.

[.] PSUs at Sl. No.-A-5 and 10 of Annexure-2.

PSUs at Sl. No.A-2, 3, 7, 30, 32, 34, 39, 40, 42 and B-1 of Annexure-2.

accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below.

						(in crore)	
Sl.	Particulars	2010-11		2011-12		2012-13		
No.		No. of	Amount	No. of	Amoun	No. of	Amount	
		accounts		accounts	t	accounts		
1.	Decrease in profit	5	27.97	4	496.05	5	30.01	
2.	Increase in profit	2	0.99	1	62.24	2	7.60	
3.	Increase in loss	10	11669.26	4	8.01	12	2131.55	
4.	Decrease in loss	3	37.21	1	0.68	2	4.00	
5.	Non-disclosure of material facts	1	0.30	10	29.25	2	2.57	
6.	Errors of classification	-	-	4	1293.47	15	19411.76	

1.47 During the year 2012-13, the Statutory Auditors had given qualified certificates on 22accounts, adverse* certificate on 11 accounts and disclaimer*on two accounts. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 111 instances of non-compliance in 27 accounts as pointed out by the Statutory Auditors. Additionally, the CAG gave adverse certificate on the accounts of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) for the year 2010-11. As a result of CAG's comments and those of Statutory Auditors, the net loss of RRVUNL increased from `41.20 crore to `107.90 crore.

1.48 Some of the important comments by the CAG during supplementary audit of accounts of companies are stated below:

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2011-12)

•

• The Company did not capitalise the Chhabra Thermal Power Station (CTPP) to Dahra Grid Sub Station segment 400 kV transmission line from CTPP to Bhilwara from the date of charge of transmission line. This resulted in understatement of 'Prior Period Expenses' by ` 54.98 crore, overstatement of 'Fixed Assets' as well as 'Depreciation' by ` 53.28 crore and ` 1.70 crore respectively. Consequently, 'Accumulated Losses' were understated by ` 53.28 crore.

Jodhpur Vidyut Vitran Nigam Limited (2011-12)

• 'Subsidies/Grant Receivables' included ` 55.35 crore being receivable from State Government towards Electricity Duty (ED) which has been accounted for by the Company on the basis of sanction of State Government instead of actual receipt of ED. The Company had shown ED payable of ` 16.92 crore to GoR under the head 'Other Current Liabilities'. Consequently, 'Other Current Liabilities' and 'Other Operating Income' have been overstated by ` 16.92 crore and ` 38.43 crore respectively. Loss for the year has also been understated by ` 38.43 crore.

Accounts do not reflect true and fair position.

Auditors are unable to form an opinion on accounts.

Jaipur Vidyut Vitran Nigam Limited (2011-12)

• 'Purchase of Power' was understated by ` 10.31 crore due to short provision of amount payable to JdVVNL and AVVNL on account of adjustment of billing of power purchase on actual basis. This resulted in understatement of 'Current Liabilities' and loss by ` 10.31 crore.

Ajmer Vidyut Vitran Nigam Limited (2011-12)

• 'Subsidies/Grants Receivables' included ` 54.80 crore receivable from State Government towards Electricity Duty (ED) which had been accounted for by the Company on the basis of sanction of State Government instead of actual receipt of ED. The Company had also shown the ED payable (` 16.66 crore) to the State Government under the head Current Liability. Thus, the 'Current Assets' have been overstated by ` 54.80 crore. Consequently, 'Current Liabilities' and 'Other Operating Income' have been overstated by ` 16.66 crore and ` 38.14 crore respectively. Loss for the year had also been understated by ` 38.14 crore.

1.49 Similarly, three working Statutory Corporations forwarded their accounts of 2012-13 to Accountant General (up to 30 September 2013). Of these, one account of Statutory Corporation pertains to sole audit by the CAG. Remaining two accounts were selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and supplementary audit by the CAG are given below:

							(` in crore)
SI.	Particulars	2010-11		2011-12		2012-13	
N		No. of	Amount	No. of	Amount	No. of	Amount
0.		accounts		accounts		accounts	
1.	Decrease in profit	-	-	1	63.83	1	31.19
2.	Increase in profit	1	0.59	-	-	-	-
3.	Increase in loss	2	116.04	1	1071.47	-	-
4.	Non-disclosure of	1	78.25	1	48.04	-	-
	material facts						
5.	Errors of			1	1.02	-	-
	classification	-					

1.50 Out of two accounts received during the year 2012-13, the Statutory Auditors had given qualified certificates for both accounts.

1.51 Though, audit of annual accounts for the year 2012-13 by the CAG was in progress as on 30 September 2013, some of the important comments in respect of accounts of Statutory Corporation for the year 2011-12 finalised during 2012-13 are stated below:

Rajasthan State Road Transport Corporation (2011-12)

• The Provision for Gratuity & Pension Contribution for Corporation Employees Fund was understated by `822.18 crore due to non-provision for liability towards Gratuity& Pension Contribution as per actuarial valuation report. This resulted in understatement of Welfare and Superannuation Expenditure and Net Loss by `822.18 crore. • The Government Creditors was understated by `127.51 crore due to short provision of liability toward Special Road Tax (SRT) disregarding the cost of Chasis notified by the Transport Department, Government of Rajasthan. This resulted in understatement of License and Taxes as well as Net Loss by `127.51 crore.

Rajasthan Financial Corporation (2011-12)

• Due to our comments, the net profit after tax of ` 5.88 crore shown in Accounts turned into a loss of ` 12.09 crore. Hence, the Accounts did not represent a true and fair view.

1.52 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on56annual accounts of working companies which were forwarded to the Accountant General during October 2012 to September 2013 is given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number o companies comments we	of working where are made	Reference to serial number of the working companies as
		Year of	No. of	per Annexure 2
		accounts	accounts	
		2009-10	1	A-19
	Absence of internal audit system	2010-11	5	A-14,19,21,22 &27
1.	commensurate with the nature and size of business of the company	2011-12	11	A-3,14,21,22,26, 28, 30, 31, 39, 41 & 43
	size of ousness of the company	2012-13	11	A-2,3,5,10,11,14,21, 28, 31, 32 & 43
		2009-10	1	A-19
	Non maintenance of proper records	2010-11	5	A-14, 19, 21, 22 & 27
2.	showing full particulars including quantitative details and situations of	2011-12	7	A-14, 21, 22, 26, 28, 31 & 40
	fixed assets.	2012-13	8	A-2, 5, 10, 14, 21, 28, 31 & 32
	Inadequate internal control	2009-10	1	A-19
	procedure commensurate with the	2010-11	5	A-14, 19, 21, 22 & 27
3	size of the company and the nature of its business for purchase of	2011-12	9	A-3, 14, 21, 22, 26, 31, 37, 40 & 43
	inventory, fixed assets and for sale of goods.	2012-13	10	A-2, 3, 5, 11, 14, 21, 32, 35, 37 & 43
	Company which has been registered	2010-11	3	A-14, 21 & 22
4	for a period not less than five years, accumulated losses at the end of the financial year are not less than	2011-12	9	A-3, 14, 21, 22, 26, 31, 40, 41&43
	financial year are not less than 50 <i>percent</i> of its net worth.	2012-13	12	A-2, 3, 14, 16, 18, 21, 23, 24, 25, 31, 35& 43
5	Company which has been registered	2010-11	3	A-14, 21 & 22
	for a period not less than five years, has incurred cash losses in the	2011-12	7	A-3, 14, 21, 22, 26, 31 & 43

financial year.	2012-13	8	A-2, 14, 18, 21, 23, 31, 35 & 43
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Recoveries at the instance of audit

1.53 During the course of propriety audit in 2012-13, recoveries of `49.13 crore were pointed out to the Management of various PSUs, of which, recoveries of `39.50 crore were admitted by PSUs. An amount of `9.40 crore had been recovered during the year 2012-13.

Disinvestment, Privatisation and Restructuring of PSUs

1.54 During 2012-13 one PSU namely Shekhawati Transmission Service Company Limited was privatized.

Reforms in Power Sector

1.55 Rajasthan Electricity Regulatory Commission (RERC) was formed in January 2000 under Section 17 of the Electricity Regulatory Commissions Act, 1998 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2012-13, RERC issued 57 orders (21 on annual revenue requirements and 36 on other issues).

1.56 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No	Milestone	Achieveme	ent as at Ma	arch 2013		
1.	Reduction in transmission and 20 distribution losses 2008-0		Name of the Company JVVNL		TransmissionandDistributionlosses(Inper cent)23.64	
			AVVNL JdVVNL		19.85 17.32	
2.	100 percent metering of all 11 KV distribution feeders	September 2001	Name of the Compan y	11KV feeders to be metered	11KV feeders metere d upto March 2013	Percentage
			JVVNL AVVNL JdVVNL	5370 5803 6781	4579 4761 5632	85.27 82.04 83.05
3.	100 per cent electrification of all villages	41353 villages by 2005	40202 villages (as per Census 2001) electrified			

4.	100 per cent metering of all consumers	30 June 2002	No connection of any category is being released without meter. All flat rate agricultural connections are being converted to metered category.
5.	State Electricity Regulatory Commiss	ion (SERC)	
	(1) Establishment of the SERC	_	The RERC was formed in January 2000.
	(2) Implementation of tariff orders issued by SERC during the year	_	A tariff order was issued on8 August 2012 and implemented from 10 August 2012.
	General		
6.	Monitoring of MOU	_	Monitoring was being done by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited and last report was sent in March 2012.

Annexure Annexure-1 (Referred to in paragraph 1.11) Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2013 in respect of Government companies and Statutory corporations (Figures in column 5 (a) to 6 (d) are ` in crore) SI. Sector & Name of the Company Name of the Date of Paid-up Capital^s Loans** outstanding at the close of 2012-13 Debt Manpower Department incorpoequity (No. of No. ration ratio for employees Others Total Others Central State Central Total State 2012-13 as on) Govern-Govern-Govern-Govern-(Previous ment ment ment ment year) 1 2 3 4 5 (a) 5 (b) 5 (c) 5 (d) 6 (a) 6 (b) 6 (c) 6 (d) 7 8 A. Working Government Companies **AGRICULTURE & ALLIED SECTOR** 28-Mar-1978 Rajasthan State Seeds Corporation 1 Agriculture Limited Sector wise total FINANCE SECTOR Rajasthan Small Industries 3-Jun-1961 2 Industries Corporation Limited 3 Rajasthan State Handloom Industries 3-Mar-1984 Development Corporation Limited 4 Rajasthan State Power Finance Finance 22-Dec-2012 Corporation Limited Sector wise total INFRASTRUCTURE SECTOR 28-Mar-1969 5 Rajasthan State Industrial Industries Development and Investment Corporation Limited Rajasthan State Road Development 8-Feb-1979 Public Works 6 and Construction Corporation Limited Department Rajasthan Urban Infrastructure Finance and 7 Local Self 1-Dec-2004 Development Corporation Limited Government Sector wise total MANUFACTURE SECTOR Barmer Lignite Mining Company 19-Jan-2007 8 Mines Limited (subsidiary Joint Company of Sl. No. A(11)) Rajasthan State Beverages Finance 24-Feb-2005 9 Corporation Limited (Excise) Rajasthan State Ganganagar Sugar 1-Jul-1956 10 Finance Mills Limited (Excise)

				I				1	 	
11	Rajasthan State Mines and Minerals Limited (Government company since December 1974)	Mining and Petroleum	7-May-1947							
12	Rajasthan State Petroleum Corporation Ltd. (subsidiary of Sl. No. A(11))	Mining and Petroleum	10-Jul-2008							
13	Rajasthan State Refinery Limited	Mining and Petroleum	14-Sep-2012							
Sector	wise total									
POW	ER SECTOR				1	-	ł			
14	Ajmer Vidyut Vitran Nigam Limited	Energy	19-Jun-2000							
15	Banswara Thermal Power Company Limited (Subsidiary of Sl. No. A(26))	Energy	7-Aug-2008							
16	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. A(26))	Energy	5-Jul-2010							
17	Chhabra Power Limited (Subsidiary of Sl. A (27))	Energy	22-Nov-2006							
18	Dholpur Gas Power Limited (Subsidiary of Sl. A (27))	Energy	22-Nov-2006							
19	Giral Lignite Power Limited (Subsidiary of Sl. A (27))	Energy	23-Nov-2006							
20	Gurha Thermal Power Company Limited (Subsidiary of Sl. A (26))	Energy	16-Apr-2009							
21	Jaipur Vidyut Vitran Nigam Limited	Energy	19-Jun-2000							
22	Jodhpur Vidyut Vitran Nigam Limited	Energy	19-Jun-2000							
23	Keshoraipatan Gas Thermal Power Company Limited (Subsidiary of Sl. No. A(26))	Energy	17-Sep-2010							
24	Lake City Transmission Service Company Limited (Subsidiary of Sl. No. A(26))	Energy	6-Jan-2011							
25	Pink City Transmission Service Company Limited (Subsidiary of Sl. No. A(26))	Energy	6-Jan-2011							
26	Rajasthan Rajya Vidyut Prasaran Nigam Limited	Energy	19-Jun-2000							
27	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Energy	19-Jun-2000							
28	Rajasthan Renewable Energy Corporation Limited	Energy	6-Apr-1995							
29	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. A(28))	Energy	2-Nov-2011							

Saata	wise total				 1	1		1	1	1
Sector	wise total									
SERVI	CE SECTOR	11		1	1		I	1	1	1
30	Bikaner City Transport Services Limited	Local Self Government	7-May-2008							
31	Jaipur City Transport Services Limited	Local Self Government	6-Feb-2008							
32	Jaipur Metro Rail Corporation Limited	Urban Developmen t and Housing	1-Jan-2010							
33	Kota City Transport Services Limited ^o	Local Self Government	22-Dec-2006							
34	RajCOMP Info Services Limited	Information, Technology & Communicat ion	27-Oct-2010							
35	Rajasthan Civil Aviation Corporation Limited	General Administrati ve and Civil Aviation	20-Dec-2006							
36	Rajasthan Ex-Servicemen Corporation Limited	Sainik Kalyan Department	29-Mar-2012							
37	Rajasthan Medical Services Corporation Limited	Medical, Health and Family Welfare	4-May-2011							
38	Rajasthan Skill and Livelihoods Development Corporation	Labour and Employment	17-Aug-2010							
39	Rajasthan State Food & Civil Supplies Corporation Limited	Food, Civil Supplies and Consumer Affairs	8-Dec-2010							
40	Rajasthan State Hotels Corporation Limited	Tourism	7-Jun-1965							
41	Rajasthan Tourism Development Corporation Limited	Tourism	24-Nov-1978							
42	Udaipur City Transport Services Limited	8-Jan-2007								
Secto	orwise total									

MISC.	SECTOR			 							
43	Rajasthan Jal Vikas Nigam Limited	Ground Water Department	25-Jan-1984								
Sector	wise total										
	A (All sector wise working nment companies)										
	rking Statutory corporations			<u>.</u>			•				•
FINA	NCE SECTOR										
1	Rajasthan Financial Corporation	Industries	17-Jan-1955								
Sector	wise total										
SERV	ICE SECTOR	11	I		1	1	1	1	1		1
2	Rajasthan State Road Transport Corporation	Transport	1-Oct-1964								
3	Rajasthan State Warehousing Corporation	Agriculture	30-Dec-1957								
Sector	wise total										
	3 (All sector wise working Statutory rations)										
Grand	Total (A + B)										İ
	working Government companies				•		•			•	
AGRI	CULTURE & ALLIED SECTOR										
1	Rajasthan State Agro Industries Corporation Limited	Agriculture	1-Aug-1969								
2	Rajasthan State Dairy Development Corporation Limited	Dairy	31-Mar-1975			·					
Sector	wise total										
	C (All sector wise non working nment Companies)										
Grand	Total (A + B + C)										

Above includes Section 619-B companies at Sl. No - A- 30, A-31, A-33 & A-42 and Section 25 Company at Sl. No. A-38

^{\$} Paid-up capital includes share application money.

