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CHAPTER 1

GENERAL AND INTRODUCTORY

1.01 Constitution and Functions

The Outside Audit Department is entrusted with the local audit and inspection of the accounts falling under the following categories:-

- (i) The accounts of the offices and institutions of the Government of Chhattisgarh and of the Central Government within the audit jurisdiction of the Accountant General, Chhattisgarh for audit of which the Comptroller and Auditor General of India is statutorily responsible under Section 13 (a) and (b) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.
- (ii) All trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary records kept in any department of the Government of Chhattisgarh and of the Central Government within the audit jurisdiction of the Accountant General, Chhattisgarh for audit of which the Comptroller and Auditor General of India is statutorily responsible under section 13 (C) *ibid.*
- (iii) The accounts of Stores and stocks kept in any office or department of the Government of Chhattisgarh or a department of the Central Government, audit of which has been taken up by the Comptroller and Auditor General under Section 17 *ibid.*
- (iv) All receipts and expenditure of any body or authority which is substantially financed by grants or loans from the consolidated fund of India or of State of Chhattisgarh the audit of which is statutory responsibility of the Comptroller and Auditor General under section 14 *ibid.*
- (v) To scrutinize the procedure by which the sanctioning authority satisfies itself as to the fulfillment of conditions attaching to such grant or loan where any grant or loan is given for any specific purpose from the consolidated fund of India or of the State to any authority or body under Sec. 15 (i) *ibid.*

NOTE – The C & AG's (Duties, Powers and Conditions of Service) Act, 1971 has been reproduced in Appendix I to this chapter.

1.02 Control and organization

The department is under the charge of the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing), who is responsible for the working of the Department at

the Headquarters and for the preparation of the programmes of the inspection as and when they fall due.

1.03 The distribution of work amongst the various OAD sections at Headquarters is contained in Annexure I.

1.04 Preparation of Periodical programme

(a) (i) A comprehensive list should be drawn up and maintained in OAD sections which will include all offices to be locally audited. The list should be reviewed every year with a view to keep it up to date. Early in January each year the programme of local audit should be drawn up for the next financial year in such a way that all offices/institutions should be covered in local audit over a period of time without any fixity of Schedules, periodicity of audit of each office being determined on the circumstances of each case also taking into consideration the period for which the offices/institutions were not audited. As the emphasis is now on annual programming, local audits including review of schemes selected consistent with available staff with a reorientation of frequency and periodicity, there should normally not be any audits programmed but not carried out.

(CAG's letter No. 380- Codes I/41-74/Gr. V dated 5-8-1975.)

(ii) Keeping the above principle in view a programme of inspections for the ensuing financial year may be drawn up early in January each year. Necessary information regarding the continuance of the existing offices, creation of new ones, changes in the location etc. should be obtained from the Departmental Audit Sections concerned or from the Departments as may be found feasible.

(iii) The programme of local audit for a financial year, should, however, be drawn up after due consideration of the availability of requisite and duly qualified staff for the purpose. A review should be prepared and submitted to the Accountant General along with the skeleton programme. This review should be specially directed to see if any item should be dropped from or added to the list, so that the time of the available staff should be spent to the best advantage of the State and not wasted on affairs of minor importance. Any important change made by the Accountant General should be reported to the Comptroller and Auditor General.

(iv) The programme thus drawn up should be communicated to the Finance Department of the State Government who shall be asked to suggest if any other office is desired to be included, for any special reason, in the list for the year. In finalizing the list due consideration should be

given to the suggestions of the State Government. For implementing the suggestions of the State Government, it may be necessary to postpone the audit of some other comparatively less important offices to a subsequent year. A copy of the programme thus finalized may be sent to the State Government for information.

b (i) A programme Cycle Index Register should be maintained at the OADs, HQ to show district wise:-

- (1) the names of offices inspected by the OAD staff;
- (2) the periodicity of inspection; and
- (3) the month when last audited.

The Register should contain suitable columns to record the dates of audit for three years after which it should be revised and prepared afresh.

This register forms the basic and permanent record of inspection of various offices carried out by the OADs and should be maintained very carefully. The month of actual audit in subsequent years should be accurately posted against each office, before starting preparation of detailed periodical tour programmes with a view to obviate chances of double booking.

- (ii) In the second week of April each year, all Head of Departments should be requested to furnish this office with complete lists of all drawing and disbursing officer under their administrative control as on the 1st day of April and of all drawing officers whose establishments were closed, merged with others or shifted to different locations or whose jurisdiction under-went a major change during the preceding financial year.
- (iii) Para 155 of the Manual of DA sections requires each DA section to furnish to OAD (HQ) by 15th of August each year a comprehensive list of all drawing officers in the form prescribed in the said Manual. This list will also contain information about such matters as opening of new offices and closure or change of location of the existing ones.
- (iv) As these lists come in from heads of departments and the Departmental Audit Sections they should be carefully compared with the connected entries in the programme Cycle Index Register and the Control Record of Departmental units and fresh entries made or existing entries corrected, whenever found necessary.

(c) Detailed Tour Programme

With the help of the programme Cycle Index Register and the skeleton programme for the year detailed periodical programmes for all local audit parties and Gazetted Officers should

be drawn up and got approved by the Sr. DAG/DAG not later than the 2nd week of the last month of the preceding periodical programme. The programme should interalia show the designation of the drawing officer, the location of his office, the month and year in which the unit was last audited/inspected (in the case of new units the month and the year in which it was set up) the days of transit, the number of working days allotted and the dates on which the audit is to commence and end. While drawing up the programme the following general requirements should be observed to the extent practicable:-

- (i) The parties and officers should be recalled to headquarters at regular intervals.
- (ii) All parties and officers should be enabled to be at their respective headquarters on the occasion of Deepawali.
- (iii) While in the field the parties and officers will observe the holidays and working hours observed in the establishments visited by them.
- (iv) Normally transits may not be provided on Sundays and other important holidays. Morning transits may be given where the journey involved is for a short distance.
- (v) Journeys should be kept down to the minimum possible. A party which visits a particular place should complete the audit of all establishments situated there which are due for audit during the programme of the party except where this is not practicable or expedient.
- (vi) Too many parties/officers should be not be required to go to the same station at the same time.
- (vii) Normally no office should be selected for audit during the period when it is likely to be specially busy with work of a seasonal character or if it belongs to vacation department, during vacation when it is functioning with a skeleton staff. Similarly offices situated in outlying areas should not be booked during the season when they are likely to become difficult for access or inaccessible.
- (viii) As far as practicable all important audits which could be expected to yield material for the Audit Report on Appropriation Accounts should be completed by the end of June.
- (ix) Establishments which are audited on a functional basis should be taken up in descending order of levels of administrative and financial control within each department.
- (x) As a general principle the more important units should be given gazette supervision for a longer period and less important units for comparatively short period. The programme should be so arranged that the inspecting Officer supervises the work of about three local

audit parties and that he is invariably with the party concerned at the concluding stage of audits which he is to supervise. When audit extends over a long period of time, supervision could be provided in two spells.

(CAG's letter No. 379 DI/OSD/D-I/O-5/59 dated 29-1-1960.)

- (xi) Care should be taken to see that the programmes are drawn up in such a manner that the local audit parties are not ordinarily required to stay at one station for over 30 days. In rare cases, however, when this becomes necessary in the interest of public service prior orders of the Accountant General should be obtained as a special case.
- (xii) Successive audit of the same unit should not be allowed to be conducted/ supervised by the same Assistant Audit Officer/Inspecting Officer.
- (xiii) The audit of the accounts of the Government presses and other offices where store accounts are to be checked should be completed well in time so as to include the results in the Appropriation Accounts of the Government of Chhattisgarh.

As soon as the periodical tour programme is approved by the Senior Deputy Accountant General/ Deputy Accountant General, copies thereof may be supplied to the Central Audit Sections concerned.

1.05 Intimation of local audit to the Department

Intimation of the dates of inspection in respect of all accounts to be audited (Except Treasuries) by the Outside Audit Department should be sent in Form OAD/I to the Head of the Local office at least fifteen days before the date of commencement of audit. The notice of inspection is provided for in respect of regular inspections on practical consideration, so that the required books may be kept ready for audit, as otherwise the time of the audit party will be wasted. A surprise inspection of the cash of an office in which temporary misappropriation is suspected, is however, a different matter and no previous notice of inspection need be given. Such inspection should not be undertaken too frequently but only on a reasonable suspicion of temporary misappropriation. Such inspections may, in view of absence of notice of regular inspection, have to be confined to the limited purpose of checking of cash and of the books relevant to that purpose.

1.06 (A) Selection of months for detailed audit and dispatch of records to local audit parties

The selection of months the accounts of which are to be audited in detail shall be done by D.A Section concerned under the orders of the group Senior Deputy Accountant General/Deputy Accountant General.

Following procedure shall be adopted for the purpose:-

(i) As soon as the periodical programmes are approved by the Senior Deputy Accountant General/Deputy Accountant General, copies thereof shall be supplied to each DA section by OAD Section. On receipt of the copy of the approved programmes the DA Sections will pick up formations booked pertaining to their sections and note them in a Register prescribed for the purpose.

(ii) Selection of months shall be done on the basis of a statement of month-wise expenditure for the entire period covered by local audit to be submitted to the Sr. DAG/DAG for the purpose alongwith a note drawing his attention to any other relevant factors meant for pursuance during local audit. With a view to keep an element of surprise in the selection of month (s) for detailed audit March should not necessarily be selected for detailed audit and the criteria for selection should inter alia be the magnitude of the irregularities noticed during central audit.

(O.O No. OAD/OO/10165 dated 25.03.65)

(iii) In the case of annual audits one month only shall be selected for detailed audit. Where, however, the periodicity is biennial or more, two month's accounts from the entire period (Generally one month from the latest twelve months and another from the remaining) shall be selected.

(iv) The months selected shall be intimated by the DA Section directly to the Assistant Audit Officer of the local audit party concerned at the correct address under intimation to OAD (HQ) Section.

N.B :- In order to have uniformity in the selection of months for different Major Heads operated by the same drawing officer the following procedure has been prescribed under O.O No. T.M.IV/6 (6)/239 dated 18.07.1975.

The selection should be done by the audit section auditing the main establishment, acting as coordinating section. It will be their duty to intimate the selection to other concerning sections well in advance of the date of commencement of local audit so as to enable their sections to take out the relevant lists of payments and vouchers etc and send them to LAP well in time. Where the relevant sections do not receive intimation of selection in time from coordinating sections,

they should themselves ascertain the month selected and avoid delays in transmission of vouchers etc.

(v) The DA section should also collect the records which are required to be sent to the Local Audit Party by Central Audit Sections and get them dispatched directly to the Assistant Audit Officer of the local audit party well in time so as to reach him before the date on which the local audit is scheduled to commence. The parcel should be marked "await arrival of party". These records should include the following:-

(a) Schedules of payments of the months selected for detailed audit in respect of all major heads under which withdrawals are made from the treasury by the Drawing Officer whose establishment is to be subjected to local audit.

(b) All vouchers received in support of withdrawals made by the Drawing Officer during the months selected for detailed audit.

(c) All D.C. Bills received in support of drawals on A.C. bills made by him in the months selected for detailed audit.

(d) Extract of relevant entries from the "Register of important points for report to local audit" and connected papers.

(e) A list of points, if any, on which information is to be collected locally regarding plan scheme projects etc.

(f) Proforma accounts of expenditure on plan scheme receiving Central assistance and consolidated stores and stock accounts which are to be checked locally.

(g) Copies of contracts of major purchases which are to be got examined locally.

(h) Extracts of all outstanding objections on withdrawals made by the Drawing Officer concerned.

(i) A list of all outstanding D.C. Bills in respect of the amounts drawn on A.C. Bills relating to the years whose accounts have already been audited by the local audit parties.

(In terms of O.O/T.M.I./VI/61/(16)/28 dated 9.1.1974)

(B) Similarly following records should be sent to LAP by the OAD (HQ)

(i) The file containing the Inspection report for the period immediately preceding along with files of all pending Inspection Reports of earlier years.

Note : Where R.A.W/C.A.W is conducting the local audit of Establishment expenditure alongwith Revenue/Commercial Audit, the OAD (HQ) Sections are required to send old Inspection Reports on expenditure audit to the parties of those wings well in time after verifying

on 7th and 21st of each month the tour programmes of the said wings and keeping a note in the Register of IRs sent out.

(O.O No. OAD (M)/11-103/1973-74/003 dated 18.4.1973)

- (ii) Extract of entries in the register of points to be seen at the time of next audit.
- (iii) A review note prepared in the manner laid down in O.O/OAD(MISC)/3479 dated 22.10.69 (reproduced as Annexure II).

Note 1 : On receipt of the Draft Inspection Report from the local audit party, the action taken on the above review note should again be scrupulously examined at H.Qrs to see how far the audit party has given proper attention to pending paras of old reports.

Note 2 : DA sections have been directed under O.O No. TMI/IV/6(16)/0.03 dated 13.5.1975 that the vouchers relating to the office/unit booked in local audit in respect of the months selected for detailed audit need only be sent instead of sending the whole bundle of vouchers of these months to the LAP.

Note 3 : The local audit parties proceeding on tour from the H.Qrs should collect the record from the Central Sections concerned in respect of the office/(First unit) to be audited by them at next station.

Note 4 : The local audit party should contact the post Office and enquire about the records meant for the party. The parties should not refuse to accept the records sent from the Central office on the grounds that the records have been received late or the cover of the packet is in torn condition.

Note 5 : Telegraphic communications containing complaints about non receipt of records of DA Sections by the party should be addressed as “Accounts ” and not to OAD (HQ) section. The post copies of such telegrams may however be endorsed to OAD (HQ) section.

(c) Return of the Record by L.A.P

(i) The local audit parties should send the draft audit inspection reports and other ancillary papers such as T.A.N rough sheets etc. only in the parcel addressed to Assistant Audit Officer of OAD section concerned by name. The vouchers and other records sent by D.A sections (including list of outstanding objections after making disposal) should be returned to Central Office by Official designation only. The details of the return of these records, such as party's dispatch No. & Date, name of Post Office, Registration No. & Date, should be indicated in the forwarding memo of the inspection report.

(ii) Results of scrutiny of expenditure incurred out of the funds drawn on A.C. Bills for which D.C. Bills were awaited in Central Audit (vide Note 2 below para 4.13 should be sent in the cover addressed to Assistant Audit Officer (OAD HQ) alongwith draft inspection report etc.

1.07 Selection of staff for Local Audit Work

(a) The Comptroller and Auditor General has observed that if inspections are to serve their purpose and if the maximum value is to be obtained for the expenditure incurred on inspections the inspection work should be entrusted to specially trained, competent and intelligent staff who would, in addition to exercising the routine prescribed checks, also examine the accounts intelligently and pay due regard to the principles of audit against propriety as well as efficiency-cum-performance audit. Special attention should, therefore, be given to the selection of staff deputed for inspection work so that it may be ensured that inspections are conducted in a really effective manner.

(CAG's letter No. 538-Admn/5-Rep/49 dated 23.3.1950)

(b) The Assistant Audit Officers selected for inspection work should be picked from men who have special aptitude for such work and have had sufficient experience of work in Departmental Audit Sections. As far as possible, Assistant Audit Officers and auditors should be entrusted with those local audits where they can contribute more in view of their experience of certain branches.

(c) Although it is left to the discretion of the Accountant General to select the Inspecting Officers, the Comptroller and Auditor General considers that Junior Assistant Accountants General and Senior experienced Accounts Officers should profitably be employed on inspection duties. The persons chosen should be not only tactful, knowledgeable, experienced and diligent, but should possess discretion and a sense of perspective that would enable them to direct the audit along the proper lines, and save it from becoming an unbalanced hunt for individual major irregularities or degenerating into a mindless mechanical process of checking registers.

1.08 The personnel for manning the posts sanctioned for local audit and inspection work in the field has to be found from among those working in the Central office. As it would cause hardship to individuals if they are required to remain away from their headquarters for protracted periods, replacements have to be made after persons have been in the field for a few months. Apart from the expenses involved in making these replacements in terms of travelling allowance and transit time, the frequent changes of personnel, which this arrangement involves, affect efficiency in the Central Office and inhibit the growth of a cadre of trained local audit personnel with the requisite

experience and expertise. In order to get over these difficulties, the Comptroller and Auditor General has permitted the location of the headquarters of some local audit parties and inspecting officers at places other than the seat of the A.G and the posting of personnel in these places on long term basis, subject to the following general stipulations :

- (a) The human aspect of the problem of transferring persons from headquarters to Zonal centres should be kept in view and subject to administrative requirements, the persons chosen should be those who belong to those centres or neighbouring places or who prefer to be posted there. The persons posted in the Zonal centres should be treated as having been transferred there.
- (b) The Headquarters of the Zonal Parties should be within easy reach of the various offices to be inspected by the parties stationed at the Zonal Centres.
- (c) The staff should not continue to be kept in one Zone for more than three years. The composition of the parties operating in one zone should also be frequently changed so that the same persons do not repeatedly inspect any particular office.
- (d) All work relating to the edition, issue and pursuance of local audit report should remain centralized in the headquarters office.

(CAGs letter No. 591-Admn.III/44-62 dated 5.4.1962)

1.09 Size and composition of Local Audit Parties

The local audits and inspections are conducted by local audit parties generally comprising one Assistant Audit Officer, two auditors and a Class IV employee. A few parties have a second Assistant Audit Officer in place of one of the two auditors and are meant to be utilized for local audits of comparatively greater importance. All important audits are supervised wholly or in part, by Accounts Officers/Assistant Accountant General who are designated as Inspecting Officers.

1.10 Record of work allotted and done

- (a) The Assistant Audit Officer of the local audit party and where there are two Assistant Audit Officers, the more senior of the two will function as the administrative and technical head of the party and be responsible for all the affairs, movements and activities of the party including the behavior of all the members of the party. In particular, he will be responsible for planning the strategy of audit, allocating the work to be done as between the members of the party and generally directing the audit along the lines planned by him (In the case of audits which are fully supervised, these responsibilities will devolve on the Inspecting Officer, while in the case of those which are partially supervised, the decision taken by the Assistant Audit Officer will be

subject to review by the Inspecting Officer as soon as he joins the party). In the case of unsupervised audit, he will be responsible for drafting the local audit report and discussion its contents with the head of office concerned.

(b) Before the commencement of audit the work should be distributed and an allocation list duty noted by all members be kept on record.

On completion of audit each member of the party should be required to certify on the statement that items of works allotted have been duly checked by him. The supervisory officer (Senior Assistant Audit Officer in case of non-supervised audit) should ensure that all work has been duly completed. The statement of work done duly certified and countersigned by the Assistant Audit Officer/ Inspecting Officer should be forwarded alongwith the Inspection Reports.

(c) Since the responsibility of the audit party is the greatest in respect of the detailed test audit of the transactions of the selected months, this work should be done by the Assistant Audit Officer himself except in the exceptional cases where the work is so heavy that a part of it has to be assigned to auditor in order to finish the audit as scheduled. When this happens, the detailed justification for allotting a part of the work to a senior auditor should be recorded in the statement of allocation of work.

(d) The Assistant Audit Officer should take up personally more important items of work and all intelligent investigations to the extent the situation permits leaving the comparatively more routine and mechanical items of work to his auditors.

(e) As between two Assistant Audit Officers or auditors, the more important items of work should be allotted to the one who is senior.

(f) Review of the work done by the auditors during local audit by the supervisory staff

With a view to ensuring that the items of work allotted to the auditor have been checked adequately during the local audit, it has been decided by the Comptroller and Auditor General of India, that the Assistant Audit Officer incharge of the party (Senior most among them in case there are more than one Assistant Audit Officer) should conduct a test check of the work done by the Auditor including the check of totals, if allotted to the latter. While recording a certificate of general review, the Assistant Audit Officer should also specify the items test checked by him in the forwarding memo referred to in para 1.26 (e) of the Manual.

Following quantum of review has been prescribed by Accountant General which should be strictly followed:-

Nature of work done by Auditor	Quantum of review
(i) Computation of Cash book	5 %
(ii) Receipt Tracing } When in exceptional circumstances these	5 %
(iii) Vouching } items of work which are normally done by	
	} Assistant Audit Officers, are entrusted to the Auditors
(iv) Check of Service Books and Leave Accounts	
(a) in case of persons who are due to retire within five years	5 %
(b) Others	1 %

With a view to keep record of the above review a return in the proforma given in Annexure VI will be maintained by each local audit party in the form of a register and a copy of the same would be enclosed with the forwarding memo of each draft inspection report.

(Authority :- C & AG's letter No. 48-TA.I/2-79 dated 17-1-79 and A.G's orders dated 7th March 1979.)

1.11 Deviation in the tour programme

(i) The time allowed for local audit of a unit should not be exceeded without the approval of the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) obtained before the event in all cases where this is possible and where this is not possible as soon as possible after the event. In applying for extension the circumstances which render extension or deviation necessary should be fully stated. It should also be stated whether it will be possible to complete the whole tour within the time allotted by reducing the time for any other unit.

(ii) No departure from the sanctioned programme is permissible without the approval of the Sr. DAG/ DAG (concerned wing) except in emergent cases when important defects of procedure, irregularities, frauds or embezzlements are revealed or suspected during the course of local audit and the cases need special investigation involving extra time. The facts should at once be reported to the Sr. Dy. Accountant General/ Dy. Accountant General (concerned wing) with full justification of the change for his approval. The Inspection staff, however, must understand that they will be liable to bear the extra cost in TA, if any, necessitated due to change effected in the

programmed, if the changes made by them are disapproved, without prejudice to any other action that may be found necessary to be taken against them.