** Loans outstanding at the end of 2012-13 represent long-term loans only.

 Ω Company at Sl. No A-33 did not provide information for the year 2012-13 and 2011-12. Figures relating to this Company as shown above are pertaining to 2010-11.

						Annexur	re – 2							
				(Referre	ed to in pa	ragrap	h 1.35)						
	Summarised financial res	sults of (Governn	nent compa	nies an	d Statutor	y corp	oration	s for the la	atest year	r for whicl	h account	ts were fi	inalised
														(` in crore)
SI.	Sector & Name of the Company	Period	Year in	Ν	et profit(+	-) / Loss(-)		Turn	Impact of	Paid up	Accumula	Capital	Return	Percentag
No.		of accoun ts	which finalise d	Net profit/ loss before interest & Depreciatio n	Intere st	Depreciat ion	Net Profit /Loss	over	accounts Comment s [¥]	capital	ted Profit (+)/ Loss (-)	employe d ^µ	on capital employ ed	e return on capital employed
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
A. W	orking Government Companies	5												
AGF	RICULTURE & ALLIED SECT	OR												
1	Rajasthan State Seeds Corporation Limited													
Secto	r wise total													
FIN	ANCE SECTOR	1			I	I		I	1		1	1	1	
2	Rajasthan Small Industries Corporation Limited													
3	Rajasthan State Handloom Development Corporation Limited													
4	Rajasthan State Power Finance Corporation Limited													
Secto	r wise total													
INF	RASTRUCTURE SECTOR								1		1	1	<u>I</u>	<u> </u>
5	Rajasthan State Industrial Development and Investment Corporation Limited													
6	Rajasthan State Road Development and Construction Corporation Limited													
7	Rajasthan Urban Infrastructure Finance and Development													

							1	
	Corporation Limited							
Secto	r wise total							
MAN	NUFACTURE SECTOR							
8	Barmer Lignite Mining Company Limited (Susidiary Joint Company of Sl. No. A(11)							
9	Rajasthan State Beverages Corporation Limited							
10	Rajasthan State Ganganagar Sugar Mills Limited					 		
11	Rajasthan State Mines and Minerals Limited					 		
12	Rajasthan State Petroleum Corporation Ltd. (subsidiary of Sl No. A(11))							
13	Rajasthan State Refinery Limited							
Secto	r wise total							
POW	VER SECTOR					 		
14	Ajmer Vidyut Vitran Nigam Limited							
15	Banswara Thermal Power Company Limited (Subsidiary of Sl. A (26))							
16	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. A(26))							
17	Chhabra Power Limited (Subsidiary of Sl. A (27))							
18	Dholpur Gas Power Limited (Subsidiary of Sl. A (27))							
19	Giral Lignite Power Limited (Subsidiary of Sl. A (27))							
20	Gurha Thermal Power Company Limited (Subsidiary of Sl. A (26))							
21	Jaipur Vidyut Vitran Nigam Limited							

22	Jodhpur Vidyut Vitran Nigam Limited							
23	Keshoraipatan Gas Thermal Power Company Limited (Subsidiary of Sl. No. A(26))							
24	Lake City Transmission Service Company Limited (Subsidiary of Sl. No. A(26))							
25	Pink City Transmission Service Company Limited (Subsidiary of Sl. No. A(26))							
26	Rajasthan Rajya Vidyut Prasaran Nigam Limited							
27	Rajasthan Rajya Vidyut Utpadan Nigam Limited						 	
28	Rajasthan Renewable Energy Corporation Limited							
29	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. A(28))							
Secto	r wise total							
SERV	/ICE SECTOR	I	 1		<u>.</u>			
30	Bikaner City Transport Services Limited							
31	Jaipur City Transport Services Limited						 	
32	Jaipur Metro Rail Corporation Limited							
33	Kota City Transport Services Limited						 	
34	RajCOMP Info Services Limited							
35	Rajasthan Civil Aviation Corporation Limited							
36	Rajasthan Ex-Servicemen Corporation Limited							
37	Rajasthan Medical Services Corporation Limited							

38	Rajasthan Skill and Livelihoods Development Corporation							
39	Rajasthan State Food & Civil Supplies Corporation Limited							
40	Rajasthan State Hotels Corporation Limited							
41	Rajasthan Tourism Development Corporation Limited							
42	Udaipur City Transport Services Limited							
Secto	r wise total							
MISC	SECTOR				 	 		
43	Rajasthan Jal Vikas Nigam Limited							
Secto	r wise total							
Total Gover	A (All sector wise working rnment companies)							
B. Wo	orking Statutory corporations							
FINA	NCE SECTOR							
1	Rajasthan Financial Corporation							
Secto	r wise total							
SERV	ICE SECTOR							
2	Rajasthan State Road Transport Corporation							
3	Rajasthan State Warehousing Corporation							
Secto	r wise total				 			
Total Statu	B (All sector wise working tory corporations)							
Gran	d Total (A + B)							
C. N	on working Government compani	ies				 		
AGR	ICULTURE & ALLIED SECTOR							

1	Rajasthan State Agro Industries Corporation Limited							
2	Rajasthan State Dairy Development Corporation Limited							
Secto	r wise total							
	C (All sector wise non working rnment Companies)							
Grar	nd Total (A + B + C)							

¥ Includes the net impact of comments of Statutory Auditors and C&AG.

μ Capital employed represents the sum of shareholders' funds and long term borrowings.

(Referred to in paragraph 1.15)

Statement showing equity/loans received out of budget grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2013

(Figures in column 3 (a) to 6 (d) are ` in crore)

SI.	Sector & Name of the Company	receiv budge the	y/ loans ed out of et during e year		l subsidy receiv		, ,	during the commitme of the during	ees received he year and ent at the end he year	Waiv	er of dues du		
		Equ ity	Loans	Central Governm ent	State Governme nt	Other s	Total	Receive d	Commitm ent	Loans repayme nt written off	Loans converte d into equity	Interest / penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. W	orking Government Companies												
AGR	ICULTURE & ALLIED SECTOR												
1	Rajasthan State Seeds Corporation Limited												
Secto	or wise total												
FINA	NCE SECTOR								·				
2	Rajasthan Small Industries Corporation Limited												
3	Rajasthan State Handloom Development Corporation Limited												
4	Rajasthan State Power Finance Corporation Limited												
Secto	or wise total												
INFR	ASTRUCTURE SECTOR						•	•	·	•			
5	Rajasthan State Industrial Development and Investment Corporation Limited												
Secto	or wise total												
	UFACTURE SECTOR			!	!	Į_					Į		

6	Rajasthan State Ganganagar		T T							
6	Sugar Mills Limited									
7	Rajasthan State Refinery Limited									
Secto	or wise total									
POW	ER SECTOR	-	<u> </u>				<u> </u>		1	
8	Ajmer Vidyut Vitran Nigam Limited									
9	Jaipur Vidyut Vitran Nigam Limited									
10	Jodhpur Vidyut Vitran Nigam Limited									
11	Rajasthan Rajya Vidyut Prasaran Nigam Limited									
12	Rajasthan Rajya Vidyut Utpadan Nigam Limited									
13	Rajasthan Renewable Energy Corporation Limited									
Secto	or wise total									
SERV	ICE SECTOR	1 1		1	1	1	I	I	I	
14	Jaipur City Transport Services Limited									
15	Jaipur Metro Rail Corporation Limited									
16	Rajasthan Ex-Servicemen Corporation Limited									
17	Rajasthan Medical Services Corporation Limited									
18	Rajasthan Skill and Livelihoods Development Corporation									
19	Rajasthan State Food & Civil Supplies Corporation Limited-									
20	Rajasthan State Hotels Corporation Limited									

wise total												
(All sector wise working ment companies)												
orking Statutory corporat	tions											
CE SECTOR												
wise total												
CE SECTOR												
wise total												
ng Statutory												
d Total (A + B)												
n working Government c	ompar	nies										
ULTURE & ALLIED SECTOR												
Rajasthan State Agro Industries												
wise total												
(All sector wise non working ment Companies)												
Total (A + B + C)												
	CE SECTOR Rajasthan Financial Corporation wise total CE SECTOR Rajasthan State Road Transport Corporation wise total B (All sector wise ang Statutory rations) d Total (A + B)	Development Corporation wise total (All sector wise working ument companies) Drking Statutory corporations CE SECTOR Rajasthan Financial Corporation Corporation wise total E SECTOR Rajasthan State Road Transport Corporation Wise total B (All sector wise ing Statutory rations) d Total (A + B) n working Government company ULTURE & ALLIED SECTOR Rajasthan State Agro Industries Corporation Limited wise total	Development Corporation wise total .(All sector wise working ument companies) prking Statutory corporations CE SECTOR Rajasthan Financial Corporation Corporation wise total CE SECTOR Rajasthan State Road Transport Corporation Wise total B (All sector wise ing Statutory rations) d Total (A + B) n working Government companies ULTURE & ALLIED SECTOR Rajasthan State Agro Industries Corporation Limited (All sector wise non working ument Companies)	Development Corporation wise total (All sector wise working ment companies) prking Statutory corporations CE SECTOR Rajasthan Financial Corporation wise total CE SECTOR Rajasthan State Road Transport Corporation wise total B (All sector wise fing Statutory rations) d Total (A + B) n working Government companies ULTURE & ALLIED SECTOR Rajasthan State Agro Industries Corporation Limited wise total	Development Corporation wise total (All sector wise working ument companies) Drking Statutory corporations CE SECTOR Rajasthan Financial Corporation Corporation wise total E SECTOR Rajasthan State Road Transport Corporation Corporation wise total B (All sector wise ng Statutory rations) d Total (A + B) n working Government companies ULTURE & ALLIED SECTOR Rajasthan State Agro Industries Corporation Limited (All sector wise non working ument Companies)	Development Corporation Image: Corporation Statutory corporations (All sector wise working imment companies) Image: Corporation Statutory corporations Development Statutory corporations Image: Corporation Statutory corporations Development Corporation Statutory corporations Image: Corporation Statutory corporations Development Corporation Statutory corporation Image: Corporation Statutory corporation Statutory Development Corporation Image: Corporation Statutory Sector R Image: Corporation Statutory Rajasthan State Road Transport Image: Corporation Statutory Sector Wise for all Image: Corporation Statutory wise total Image: Corporation Statutory B (All sector wise ing Statutory rations) Image: Corporation Statutory d Total (A + B) Image: Corporation Statutory n working Government companies Image: Corporation Limited ULTURE & ALLIED SECTOR Image: Corporation Limited Wise total Image: Corporation Limited Image: Corporation Limited Image: Corporation Limited Wise total Image: Corporation Limited Image: Companies Image: Corporation Limited	Development Corporation	Development Corporation Image: Constraint of the sector wise working minent companies) Image: Constraint of the sector wise working minent companies Image: Constraint of the sector wise monent wise total Image: Constraint of the sector wise monent working minent Companies	Development Corporation Image: Sector wise working ment companies) (All sector wise working ment companies) Image: Sector wise ment companies Sector Wise total Corporation Image: Sector wise ment companies Sector Wise ment companies Image: Sector wise ment working ment companies	Development Corporation Image: Sector Mise working ment companies) (All sector wise working ment companies) Image: Sector Mise working ment companies CE SECTOR Rajasthan Financial Corporation Image: Sector Mise working ment companies Image: Sector Mise wise wise wise ment companies Image: Sector Mise wise ment companies Image: Sector Mise wise ment companies Image: Sector Mise wise wise ment companies Image: Sector Mise wise wise wise wise wise wise total Image: Sector Mise wise wise wise ment companies Image: Sector Mise wise wise wise wise wise wise wise w	Development Corporation Image: Section of the	Development Corporation Image: Corporation Image: Corporation Image: Corporation wise total Image: Corporation Image: Corporation Image: Corporation (All sector wise morking ment companies) Image: Corporation Image: Corporation (All sector wise morking ment companies) Image: Corporation Image: Corporation (All sector wise morking ment companies) Image: Corporation Image: Corporation (All sector wise morking ment companies) Image: Corporation Image: Corporation (Image: Corporation Image: Corporation Image: Corporation<

(Referred to in paragraph 1.24)

Statement showing investments made by State Government in PSUs during the years for which accounts are in arrears

S. No.	Name of PSU	Year uptoPaid upwhichcapital asaccountsper latestfinalizedaccountsfinalised	Investment made by State Government during the year for which accounts are in arrears					Total		
			accounts	Year	Equity	Loans	Subsidy	Loan Converted into Equity	Loan repayment written off	
	1									

(Referred to in paragraph 1.35)

Statement showing financial position of Statutory Corporations

Rajasthan State Road Transport Corporation

Particulars	2010-11	2011-12	2012-13
Liabilities			
Capital (including capital loan and equity capital)			
Borrowings:			
(Government)			
(Others)			
Fund*			
Trade dues and other current liabilities (including provisions)			
Total Liabilities			
Assets			
Gross Block			
Less: Depreciation			
Net fixed assets			
Capital works-in-progress (including cost of chassis)			
Investment			
Current assets, loans and advances			
Accumulated losses			
Total Assets			
Capital employed			

^{.*}Excluding Depreciation Fund

Rajasthan Financial Corporation

(` in crore)

Particulars	2010-11	2011-12	2012-13
Liabilities			I
Paid-up-capital			
Share application money			
Reserve fund and other reserves and surplus			
Borrowings:			
(i) Bonds and debentures			
(ii) Fixed deposits			
(iii) Industrial Development Bank of India and Small Industries Development Bank of India			
(iv) Reserve Bank of India			
(v) Loan towards Share capital:			
(a) State Government			
(b) Industrial Development Bank of India			
(vi) Others (including State Government)			
Other liabilities and provisions (including Deposits)			
Total Liabilities			
Assets		1	
Cash and Bank balances			
Investment			
Loans and advances			
Net fixed assets			
Other assets			
Accumulated Losses			
Total Assets			
Capital employed [≝]			

Rajasthan State Warehousing Corporation

Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investment outside), bonds deposits and borrowings (including refinance). The free reserves and surplus have been reduced to the extent of debit balance of profit and loss account.