(iii) Extension in time should not be applied for on trivial grounds such as casual leave of the assistants of the party, heavy months selected for detailed audit by the Central Audit Sections, unsatisfactory maintenance of accounts records etc. The requests for extension on grounds of volume of work should however, be supported by statistical data justifying the request. In the case of supervised inspection the request must bear definite recommendations of Inspecting Officers. The programme should be adhered to be making extra efforts.

(iv) If in any office the Inspecting Officer/Assistant Audit Officer finds that the time allowed is in excess of requirement he should immediately bring the fact to the notice of H.Qrs for considering further action in the matter. If the time allowed is more or less the same as for the previous local audit of the same establishment the reasons due to which the time is expected to be saved during the current audit should be analysed and stated.

1.12 Responsibility of the Inspecting Officers

The fundamental responsibilities of an officer incharge of inspections have been laid down by the Comptroller and Auditor General of India in the following terms:-

(A) (i) The officer must acquaint himself with the system of finance of any institution the account of which he is inspecting what makes up its receipts and how its money is expended. He must then make up his mind roughly what system of accounts is necessary for these receipts and expenditure, what registers are necessary for internal check purposes and how far the existing system concurs to this standard. This is the elementary and primary responsibility of the supervising officer to be discharged at whatever stage he comes on the inspection. An Inspecting Officer, if responsible for audit of receipts, should make it his duty so as to correlate all the documents that he may direct his staff how they can check that all money due is received and all money received is brought to account.

(ii) The Comptroller and Auditor General considers that an Inspecting Officer or Inspection Party which does not do this work fails to appreciate the first responsibility of Audit.

(Auditor General's letter No. 7-692-Admn./74-40 dated 25-9-40; File O.A. – 20-2 of 40-41)

(B) The Inspecting Officers are required to perform the following duties:-

(i) The guide the staff of the inspecting parties so as to ensure that the audit is complete in all respects.

- (ii) To review and scrutinize comparative statements tenders etc., in respect of purchase cases for the value exceeding Rs. 50,000. This monetary limit will be Rs. 10,000 for the Departments under Accountant General –II.
- (iii) Review of schemes items on which an expenditure of Rs. 50,000 or above has been incurred. All schemes under execution in the Departments under A.G may be reviewed by the Inspecting Officer and their performance examined critically.
- (iv) Review and disposal of old Audit Inspection Reports.
- (v) General Scrutiny of the Cash Book and transactions during the period covered by audit.
- (vi) to examine personally with reference to the initial documents all important points raised by their staff and they should take particular care to see that the reports are drawn up so as to afford no grounds for complaint from the local authorities in regard to their tone of substance. Inspection should be conducted with fact and discretion so as to avoid all possible irritation to local officers.

No statement which might be treated as injurious to the character of any person should be made without the utmost care and attention to facts, as otherwise, it may not be regarded by a court as bonafied and make the reporter liable for civil or criminal liability.

“In cases where the inspections are conducted under the supervision of an officer throughout or where the concluding stage of the unit is supervised by him, the Inspecting Officer shall write out the report himself and not leave it to his subordinate to do the drafting. The report thus drafted shall be forwarded to the Central office in Manuscript.”

(Comptroller and Auditor General confidential D.O. No. 1307/Admn.I/388-55, dated 24-6-55 and Accountant General’s orders dated 3-12-1955)

(O.O No. AGI/OAD(M)/Gr. II/226/OO/11 dated 25-7-80 and OAD XI/AG II/Gr. II/OO/70 dated 4-10-80)

The Inspecting Officer should try to get all the facts and explanation on the spot. Wherever satisfactory explanation is not forthcoming and inspecting officer feels that the points raised by him are so important that they may ultimately find a place in the audit report to be submitted in the Legislature, he should take care to clinch all issues involved, to collect all relevant information and also to take attested copies of those documents which are likely to be useful in pursuing the matter with higher authorities.

(CAG’s No. 971-Tech.Admn.II/131-68 dated 2-5-1968)

(c) (i) Whenever the Inspecting Officer/Assistant Audit Officer comes across a case of defalcation, fraud, embezzlement or serious financial irregularity, he should at once try to analyse and understand the modus operandi thereof and also make himself sure by expending his probe to some other months at random that the case which has come to his notice is not part of a regular pattern. When the officer has made these preliminary investigations he may report the matter to the headquarters and seek further instructions. In all such cases a covering letter to the Inspection Report should be sent in advance detailing the result of his investigations.

(No. OAD/Misc./DEF/OO/63-64 dated July 1963).

(ii) In the cases of frauds which come to notice in the course of local audit of the accounts, the local audit party should bear in mind following instructions enjoined in DO letter No. C/9-321-Admn-I/53-Part III dated 23.11.54 from the office of the Comptroller and Auditor General of India.

“Though we have no direct powers of impounding documents which are in the custody of departmental offices, those offices are bound under Para 18 of Audit and Accounts orders, 1936 to comply with any requisition from the Audit Department to produce any books and other documents relating to transactions to which our duties in respect of audit extend and to make these documents available at such places as we may appoint for inspection by us. The statutory position being so, there is nothing to preclude us from keeping with us documents produced in local audit on the ground that certain audit processes are still incomplete. When the audit party moves away from the office inspected, it will then only be necessary for them to furnish to the Head of the Office inspected an acknowledged list of documents that they are taking away with them for completing the processes of audit. There is no restriction that documents that are ordinarily audited locally should be audited only within the premises of the departmental office. In fact, there may be cases where it may be necessary to submit the documents in original to superior authorities at Headquarters and to take their orders or directions.

In such cases where the documents are likely to form valuable evidence to prove a fraud, a Photostat copy may be taken in the usual manner by the Audit Office. When the audit note containing the objection relating to the fraud is sent to the departmental officers, the original documents could be sent on either to the Head of the Office in case it is clear that personally he is not involved in the fraud and in other cases the documents could be sent on to his superior authority, audit retaining for its further purposes Photostat copies. Thereafter, it would be the responsibility of the head of the office or his superior authority to make arrangements for the

proper custody of these records and to produce them to the Police when required. As these should suffice in such cases if the Photostat copies are held in safe custody by the Audit office, though in respect of documents ordinarily in the custody of the audit office the instructions are that the original should not be parted with except under the orders of the Government of India, Ministry of Home Affairs in consultation with the Comptroller and Auditor General. In this respect, the CAG would not like to make any distinction between prescribed audits and consent audits”.

(D) (i) Procedure for simplification of initial accounts : In this matter it is primarily for District officers or the Heads of Offices to bring to notice any processes of initial accounts which in the opinion, have become unnecessary or obsolete by changed conditions. At the same time the officers of the Accounts Department should always be ready to take up the question of simplification of initial accounts and point out to Government the scope for simplification in particular cases. This question can best be handled by introducing as an experimental measure in selected districts, particular measures of reform which have been suggested and which are prima facie admissible. On the result of the experiment, the Government will be in a better position to issue general orders on the subject.

(ii) The instructions contained in Para 769 of MSO (Tech)Vol. I should also be borne in mind. As a normal procedure the Inspecting Officer and Assistant Audit Officer should, before the commencement of an audit inspection, make it a point to call on the District Officer or the Head of the Office at a station and ascertain from him whether he has any suggestions for investigations of the processes of initial accounts under his control. The Inspecting Officer and Assistant Audit Officer will then examine the suggestions and also any other matter which comes to their notice. The Inspecting Officer should invariably discuss important points raised in the course of inspection with the Executive settlement on the spot, if possible consistent with sound financial and audit principles, where in any case, this discussion has not taken place, the Inspecting Officer should briefly record the reasons when submitting the report. Before the conclusion of the Inspection they will personally discuss with the officer concerned the results of examination and then embody them in note two copies of which will be submitted to the Accountant General. One copy of this note will, after it is edited in the Central office by the Sr. Dy. Accountant General be submitted to the Accountant General with a draft of forwarding note to the District Officer or the Head of the Department as the case may require for necessary action and the other copy retained in a file for watch over disposal.

(Auditor General's Endorsement No. 414-Admn/151-36 dated the 28th September 1936 and D.O. letter No. 917-Admn./184-45 dated the 3rd August 1945).

1.13 Review and settlement of pending Audit Inspection Reports by the local audit parties

Settlement of outstanding paragraphs of the earlier inspection reports is one of the important duties of the Assistant Audit Officer of the local audit party (Inspecting Officer in the case of supervised audit) and should be given adequate attention. A good number of these objections can be settled during subsequent local audit if parties take a little interest in verifying the present position of these objections.

While it is not possible to lay down any rigid set of principles of clearing the outstanding objections/paras, as their settlement ultimately depends on merits of each case and should be dealt with extreme care and caution the following guide lines may be kept in view for settlement of objections/paras which are pending in the old reports:-

- (1) Review note in the prescribed proforma will be prepared by the OAD HQ sections for pending inspection reports and sent to the local audit parties. At the commencement of the local audit of respective establishments vide para 1.06 (B) (iii) of the Manual.
- (2) The Assistant Audit Officer/Inspecting Officer should take special interest in scrutiny of the outstanding objections with particular reference to directions given in the review note and action taken by the department.
- (3) If the particular objection previously raised has some relevance with the period covered during current audit its latest position should be incorporated in the current inspection report/Test Audit Note giving reference to the para number and audit inspection report in which it was previously raised.
- (4) Many times major part of objection has already been settled by suitable action taken by the department and the minor part of it is yet to be settled. In such cases outstanding para should not appear in the Inspection Report but it should be included in the Test Audit Note.
- (5) Many times same type of objection is pointed out in a general way in the Inspection Reports for various period. Such observations, could be properly taken in the current reports. Minor isolated cases should be taken in the test Audit Note.

(No. OAD (Misc)/3479 dated 22.12.69)

N.B. (i) **Comptroller and Auditor of India has desired close review of the old Audit Inspection Reports with the objective to clear finally items more than three years old where debts due to or by Govt. are not involved and only minor technical irregularities have been brought out.**

If it is considered necessary for valid reasons to pursue an old outstanding objection, the decision to do so, should be taken at Sr. Dy. Accountant General's level.

(CAG's circular letter no. 961-TA.I/85-71 dated 12.04.1971.)

N.B (ii) In regard to pending audit observations which are settled during the current inspection a statement of settlement of pending Audit Inspection Reports should be prepared by the audit party in duplicate, in the following form and sent to H.Qrs alongwith the draft inspection report.

Para/Sub-para Number	Brief of the objections with further development	Reasons for settling the same
1	2	3

N.B. (iii) Summarised position of the items still remaining outstanding will be shown in the Annexure to Part I B (i) "the position of previous pending Inspection Report" of the audit Inspection Report.

1.14 Papers and files produced and examined during local audit

(i) The office inspected should readily make available to Audit all files/records required including 'Secret' or 'Top Secret' files. In this connection Government of India, Ministry of Finance, Department of Economic Affairs O.M. No. F.I(43)-B/78 dated 23.09.78 and based on it, the Government of Madhya Pradesh Finance Department circular letter no. 7/four/no.-I/78 dated 01.01.1979 to all the Departments are reproduced in Annexure (vii) to this chapter.

(ii) Audit party must call in writing for all registers and accounts of the offices inspected required for audit purposes if the same are not readily put up on verbal requests. If an auditor states that he asked for papers but they could not be produced, he must be able to prove it from his requisition. Important documents, like service books, should invariably be formally requisitioned and acknowledgement obtained on returning the same.

The audit party must examine all records pertaining to the months selected for audit and if any record cannot be produced, they must make sure of the reasons for its non-production, and bring such failure to the notice of the head of the office.

Papers and files of the offices inspected by the party should be returned in the same condition in which they are received. On no account should these be rearranged, Combined, or broken by them with smaller files in any case. If such a rearrangement is absolutely necessary, it should be carried out only by the office which is being inspected.

(iii) All entries checked should be ticked and cross ticked and all vouchers, challans, Registers, leave accounts etc. examined should be initialed with an audit pencil. If entries covering a specific period are only checked and in a particular record a line should be drawn across the page after the last entry checked and the period covered by the check recorded over the dated initials of the person exercising the check.

(iv) Normally audit personnel should refrain from making any other notes, alterations or remarks in any of the documents examined.

(v) If the head of the office acts as the Drawing and Disbursing Officer for other subordinate units located elsewhere, decisions about the units whose records are to be subjected to test check and the period for which the test check is to be exercised should be taken and the relevant records requisitioned in writing on the first day of the local audit so that sufficient time may be available for having the records fetched from the subordinate units.

(vi) Particular attention should be paid to records if any, which were not produced on the occasions of previous audits.

1.15 Conduct of Inspections

(i) During the course of inspection, the Inspecting Officer or the Assistant Audit Officer should record every objection formally and immediately as it is noticed.

(ii) An all out effort should be made to settle audit objections on the spot as far as possible by discussion for which purpose objections taken should be forwarded to the head of the office for his comments every day and his replied obtained next day. The last day may be kept mainly in reserve for discussion of the report.

A list of such objections and rectifications done by the department should be prepared separately and sent to the audit office (alongwith the Audit Report) duly signed by the Inspecting Officer/Assistant Audit Officer and the head of the office concerned.

This list will be taken up by the next Inspection party to see whether such defects have again cropped up.

(iii) The report should contain all important irregularities, defalcations, losses, leakage of revenue etc., which require to be immediately brought out to the notice of Government or/and

may ultimately find a place in the Audit Report. The remaining unsettled points will form a test audit note. In respect of paras which are ultimately likely to find a place in the Audit Report on the Appropriation Accounts, the Inspecting Officer should personally see that he has discussed all the issues relating there to with the head of the office and collected all relevant information. He should also take attested copies of those documents which may be useful in pursuing the matter with the higher authorities and should also get the facts of the case certified by the head of the office.

- (iv) When anything is noted as unsatisfactory the reason should be stated in the body of the report at some length.
- (v) Defects should not be recorded in general terms and un-necessary details should be avoided.
- (vi) All exaggeration of language should be carefully avoided.
- (vii) General objections should not be raised unless they can be supported by concrete instances.

Intelligent probe where maintenance of Accounts records is defective- It has been observed by the Comptroller and Auditor General that a number of instances had come to the notice of his office, when local audit had satisfied itself by mentioning that certain records were not maintaining properly by the offices concerned and asking for a rectification of these defects. Subsequent developments have, however, shown that in a number of such cases, the defective maintenance of records was more or less a cover to hide misappropriation and fraud. If the local audit had been sufficiently vigilant in such case and made a further probe, the frauds and misappropriations could have been brought to light much earlier. Again, in a number of cases, frauds and misappropriations, were subsequently detected by the Administrative Authorities themselves though the period during which such frauds were occurred were covered by one or more local audits. Where, important initial records, e.g., Cash Books, Pass Books and Security Registers etc., are not maintained properly, it will not be sufficient simply to state in the audit Report that such records were not maintained properly. Improper maintenance or non-maintenance of important initial records having a direct bearing on cash transactions will prima facie strengthen the apprehension that all may not be well with the cash transactions of the office inspected.

The Inspecting Officer and the party should in such cases, besides mentioning the technical defects and short-comings in keeping the accounts registers etc., should also make an

intelligent probe to see if the defective maintenance or non maintenance is a camouflage to hide fraud and mis-appropriation.

The Comptroller and Auditor General, further feels that it would be a pity if frauds and misappropriations are detected by administrative authorities occurring during a period covered by local audit and which the local audit had failed to detect.

(CAG Confidential DO No 2045-Admn.III/479-60, dated 5.12.60, file No. OA 11-5/55-56).

(viii) If a really flagrant case of irregularity is detected it should be investigated with the utmost care and set out in such detail as to ensure that the gravity of the violation of the rule is clearly brought to the notice of Superior authority so that the Audit Office may be in a position to press for proper action.

1.16 In addition to the above, the following instructions should be carefully noted by the Inspection Staff:-

(i) While Assistant Audit Officer and Auditors should not make any relaxations of their own motion, it is very important that the prescribed checks should be observed in the spirit and not in the letter as opposed to the spirit.

(ii) Objections should be written out on half margin forms which should be serially numbered and issued to the Head of the Office to furnish replies thereto.

Replies to objections, which may mature into draft paras for the Audit Reports and regarding suspected defalcation etc. or other serious financial irregularities may be obtained promptly so that further observations, if any, can be raised on the spot, and further information is required, may be called for. Replies to all the audit observation memos so issued should be obtained before the audit is completed and Inspection Report is drafted. If replies are not received promptly the fact should be brought to the notice of the Head of the Office immediately and non-compliance reported to O.A.D. HQ where necessary.

(iii) Objections which are simple directions and instructions for future guidance should be included in Part III of the Report. All the minor errors which are of no consequence to the finances of the State and can be set right on the spot should be so settled and the notes carefully filed. The value of an inspection is enhanced more by the number of points thus settled on the spot than by what is loaded in the Audit Note.

(iv) Isolated routine objections, need not, as a rule, be mentioned in the Audit Note but if a number of similar points are noticed, the type of error or irregularity with a few of the worst instances may be mentioned.

(v) Any office that is particularly careless and pays no attention to the directions or repeats the mistakes or habitually disregards the rules should be taken up by the O.A.D. HQ., in a special letter to the Head of the Department, care being taken to substantiate the charge of such disregard to rule etc., by sufficient evidence.

(vi) Whenever any irregularity or delay which was noticed by the office inspected is taken up again by the Local Audit Staff the fact should be mentioned in the body of the objection and the reason why it is taken up again in audit distinctly brought out.

(vii) Money values of objections should be specified wherever possible not only for those coming under paragraphs 830 of MSO (T) but also for cases of enquiries and remarks made on doubtful points which may have a potential money value (e.g., the amounts of contracts for which tenders are not called or where the lowest tender has not been accepted or value of extra concession granted to contractors but not provided for in the agreement).

(viii) Objections which can be waived under para 808 of MSO Tech. Vol. I should not be embodied in the Report but should be put up to the Sr. Dy. Accountant General/ Dy. Accountant General (concerned wing) for orders as per the note below paragraph 140 of MSO (Tech.) Vol. I.

(ix) All Statements and allegations made and all figures furnished should be based on clear documentary evidence so that the Audit Officer may be in a position to press for proper action.

(x) The names of the officers responsible for the irregularities should be kept on record in the rough notes in all cases of serious irregularities.

(xi) When a letter or Government order is quoted which in the opinion of the Assistant Audit Officer may not be available in the Central Office, a copy of it should be sent alongwith Inspection Report for the information of the Central Office.

(xii) The Local Audit Staff should go through all the Inspection Notes of Departmental Offices during the period of audit as valuable hints are likely to be obtained from these sources. This point requires special attention during audit.

1.17 It should be specifically seen that no office maintains an unauthorized Account in a Private Bank, Post Office or a personal ledger Deposit Account wherever the party comes across such accounts these may be intelligently scrutinized specially with reference to Bank Pass Books and Reconciliation Statements.

1.18 The Inspecting Officers are not required to verify by count, the cash balance of the office inspected. It is, however, not the intention that an Inspecting Officer should be debarred from verifying the case of an office if the circumstances of any case warrant this. In such a case the

verification should be undertaken as soon as the necessity for the same is felt, and this should preferably be done at the time when the officer-in-charge is present. If in any case, counting of cash balance is undertaken a simultaneous count of all cash balances (with relevant accounts) incharge of the disbursing officer or other custodian of the cash should be done. Result of verification indicating, both in figures and words, the actual physical cash counted should be recorded in the cash book.

(Comptroller and Auditor General's DO reply No. 70-Admn.I/54 of 26th July 1954 File No. 7-N.5-1/54-55 & A.G's orders dated 12.4.1073 file OAD (M) II-38/1972-73).

1.19 Check of initial accounts records at Local Inspections

It has come to the notice of the Comptroller and Auditor General that as a result of lack of supervision a clerk of an office was able to embezzle a certain sum of money representing sale proceeds of tender forms. The usual audit inspections of that office also failed to bring the fraud to light. Investigations revealed that a comparison of entries in the Cash Book with the counter foil of receipts granted and the treasury remittance book would have enabled the audit inspection to detect the frauds. The Audit Inspection Party, however, devoted most of their time to the examination of executive financial orders, service books etc., and the important initial record, namely, the Cash Book was not examined at all. In the zeal for finding material for Higher Audit by examining such cases etc., the examination of the initial accounts which is the primary object of local audit did not receive sufficient attention.

It is the most undesirable that in local inspections the check of initial records such as the cash book should be neglected in favour of material which may provide cases for Efficiency-cum-performance audit. The Comptroller and Auditor General has, therefore, emphasized that the primary duty of the Indian Audit Department is to secure the correctness of accounts and is not the criticism of the executive work of a department on Efficiency-cum-Performance Character.

(Auditor General's Circular Letter No. 31-Admn./205-36 dated 15th January, 1937).

1.20 If the test audit of the accounts of a department reveals short recovery of Government dues to a considerable extent, the departmental authorities concerned should be instructed to arrange for a complete check of the account so as to ensure a complete and accurate assessment of the dues. The Inspection Report should in such cases, contain a para in the following forms :-

“In view of what has been disclosed by audit as a result of a test check only a thorough investigation with a cent percent check of the transactions etc., in question is desirable and necessary. This may be arranged for and the results communicated to audit in due course”.

(Accountant General’s orders dated 12th December 1952, File No. O.A.D. N.N. 231 of 1947-48).

1.21 During local audit of the initial records such as Cash Book etc., the entries should be invariably checked with the counterfoils of receipts and the treasury challans. It had come to notice of the Comptroller and Auditor General of India that during a local audit, challans in respect of the credit of sale proceeds remitted into the Treasury could not be produced in several cases in support of the entry made in the cash book as cash remittances to treasury. This aroused the suspicion of the local audit staff who thereupon made special arrangements to compare the credits direct with the credits brought to account on the books of the Treasury. This verification disclosed that the amount of several challans which had been accounted for in the Cash Book as having been remitted to Treasury were not actually so remitted but was embezzled by the Cashier by forging the signatures of the Treasury Officer on the receipted challans.