Particulars	2010-11	2011-12	2012-13			
Liabilities		ļ				
Paid-up-capital						
Reserves and Surplus						
Borrowings:						
(Government)						
(Others)						
Trade dues and other current liabilities (including provisions)						
Total Liabilities						
Assets	Assets					
Gross Block						
Less: Depreciation						
Net fixed assets						
Capital works-in-progress						
Other non-current assets(Deferred Tax Assets)						
Current assets, loans and advances						
Total Assets						
Capital employed						

(Referred to in paragraph 1.35)

Statement showing working results of Statutory Corporations

1. Rajasthan State Road Transport Corporation

Sl. No.	Particulars	2010-11	2011-12	2012-13
1	Operating			
(a)	Revenue			
(b)	Expenditure			
(c)	Surplus/(deficit)			
2	Non-operating			
(a)	Revenue			
(b)	Expenditure*			
(c)	Surplus/(deficit)			
3	Total revenue			
4	Total expenditure			
5	Profit(+)/loss(-) before Prior Period Adjustment			
6	Add/(Less): Prior period adjustment			
7	Net Profit/(Loss)			
8	Interest on Capital and loans			
9	Total return on capital employed			

.

^{*}In the accounts of RSRTC operating and non-operating expenditure is not shown separately.

Rajasthan Financial Corporation

2.

Sl. No.	Particulars	2010-11	2011-12	2012-13
1	Income:		•	
(a)	Interest from operations			
(b)	Other Income			
	Total Income			
2	Expenditure:			
(a)	Interest on long term loans			
(b)	Other expenses			
	Total Expenditure			
3	Profit before tax			
4	Provision for tax			
5	Other Provisions			
6	Amount available for dividend			
7	Dividend			
8	Total return on capital employed			
9	Percentage of return on capital employed			

Rajasthan State Warehousing Corporation

3.

(` in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13
1	Income:	1	•	•
(a)	Warehousing charges			
(b)	Other income			
	Total Income			
2	Expenses:	•		•
(a)	Establishment charges			
(b)	Other expenses			
	Total Expenditure			
3	Profit(+)/loss(-) before tax (1-2)			
4	Other appropriations			
5	Amount available for dividend			
6	Dividend for the year			
7	Total return on capital employed			
8	Percentage of return on capital employed			

ANNEXURE.-VII-B

(Referred to in Para-8.11.1)

Copy of D.O. letter No. 667/CA II/48-99/KW-II Dated 1.9.99 of Shri G.C. Srivastava, Additional Deputy Comptroller and Auditor General of India regarding revised format of introductory chapter of Audit Report (Commercial)

Please refer to this office circular letter No. 1158 CA II/220-95 dated 17.8.1995 wherein a revised format of the Introductory Chapter of the Audit Report (Commercial) Draft Commercial Chapter of the Civil Reports was prescribed.

A committee consisting of three PAG/ASG and Director (C-S) Headquarters was constituted to deliberate and give recommendations on:

- 1. Rationalisation and Pruning of Preface and Chapter I of the Report by deleting avoidable details and bringing data on Government Companies and Statutory Corporation at one place.
- Reduction of size of Audit Report (Coml.) to 100 pages.
 Adoption of NCAER
 - Adoption of NCAER recommendations such as benchmarking and Inter State Comparison.

The Committee's recommendations were received in the form of minutes of its Meeting held on 10th and 11th June 1999. The recommendations have been approved by the Comptroller and Auditor General of India. One the basis of recommendations of the Committee, the existing introductory chapter I has been modified which has also be approved by the CAG.

Accordingly, in suppression of earlier instructions, model format of Preface and Chapter I along with **Annexures** is enclosed herewith, which may be adopted in the Audit Report (Commercial) for the year 1998-99 and onwards. There should not be any deviation whatsoever in the presentation of Chapter I other than what has been prescribed. However, you may omit a portion, if it is not relevant to your State and make necessary minor modification within the framework of model format under intimation to this office. If there are any areas specific to your State and you feel to highlight it in the Introductory Chapter, it should and included with the prior approval of Headquarters office.

For reduction of size of Audit Report to 100 pages and adoption of NCAER recommendations the relevant portion of the minutes (copy enclosed) of the meeting of the committee (Para 4,5 and 6) should be referred to for strict adoption.

Please acknowledge receipt of this letter.

Minutes of the meeting of Committee of Officers appointed for improvising and pruning of chapter I of Audit Report (commercial), incorporation of recommendation of NCAER regarding benchmarking and inter-state comparison in the Audit Report and reducing the size of Audit Report to 100 pages

A meeting of the Committee of Officers was held on 10th and 11th June 1999 in A.K. Chanda Committee room to discuss and recommend the measures for improvising and pruning of chapter I of Audit Report (Commercial), incorporation of recommendation of NCAER regarding benchmarking and inter-state comparison in the state Audit Report (Commercial) and reducing the size of Audit Report to 100 pages. The following officers were present in the meetings.

1. Ms. A.L. Ganapathi, Pr. AG (Audit)-I, Karnataka,	Chairperson.
2. Shri. P. Mukherjee, AG (Audit)-II, Uttar Pradesh,	Member.
3. Shri Balvinder Singh AG (Audit), Punjab,	Member
4. Shri A.M. Bajaj, Director (C-S), Secretary	Member

All the Sr. AOs/AOs/AAOs of CA-II Wing of Headquarters office and one AAO from AG (Audit)-II, Uttar Pradesh, Lucknow.

Member Secretary briefly apprised the committee of the CAG's direction that the Chapter I of the Audit Report needs improvement and pruning, NCAER's recommendations in the State Audit Report (C) regarding benchmarking and interstate comparison be incorporated therein and the size of the Audit Report be reduced to 100 pages. Member Secretary further informed the committee that based on some of the recommendations received from the AGs, Headquarters office had prepared draft suggestions in the matter, which were circulated to all AGs for their comments and further recommendations. Feedback received from the AGs in the matter was presented to the committee members for their perusal.

The committee discussed various issues in the matter and made following recommendations:

(1) **Preface**: To follow format of Preface given in Audit Report (C) 1997-98 government of Maharashtra with following modifications:-

The word "as amended in March 1984" in para 2 may be replaced with "as amended from time to time".

(2) **Overview**; It should contain 3 to 4 important points from each review and 2 to 3 most important draft paragraphs besides relevant portion from Chapter I.

(3) Chapter I:

(i). The Committee recommended that instead of giving details regarding various performance parameters of Government Companies and Statutory Corporation separately, both can be clubbed and given under suitable headings and majority of statistical data be transferred under **Annexures**. The macro picture for both the Government Companies and Statutory Corporations may be given which may be followed by specific discussion under two subheadings "Government Companies" and "Statutory Corporations".

(ii) The Committee recommended deletion of the following existing tables in the paragraphs and other paragraphs of Chapter I as they do not serve any meaningful purpose.

- (a) Tables on sector wise investments in Government Companies
- (b) Tables under paragraphs on guarantee, budgetary outgo, and waiver of dues, return on capital employed and erosion of paid up capital under the para on loss making companies.

- (c) Paragraph on buyback of shares.
- (d) Important observation made by Statutory Auditors.
- (e) Capacity utilization.
- (f) Shifting of data relating to financial position, working results and operational performance of Statutory Corporation to **Annexures**.

(iii). The Committee recommended following new paragraphs (based on recommendations given by AG (Audit), Gujarat.

- (a) Disinvestments, Privatization and Restructuring of PSUs. Information on these aspects including merger and closure of PSUs may be given under this new paragraph.
- (b) Readiness of PSUs for facing Y2K problem. This para may be included only by those States where this problem is faced by PSUs.
- (c) Persistent irregularities and system deficiencies in financial matters. This para may be added after the para "Results of audit by CAG".
- (d) Suitable comments to be included on dividend policy of the State Government, continuance of financial assistance by the State Government to the Government Companies/Corporations whose capital base has already been eroded.
- (e) Similarly, comments on inadequacy as well as presentation of provision for Non-Performing Assets by the financing Companies/Corporations in their books of accounts may also be included under the para ": Results of audit by CAG".
- (f) In para on 'other investment' while indicating the total investment made by State Government, the total number of such companies having investment of State Government for more than Rs. 10 lakh may be included as **Annexure**. I

(4) Annexure to Audit Report.

The Committee recommended that

- (a) **Annexure** I should contain list of companies having investment of State Government for more than Rs. 10 lakh.
- (b) Summarized working results of all Government companies and Statutory Corporations may be given as **Annexure** 2 as approved by Committee and indicated in draft Chapter I enclosed.
- (c) Other **Annexures** will be as per the **Annexures** approved by the Committee and indicated in the chapter I enclosed.

(i) Reducing the size of the Audit Report (Commercial) to 100 pages.

(a) The Committee recommended that in order to reduce the size to 100 pages, the number of reviews should not exceed 3 and that of individual paragraph 25. However, the size of the Audit Report (C) may range from 100 to 150 pages depending upon the size of

the State, number of Reviews and number of individual paragraphs. In case of 150 pages Report, the number of review should not exceed 5. The Committee further recommended that within the above parameters AsG may be permitted to fix the size of Audit Report (C) of their States.

(b) The Committee strongly felt that if the number of reviews in any state is more than 5, the other equally important work relating to transaction and accounts audit gets adversely affected as most of the available mandays are consumed by such review work. Hence, Committee recommended that number of reviews should not exceed 5 for any Audit Report (Commercial)

(c) The Committee recommended that the length of each review should be between 15 to 20 pages and that of each individual paragraph 1 to 1.5 pages.

(d) The Committee recommended that for the format of Audit Report, instruction issued by Report (Central) wing of Headquarters Office vide their Letter No. 85-Rep (C)/156-98 dated 25.01.1999 (circulated to all AGs vide State Commercial wing letter No. 107/CA II/118-94 dated 02.02. 1999) should be strictly adhered by all field offices.

(e) For counting the size of the report, the Committee recommended that number of pages consumed in table of contents, Preface, Overview and **Annexure**s should not be considered, as these pages cannot be avoided.

(ii) Incorporation of benchmarking and interstate comparison of selected SLPEs in Audit Report(C)) as per the recommendation of NCAER

The Committee recommended that interstate comparison as well as comparison with all India/Industry, based on some of the important financial and operational parameters, may be done in Chapter I as well as in reviews. As regard to performance evaluation of PSUs and their interstate comparison based on various benchmarks, the Committee recommended that such analysis may only be done in the reviews to be included in Audit Report. The Committee recommended that all India/industry benchmarks/financial & operational indicators for comparison purpose particularly for State Electricity Boards, State Road Transport Corporations, State Financial Corporations and State Warehousing Corporations should be collected and circulated to all field offices by the headquarters office. In this matter the committee made the following detailed recommendations:

5.1.1 Inter State/all India/Industry comparison based on financial and operational parameters in chapter I.

The Committee recommended that to start with, based on the following important financial and operational indicators, inter-state/all India comparison may be done in Chapter I in case of State Electricity Boards, State Road Transport Corporations, State Financial Corporations and State Warehousing Corporations.

(a) **State Electricity Board**: 'Plant load factor', 'percentage of transmission and distribution losses to total power available for sale', 'consumer/employee ratio' and 'profit/loss' (excluding subsidy) per KWH. (b) **State Road Transport Corporations**: 'Percentage of fleet utilisation', 'occupancy ratio', average kilometers covered per bus per day', profit/loss per kilometer', 'accident per kilometer' and 'employee/vehicle ratio'.

(c) **State Financial Corporations**: 'Percentage of return on capital employed' and 'percentage of over dues to total loans outstanding'.

(d) **State Warehousing Corporations**: 'Percentage of utilisation' and 'profit/loss per tonne'.

5.2. Interstate/all India/Industry comparison based on benchmarks in reviews:

(a) In case of all India sectoral/comprehensive reviews, Committee recommended that Headquarters office while sending model guidelines for all such reviews shall intimate performance indicators as well as benchmarks for evaluation of performance of concerned PSU and for inter-state/all India/Industry comparison.

(b) In case of other reviews proposed by AsG, the Committee recommended that the concerned AsG may select suitable performance indicators and benchmarks for evaluating the performance of PSUs and for doing inter-state comparison.

(c) The committee recommended that the model of chapter I may be prepared based on the above recommendations of the Committee and after its approval by ADAI(C)/CAG the same may be circulated to all field offices for their adoption. The Committee further recommended that its recommendations as regard to interstate comparison based on performance indicators and benchmarks may be made applicable for the Audit Report (C) for the year 1999-2000 and onwards.

The meeting ended with a vote of thanks to the chair.

ANNEXURE-VIII

(Referred to in Para-8.11.3)

Confidentiality Statement

For the employees of Indian Audit and Accounts Department

I< Name and designation> S/o/D/o-----solemnly affirm on ------day of <name of month> of <Year>that

(i) I will not divulge any information gained by me during the discharge of my duties. I will keep the information contained in audit work papers, draft reports etc confidential.

(ii) I understand that any breach of confidentiality will attract suitable action against me under the CCS (Conduct) Rules.

Date

Place

(Name and designation)

Confidentiality Statement

To be obtained from outside parties engages for printing and design f report etc.

(To be obtained on stamp paper of Rs . 50/- attested by Oath Commissioner/ Notary public)

I< Name and designation> S/o/D/o-----resident of <------resident of <----->solemnly affirm on ------day of <name of month> of <Year>that

(i) I will not divulge any information/contents of Audit Report handed over to me for the purpose of < purpose to be mentioned such as printing and designing etc.
 >. I will keep the information contained in audit reports etc confidential.

(ii) I understand that any breach of confidentiality will attract suitable action against me under the applicable laws as deemed fit by Indian Audit and Accounts Department .

Date

Place

(Name and designation)

CHAPTER IX

Client and Stakeholder Relations

(Media policy and press conference; Liaison with COPU; Matters relating to Right to Information Act)

9.1 Communication is important for conveying key messages about the work of IA&AD. The usefulness and effectiveness of audit work is truly enhanced, among other things, through the clarity and understand ability of the manner it is communicated. This is an important requirement of any audit report as well as other audit messages generated by the auditor for the client, stakeholders, and the public. The audit reports make the results less susceptible to misunderstanding and are available for public inspection in order to maintain transparency and public accountability for government programmes. SAI may use a wide variety of ways to communicate its message to help convey the findings and conclusions of the audit reports. These should be ranging from communicating initial audit memorandums and management letters to audit reports sent to the government and finally presented to legislature.

Dissemination of information to identified stake holders ensured:

- through Audit Reports to the elected representatives and the Government departments and to the media and public, once the reports are approved and are placed in the legislature
- through Authorized publication of the IA&AD
- through press conference after the Reports tabled in the legislature
- through press releases after the Reports tabled in the legislature or in a special or emergent situations, to disseminate information about significant initiatives taken
- through web sites for dissemination of contents of tabled Report and any information about significant initiatives taken

9.2 Communicating audit messages

9.2.1 In order to ensure that the content of the audit reports is well communicated, a concerted effort should be made. The Pr. Accountant General/Senior most Accountant General may nominate an IA&AS officer as the spokesperson for the state as the full responsibility for effective communication with the media lay with him.

The Spokesperson with close coordination with the Headquarters Media Adviser/officer in-charge of communication policy, present and explain the department's **vision**, mission and activities, and to respond to any news in the media about the department. While communicating the audit message to the media and the public, the directions given in the External Communication Policy of the IA&AD firmly to be followed. All communications requires consistent with the vision, mission and guiding principles of the IA&AD. The complete, reliable, accurate, clear, candid and easy to understandable communication should be fact based, nonpartisan, objective, fair, non-ideological, up to date and balanced.

The choice of media necessary for dissemination should be carefully decided by the Office and updated list of all national and local newspaper editors/reporters, radio, television channels be maintained.

9.2.2 Press Conferences

Press Briefs and Press conferences offer an opportunity to disseminate the audit findings. The press conference should be held by designated officer immediately after the presentation of each audit report in the Legislature. The Report-specific conference held either in the Legislature after following the prescribed procedure or in the IA&AD office. It is further clarified by HQ office that holding of press conference is not mandatory immediately after presentation of each audit reports could also be done by holding Press Briefings with or without camera and or by way of issuing press release. It depends on situations. If it is felt that there is something important which needs to be disseminated directly to the media, press conference may be held. If audit reports conference may be avoided in consultation with concerned DAI/ADAI.

(Ref. Hqs. letter No.CPW/02/clarification on ECP/2010/KW-I dt. 4.5.2012)

The designated officer shall announce at the outset in the media briefing that in accordance with the provision of Article 151 of the Constitution, CAG submits his Audit Report to the Governor, for being laid on the table of the Legislature and Committee on Public Undertakings examine the Report and made recommendations for remedial action by the Government. Care shall be taken to ensure that no comments are made during the briefing on the functioning of the Committee, including the factual position about selection/discussion and issue of Committees Report, policy issues or policies of the Government. While drafting the press brief it must be kept in mind that a press brief is basically a summary of facts on significant audit findings in the report and press briefs may circulated only after Report has been tabled in the Legislature . The matter included in Chapter 1 of the Report shall not be dicussed as they have an intrinsic nexus with fiscal policy.

9.2.3 Interviews to the radio/television channels and the press

Permission should be obtained formally for such interactions with media except at the press conferences convened to highlight the contents of audit report or when as **directed** in special circumstances or occasions by the Hqs.

9.2.4 Websites

Websites can host by the field offices with the prior approval and as per directions. All websites must confirm to government policies and standards. The content must be continuously updated.

Copies of the media reports published / telecasted relating to incident concerning the department should be sent immediately at Headquarters.

9.3 Feedback from Clients and Stakeholders

The SAI management needs to develop a system whereby the clients' and stakeholders' satisfaction to the work performed by the SAI could be assessed. The legislature, the government departments, government companies and corporations and other audited entities should perceive the audits and other studies as relevant.

9.4 Liaison with Committees on Public Undertakings

INTOSAI Auditing Standards (INTOSAI Auditing Standards, p. 42) state: The legislature is one of the main users of the SAI's services. It is from the constitution or legislature that the SAI derives its mandate, and a frequent feature of the SAI's function is its reporting to the legislature. The SAI can be expected to work closely with the legislature, including with any committees empowered by the legislature to consider SAI reports. Such liaison can contribute to effective follow-up of the SAI's work

9.4.1 The Committee on Public Undertakings to consider the Audit Reports (Commercial/PSUs) relating to the State public undertakings or the audit observations included in the chapters relating to corporations and companies contained in the Audit Reports of those States in respect of which separate Audit Reports (Commercial/PSUs) are not prepared. The Public Undertakings Committees of the Legislatures do not function as executive bodies. They submit their reports containing their findings on the Audit Reports and Accounts examined by them and their recommendations to the Legislature concerned.

9.4.2 The Accountants General/Principal Accountant General is invariably invited to be present at the meetings of the Committees on Public Accounts and Public Undertakings when witnesses are examined and the Accounts and Reports are considered. They attend all these meetings personally and assist the Committees in their deliberations. Nominating Group Officer for such meetings should be a rare occasion and fully justified on the basis of exceptional circumstances. Even in such cases prior intimation should be given in writing to the concern Chairperson of the Legislative Financial committee with a copy to the reporting DAI/ADAI.

(Ref. Hqs No.203Audit (AP)/28-2010 dt. 14.7.2010)

9.4.3 Immediately, after the Accounts and Reports have been considered by the respective Public Accounts Committees or Public Undertaking Committees and their reports have been presented to the Legislature, the State Accountants General will submit a report to the Comptroller and Auditor General drawing attention to:

(i) Those paragraphs of the proceedings or report which contain observations or recommendations of considerable importance; and

(ii) Any adverse comments relating to any views expressed by Audit in the Reports or any comments that contain a reflection express or implied, on the Indian Audit and Accounts Department for its failure to take proper action. The Accountants General's reports on (ii) above will also contain their own views and opinions on the comments/observations of the Committees.

9.4.4 The recommendations of the Committees are considered by the ministries or departments of Government concerned. The Accountant General will watch the action taken on the recommendations of the Committee and the orders, if any, issued as a consequence. If, in any case, the action taken by Government is considered inadequate, it will be open to the Accountant General to take up the matter with the Government and to comment on the matter, if considered necessary, in a subsequent Audit Report. (Ref: 7.4.7 to 7.4.11 of MSO (T))

9.5 Towards more effective relationship

Audit Office can provide assistance to the PAC/COPU/appropriate body in prioritizing the issues to be selected for examination by concentrating more on governance centric themes or issues of national/State importance. The Legislative committees may find out ways to reduce the backlog by arranging to scrutinize current reports so that accountability is not eroded by the passage of years. The Committees and the legislatures, in consultation with CAG, may consider introducing a provision, requiring executive departments and other audited agencies to respond to committee recommendations within a certain time frame. Audit Office may establish a separate unit or identify an officer at a sufficiently senior level to coordinate its liaison with the legislature and the committees to facilitate communications and help assure CAG awareness of legislative needs and interests. Protocols may be formulated between the CAG and the legislative committees to provide for long term secondments of CAG functionaries to the legislative secretariats.

9.6 Managing External Relations

Effective management of its human resources, together with effective quality assurance systems, can assure that the SAI is capable of producing high quality work. But the overall effectiveness of the SAI in achieving greater accountability, economy, efficiency and effectiveness in government entities depends critically on the relationships it establishes and maintains with others. One of the most important of these, the CAG's relations with Parliament/Legislature, has been discussed above. Other relationships, however, are also important and warrant continuing high level attention by the leadership of the HQs Office.

- Mutually supportive and respectful relations with the Government the Ministry of Finance, other line ministries and government departments are vital to achieving improvements in government accounting and internal controls.
- Good relations with ministries and other state agencies are also necessary to allow auditors to do their work efficiently, without inappropriate interference and impediments.
- Good relations with the media are necessary to assure that the public is aware of the important SAI outputs and of the actions taken (or not taken) in response.

- Effective and professional relations with private sector auditors and other professional associations can lead to sharing experiences that can strengthen quality in both sectors.
- Good and mutually beneficent relations with the academic community can facilitate drawing on that source of specialized expertise, when needed.

Developing each of these relationships successfully requires a clear strategy in each case, and may entail considerable effort by the SAI.

(Ref para 5.18 to para 5.22)

9.7 Rendering Advice on Government References

The office of the Comptroller and Auditor General of India receives references from Departments and Ministries of Government of India/States/UTs and autonomous bodies for view / advice/comments etc. Advice, when sought by the executive wing must be given. However, considering the C&AG's constitutional position and the fact that implementation of any policy would be subject to sub sequent audit, appropriate safeguards/disclaimers may be incorporated as relevant to the specific cases referred. The following considerations should be kept in mind before rendering advice to the executives:

- Advice should be given after an internal assessment that the advice does not impair the independence of the institution in subsequent audits.
- Advice should be made without any bias, fear or favour. A suitable disclaimer may be appended, as appropriate.
- Similarly, while dealing with Cabinet notes or notes for committee of Secretaries, we must assess the implications of such proposals on IA&AD before giving any advice.
- While rendering the advice on any scheme/program, we must examine if the scheme/ program has specified any accountability mechanism in their implementation and if so, whether such mechanism is adequate for the purpose. If there is no such accountability mechanism built into the scheme/program, we may, while rendering the advice, bring the fact to the notice of the executive.
- Similarly in above cases, if suitable financial reporting mechanisms, in line international / national accounting standards, are not in place, or if an adequate framework of internal control is not envisaged, our advice should clearly bring out the need to provide for the scheme
- All the field offices would refer such request with their comments to Hqrs for.
- The advice should be rendered within a set time frame

(Ref Hqs letter No.I/C/19/1196-PPG/29-2012 dt. 10.12.2012)

9.8 Matters relating to Right to Information Act

9.8.1 As per the RTI Act, we are mandated to disclose our inspection reports to public on demand. Further Section 4 of the RTI Act enjoins the proactive disclosure of information by Government agencies. In this connection, it is necessary to make available through the CAG/AG's websites full details of all our Inspection Reports (as well as replies received thereto). Making available our IR findings would enable these to be acted upon further in social meetings. This would be an additional mechanism to our traditional processes of ensuring public accountability through departmental and legislative channels, and would not, adversely affect our normal reporting process.

(Ref: Hqs letter No.III/M/19/79-Audit (AP) 5-2010 dated 18.3.2010)

9.8.2 Following instructions are issued for disclosure of information in terms of Sections 7 and 8 of the Right to Information Act 2005 may be kept in mind:

9.8.2 (I) Audit Matters

According to Article 151(2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. Under Section 8(1)(c), there is no obligation to disclose information that would cause breach of privilege of the State Legislature.

The Audit Report goes through various processes before its finalization. Having regard to the intent and provisions of the RTI Act, all documents/information contained in Inspection Reports and other like documents issued o the auditee may be disclosed. The intent to report any matter to State Legislature is established for the first time only when 'Draft Audit Para/ Review' is sent to the auditee entity for confirmation of facts and figures and for comments. Accordingly, privilege may be claimed only in respect of 'Draft Audit Para/ Review' and Bond copies of Audit Report is laid on the table of the state Legislature(s) it would come within the public domain. Audit memos, Half Margins and other working papers that relate to Inspection Reports and Audit Reports are internal in nature may not be disclosed.

All Inspection Reports may be issued with the following disclaimer statement:-

"The Inspection Report has been prepared on the basis of information furnished and made available by ------ (Name of the auditee entity). The office of the Accountant General(Name) disclaims any responsibility for any misinformation and /or non – information on the part of auditee."

In respect of information being sought on past IRs, information may be disclosed to any person with a similar disclaimer statement.

All Inspection Reports, SAR, Report of Certification on Accounts, copies of approved paragraph already laid on the Table of the Legislature supplied to the applicant under RTTI Act,2005 may be issued with the above same disclaimer statement.

In case of request for letters and other documents issued by the auditee entity, action may be taken in terms of Section 6(3) of the Act to transfer the request to the concerned public authority under intimation to the petitioner within the time limit prescribed under the Act. This will relate to all letters and communications issued by the auditee entity and mentioned in the Inspection Reports and Audit Reports already placed before the Legislature.

9.8.2 (II) Administrative Matters

In respect of documents relating to office management, Administrative Reports brought out by each office can be made available for the prescribed cost. Information relating to budget details, details regarding welfare activity, recreation details regarding tenders etc. after conclusion of the contract, promotion, appointment, pay fixation, gradation list, and roster details can be disclosed.

Information that are purely personal in nature the disclosure of which has no relationship with any public activity of interest need not be disclosed in terms of section 8(1)(f) of the Act. In this Category the personal details of the Government servants, their family, GPF balance, CRs etc. should not be disclosed.

The obligation under the Act is to disclose only the information available and it is not necessary to generate information for discloser. As a general rule, internal noting should not be disclosed.

(Ref: Hqs letter No.629LC/111-2005 dt. 7 October 2005 and No. LC/111-2005 dt. 20.1.2006)

For compliance of obligations under section 4(1)(b) steps to be initiated given in Annexure-I.