(2) With a view to facilitate early detection of the frauds of the nature referred to above it has been ordered by the Comptroller and Auditor General of India that during the local audits, the verifications of (credited) receipts in the cash books in respect of the months selected for detailed audit should be made direct from the books of the Treasury.

(Comptroller and Auditor General’s letter No. 1986-Admn.I/425-52 dated 23rd July, 1953 and No. 2465 Admn.I/425-52 dated 6th October, 1953).

1.22 The transactions of the months as may be selected vide Para 1.06 (A) above should completely and in every detail. In addition to this all accounts and registers should be generally examined to see whether they are on the whole properly maintained.

1.23 Independent enquiries

While auditing the accounts of Government institutions and offices, auditors should not make any enquiries from the tax payers, or the general public, as such action amounts to an encroachment on the functions of the administration. Audit should confine itself to calling upon the Executive to furnish necessary information and, in case of difficulty, it should confer with the executive as to the best means of obtaining the evidence which it requires (Para 15 of MSO (T) Vol. I) Auditors should not also while auditing the accounts of a public or quasi-public body, be permitted to make independent enquiries of tax payers or of the public at large, unless such a procedure is expressly authorized by statutory regulation or executive orders. If there are

suspicious circumstances in the accounts, the Inspecting Officer/Assistant Audit Officer should report the fact to the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing).

1.24 Records of work and Stay etc. of Local Audit Parties

(i) All local audit parties should maintain a duty Register in form 2 indicating details of daily work done by each member of the party. This register will form the part of the record of audit party and will be handed over by one Assistant Audit Officer to the Other Assistant Audit Officer at the time of handing over charge of the party along with Attendance Register, Office Order file, Despatch Register etc. The duty Register should be seen by the Supervising Officer every day during his supervision and signed with clear dated initials in token of his review.

The Assistant Audit Officers of local audit party should forward, along with the Draft Audit Inspection Report, the extract of register covering the period of inspection. Copies thereof should also be sent to OAD section alongwith Movement report by 5th of every month which will be submitted by OAD to the Sr. DAG/ DAG (concerned wing) for his review.

(O.O No. AGI/OAD (M)/II-115. Vol. II. 00/6 dated 28.11.1975).

(ii) The movement report of the parties indicating the names of the units audited along with event report (in duplicate) and a duly certified copy of the stamp account will be prepared in Form 3 (a) & 3 (b). (Also see Para 1.29 (vii) for Event Report).

In the case of supervisory audits these will be examined and countersigned by the Inspecting Officer in token of having satisfied himself about their correctness.

N.B. (i) A register in the form OAD 4 showing monthly progress of receipt of movement reports of local audit parties should be maintained by OAD and submitted to Sr. DAG/ DAG through AO (OAD) HQ on 15th of every month after certifying the movement report from the tour programme.

(ii) Similarly event reports received should be entered in the Register by the posting group and one set consisting of original event reports sent to Admn. Section, retaining the duplicate set in a proper file (Year-wise).

(iii) The register should be submitted to Senior Dy. Accountant General/ Dy. Accountant General on 20th of each month showing the details of leave and absence etc., of the parties and verifying the details of such period from the records of the Head quarter.

1.25 Manner and Method of drafting the Inspection Report

(a) The Inspection Report being an embodiment of serious irregularities every opportunity should be given to the departmental officers to explain their points of view. All fact and figures stated therein should be complete, carefully verified with the record and got expressly accepted or cogently refuted by the departmental officers so as to avoid subsequent disputes regarding the correctness incompleteness of facts. All objections taken in a report should indicate the points of view or explanation given, if any, by the departmental officers and the arguments of the Inspecting Officer in support of non-acceptance of such replies.

True copies of the records or documents where necessary, all departmental orders etc. referred to in the objection should also accompany the Inspection Report.

(b) The report should be kept ready for discussion with the head of the office inspected on the Last day of audit. The draft report will be discussed with the officer in charge by the Supervising Gazetted Officer and by the Assistant Audit Officer in respect of audits not supervised by a Gazetted Officer and the draft should be got attested by the officer-in-charge in token of his having seen and discussed the report and having verified facts mentioned therein.

The following points may be kept in mind while drafting the reports:-

(i) The language of the reports should be impersonal, polite, dispassionate, courteous and inoffensive. Insinuations should be avoided. The effectiveness of an audit objection is very likely to be reduced rather than enhanced by the use of strong language. In fact, the more serious the nature of an objection, the greater is the need for using language which is unexceptionable.

The facts and conclusions should, if properly stated, speak of themselves.

It is necessary to bear in mind the quasi-judicial nature of audit. Nothing should be done also to hamper the evolution of the complementary roles of audit and administration by the use of extravagant language and the attitude that audit alone is the keeper of the Nations' financial conscience.

(Comptroller and Auditor General's DO No. P.S./588/56 of 23rd October, 1956; File No. O.A. 11-5-1955-56).

(B) The Inspection Reports should be as clear and concise as possible, and couched in unexceptionable language. Every paragraph should comprise of three distinct parts viz., (i) a statement of facts, (ii) the money value of the objection, or its approximate value as calculated from the available data and (iii) the objection or the nature of irregularity, rules and orders infringed, if any, and the action required for removing it. This arrangement may not necessarily

be meticulously adhered to in every case, but all the points must be distinctly stated. Special attention should be drawn to important matters such as, willful and persistent negligence of duty, falsification of accounts, chaotic State of accounts, in separate paragraphs. It should be borne in mind that it is of more importance to bring home a general lesson than to dwell at length upon a particular irregularity.

(iii) The headings of the paras should be suggestive of the contents of audit objections. Such headings as “Cash Book” ‘Bill Register’, ‘vouching’ etc. should be avoided.

(iv) More attention should be devoted on the drafting of the inspection report with an eye on brevity, preciseness and clarity. This requires an effort especially, on the part of Inspecting Officer.

(v) There must not be needless splitting up of objections to increase the number and the closely related audit observations etc., regarding “defective maintenance of Cash Book, non obtaining of securities, lack of custody of cash” etc. should be grouped together, with the three aspects being dealt with under separate sub-paras.

(vi) Objections of the same nature e.g., want of payees receipts, estimates, agreements, measurement books and of relevant entries in stock and store Register, etc., should be grouped together as far as practicable. Where there are several departments in an office the objections relating to each department shall be shown separately.

(vii) The objections, specially those meant for Part II of the Report should be self contained in respect of all matters with which they deal. The actual amount involved in each irregularity covered by the audit objection should be worked out as accurately as possible, and clearly stated in the paragraph. Vague suggestions such as “Loss or the overpayments involved should be worked out and recovered” should be strictly avoided.

(viii) If it becomes necessary to deal with any correspondence, the subject matter should be summarized as briefly as is compatible with clear exposition. All details necessary for a clear understanding of each irregularity should be given including :-

- (i) an explanation of the transaction;
- (ii) a description of the nature and magnitude of the irregularity;
- (iii) any extenuating circumstances that might have existed;
- (iv) the defect, if any, in the system which led to the irregularity; and
- (v) the remedial or preventive measures adopted and adequacy or otherwise thereof;

(ix) Not infrequently does it occur that while editing draft paragraphs for the Annual Audit Report, the Accountant General finds himself at a loss because of missing links in the facts and agreements set forth in the original Inspection Reports and on which the paras are based. The information which is wanting cannot be obtained except by a reference to the local records and the inevitable consequence is that the draft paras have either to be abandoned or their consideration postponed for an indefinite period. It is, therefore, impressed upon the Inspecting Staff that such a situation must not be allowed to arise and they must play their part faithfully.

There must be precision about the happenings, and the comments should be based on facts and not on inferences. The sequence of events should be carefully noted in order to complete the claim leading to the final conclusions and as far as possible, the dates of occurrences should be allowed to tell the story.

(x) Where a rule or order has been violated, its substance and the actual or possible effect of the violation, should be briefly explained.

(xi) Audit is concerned with fact and not with the conduct of the officers; consequently, the name (s) of the official (s) personally responsible for any serious irregularity should not be disclosed in the Inspection Report. Only in cases of very serious dereliction of duty or embezzlement, the designation or status of the officer responsible should be mentioned. Such cases will be very rare, and audit should not take upon itself the duty of fixing responsibility for any such thing or any individual. All particulars should, however, be reported to the Head Quarter section in a confidential cover.

(xii) The inferences and conclusions drawn from the facts should always be problematic. Even when the evidence or a defalcation or fraud is very strong, the facts should be distinctly stated, but the inference drawn should be properly guarded and qualified by phrases such as “it appears to be” or “may turn out to be a case of defalcation/fraud”. The paragraphs should be presented in such a detailed and dispassionate form that the facts should speak more than the comments.

(xiii) Cases which are subjudice should not be mentioned in such a way as to prejudice the claim of the defence in the court of Law.

(xiv) Lastly, the quasi-judicial nature of audit should be remembered and every endeavour should be made to present a just and impartial picture of the case in a clear and plain language. In framing the objections, asperity in comments on insinuations or offensive generalizations should be assiduously avoided. The use of words such as “fraud” or “embezzlement” which denote crime should be avoided. Unless of course, the crime has already been established. It would

generally be sufficient to use some colourless words e.g., “Loss” or “Not accounted for etc.”. In short, it is most important to ensure that all words and phrases with twist which are likely to cause resentment or unpleasantness are entirely eschewed.

(xv) Every paragraph of the draft Inspection Report should show in the margin (in pencil) a reference to the relevant item and page of the objection statement on which it is based.

(xvi) A statement of recoveries effected during the course of audit and the amounts held under objection should in the Inspection Reports giving references to the relevant paragraphs. This should form the last paragraph of Part I of the Inspection Report.

(c) When it is proposed to state that the accounts are not satisfactory or require improvement, the reasons for which it is proposed to give this adverse opinion should be clearly stated giving reference to the paragraphs in the Inspection Report.

(d) The annexures must be numbered as ‘A’ ‘B’ ‘C’ ‘D’ etc., Audit Parties will be responsible for submitting 4 clear copies of the Annexures (either typed or hand written) which must be signed in full by the Assistant Audit Officer and in case of a supervised audit by the Inspecting Officer.

(e) The forwarding documents given in Form OAD 5 should invariably be filled in by the party in all details.

(f) The Inspecting Officer/Assistant Audit Officer are required to forward the Audit Inspection Report to the Headquarter on the last day of the local audit or on the following day so that the report may be received in O.A.D. Headquarter Section within 4 days after the completion of audit.

While dispatching the inspection reports the papers may be arranged in the following order :-

- (i) Draft Audit Inspection Report.
- (ii) Test Audit Note.
- (iii) Memo containing acknowledgement of objection memoranda issued.
- (iv) Objection memoranda (Rough sheets).
- (v) Other misc. papers collected from the office inspected.
- (vi) Statement of settlement of paras of old Audit Inspection Reports.
- (vii) Certified list of drawals.
- (viii) Certified list of remittances.