Annexure-I

(Ref. para 9.8.2 (II)

- 6-LC/111-2005 6th October 2005 The Pr Accountant General/Accountant General/ Pr Director of Audit Subject : Right to Information Act, 2005- Instructions reg Sir?Madam In continuation of Hqs letter No 541-LC/111-2005 dated -26-8.2005 on the above subject, the following steps may be initiated for compliance of each of the obligations under Section 4(1)(b) of the RTI Act, 2005. :-The particulars of its organization, functions and 1. duties; The Administrative Report and Activity Report should be referred for the specific purpose. (Not necessarily the complete report) The powers and duties of its officers and employees: ~2. The work distribution order can be displayed. The procedure followed in its decision making 3. process, including channels of supervision and accountability The work distribution order can be used to show the channel of submission and accountability. The norms set by it for the discharge of its functions. 4. It can be mentioned that the Department follows the norms in Auditing Standards and Manuals in the discharge of its functions. There is no requirement to upload the complete Manual. Auditing Standards can be displayed on public domain.

		(7) (7) TOL
Z	5.	The rules, regulations, instructions, manuals and records used by its employees for discharging its functions;
		List out the rules, regulations, manuals used in discharge of functions. It is not necessary to upload the complete rules, etc.
, van talaat op an van jood dat lagemeen en de	, 6.	A statement of the categories of the documents held by it or under its control;
		The documents held by Department are those received from auditee organizations and Governments. (Details of documents requiring disclosure under section 6 would be sent separa
	/7.	The particulars of any arrangement that exists for consultation with or representation by the members of the public, in relation to the formulation of policy or implementation thereof;
		Not Applicable
•	8.	A statement of the boards, councils, committees and other bodies consisting of two or more persons constituted by it. Additionally, information as to whether the meetings of these are open to the public, or the minutes of such meetings are accessible to the public.
		Details of the Boards/Committees/Task Force set up by field offices to be mentioned. It may be mentioned that public participation or minutes of meetings are not open to public.
s	9.	A directory of its officers and employees.
		Gradation list of officers and staff be mentioned with a disclaimer that such list is not to be treated as a seniority list.
	10.	The monthly remuneration received by each of its officers and employees, including the system of compensation as provided in its regulations
	_	

Statement indicating the scales of pay of each category of post and the number of persons in that category in a particular office be mentioned. The budget allocated to each of its agency, indicating the particulars of all plans, proposed expenditure and

reports on disbursements made; The Activity and Administrative Report should be referred for the specific

+12. The manner of execution of subsidy programmes, including the amounts allocated and the details and beneficiaries of such programmes.

Not Applicable

purnose.

7 13. Particulars of recipients of concessions, permits or authorization granted by it

Not Applicable.

J 14.

11.

Details of the information available to, or held by it, reduced in an electronic form.

All information is available on electronic format; either free or for prescribed cost/fee.

15. The particulars of facilities available to citizens for obtaining information, including the working hours of a library or reading room, if maintained for public use.

The Accounts Offices can publish the Citizens Charter and the Audit Offices mention 'Not applicable'.

16.

The names, designations and other particulars of the Public Information Officers. (S.4 (1) (b). Details to be published.

2. Information as suggested above may be kept in place for immediate publishing as required under the Act. Instructions as to fee and cost to be charged from citizens who seek information under Section 6 of the Act is being sent separately. Details of disclosures to be made in respect of documents held/generated in Audit/Accounts offices is also being sent separately.

10 46 9 n (9) All Field Offices are directed to initiate immediate action so as to ensure that the information is available to citizens from the appointed day, viz 12th October 2005.
 This issues with the approval of Deputy Comptroller & Auditor General. (MAMTAKUNDRA) PRINCIPAL DIRECTOR(STAFF)

CHAPTER-X

Quality Assurance

(Appraisal of basic infrastructure needed for quality audit; Controls and reviews designed specifically to examine and improve the quality of performance like MIS etc.)

10.1 Introduction

10.1.1 Quality Assurance

Quality Assurance is an assessment process that focuses on the operation of the quality control system. It is a review after the audit has been completed by persons who are independent of the audit under review. Quality Assurance involves the examination of specific audits; however, the purpose of the review is not to criticize specific audits. Rather it is to determine what controls were intended to be applied to those audits and how they were implemented and to asses any gaps in the controls and way of improving audit quality.

10.1.2 Quality control

Quality control is a process through which an audit seeks to ensure that all phases of an audit (Planning, execution, reporting and follow-up) are carried out in compliance with Supreme Audit Institute (SAI) rules, practices, and procedures. A quality control system ensures that audits are timely and comprehensive and adequately documented, performed and reviewed by qualified staff.

(Authority- from glossary of terms of the Peer Review Guideline, INTOSAI)

In this context, quality takes account of the following factors, among others;

- The significance and matters addressed in the audit;
- The objectiveness and fairness of assessments and opinions;
- The scope and completeness of planning and performance of the audit;
- The reliability and accuracy of finds, conclusion, and other matters presented in audit report; and
- The effectiveness of results and impacts achieved.

(Authority- from Appendix - 'B' of the Performance Auditing Guidelines - SAI India)

High quality of performance audit is achieved with help of a sound quality assurance system within the SAI. The concept of quality assurance encompasses all 'efforts' to ensure that a high quality of service or product is provided. It is about the 'processes' by which the SAI goes about doing what it does. Part of this is knowing that 'right things' are done at 'right time'; a part of it is doing them the 'right way'. In short, assuring quality is about 'confidence' that everything needed for a high quality of work will be done. The quality assurance system within SAI India consists, among others, of:

- Performance audits conducted in pursuance of strategic goals and strategic objectives;
- setting the reasons or the audit objectives of performance audits;
- The implementation guidelines on performance audit;

- Organisation of audit work with clearly defined responsibilities for team members, audit officers and supervisory officers;
- Standards of qualification and competence of the staff members, continuing skill development and training;
- Standards for independence, competence, due care, field standards relating to planning, supervision and review, evidence, financial and performance audits, reporting and follow-up;
- Documentation of the audit and of the management process;
- Internal quality control system including the guidance on technical and administrative aspects of quality control; and
- Quality review/assurance programmes.

10.1.3 Quality Audit

Quality Audit is a broad concept that comprises the organizational structure, procedures, process, and resources needed to implement quality. It involves all process in the operational life cycle of service or project that affect quality, from initial identification of clients and stakeholders that final satisfaction of requirements. It is designed to provide confidence to clients and stakeholders that requirements for quality in delivered service will be met.

Quality" is the degree to which a set of inherent characteristics of an audit fulfill requirements. The quality audit is includes following characteristics:

- **Significance** How important is the matter that was examined in the audit? This, in turn, can be assessed in several dimensions, such as financial size of the auditee and effects of the performance of the auditee have on the public at large or on major national policy issues;
- **Reliability** Are the audit findings and conclusions an accurate reflection of actual conditions with respect to the matter being examined? Are all assertions in the audit report or other product fully supported by the data gathered in the Audit?
- **Objectivity**-Was the audit carried out in an impartial and fair manner without favour or prejudice? The auditor should base his assessment and opinion purely on facts and sound analysis;
- **Scope** Did the audit task plan properly address all elements needed for a successful audit? Did execution of audit satisfactorily complete all needs elements of the task plan?
- **Timeliness**-Where the audit results delivered at an appropriate time? This may involve meeting a statutory deadline or delivering audit results when they are needed for policy decision or when they will be most useful in correcting management weakness;
- Clarity-Was the audit report clear and concise in presenting the results of the audit? This typically involves being sure that scope, findings and recommendations can be readily understood by busy executives and

parliamentarians who may not be expert in the matters that are addressed but may need to act in response to the report;

- **Efficiency** Where the resources assigned to the audit reasonable in the light of the significance and complexity of the audit?
- **Effectiveness**-Did the findings, conclusions and recommendations get an appropriate response from the auditee, the government and/or parliament?

10.2 Maintenance of high quality work should be a basic operating principle of the CAG. Quality involves every aspect of the operation Including its leadership, focus on client needs, management of personnel, audit practices and other process, and the CAG's system for measuring performance. Quality requires a commitment from every staff of the office to strive for continuous improvement.

A critical feature of the quality management system should be the process for measuring how well; goals are achieved; especially whether the AQMF is appropriately designed and operating effectively. This is achieved through a variety of review mechanisms/ Review policy.

To achieve the CAG's goal our office should have a policy that internal audit, internal quality assurance review and independent peer review programme are in place and operating effectively.

Review is carried out in several ways, but all levels of review are designed to provide that audit practices meet accepted standards, and to help IA&AD to continuously improve the quality of its outputs and services. Our office may have a system having the following reviews and self- assessments to improve the quality of audit:

10.3 Internal Audit

It is appropriate for office to institute their own internal audit function with a wide charter to assist the CAG to achieve effective management of its own operations and sustain the quality of its performance and also to ensure that various field units within office are functioning efficiently and maintaining quality and timeliness in service delivery. The mandate of the internal audit should include ensuring compliance with the internal control policies and procedures with in SAI and to derive assurance that the quality control procedures are working effectively. The internal audit checks whether the various process of management, including internal administration and other activities helping the audit process are being properly followed and are in accordance with the applicable policy instructions, rules and office procedures, etc. and to identify improvements, where appropriate, internal audit advises management of significant risk areas within organisation and the extent to which they are being addressed. It provides information, analysis, assessments and recommendations to assist management in the discharge of its responsibility

INTOSAI Auditing standards state that "It is appropriate from SAI to institute their own internal audit function with wide charter to assist the SAI to achieve effective management of its own operations and sustain the quality of its performance".

10.3.1 Internal Audit Unit

Internal Audit Unit should be independent of functional audit groups, Skills and knowledge of internal auditors

Office should ensure the experienced personnel should be posted in the Internal Audit Unit and give sufficient authority and independence to carry out the mandate, internal auditors should individually as well as collectively possess the knowledge, skills and other competencies needed to perform their individual responsibilities.

10.3.2 Audit Plan

The Internal Audit Unit should prepare an Audit Plan of the activities to be performed by the unit and have the plan approved by the Accountant General. The internal Audit Unit may decide to review the entire operations of an audit unit, including human resources management, financial management, training and capacity building, etc.

10.3.3 Reporting the results of internal audit

The internal auditors may also brief the senior executives and staff involved in the work reviewed. The Chief of the Internal Audit Unit may prepare a written report of inspection results, making suggestions for change and forward copies of the report to the concerned unit or group and to the head of the office. An action Plan may be drawn up by the Accountant General to deal with any issues raised in the internal audit report.

Internal Quality assurance review

INTOSAI Auditing Standard state that : 'As a future means of ensuring quality of performance, additional to the review of audit activity by personnel having line responsibility for the audits concerned, it is desirable for SAIs to establish their own quality assurance arrangements. That is, planning, conduct and reporting n relation to a sample of audits may be reviewed in depth by suitably qualified personnel not involved in those audits, in consultation with the relevant audit line management regarding the outcome of the internal quality assurance arrangements and periodic reporting to the SAI's top management. "Quality assurance review is part of the overall quality assurance system, which is concerned with all steps and technique that the auditors must follow to assure good quality audit. INTOSAI Auditing Standards further states that SAI should have an appropriate quality assurance system in place which should establish systems and procedures to:

- Confirm that internal quality assurance processes have operated satisfactorily;
- Ensure the quality of the audit report; and
- Secure improvements and avoid repetition of weaknesses.

Compared to internal audit function, internal quality assurance exercise is generally narrower in scope. The internal audit assesses whether the operating systems function efficiently as per established policies and procedures whereas, internal quality assurance assesses whether engagements are performed in terms of applicable standards, policies and guidance.

10.4. Quality assurance review program

10.4.1 An annual plan of the activities to be performed by the quality Review group may be drawn up, which may have approval of the CAG office. Only sample of completed audit engagements, both in financial and performance audit, be selected for review by the group.

Once the audit group are selected, quality review team may review the audit documentation and meet some of the staff members who worked on those engagements. The team may also interview a number of randomly selected staff to determine their familiarity with the audit methodologies, tools and techniques, performance and financial audit guidelines and policy instructions issued from time to time.

10.4.2 Quality assurance checklist

A standard and detailed checklist to form a frame work for quality assurance review prepared and given in the Chapter III. This is intended to substantially enhance the quality of the review.

10.4.3 Report on quality assurance review

The result of quality peer assurance reviews may be placed before top management of the Department (Peer Review Board) annually, or on demand during the course of the year. The structure of the report may consist of:

- constitution of the quality assurance review team;
- terms of reference, if any;
- period of coverage and period during which the quality assurance review was carried out;
- highlights of the findings positive findings on good practices, deficient practices and procedures, and requirement of modification of any of the existing practices and procedures; and
- Detailed findings and recommendations.

10.4.4 Standards of assessment

Until any instructions are amended, the quality assurance review should be carried out with reference to the Auditing Standards and the Audit Manuals and instructions. The focus of the quality assurance review should be on the quality of processes and task performance, including documentation rather than focussing on the personnel carrying out the audit work. In other words, rather than being critical, the quality assurance review should aim at assisting in improvement of the quality of performance.

10.4.5 Selection of quality assurance team

The selection of quality assurance teams shall be made by the Department's top management. In doing so, the independence, objectivity, skill and aptitude of personnel selected for quality assurance review may be kept in mind.

10.4.6 Circulation of quality assurance review findings

The Headquarters Office may circulate the findings in quality assurance reviews, for internal use within the department, highlighting the best practices or benchmarks in the field offices which may be emulated by others and deficient procedures and practices that should be improved. Such a practice may encourage healthy competitiveness among various offices to attain the highest standard of quality.

10.5 Peer Review

A peer review is performed by an independent entity which may be internal or external to the SAI to evaluate whether an organisation's internal quality control system is suitably designed and operating effectively to provide the entity with reasonable assurance that established policies, procedures and applicable standards (in the context of CAG, the government auditing standards) were being followed. The peer review involves testing the entire quality control operates before reaching their conclusion.

The peer review is designed to provide reasonable assurance that our quality management policies and procedures are suitably designed and operating efficiently.

10.5.1 Scope of the peer review

The scope of the peer review should cover the following:

- whether the auditing services are being performed in the SAI are in accordance with its own auditing standards, departmental manuals and policy instructions;
- Whether the standard, manuals, instructions are systems enable to fully discharge the audit mandate and duties; and
- Whether the auditing methodologies and practices conform to the best international practices.

10.5.2 Requirements of peer review

For the peer to be eligible to review, the following requirements need to be met each member of the review team should have knowledge of auditing standards, the government environment relative to the work being reviewed and the methods and technique of performing a peer review; the review team should be independent of the audit organisation being reviewed, its staff and audits selected for peer review, and separate terms of references need to be drawn up for each area of activity to be reviewed, with scope of review to be clearly defined.