- (ix) Result of scrutiny of points marked by Central audit/OAD etc.
- (x) Statement of record of daily work done by each member of the L.A.P.
- (xi) Certificates regarding checking of :-
 - (a) Service Books and leave accounts;
 - (b) Departmental Provident Fund Accounts of Class IV employees;
 - (c) Record of deductions under adl. emolument (Compulsory deposit) Act, 1974.
- (xii) Details of work done regarding receipt tracing.
- (xiii) Details of amounts to be kept in objection book.
- (xiv) Certificate of verification of correctness of pay.
- (xv) Statement of records of Central office received/not received.
- (xvi) Result of scrutiny of expenditure incurred out of the funds drawn on A.C. Bills for which D.C. Bills were awaited in Central Audit.

1.26 The Audit Report should be divided into three parts. Part I of the Report will consist of three sections:-

- (A) Introductory including the scope;
- (B) Outstanding objections from previous reports;
- (C) Schedule of persistent irregularities.

The introductory para referred to above should inter alia contain (in sub para ii) the details of the actual expenditure incurred by the Department/Offices inspected by way of Pay and Allowance, T.A., contingencies store purchased etc. It should also contain (i) nature and amount of revenue realized, (ii) nature and amount of grants/subsidies/loans sanctioned or paid and the category of institutions or persons to whom they are paid and (iii) P.L.As and other funds or deposits operated by the office and object and extent of transactions there under.

Sub-Section (iii) of the Part I should contain a review by the local audit party of the position in regard to frequency/quality and the extent of effectiveness of such departmental inspection/internal audit. Any important points revealed by these inspections/internal audit should be suitably dealt with in the inspection report.

I-B Pending Inspection Reports

- (i) The manner in which the paras about pending inspection reports should be drafted as given in Annexure III to this chapter.
- (ii) Position of records not maintained/and/or not produced to audit during previous audit and during current audit; and effect on efficiency of audit.

It is not sufficient to merely bring the position of records not maintained and/or not produced to audit during previous audits and during current audit in the para. It should be clearly brought out in the para as to how the non-production of record has effected the efficiency of audit. For example, due to non-availability of tender documents, suppliers' bills, stock registers, contingent registers etc. the authenticity of purchases cannot be gauged. In major cases of non-production of records and where such a tendency is persistent, the inspecting officer must emphasize the need for detailed departmental investigation by higher authorities to assure themselves of the regularity, propriety and authenticity of the transactions during the previous years. The L.A.P must themselves go deeper into the transactions to unearth any malpractices, misappropriations of cash or stores in such cases.

In cases where a particular set of records, say the acknowledgements are wanting, it is the duty of audit party to see by reference to other records whether the payments have been made for bonafide purposes to a bonafide person. For example, in the case of certain supplies against a valid order, there might be supplier's bills as per the order and entries of the supply received in the stock register. Similarly for payment of rent for a month, there might be acknowledgements of land lord or receipt of rent for months prior to or later than the month for which acknowledgements is wanting. Mere mention of "wanting stamped acknowledgements" will show that the audit party has presumably otherwise satisfied itself about the bonafide of the payments; and the responsibility any embezzlement later detected will be of the party and the inspecting officer.

Right at the start of audit the Assistant Audit Officer in charge of the party should review the position of the records not produced in the past and not likely to be presented during the current audit and take up matters in writing with the head of the office. Where necessary, a copy of the requisitions should be next higher authority requesting it to issue directions for arranging production of records.

The para in the Inspection Report should bring out the efforts made by the party and the officer for obtaining the record.

N.B.:- In Part I (B) (ii) of the report a gist of records not produced only should be given; the detailed observations thereupon should be furnished in a separate para at the end of Part II B (OAD (M)/O.O/15 dated 13.11.73).

Part II will consist of two sections; Section A will contain major irregularities which may lead to draft paragraphs. Section B will thus consist of all other items which could not be brought under Part III and may include items which require report to higher authorities.

Part III of the Inspection Report viz. the Test Audit Note will not be pursued by the Central Office. It should contain only minor points and should be dealt with finally by the Head of the Office inspected.

N.B :- The outline proforma of Part I, II, III of the Inspection Report is given in Annexure III.

1.27 Conduct of officials on Inspection

(a) All officers and members of staff while on inspection, should on no account put themselves under obligation to any members of the office, the accounts of which they inspect, and should not ask for, or obtain free, any supply or service which has a definite financial implication. In the matter of house accommodation outside help may be enlisted but it should be strictly on payment of rent and other charges by the members of the audit party themselves. The use of the transport pertaining to any local departmental office, for private purposes is definitely prohibited. Any person infringing these orders in letter or in spirit would be severely taken to task.

(b) Auditors, while not deviating in any manner from their duty should be careful to avoid any misunderstanding or friction with the local officers with whom they come in contact. Their attitude should be that of one who has come to assist and not merely to criticize, and they will invariably meet with full cooperation from the local officers by the manner in which they go about their work that they are not there to complicate the procedure but to simplify it.

(c) Matters dealt with by Auditors to be kept confidential- Auditors should note that matters with which they have to deal are confidential. The Audit is intended to be for the assistance of local officers, and the Audit Department is not justified in permitting their shortcomings to become public.

1.28 Attendance, Holidays and Leave

(i) Members of local audit parties and Inspecting Officers should observe the hours of work and holidays (including restricted holidays) laid down for the offices in which they are working for the time being. A record of the daily attendance of the members of the party should be

maintained in the manner laid down in the Manual of Office Procedure and submitted to the Inspecting Officer on all days on which he is with the party.

(ii) The casual leave accounts of persons in the field will be maintained by OAD section and all applications for grant of casual leave should be sent to that section with the recommendations of the highest official present on the spot. Sanction will be accorded by the Sr. DAG/ DAG (concerned wings) (HQrs) to the grant of casual leave to non-gazetted personnel. When applying for casual leave for recommending the grant of casual leave to others or allowing a subordinate who has applied for leave to leave the station in anticipation of sanction. Assistant Audit Officers and Officer in the field should keep in view the fact that normally it will not be possible for headquarters to arrange substitutes for persons proceeding on casual leave on short spells of regular leave.

(iii) Persons in the field are expected not to proceed on regular leave during the comparatively short period which they are required to spend in the field before being replaced, except when this becomes unavoidable due to circumstances beyond their control.

(iv) All applications for leave, casual as well as regular, should be submitted to headquarters in time for the sanction to be accorded and communicated to the applicant and alternate arrangement for looking after his work made, where necessary before the leave is to commence. A person in the field should not leave his post till these processes are completed. In cases of real and extreme urgency, however, he may do so if he is permitted to do so by the highest official available on the spot after handing over charge to the person designated by that official. The official who permits a subordinate to do so should report the facts to headquarters immediately. If the period of absence of the subordinates is expected to be such as to necessitate the posting of a substitute or a change in approved programmes, the report should be sent telegraphically and detailed proposals regarding the arrangements to be made sent simultaneously by post. If the highest official available on the spot is himself forced to leave his post in emergent circumstances which do not allow him time to obtain the approval of headquarters by telegram or telephone, he should send similar reports to headquarters before he leaves his post and leave written instructions as to how his subordinates should act till instructions are received from the headquarters.

(v) Any person proceeding on casual leave or regular leave from the field, will be required to report back to the party from which he proceeds on leave unless there are specific instructions to

the contrary. It would be for him to ascertain the whereabouts of the party on the dates on which he resumes duty and to report to the party at the station where it is working.

(vi) All persons proceeding on casual or regular leave from the field should leave their leave address with the party and also report it to OAD (HQ) in their application for leave.

(vii) The Assistant Audit Officer of each local audit party should send a monthly report to the Administration Section showing the events as regards the member(s) leaving or joining the party or proceeding on leave from the party during the period under report. The report should reach the administration section by the twenty fifth of the month. (Also see para 1.25 (ii) is Form OAD 3 (b)).

(Office Order No. OE.III/Event/AGI/33 dt. 16.09.75)

1.29 Reference books and files of orders

(i) An effective and purposeful audit will not be possible unless local audit personnel are conversant with the latest provisions of all codes, manuals, departmental orders, prescribed rules and procedures important orders of the Central and State Governments, etc., Before a party leaves its headquarters, the Assistant Audit Officer should requisition and obtain from the office library all the books that the party is likely to require in the course of its activities in the field. It will be the responsibility of Assistant Audit Officers of local audit parties to keep their books upto-date and to maintain proper files of orders received from headquarters and collected from other sources.

(ii) Every Assistant Audit Officer should maintain an upto date inventory of all such books and files, whenever he relinquishes charge of the party, he should hand over the books and files to his successor or to the person with whom the leaves the charge temporarily till his successor arrives and the person who takes over their custody should acknowledge their receipt in the Inventory.

(iii) Inspecting Officers should review the books, files and inventories from time to time and satisfy themselves that they are being maintained properly and upto date.

Note :- The Assistant Audit Officer of a local audit party should maintain a separate file of office orders and circulars issued from time to time from the Headquarters which have direct bearing on the day to day working of local audit staff and hand it over to the successor Assistant Audit Officer. The fact that the office order and circular file has been handed over to the next Assistant Audit Officer taking over the charge may be intimated to headquarters by the incoming Assistant Audit Officer while forwarding the report of joining to Headquarters section.

(O.O No. OAD/OO/25/60-61/ dt. 26.12.1960).

1.30 Defects in Drafts Inspection Reports

The Inspecting Officers and Assistant Audit Officers should make it a point to see for guidance on return on Headquarters, the corrections and observations made in the Draft Inspection Reports submitted by them.

(O.O. No. OAD/5060 dated 23rd June 1959.)

1.31 The Inspecting Officers and Assistant Audit Officers should bring to the notice of the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) the special points, noticed by them during the course of local audit inspections, which they consider to be of wider general interest and likely to benefit other auditors. Such information would periodically be circulated to the inspecting staff.

1.32 Communications to Head-Quarters

(i) All communications to headquarter regarding matters which call for urgent action including all proposals for deviations from approved programmes should be sent by name to the Branch Officer in charge of OAD Section.

(ii) Draft local audit reports and other documents which are required to accompany them should be sent by registered post in covers or packets addressed by name to the Assistant Audit Officer of the OAD (HQ) Section concerned.

(iii) OAD should keep local audit parties and inspecting officers informed of all changes of incumbency in posts of Assistant Audit Officers and Branch Officers of OAD (HQs) sections.

1.33 Pay and T.A of Field Staff

Bills of Pay and Travelling Allowances of non-gazetted staff are prepared separately by the O.E. section dealing with pay and TA Bills and payment arranged by Bank draft to the members of the local audit party at the address according to their tour programme. As soon as the payment is made the acquittance roll containing legal acquittance of the payees should be sent by the Assistant Audit Officer of the LAP by Registered post to the Assistant Audit Officer of the O.E. Section by name.