10.5.3 Conducting peer review

The peer review team will develop a plan and programme for conducting the work. It is necessary to provide the review team with all necessary documentation, manuals, policy instructions and guidelines etc. The peer review should be based on approved audit documentation and interviews of the office staff members. The peer reviewer will not an interview of the staff with respect to audits or have access to their records. In addition, they will not interview or survey readers of the CAG reports, including legislators.

The peer review team will also rely on internal quality assurance review and internal audit reports to reduce the scope of its work. The peer review team will treat the inspection report and its findings as part of the evidence for reaching its opinion.

The peer review team leader will provide a briefing for higher officers before issue of its report; the briefing will discuss suggestions to improve quality control system and procedures.

10.5.4 Reporting the Results of the peer Review

The review team should communicate the results of the peer review in writing. The report should indicate the scope of the review, including any limitations there on, and should express an opinion on the organisation's system of internal control. When there are expressions of opinion on inadequacies of internal control, review team should report a detailed description of findings, recommendations and suggestions to improve office quality control system, either the in the peer review report or in a separate letter of comment or management latter, to enable the reviewed organisation to take appropriate remedial action. The peer review should identify areas for improvement in quality of audit, including planning, evidence gathering, documentation reporting etc., as well as overall performance of the organisation.

The peer reviewer will issue their report to the top management who will be responsible for disseminating the findings of the peer review within the SAI for appropriate action by the concerned groups and monitoring the progress implementation of its recommendations. A periodic report will be placed before the top management to effect.

10.6 Self-evaluation

Office should have a system of self – evaluation, both positive and negative, may be discussed in the meeting of the senior officers of the office. The lesson to be learnt should be disseminated across the organisation.

The purpose of continuous improvement assessments and lessons learned from audit experiences is to help ensure consistent quality in audits and improve process on a continuing basis.

10.7 Benchmarking & collaboration

Office should have a well laid down system incorporated in the manuals and office procedures for disseminating the lesson learned from the previous audit experiences. Regular meetings workshops and seminars should be organized to deliberate on audit experiences gained so that appropriate steps are initiated for improvement.

Review of internal and external quality assurance programmes for both financial and performance audits work should feed into a learning process which is designed to disseminate collaboration.

10.8. External Certification

Office may consider securing external quality certification in specific areas/segments of the audit and internal management process like certification of accounts, training of

functionaries, etc. This will help to have independent assessment of the performance of the various processes of the quality management system, through a set of predetermined objective criteria and measurable performance indicators.

10.9. Monitoring Progress and Assessing Impacts

10.9.1 The effectiveness of audit would increases if it could successfully prevent the recurrence of under assessment of revenue, inappropriate expenditure and violation of the propriety rules for expenditure, Perceived usefulness of audit by the auditee organisation, as reflected in their level of compliance and implementation of recommendation, improvement in the overall accountability mechanism and transparency, etc. have generally been considered as the parameters of assessing.

Sl. No.	Area	Effectiveness Parameters	How could these be measured?	
1.	Statutory function	Effective performance of statutory functions	Timely completion of audit reports	
2.	Public Expenditure Management	 (a) Perceived as an agency improving the effectiveness of public funding and government interventions (b) To successfully prevent recurrence of underassessment/shortfalls in revenue, inappropriate/wasteful/ infructuous/improper expenditure to improve credibility and transparency of government operations 	by the implementing agencies	
3.	(a) Quality of audit	 (a) Quality of audit observations and their perceived utility by the auditee unit/organization (b) Improving the accountability mechanism 	 Level of acceptance and compliance –audit observations/ recommendations accepted by government The annual development reports from the audited institutions should indicate what improvements or changes have been brought about vis-à-vis last year as a result of implementation of the 	

10.9.2 Basic Parameters of Audit Effectiveness

			 recommendations of audit – changes in law, procedures or schemes attributable to observations by audit and financial implications thereof. Recommendations made by the legislative committees that are accepted by government and the financial implication thereof. Acceptance of audit observations/details of remedial action taken through action taken notes of audit paragraphs not discussed by the PAC
4.	Audit cost and management	(a) Transaction cost of Audit (b) Audit Management	 Direct Cost: expenditure incurred on the establishment of SAI. Indirect Cost: includes the cost at the level of departments and public enterprises in compliance of the audit observations, preparing action taken notes and in maintaining an establishment to ensure such compliance. Comparison of cost of audit with revenue Audit Team Inspections conducted Meeting with stakeholders Audit Team Briefing conducted Complaints received
5.	Audit Results	Audit Results covered by the media	News published

10.10 Basic Parameters of Quality assurance reviews

10.10.1 The quality assurance review programmes should not be confused with the quality control measures. The quality control system is expected to be functioning as a matter of course, while quality assurance review is a deliberate exercise to provide feedback on functioning of the quality assurance systems measures. The quality control exercise functions as part of the system, while a quality assurance review is to be carried out at various stages of the performance audit process.

The quality assurance review may consist of the following features:

Planning reviews: the review of the strategic plan and annual operational plan by SAI top management is conducted at the time of its examination and approval of the strategic plan, annual operational plan and detailed guidelines for the implementation of the individual performance audits. The reviews are carried out with a view to ensuring that the plan is consistent with the strategic goals and objectives and adequate consideration has been given to all matters required for strategic and annual operational plans and that

the planning of individual performance audit covers comprehensively all issues, more specifically of audit objective, criteria, evidence gathering, supervision and review procedures, etc;

On-going reviews: the procedures and tasks performance are concurrently reviewed by the audit officers and supervisory officers, which support in maintaining the quality of tasks and provide staff development through feedback and on-the-job training;

Task reviews: all completed tasks are reviewed prior to their finalization; and

Product reviews: review of the final product – the audit report – against the standards and the stipulations in the guidelines.

Annual review programme: the SAI is to establish an annual performance audit quality assurance review programme to ascertain any weaknesses in the methodology and practices.

10.10.2 Quality assurance review programme

Performance audit quality assurance review programme is a series of independent *peer reviews* of the activities undertaken within the SAI to assess the overall quality of performance audits. The objective of the programme should be to provide an assurance that the tasks have been performed strictly in accordance with the standards and guidelines as also to establish whether the policies and procedures themselves needed any modifications. Quality assurance reviews address both adherence to the prescribed procedures and the quality of work performed.

The quality assurance review may consist of review of the selected tasks or group of tasks randomly as well as an annual programme of task reviews. The task selected for quality assurance reviews should follow the norm of high-risk procedures and task besides quality review of important performance audits. The high-risk procedures are those that are either critical to the process, *e.g.*, setting the audit objectives and criteria, assessment of skill, knowledge and competence available in-house, efforts for entity cooperation and response and evidence analysis, *etc.* The performance audits of relatively more complex subjects and those consisting of only qualitative criteria are another example of high-risk subjects.

10.10.3 Standardisation of quality assurance questionnaire

While it is not intended to curb the professional instinct of those carrying out quality assurance reviews, the quality of such reviews can be substantially enhanced with the help of a standard exhaustive questionnaire or check-list, which can form a framework for quality assurance review. SAI headquarters may prescribe detailed questionnaire for quality assurance review, consisting of the questions applicable generally to performance audit in all sectors, *viz.*, civil, defense, railways, *etc.* Questions specific to audit of different sectors of entity operations may be added to the questions of general applicability.

10.10.4 Report on quality assurance review

The results of quality assurance reviews may be placed before SAI top management annually or on demand during the course of the year. The structure of the report may consist of:

- Constitution of the quality assurance review team;
- Terms of reference, if any;
- Period of coverage and period during which the quality assurance review was carried out;
- Objectives of quality assurance review;
- Special tasks assigned by SAI top management, if any;
- Highlights of the findings positive findings on good practices, deficient practices and procedures and requirement of modification of any of the existing practices and procedures; and
- Detailed findings and recommendations.

10.10.5 Standards of assessment

Until any orders or guidelines are amended, the quality assurance review should be carried out with reference to the Auditing Standards and the performance auditing guidelines. The focus of the quality assurance review should be on the quality of processes and task performance, including documentation rather than personnel oriented. In other words, rather than being critical, the quality assurance review should aim at assisting in improvement of the quality of performance.

10.10.6 Selection of quality assurance team

The selection of quality assurance teams shall be made by SAI top management. In doing so, the skill and aptitude of personnel selected for quality assurance review maybe kept in mind.

10.10.7 Annual summary of quality assurance review

SAI may publish an annual summary of quality assurance reviews, for internal use within the department, highlighting the best practices or benchmarks in the field offices which may be emulated by others and deficient procedures and practices that should be improved. Such a practice may encourage healthy competitiveness among various offices to attain the highest standard of quality.

10.10.8 Skill and knowledge of audit personnel and training

One of the most important prerequisite of good quality audit is the competence of audit personnel. The competence of audit personnel is established through qualifications set for each grade of audit personnel, competitive selection process and training and development. The qualifications and the selection procedures for audit personnel are already well established. The SAI and Accountants General may give special attention to their training and skill development for performance audit. While training and development may be necessary for all auditors, it is critical for the performance audit, which is a knowledge-based activity. It will, thus, be imperative that the performance auditors are provided training for skill development to refine their concept of objectives of the performance audits and the procedures for each stage in the performance audit cycle.

10.10.9 Auditing standards

The SAI India Auditing Standards state the following with reference to the competence of the personnel.

'The auditor and the SAI must possess the required competence. The audit department needs to command the range of skills and experience necessary for effective discharge of the audit mandate. Persons whose education and experience is commensurate with the nature, scope and complexities of the audit task should carry out the audit work. The audit department should equip itself with the full range of up-to-date audit methodologies, including system-based techniques, analytical review methods, statistical sampling and audit of automated information systems.'

10.10.10 Annual training and professional development programme

The Group Officer may include the training requirement of the audit personnel for performance audits in the overall annual training programme for their offices in a distinct section. The annual training programme should consist of training in Regional Training Institutes or in-house within each office. The training programme may be formulated on the basis of a transparent assessment of the skill and knowledge generally required for conducting performance audits, the existing level of skill and knowledge and the gap between the two. The training programme should be aimed at bridging the gap of 'what it should be' and 'what is'. The training programme should be formulated for general development of skills and knowledge as well as for specific requirements with reference to subjects selected for performance audit in the strategic plan.

The objective of training and skill development in performance audit should be to improve the audit acumen, competence and knowledge management. The audit personnel should be made conversant with the practices on performance audit. The aim should be to make sure that all audit personnel understand the principle and practices alike and simultaneously understand their own responsibility and accountability for compliance to them. Since performance auditors are required to present their audit findings in a persuasive manner and will be called upon to interact with the entity on a regular basis, the training module should also consist of behavioural aspects of auditing. SAI may prepare standardised training modules for performance auditing through its regional training institutes, which may be uniformly used for training in performance audits by regional training institutes. The course modules may be continuously improved on the basis of experience gained during the training and feedback from the instructors and participants.

(Authority-Quality assurance in performance audit-**Performance Auditing Guidelines -**SAI India)

CHAPTER-XI

Miscellaneous Issues

This chapter covers Miscellaneous Issues and those important points which are not covered in forgoing chapters. (IT audit & Review, audit of autonomous bodies)

11.1 Auditing in Information Technology Environment & IT Audit

11.1.1 Auditing in IT environment

Auditing in IT environment is a methodology of audit and can be applied to all types of audit, namely, financial audit, compliance audit and performance audit. The broad principles of audit also shall apply to auditing in IT environment.

Audit examines the economy, efficiency and effectiveness of the IT systems in the utilisation of resources to achieve the organisational goals. Audit may examine the IT systems at various stages such as feasibility study, system development, implementation and maintenance. This is to ensure that IT assets are safeguarded and that appropriate controls are in place to ensure (a) integrity of the system, (b) reliability, availability and confidentiality of the data and information and (c) compliance of the system with rules and procedures.

An auditable entity is required to maintain complete documentation related to all the stages of development of an IT system. The documentation shall also include user requirement specifications, system requirement specifications and system design and development details.

The auditable entity is required to document all changes made in its IT systems &to ensure that all requirements for the purpose of facilitation of audit are incorporated in the IT system. The auditable entity shall ensure that Audit has the right of access to the IT systems, irrespective of the fact whether the systems are owned, maintained and operated by the auditable entity or by any other agency on behalf of the auditable entity.

Audit may, at periodic intervals, call for information from the auditable entity about various IT systems in use or being developed. Depending upon the audit task, the audit officer may use IT tools as appropriate for collection and evaluation of evidence.

(Authority: Para 157 to 166 of Regulations on Audit and Accounts, 2007& IT Manual part I)

11.1.2 IT Audit

IT Audit is a broad term that includes Financial Audits (to assess the correctness of an organization's financial statements), Operational Audits (evaluation of internal control structure), Information Systems Audit(including performance Audit), Specialized Audits (evaluation of services provided by a third party such as outsourcing etc.) and Forensic Audits. However, a common factor is the formation of an opinion regarding the degree of reliance that can be placed on the IT systems in the audited organization. Audits of Information Technology Systems under development and IT enabled audits (using Computer Assisted Audit Techniques (CAATs)) also fall under this broad Grouping.

Objectives of IT Audit

The objectives of IT audit include assessment and evaluation of processes that

- (a) Ensures asset safeguarding 'assets' which include:
 - Data i.e., external and internal, structured and non-structured, graphics, sound, system documentation etc.
 - Application system (manual and programmed procedures.).
 - Technology covering hardware, operating systems, database management systems, networking, multimedia, etc.
 - Resources to house and support information systems, supplies etc.
 - Staff skills, awareness and productivity to plan, organize, acquire, deliver, supportand monitor information systems and services.

(b) Ensures that the following data or information are maintained:

- Deals with System effectiveness evaluating whether the IT system meets the overall objectives of top management and users with information being relevant and pertinent to the business process as well as being delivered in a timely, correct, consistent and usable manner.
- Concerns the provision of information through the optimal (most productive and economical) usage of resources. Deals with System efficiency –efficient systems use optimum resources to achieve the required objectives
- Concerns protection of sensitive information from unauthorized disclosure.
- Relates to the accuracy and completeness of information as well as to its validity in accordance with the business' set of values and expectations.
- relates to information being available when required by the business process, and hence also concerns the safeguarding of resources.
- deals with complying with those laws, regulations and contractual arrangements to which the business process is subject; i.e., externally imposed business criteria. This essentially means that systems need to operate within the ambit of rules, regulations and/or conditions of the organisation. For example, an FIR to be filed normally requires signature of the complainant as per rules, and needs to be reengineered by changing the rules to permit web based complaints. Similarly, banking operations will have to conform to the banking regulations and legislation. It is also the duty of the IT Auditor to see that the work practices are in tune with the laws of the land such as the IT Act promulgated by the Government of India.
- relates to systems providing management with appropriate information for it to use in operating the entity, in providing financial reporting to users of the financial information, and in providing information for reporting to the regulatory bodies regarding compliance with laws and regulations.

Thus, IT Audit is all about examining whether the IT processes and IT Resources combine together to fulfil the intended objectives of the organization to ensure

Effectiveness, Efficiency and Economy in its operations while complying with the extant rules.

11.1.3 Mandate for IT Audit

The mandate of SAI India for IT audit is derived from the Constitution of India and established under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service), Act 1971. The mandate of CAG of India for Systems Audit is governed under Sections 13, 14, 16, 17, 18, 19 and 20, as the case may be, read with Section 23 of this Act.

11.1.4 IT Audit planning in IAAD

The Comptroller and Auditor General has approved the following procedure for planning, monitoring, processing and approval of IT Audits in IA&AD:

1. Planning of the IT Audits

The selection of topics for IT Audits will be done by the IT Audit wing in consultation with the Field offices and the Functional wings.

2. Monitoring

Pilot studies evaluation, finalization of guidelines, holding workshops, midterm appraisals etc would be done by the IT Audit wing. The concerned functional wings would be kept apprised of the developments.

3. Processing and Approval

After the IT Audit material is received in the IT Audit wing, the IT Audit wing shall process the same through the first journey, second journey and hold discussions with the field offices. The IT Audit material will be examined in the IT Audit Wing with reference to the parameters of IT Audit reporting. In regard to processing and approval of the IT Audit material, the IT Audit wing would clear it from the IT Materiality angle and ensure that the material reaches a stage to be fit for inclusion in the Audit Reports. This would include, as is being currently done i.e. full KD verification (manual and electronic).Further:

i. IT Audit wing may indicate to the functional wing the portions/issues in IT Audit outputs where the functional wing may be requested to take a view or also look into. Conversely, the functional wing may also consult the IT audit wing if the situation demands. In order to avoid breakage of the logical links in the reports, concurrence of the IT Audit wing may be obtained for any changes made in the report by the functional wings before submitting it to the concerned DAI/ADAI.

ii. In so far as the audits that are not part of the Annual IT Audit plans and have utilized CAATs for data analysis only, the output would be the responsibility of the functional wings. However, the functional wing may consult the IT Audit wing, if required.

iii. Thus IT Audit output would be the joint responsibility of both the IT Audit wing and the respective functional wing. As far

as IT materiality is concerned, this shall continue to be the sole responsibility of the IT Audit wing

4. Classification of the IT Audits

The IT Audit reports would be classified into two categories: Transaction Audits and Information Systems Audit. The two would feature in the Transaction Audit reports (Yellow Band) and Performance Audit reports (Blue Band) of the concerned office/functional wing respectively. The Information Systems Audit reports would be clearly identified in a separate chapter labelled as Information Systems Audit. The Information System Audit would encompass amongst other areas like Operational Audits, Information Security Audits, Forensics Audits etc all aspects of Performance Audit relating to the field of IT Audit. The IT Audit wing would suggest classification of the IT Audit material as Information Systems Audit or Transaction audit while forwarding the same to the functional wings.

5. Dates of submission of the IT Audit reviews

The schedule of dispatch of the draft IT Audits from the field offices will be synchronized with that of the concerned Report of the respective functional wings so that undue delays are not experienced. The dates of submission of IT Audits would mean the date of submission of the IT Audit paras/reviews to the functional wing by the IT Audit wing for being included in the Bond Copy. However, IT Audit wing shall on receipt of bond copy dates from all the functional wings work out the detailed schedule of submission and intimate to the field offices and the functional.

(Authority: Para No 1.6, 1.7, 2.7, *IT Audit Manual vol.I*)

11.1.5 Performance auditing in IT environment

Information Technology (IT) is being increasingly used for public sector programme planning, execution and monitoring. The sharing or integration of information between entities raises issues such as the risk of security breaches and unauthorised manipulation of information. Auditors should not only be aware of the uses of IT, they should also develop strategies and techniques for providing assurance to stakeholders about value for money from the use of IT, security of the systems, existence of proper process controls and the completeness and accuracy of the outputs.

2. The value of good IT systems is that they can be an efficient and effective programme delivery mechanism. They have the potential to deliver existing services cheaper and also to provide a range of additional services, including programme performance information, with greater efficiency, security and control than are available from manual systems. However, IT systems also have the potential to result in major systemic errors, with a resulting greater impact on entity performance than would be possible in manual systems.

3. This appendix highlights a range of important considerations for performance auditing in an IT environment and is not intended to substitute for detailed guidelines that SAIs may need to be developed to suit entities IT environment.

4. The approach towards performance auditing in an IT environment should involve the following inter-related processes:

- obtain an understanding of the entities IT systems and determine their significance to the performance audit objective;
- identify the extent of IT systems auditing required to achieve the performance audit objective (eg. audit of systems development; audit of environment and applications controls) and employ specialist IT auditors to undertake the task; and
- develop and use appropriate Computer Assisted Audit Techniques (CAATs) to facilitate the audit.
- 5. A performance audit in an IT environment should:
 - identify any deficiencies in IT controls and the resulting effect on the efficiency, economy and effectiveness of the performance of the entity;
 - examine the IT system development and maintenance practices of the entity, compared to industry better practice;
 - compare the IT strategic planning, risk management and project management practices of the entity, with industry better practice and in relation to the corporate governance framework of the entity;
 - determine whether system outputs meet entity quality and service delivery parameters; and
 - assess whether the IT systems enhance the economy, efficiency and effectiveness of the entity's programme management, in particular in relation to programme planning, execution, monitoring and feedback.

11.1.5.2 Planning and resourcing

As with any audit, performance auditing in an IT environment needs to be planned. The planning process should frame audit objectives with reference to the objectives of the entity in adopting/introducing IT systems and should include audit concerns relating to security, controls and value for money. The planning phase should also identify the IT systems, computer systems and software packages being used by the entity. Planning will also need to identify the major potential risks and exposures of IT systems in the entity.

Performance auditing in an IT environment requires specialist skills and appropriately trained personnel with IT, audit and accountancy skills should be dedicated to the task. The services of consultants may need to be considered for the more specialised technical areas. The SAI will also need to consider acquisition of appropriate hardware and software tools. Personnel will require extensive training to remain abreast of technological developments and IT audit techniques.

11.1.5.3 Performance auditing involving IT system development

A performance audit involving IT systems development should determine if the entity:

- has the appropriate executive approvals for the development of the IT system, i.e. IT management fits within the corporate governance of the entity;
- has appropriate project management processes in place to manage the project;
- has met required targets of time, cost, system function and value for money;

- uses an appropriate system development methodology; and
- has processes in place, including the involvement of Internal Audit, to ensure that the new system includes all the necessary controls and audit trails, and is likely to meet the requirements of the entity and its stakeholders.

11.1.5.4 Performance auditing involving operational IT systems

The following list contains some of the more important concerns that the auditor would be expected to consider and should be modified as required for the specific entity being audited:

- the strategic and operational management of IT within the entity, including assurance that IT is included in the overall corporate governance of the entity;
- IT project management within the entity, including the entity's record in meeting legislative and other deadlines;
- he risk management practices of the entity in relation to IT;
- IT system design, development and maintenance controls;
- compliance with standards, including external standards;
- application controls;
- processing controls, including audit trails;
- business continuity arrangements;
- data integrity, including sampling of data (possibly using CAATs);
- access controls and the physical and logical security of networks and computers, including Internet firewalls;
- controls to safeguard against illegal software;
- performance management and measurement; and
- other issues that arise during the audit.

In making the assessment the auditor may: review files and other documents relevant to the development and operation of the IT systems; use appropriate software packages to test the central and networked computing system controls; test a sample of transactions (including the use of CAATs) to validate the systems and relevant controls; and interview key staff members.

11.1.5.5 **Performance aspects of auditing in an IT environment**

The auditor may also examine whether the IT system has enhanced the efficiency with which the entity manages its programmes/activities and whether the conversion to an IT system has any beneficial results for the stakeholders in the entity.

The auditor may also be expected to assess if the IT systems have facilitated improved programme management. Some areas to be considered include:

- IT should support the objectives of the entity and, therefore, is an integrated part of its operations;
- IT operations require highly qualified staff;
- the contribution of IT to operations is measured in operational efficiency terms;
- the gains of IT may not be realised without appropriate organisational changes; and
- normal value for money measures may be more difficult to apply.

In addition to assessing whether the entity's IT system represents value for money, the performance auditor may also be expected to assess whether the IT environment has contributed to transparency, accountability and good governance.

11.1.5.6 Computer Assisted Audit Techniques

Auditors are increasingly using Computer Assisted Audit Techniques. CAATs utilise custom developed software programmes to aid in the execution of the audit. They can be used for both sampling of system transaction data and for testing the system as a whole. CAATs tools can be developed to:

- access and extract information from auditee databases;
- total, summarise, sort, compare and select from large volumes of data in accordance with specified criteria;
- tabulate, check and perform calculations on the data;
- perform sampling, statistical processing and analysis;
- provide reports designed to meet particular audit needs; and
- facilitate audit planning and control e.g. electronic audit working papers that support effective indexing, review and reporting.

CAATs can be used to validate the processes in the programme or to analyse the data. The auditors should develop Computer Assisted Audit Techniques and provide training to the staff of the entity. CAATs tools should be developed/modified keeping in view the IT environment in the entity and the audit objectives.

CAATs can be utilised in performance audits of both IT and non-IT environments. SAI India has adopted Microsoft Office, IDEA and Structured Query Language (SQL) as standard CAATs. Microsoft Office includes Excel and Access. While Excel is used in performing 'What if' analysis and statistical analysis, Access is used for handling large volumes of data and running queries. IDEA is general audit software which is used for data analysis, data extraction, data conversion, sampling etc. SQL is used mainly in RDBMS environment to query data directly. The advantage with the use of SQL is that the data can be collected in CDs or other portable media and interrogation of the data can be carried out without bothering too much about data conversion.

11.1.5.7 Specialized and support audit techniques/software

COBIT (Control Objectives for Information and Related Technology) is a generally applicable and accepted standard for good Information Technology security and control

practices that provide a reference framework for management, users, and information system audit, control and security practitioners. COBIT, is internationally accepted as good practice for control over information, IT and related risks. It enables an enterprise to implement effective governance over the IT that is pervasive and intrinsic throughout the enterprise. In particular, COBIT's management guidelines contain a framework responding to management's need for control and measurability of IT by providing tools to assess and measure the enterprise's IT capability for the COBIT IT processes. The tools include:

- A. Performance measurement elements (outcome measures and performance drivers for all IT processes)
- B. A list of critical success factors that provides succinct, non-technical best practices for each IT process
- C. Maturity models to assist in benchmarking and decision-making for capability improvements. *TeamMate* is audit management software developed by Pricewaterhouse Coopers. TeamMate is an electronic work paper package that simplifies and enhances the effectiveness of audit documentation process. The software has the following four components:
- Teamrisk a risk assessment tool for preparing risk based audit plan;
- Teamschedule a tool for scheduling staff resources to audit;
- Teammate (EWP) a electronic work paper system; and
- Teamcentral a web-based issue tracking system.

Crystal Ball is software developed by the General Accounting Office, United States to analyse the effect of varying inputs to a modelled system on the outputs. The software used Monte Carlo simulation in conjunction with a cost estimation spreadsheet on the costs to give a range of values and the probability or the certainty of the values. The software is useful for performing cost and uncertainty analysis.

Earned Value Analysis (EVA) is a quantitative tool of measuring the value of work actually done on a particular date during the life cycle of a project and based on that, to forecast the project cost and schedule performances. The three objects of EVA are to measure the progress of the project; to provide schedule and budget variances on a particular date; and to forecast the completion date and cost of completion of the project.

By integrating these three important measurements, EVA provides consistent, numerical indicators with which one can evaluate and compare projects. The EVA is a powerful tool for evaluation of ongoing projects, particularly those with long gestation.

11.1.5.8 Internet

The internet is becoming increasingly important as a research, planning, communication and reporting tool. Auditors should be sufficiently familiar with the

internet to be able to use it to facilitate the conduct of performance audits and to understand the implications for performance auditing and of its use by entities.

11.1.5.9 Reporting

The performance audit report should be drafted so as to minimise the use of technical terminology with a view to making it easily understandable to management, members of the legislature and to the general public. Where the use of technical terms is inescapable, these should be adequately explained.

(Authority: Appendix B of Performance Auditing Guidelines - SAI India 131).

11.2. Audit of Bodies and Authorities other than Government Establishments and Companies

The audit of bodies and authorities, other than Government establishments and companies, by the Comptroller and Auditor General is governed by the provisions contained in Sections 14, 15, 19(2), 19(3), 19A and 20 of the Act.

The expression 'authority' means a person or body exercising power or command vested in it by virtue of the Constitution or any law made by the legislature. The expression 'body' means an aggregate of persons, whether incorporated or unincorporated, and includes an institution or organisation set up as an autonomous organisation under a specific statute or as a society registered under the Societies Registration Act, 1860 or Indian Trusts Act, 1882 or any other statute, voluntary organisation or non-Government organisation, urban or rural local self Government institution, co-operative society, society or club, etc.

The provisions of Section 18 of the Act shall apply to bodies and authorities that are under the audit jurisdiction of the Comptroller and Auditor General. The body or authority under the audit jurisdiction of the Comptroller and Auditor General shall make its duly approved accounts available for audit as per time schedule that may be prescribed by the laws governing such body or authority or else by the Comptroller and Auditor General.

11.2.1 Audit of Bodies and Authorities substantially financed from Union or State Revenues

Section 14(1) of the Act authorises the Comptroller and Auditor General to audit the receipts and expenditure of a body or authority if (a) the amount of Government grant or loan paid to it in a financial year is not less than rupees **twenty five lakh** and also (b) the amount of such grant or loan is not less than seventy-five percent of its total expenditure during the year. Audit under this Section is subject to the provisions of any law applicable to the body or authority.

11.2.1.2 Scrutiny in case of grants and loans given to bodies and authorities for specific purpose

Under Section 15 of the Act, where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union Territory having a legislative assembly to any authority or body, not being a foreign state or international organisation, the Comptroller and Auditor General is authorised to scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants or loans were given.