Note : The instructions contained in the office order No. OE III/TA Group/STR/471 dated 21.10.1975 regarding presentation of TA claims by members of local audit parties may be carefully noted for compliance by the Field staff (The office orders appears as Annexure IV to this chapter).

1.34 Stamp Account

The Assistant Audit Officer of Local Audit Parties and Gazetted Officers, should before starting on Inspection duty obtain an sufficient supply of Service Postage Stamps from the General Section and should maintain an account of their utilization. The Inspecting Officers, should occasionally check the account with the party and conduct physical verification of the stamps in balance. A remark to this effect may also be recorded in the register. In case the supply of stamps obtained. If the need is assessed in time and timely action is taken to get the stock of stamps replenished, there would hardly be any occasion to borrow stamps from the local offices. If, however, such a contingency arises, stamps may, on written request, be obtained from the Head of the Local Office inspected and an intimation together with a full account of the circumstances under which the stamps could not be got replenished from the Head Office, may be sent to OAD Hqrs. who should immediately arrange to reimburse to the office concerned the necessary amount of stamps. An intimation of the reimbursement may also be sent to the Inspecting Officer and Assistant Audit Officers who borrowed the stamps.

N.B In order to enable the General Section to keep proper account of stamps, the Local Audit Parties are directed to maintain the account of Service Postage Stamps in the proforma indicated below and furnish it to the General Section direct every month simultaneously furnishing a certified copy of the same along with movement report on 5th of every month.

Date	Receipt	Expenditure	Balance	Stamp returned	Remarks	
1	2		3	4	5	6

1.35 Procedure for dealing with cases of losses, defalcations and embezzlements etc.

It has been decided in consultation with T.M. Section that the following procedure will be adopted in reporting and dealing with the embezzlement and defalcation cases :-

- (i) Cases unearthed by the local audit parties during course of test check or special audit etc. may be pursued by OAD Section concerned without transferring them to DA sections. Important cases of frauds and embezzlement calling for modification of Rules shall, however be reported to T.M for necessary action. In cases where the department decided to enforce recovery from the persons concerned the amount to be recovered or the sanction or write off of loss, such decisions or sanction shall be communicated to D.A section for watching recovery and accepting the sanction in audit.
- (ii) If in a particular department there are large number of embezzlement, suspected misappropriation and defalcation cases, an extract of the para connected with sub cases will be sent to concerned DA section to enable that section to increase the percentage of audit of vouchers coming under their check if necessary. Such Cases will however continue to be pursued by OAD section.
- (iii) The vouchers relating to the cases detected by local audit party henceforth be impounded by the Sr. Dy. Accountant General (Accounts).
- (iv) The cases unearthed by the local audit parties during the course of test check should be included in the inspection report, registered in OAD and cases pursued through the Inspection Report. The cases noticed during local audit for which preliminary reports under para 22 of C.G.F.C Vol I have not been sent to DA sections should also be included inspection report and pursued through the inspection reports till the cases are registered in DA sections.

The cases already registered in DA sections need not be pursued by OAD sections.

(Authority :-O.O No. AGI/OAD(M)/H-147/2 dated 6.05.1975).

1.36 Vetting and issue of Inspection Report

- (a) Inspection Reports of supervised audits should be vetted only by Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) and the inspection reports of unsupervised audits by Assistant Audit Officers should be vetted and issued by A.O. in charge of Head quarters sections at his level, unless there are important points to be brought to the notice of the Sr. DAG/ DAG (concerned wing). Scrutiny and vetting of the reports drafted by supervising Gazetted officers by another Gazetted Officer or an Assistant Audit Officer at Headquarters, will take away the initiative of the Gazetted officers. Supervising local audit and is likely to lessen their responsibility in careful drafting of the reports. OAD (Headquarters) Section

may assist the Branch Officer/Sr. DAG/ DAG (concerned wing) in verifying facts in the reports of Inspections.

(CAG's letter No. 76-Tech. Admn. I/385-65 dated 14.01.1966).

(b) The Inspection Reports should be issued within one month from the date of completion of the inspection.

(CAG's letter No. 1895-Tech. Admn. III/280-60 dated 20.09.60).

In order to implement these orders the following time schedule is prescribed:-

(i) The report should be dispatched by the local audit parties on the last day of audit or the day following so that it may be received in OAD (HQ) within 4 days after completion of audit.

(ii) OAD (HQ) Section should put up the report to Branch Officer or the Sr. DAG/ DAG (concerned wing) within one week from the date of its receipt.

(iii) Sr. Dy. Accountant General/Branch Officer will take about 3-4 days to pass the report.

(iv) The report should be typed compared and issued within one week from the date of its approval. Any departure from this time schedule should be brought to the notice of the Sr. D.A.G/ DAG (concerned wing) and his orders obtained.

(CAG's OAD OO No. OA/CC Misc/20 dated 25.3.1967)

(c) The receipt, submission, approval and issue of the reports are watched through a Register in Form OAD/6. This should be submitted to the Branch Officer every fortnight (Also see para 2.01 of chapter 2).

(CAG's letter No. 1656-Admn III-152-60 dt. 16.8.60)

1.37 The Branch Officers should be careful to see that the reports do not contain any frivolous or meticulous objections or objections of a minor nature which could profitably be relegated to the test audit memoranda of minor points. They should also ensure that the reports are couched in language which is courteous and in-offensive in all respects. Whenever the tone or language of a report is open to objection or is likely to evoke comments or criticism from the Executive authority the report should not be issued without bringing the matter to the notice of the Sr. Dy. Accountant General and or the Accountant General.

1.38 Important points of Inspection Reports which are eventually likely to appear in the Audit Report, should, after the Sr. Dy. Accountant General's/ Dy. Accountant General's approval form the subject of special correspondence with the Head of the Office concerned and the higher

authorities, copies of the same being forwarded to the State Government at the same time. A note of such points should also be kept in the Register of cases of Audit Report.

1.39 While agreeing that the extent of interest to be taken by the Accountant General in local audit should be left to the Accountant General himself, the Comptroller and Auditor General desires that he should keep himself in touch with the inspection work by seen the reports and their disposal. A note containing serious irregularities noticed during local audit should be put up to the Senior Dy. Accountant General/ Dy. Accountant General (concerned wing)/A.G. every month.

1.40 The time generally allowed for the return of an Inspection Report with replies to this office is 35 days. The return of the Inspection Report, in due time should be watched by the Assistant Audit Officer of the section concerned, who will also be responsible for its disposal. All further correspondence will be conducted by the Gazetted Officer in charge of O.A.D section, only important matters being referred to the Sr. Dy. Accountant General/ Dy. Accountant General (concerned wing).

1.41 Undue delays on the part of the Executive Officers in the disposal of the Inspection Report should be brought to the notice of the Accountant General early so that the desirability of addressing the next higher executive authority may be considered. Reminders should be issued promptly where the Inspection Reports have not been received back within 35 days of the date of issue. All cases in which replies have not been received within three months of their initial issue and within two months of their reissue (further remarks) should be listed in and reported to the respective Department of Government every six months.

1.42 Recovery of the cost of audit of bodies and authorities under CAG's (DPC) Act, 1971

The rules regulating the incidence of expenditure involved in audit of the accounts of bodies and authorities conducted by the I.A & A.D. have been laid down in Section VIII of Appendix 3 of Account Code Vol. I. It has been decided by the C & AG that these rules should be continued to be followed in regard to audit of the accounts of bodies and authorities including corporations in so far as audit under sections 14,15 and 19 of C.A.G's (CP & C) Act, 1971 is concerned. Accordingly the cost of audit of bodies and authorities, including corporations will be recoverable in all cases in which audit is undertaken by the C.A.G or any officer under him as the sole auditor. In case in which the audit of the accounts of the bodies or authorities is conducted by another agency and audit by C.A.G. and the officers under him represented second or super imposed audit undertaken under section 14,15 or 19 as the case may be, the cost of such

second or superimposed audit need not be recovered from the body or authority concerned. Regarding audit under section 20 the recovery of cost will be regulated by the agreement between the C.A.G and the concerned Government.

(C.A.G's circular letter No. 13-TA/I/28/73 dated 9.1.1975.)

1.43 The daily rates of fees for audit are calculated by OAD Section in accordance with the instructions contained in CAG's letter No. 7-47 Admn.I/38-37 dated 28.4.37 as amended from time to time. The rates are approved by the Accountant General and then intimated to the CAG as and when there are changes in the emoluments. The rates approved are then intimated to the Local Audit Parties by OAD section.

1.44 (i) The fees should be calculated on the basis of actual number of working days excluding Sundays and holidays.

(B) The auditors should included in their Inspection Reports a paragraph stating the amount of fees to be recovered and instructing that the amount should be paid into a Treasury to the credit of Government under head "065- Other Administrative Services- C-Other services-Fees for Government Audit".

1.45 Disposal of anonymous and pseudonymous complaints or notes

All anonymous or pseudonymous complaints or notes received in OAD should be diarised in confidential dairy of the Senior Deputy Accountant General/Deputy Accountant General (concerned wing) and dealt with confidentially. The action to be taken in each case should be decided on its merits. If in any case further investigation is called for, the points may be referred to the Inspecting Officer, or the Assistant Audit Officer confidentially.

1.46 Custody of Confidential papers

All confidential files are kept with the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) in locked steel cabinets.

1.47 Preservation of Records

(a) The period of preservation of certain departmental Registers and other records peculiar to the Outside Audit Department has been fixed as under :-

	In OAD	In old Record room
1. Progress Register of Local Audit SY 328	2 years	3 years
2. Programme Registers	3 years	5 years

3.	Weekly diaries of Inspecting parties file of	1 year	3 years
4.	Inspection Reports	Until settlement of Inspection Report or Completion of subsequent audit whichever is later.	5 years
5.	Cycle Register of Local audit	6 years	10 years

(b) The period of preservation of other records is the same as laid down in the annexure to Chapter XI of the Comptroller and Auditor General's Manual of standing orders (Admn).

1.48 Destruction of Records

The concurrence of the Senior Deputy Accountant General/Deputy Accountant General (concerned wing) should be obtained before any records are destroyed by the Records section even though the period of preservation set forth in the relevant rules may have expired.

Before destroying the records, therefore, the Record Section, will request the outside Audit Department to intimate whether the particular time barred records should be still preserved. The Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) after satisfying himself that the time-barred records, preserved under specific orders, are no longer necessary for any outstanding objection or otherwise, will give a certificate to this effect. If any records are to be retained further necessary instructions should be issued to the Records Section.

1.49 Special Audits

The responsibility of initial investigation of losses due to fraud, negligence, financial irregularities etc., rests primarily with the departmental authorities concerned and the State Government. No requests for special audits may, therefore, be entertained until the case presents special features and requires expert scrutiny by the staff of the Indian Audit and Accounts Department. Special audit is undertaken at the request of the State Government and requires sanction of the Accountant General such an audit usually requires more time than the ordinary test audit as a more thorough check has to be exercised in such cases.