11.2.1.3. Audit of corporations set up by or under law made by the Parliament

As per Section 19(2) of the Act, the duties and powers of the Comptroller and Auditor General in relation to audit of accounts of corporations established by or under law made by Parliament are performed and exercised in accordance with the provisions of the respective legislations.

11.2.1.4 Audit of State Corporations and other bodies and authorities entrusted to the C&AG

As per Section 19(3) of the Act, the Governor of a State or the Administrator of a Union Territory having a legislative assembly may, where he is of the opinion that it is necessary in the public interest so to do, request the Comptroller and Auditor General to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the Comptroller and Auditor General shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation. No such request shall be made except after consultation with the Comptroller and Auditor General and after giving reasonable opportunity to the corporation to make representation with regard to the proposal for such audit.

Under sub-section (1) of Section 20 of the Act, the audit of accounts of any body or authority, the audit of which has not been entrusted to the Comptroller and Auditor General by or under any law made by Parliament may, subject to the proviso contained in Section 20(3), also be entrusted by the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, to the Comptroller and Auditor General after consultation with him and on such terms and conditions as may be agreed to between him and the concerned Government.

As per sub-section (2) of Section 20 of the Act, the Comptroller and Auditor General may propose to the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, that he may be authorised to undertake the audit of accounts of a body or authority, the audit of which has not been entrusted to him by law, if he is of the opinion that such audit is necessary because a substantial amount has been invested in or advanced to that body or authority by Government, and the President or the Governor or the Administrator, as the case may be, may, subject to proviso contained in sub-section (3), empower the Comptroller and Auditor General to undertake the audit of accounts of that body or authority.

Under Section 20(3) of the Act, audit under Section 20(1) or 20(2) shall be entrusted to the Comptroller and Auditor General only if the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly is satisfied that it is expedient to do so in the public interest and after giving reasonable opportunity to the concerned body or authority to make representation with regard to the proposal for such audit.

11.2.1.5 Conditions for undertaking audit under Section 20(1)

The conditions for undertaking audit of a body or authority at the request of the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly under Section 20(1) are the following:

- (1) Audit shall be entrusted to the Comptroller and Auditor General preferably for a period of five accounts years. The arrangement will be reviewed after the expiry of this period.
- (2) The scope, extent and manner of audit shall be decided by the Comptroller and Auditor General.
- (3) The Comptroller and Auditor General may appoint a primary auditor to conduct audit on his behalf and in accordance with the directions or guidelines issued by him.
- (4) The Comptroller and Auditor General or any other person so authorised in connection with the audit of accounts of the body or authority shall have the same rights, privileges and authority as the Comptroller and Auditor General has in connection with the audit of accounts of Government.
- (5) The Comptroller and Auditor General, or an officer so authorised in this regard, will communicate the results of audit to the governing body of the body or the authority. The governing body shall submit a copy of the report to the concerned Government along with its observations. The Comptroller and Auditor General, or an officer so authorised in this regard, will also forward a copy of the report to the concerned Government.
- (6) The Comptroller and Auditor General shall have the right to report the results of audit to Parliament or the State legislature or Union Territory legislature.
- (7) Any expenditure incurred by the Comptroller and Auditor General in connection with the audit of the body or authority, including the expenditure incurred for the services of the primary auditor, if any, shall be paid by the body or the authority to the Comptroller and Auditor General.

The proposal from Union Government including Union Territory without legislative assembly to entrust audit of a body or authority to the Comptroller and Auditor General shall be sent to the office of the Comptroller and Auditor General. The proposal from State Government or Union Territory Government having a legislative assembly to entrust audit of a body or authority to the Comptroller and Auditor General shall be sent to the concerned Accountant General (Audit). The letter of entrustment of audit of a body or authority to the Comptroller and Auditor General shall be sent to the Comptroller and Auditor General shall be sent to the concerned Accountant General (Audit). The letter of entrustment of audit of a body or authority to the Comptroller and Auditor General shall be issued in the name of the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly. The letter shall *inter alia* indicate that the prescribed requirements, including the requirement relating to giving reasonable opportunity to the body or authority, where applicable, have been satisfied.

The audit under Section 19(3) or under Section 20 of the Act shall be conducted in accordance with the provisions of relevant laws and terms and conditions (Annexure-I) agreed upon between the Comptroller and Auditor General and the concerned Government, wherever applicable. Subject to the above, the audit of such corporations and the bodies or authorities shall be conducted in accordance with these Regulations.

11.2.2 Rajasthan Khadi & Village Industries Board (RKVIB)

The audit of Rajasthan Khadi & Village Industries Board (RKVIB) conductedUnder Section 20(1) of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act 1971 read with Section 34 Chapter V of the Rajasthan Khadi & Village Industries Board Act, 1955.

This Separate Audit Report of RKVIB contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards, disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules & Regulations (Propriety and Regularity) and efficiency-cum performance aspects, etc, if any, are reported through Inspection Reports/ CAG's Audit Reports separately. The performa of Separate Audit Report given in the **Annexure-II**. The deficiencies noticed and not included in the Separate Audit Report may be communicated to the Secretary, Rajasthan Khadi & Village Industries Board, through a letter endorsing a copy to the Director General(WR),O/o the Comptroller & Auditor General of India, .

(Authority- CAW-I/AA/RKVIB/2011-12/K-489)

ANNEXURE-I

(Referred to in Para 11.2.1.5)

Standard Terms and Conditions for Acceptance of Audit

1. The Comptroller and Auditor General may suggest the appointment of a primary auditor to conduct audit on his behalf and on the basis of directions/guidelines issued by him. Where such an Auditor is appointed, the fees will be payable by the institution to that auditor. Where such an auditor is not appointed, expenditure incurred by the Comptroller and Auditor General in connection with the audit will be payable to him by the institution.

2. In addition to the audit to be conducted by the primary auditor where so appointed, Comptroller and Auditor General will have the right to conduct a test check of the accounts and to comment on and supplement the report of the primary auditor.

3. The Comptroller and Auditor General or any person appointed by him in connection with the audit shall have the same rights, privileges and authority as the Comptroller and Auditor General has in connection with the audit of Government accounts.

4. The result of audit will be communicated by the Comptroller and Auditor General or any person appointed by him to the Governing body which shall submit a copy of the report along with its observations to the Government. The Comptroller and Auditor General will also forward a copy of the report directly to the Government.

6. The scope, extent and manner of conducting audit shall be as decided by the Comptroller and Auditor General.

7. The Comptroller and Auditor General will have the right to report, at his discretion, the results of audit to the Parliament/ Legislature.

ANNEXURE-II

(Referred to in Para 1 11.2.2)

<u>Separate Audit Report of the Comptroller & Auditor General of India on the</u> <u>Accounts of Rajasthan Khadi & Village Industries Board, Jaipur for the year ended</u> <u>31 March ----</u>

We have audited the attached Balance Sheet of Rajasthan Khadi & Village Industries Board (RKVIB), Jaipur as at 31 March ----- and the Receipts & Payment Account and Profit and Loss Account (Commercial Centres) for the year ended on that date under Section 20(1) of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act 1971 read with Section 34 Chapter V of the Rajasthan Khadi & Village Industries Board Act, 1955. The audit has been entrusted for the period up to -----. These financial statements include the accounts of all units of RKVIB. These financial statements are the responsibility of RKVIB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. This Separate Audit Report contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards, disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules & Regulations (Propriety and Regularity) and efficiency-cum performance aspects, etc, if any, are reported through Inspection Reports/ CAG's Audit Reports separately.

3. We have conducted our audit in accordance with the Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of financial statements. We believe that audit provides a reasonable basis for our opinion.

4. Based on our audit, we report that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii. The Balance Sheet and Receipt & Payment Account and Profit and Loss Account dealt with by this report have been drawn up in format approved by the Controller General of Accounts, Government of India.

iii. In our opinion, proper books of accounts and other relevant records have been maintained by the Rajasthan Khadi & Village Industries Board as required under Section 34 Chapter V of the RKVIB, Act 1955 in so far as it appears from our examination of such books.

iv. We further report that the original accounts of the Board disclosed total assets & liabilities of Rs. ------ crore each. As a result of the CAG audit, the accounts were

revised by the Board and the revised accounts disclosed total assets & liabilities of Rs-----crore each. The following further observations are made on the accounts:

- A. Balance Sheet
- A.1 Liabilities
- A.2 Assets
- B. Receipt & Payment Account

C. Effect of audit comments on accounts

The gross value of audit comments given in preceding paragraphs is Rs.--- crore representing ------percent of the total Assets as on 31.03.----. The net impact of the comments is that Assets and Liabilities are overstated by Rs --- crore and Rs. ------Crorerespectively and Losses are understated by Rs. -----lakh.

D. Management Letter

Deficiencies which have not been included in the Separate Audit Report have been brought to the notice of the management through a management letter issued separately for remedial/corrective action.

v. Subject to our observations in preceding paragraphs, we report that the Balance Sheet and Profit and Loss Account / Receipt & Payment Account dealt with by this report are in agreement with the books of accounts.

vi. In our opinion and to the best of our information and according to the explanation given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts and other matter mentioned in **Annexure**-I to this Audit Report, give a true and fair view in conformity with accounting principles generally accepted in India:

a. In so far as it relates to the Balance Sheet, of the state of affairs of the Rajasthan Khadi & Village Industries Board, Jaipur as at 31 March and

b. In so far as it relates to Profit and Loss Account (Commercial Centers) for the year ended on that date.

For and on behalf of the C&AG of India

Place: Jaipur Date:

> Accountant General (E&RS Audit) Rajasthan,Jaipur

Annexure-I to Audit Report

- (i) Adequacy of Internal Audit System: Internal Audit System is not found adequate as the:
 - Internal Audit Manual has not been formulated;
 - Internal Audit of various Sections of Head office of the Board is not conducted;
 - Internal audit of one third of total units for the year ------ still pending.
- (ii) Adequacy of Internal Control System: Internal Control System is also found deficient as the:
 - Accounting Manual is not reviewed and updated regularly;
 - Utilization of various advances given for plan & non plan expenditures is not monitored regularly resulting in accumulation of heavy advances;
 - Various schemes for Plan expenditure is sanctioned without financial concurrence; and
 - Confirmation of balances is not obtained from debtors and creditors.
- (iii) **System of Physical verification of fixed Assets:** Neither Fixed Assets register has been neither maintained nor Physical verification of fixed assets has been conducted (except commercial centres).
- (iv) **System of Physical Verification of inventory:** Physical verification of inventory has been carried out annually and deficiencies have been properly dealt with in the books of accounts.
- (v) **Regularity in payment of Statuary dues:** Statuary dues are being paid regularly by the Board.

Sr. Audit Officer CAW-I

A specimen copy of letter deficiencies were noticed which have not been included in the Separate Audit Report and to be communicated to the Secretary, Rajasthan Khadi & Village Industries Board,

No. CAW-I/AA/RKVIB/-----/K-----

Date---

To, The Secretary, Rajasthan Khadi & Village Industries Board, Jawahar Lal Nehru Marg, Jaipur

Subject: Deficiencies noticed in accounting records/systems/internal control etc.

Sir,

We have audited the annual accounts of the Rajasthan Khadi & Village Industries Board, Jaipur for the year ------. During the course of audit, following deficiencies were noticed which have not been included in the Separate Audit Report. These are being brought to your notice for corrective and remedial action in subsequent accounts.

- 1. Net amount of Institutional (Sansthagat) Creditors of Gramya Center was shown in accounts at ` ----- lakh whereas the amount of above creditors as per party wise list as on 31.03.----- was ` ------ lakh. The difference of ` ------ lakh has not been reconciled.
- 2. The head State fund-Misc. Advances-Non plan includes a sum of `---- lakh being the amount of other temporary advances, the detail of which were not available. In absence of details, the recovery/adjustment of it could not be made.
- 3. The head GPF PD Account (State Fund) amounting to `----- lakh in assets side represents the GP Fund of the employees deposited in PD Account opened for this purpose. However, the GP Fund balance shown under Misc. Deposits on liabilities side is `------ lakh. The difference of `----- lakh has not been reconciled.
- 4. The balance of Pension Fund as on 31 March ---- as per pass book of Pension Fund PD Accounts duly verified by the Board as well as Treasury officer was `--lakh only as against the balance of `---- lakh shown in accounts. The difference of `----has not been reconciled.
- 5. As per the practice followed in India the annual accounts should be prepared either in English or both in English and Hindi which was not done.
- 6. Figure shown in accounts should be rounded-off at least in Rupees which was not done.
- 7. Accounts should disclose the Comparative figures of last year against each head of accounts which was not disclosed making the accounts incomplete.

8. The corrective action on the comments issued in the last year's Separate Audit Report has not been taken despite being the commitment made by the Board which is a serious lapse and has resulted in to repetition of comment in the current year also.

Yours Faithfully,

Dy. Accountant General Economic Sector-I

Copy to Director General (WR), O/o the Comptroller & Auditor General of India, 10-Bahadur Shah Zafar Marg, New Delhi-110124 for information. This bears approval of Accountant General.

Dy. Accountant General Economic Sector-I

Proforma for progress of Audit

(Circular No. 173-Rep/(AB) 27-84 (I) dated 10.9.1999)

Sl. No.	Name of the Autonomous Body and Year of Accounts	Rajasthan Khadi & Village Industries Board, Jaipur for the year
1	Date of submission of the accounts to Audit by theAutonomous Body	
2	Where applicable, reasons for returning the accounts for revision indicating why the accounts could not be certified with qualifications	
3	Date of submission of revised accounts to Audit where revision was considered essential.	
4	Dates on which audit was taken up and completed.	
5	Date of issue of draft SAR (IR) to the Autonomous Bodyfor replies/comments.	
6	Date of receipt of replies/comments from the Autonomous Body(if received).	
7	Date of issue of draft SAR including replies/comments of the Autonomous Bodyalong with an Aide-memoire to CAG's office for approval.	
8(a	Date of Comptroller and Auditor General of India's office letter communicating approved SAR.	
(b)	Date of receipt of letter and approval at 8(a)	
9	Date of issue of final Audit Report to State Govt. /Comptroller and	
	Auditor General of India's office. English version-Hindi version (if required)-	
10	Reasons for delay, if any, at various stages.	
11	Dates of presentation of the previous Audit Reports before Legislature.	

Dy. Accountant General (Economic Sector-I)