The Comptroller and Auditor General has observed that the usual and proper course to follow for the department is to investigate the complaint of report in the first instance before the question of a special audit by statutory audit could be considered such audit should only be by way of assisting the administrative authorities in their investigation. In this connection the Comptroller and Auditor General has also invited a reference to Rules 22 to 27 of the C.G.

Financial Code Vol-I. This guiding principle should be kept in view in agreeing to undertake a special audit in future so that the Accountant General may not be requested by Government to take up a large number of special audits prior to departmental investigation or before a prima facie case of fraud or embezzlement is made out. When, however, the normal audit of an institution has become due, there would be no objection if at the same time a request comes from the State Government for a special audit of that institution.

(Comptroller & Auditor General's No. 3629-Admn.I 462-60 dated 22.11.1960 File No. I D.O.A.A. 7- Vol. III).

1.50(a) The Assistant Audit Officer of each Local Audit Party is required to maintain the following Registers and Records:-

- (i) Attendance Register
- (ii) Office order file
- (iii) Accounts of Service postage stamps with the Despatch Register
- (iv) Correspondence file
- (v) Books and other records if any
- (vi) Duty Register

(b) When a Assistant Audit Officer hands over charge of a local audit party to another Assistant Audit Officer a report should be sent to OAD Section which should be signed by the relieved and the Relieving Assistant Audit Officers stating specifically that the above mentioned records have been handed over/taken over.

(Officer Order No. OAD (M)/OO 11 dated 2.1.1973).

1.51 On behalf audits

(i) The local audit of the accounts of the offices of a State Government situated in other states, is to be conducted by the A.G. in whose jurisdiction the said office exists in order to effect maximum economy in T.A., D.A, etc. Proposal for entrusting audit to the Accountant General concerned is required to be submitted to CAG for approval as per instructions contained in CAG's letter No. 2255-Admn/III/466-60 dated 17.11.1960 (reproduced as Annexure V).

(ii) In the case of such audits, the audit officer acting as an agent on behalf of other Accountant General (Main Audit Officer) after conducting the local audit entrusted to him should forward the Inspection Report and audit comments etc., to the main audit officer viz., the Accountant General concerned in whose behalf the audit has been entrusted, the later should issue the Report and pursue the same to finality.

The above procedure would not be applicable in cases where different procedure has been specifically authorized.

(CAG's letter No. 1836- Admn. I/Admn. III/138/62 dated 28.7.1962).

ANNEXURE – I
(Referred to in para 1.03)

Headquarters sections- General Sector, Social Sector and Economic Sector

Distribution of work among the sections at Headquarter

Section	Work Allotted
General Sector	All works relating to the Departments of General Administration, Planning and Statistics, Home, Jail, Parliamentary Affairs, Law and Legislative, Public Relation, Finance, etc.
Social Sector	All works relating to Tribal Welfare Department, Panchayat & Rural Development, Public Education, Technical Education, Medical Education, Higher Education, Social Welfare, Sports and Youth Welfare, Women and Child Development, Arts and Culture, Public Health and Family Welfare, Public Health Engineering, Food, Civil Supplies and Consumer Protection, Labour, Urban Administration and Country Planning, Housing and Environment, Rehabilitation and Employment & Training, etc.
Economic Sector	All works relating to the Departments of Agriculture, Animal Husbandry, Fisheries, Tourism, Commerce & Industries, Public Works, Water Resource, Aviation, Village Industries, Horticulture, Cooperatives, Science & Technology and Energy, etc.
SFI (Cells)	Cases of serious financial irregularities and vetting of DPs/material for Audit Report.

ANNEXURE II

(Referred to in Para 1.06 (B) (iii))

Copy of Office order No. OAD (Misc.)/3479 dated 22.10.69

1. A very large number of audit inspection reports are outstanding against various offices for many years; and the number of the outstanding paras/inspection reports keeps on increasing with the issue of fresh reports, due to pace of settlement of old inspection reports lagging behind the rate of issue of new reports.

2. While concerned departments are held to be primarily responsible for delay in settlement of reports, we have not done our duty by properly reminding everyone concerned. It is expected that reminders will henceforth go to every drawing officer/controlling officer twice in a quarter and to Government/Head of Department once in a quarter. A procedure for that is being laid down.

3. The local audit parties have also not played their parts by taking suitable action for settlement of these long outstanding objections. A good number of these objections can be settled during subsequent audit inspections if parties take a little interest in verifying the present position of these objections. It is desirable that OAD (HQrs) properly feeds and briefs the parties about pending observations of the establishments taken up for audit. Henceforth a review note in the following proforma will be prepared by the OAD Headquarters Section for pending reports of establishments to be audited and submitted to the Branch Officer through respective Superintendents well in time before the audits commence. After obtaining orders of the Branch Officer the review note alongwith pending Inspection Report file(s) will be sent to the audit parties so as to reach them at the commencement of the local audits of respective establishments.

4. As already instructed the Superintendents of local audit parties and Inspecting Officers should take special interest in scrutiny of the outstanding objections with particular reference to directions given in the review note and action taken by the Department. Action taken by the party should be vividly indicated in the column provided for it in the review note. If the particular objections previously raised has some relevance with the period covered during current audit its latest position should be incorporated in the current Inspection Report/Test Audit Note giving reference to the para number and Audit Inspection Report in which it was previously raised. For instance in the cases of recoveries of Taccavi advances etc., where prescribed records are kept in departmental offices, latest position should appear in the current Inspection Report, and there is no need to show the old para as outstanding. Many times major part of objection has

already been settled by suitable action taken by the Department and minor part of it is yet to be settled. In such cases outstanding para should appear in the Inspection Report but it should not be included in the Test Audit Note. Many times same type of objection is pointed out in a general way in the Inspection Reports for various periods. Such observations, could be properly taken in the current reports. Minor isolated cases should be taken in the test audit notes. I have also stressed the need of the audit parties suitably grouping the audit observations on various points in the current inspection and data of all records not maintained and/or not produced to audit during previous audits and during current audits should appear at one place in part I B of the Audit Inspection Reports.

5. On receipt of the draft Inspection Report from the local audit party, the action taken on the above review note again be scrupulously examined at the headquarters to see how far the audit party has given proper attention to pending paras of old report and hence represented the position old outstanding objections correctly in the current inspection report.

6. The above procedure should be brought into use with immediate effect. Programme group will have a separate seat to watch submission of review notes with old pending reports two weeks in advance of the commencement of the respective audits.

Review note of old outstanding paras/Inspection Report

Name of Office _____

Reference of AIR	Paras & Sub para under each AIR	Self contained brief of the original objection by OAD (HQRs)	Direction for section to be taken by the local audit party	Action taken by the audit party
1	2	3	4	5

ANNEXURE III

(Referred to in Para 1.26)

Specimen Form of Draft Audit Inspection Report

Audit Inspection Report on the accounts of
(Name of the office with location for the period from to (period for which the accounts are checked).

PART I

A Introductory

(i) General

The accounts of the office of the for the period from to were test audited by a local audit party of the office of the Accountant General, Chhattisgarh from to The last audit of the accounts of the office covering the period from was conducted from to

The following officials have held charges of the respective posts indicated below for the period mentioned against each, since date of last audit:-

(1) Post of

(a) Shri from to

(b) Shri from to

(c) Shri from to

(2) Post of

(a) Shri from to

(b) Shri from to

(ii) General set up and activities.

(iii) Internal check and supervision : general state of Records and observance of procedure.

B (i) Position of pending Audit Inspection Reports

At the commencement of local audit, _____ audit inspection reports with _____ paras were outstanding as per details below :-

Sl. No.	Reference of Audit	Month/year of	Paras with sub-paras
---------	--------------------	---------------	----------------------

	Inspection Report (period etc.)	issue of Audit Inspection Report	outstanding
1	2	3	4
Total Reports		Total number of Paras and sub-paras	
5		6	

After review of the pending observations during the current audit the final position of the outstanding Audit Inspection Report and paras is as below :-

Sl. No.	Reference of Audit Inspection Report (period etc.)	Month/year of issue of Audit Inspection Report	Paras with sub-paras outstanding
1	2	3	4

The position of the final outstanding items in the various Audit Inspection Reports as per column 6 of the Table above is given in Annexure 'A'. The following observation need the attention of the Head of Department and the Government.

(ii) Position of maintenance of records and/or their production to audit during previous and current audits.

C. Persistent Irregularities

PART II- CURRENT AUDIT

A. Serious Irregularities

B. Other Irregularities

C. Issue of Test Audit Note

A test audit note incorporating minor audit observations have been issued to the Head of the Office on A compliance of the test audit note is required to be reported to the Senior Deputy Accountant General (OAD), Office of the Accountant General, Chhattisgarh, within one month of the date of issue of test audit note (due action may be particularly ensured higher authorities; as a number of observations made in the previous test audit notes have not been complied with, and these have been incorporated in the present test audit note). The action taken may be reviewed during departmental inspection by higher authorities and during departmental audits.

Salient points of the test audit notes are summarized below :-

- (1)
- (2)
- (3)
- (4)

ANNEXURE IV

(Referred to in Para 1.33 Note)

Copy of O.O No. OE III/TA Group/STR/471 dated 21.10.75

Subject : Omissions noticed in T.A. Bills-Instructions for compliance

Many a time, objections are noticed in T.A. Bills with the result that some delay is caused in their processing. In order to smoothen matters and eliminate all delays, the following instructions may be issued to the touring staff, for presentation of their T.A. claims :-

- (1) The time of arrival and departure, in the Hotels, is not being indicated in the Hotel Receipt, they should press for its inclusion by the Hotel Managers, as higher rates of D.A. are based on these timings only.
- (2) The bus fare as charged by bus authorities is usually not decipherable and it is neither being written, on the bus tickets by the Government Servant. In future, a record to the following effect needs be made, by the official concerned. "Paid Rs. As bus fare on (date)".

- (3) The time of departure of train/bus, is not being indicated in the T.A. Bills for onward journey. Similarly, the time of arrival of train/bus is not being recorded, for inward journey. These timings may be shown in future, as D.A is to be based on these timings only.
- (4) In cases of journey by semi-Delux Bus or Delux Bus, the bus tickets are invariably to be preserved and submitted, alongwith the T.A. claims; as proof of the fact that the journey was actually undertaken by semi-Delux or Delux Bus and not be ordinary bus.
- (5) Ticket numbers of train or bus should invariably be indicated, both for the onward journey from or inward journey to Headquarters.
- (6) In case, a casual leave is availed of before proceeding on tour, thus combining it with the onward tour journey, a note to this effect should be made in the body of T.A. Bill. Similar indication should be made, when the return journey is combined with casual leave, either before or after undertaking the journey. It has been observed, that the fact of casual leave is often, suppressed by the field staff. In future, therefore, any deviations in transit dates, caused by their taking Casual leave on the scheduled transit date, whether at the time of onward journey or return journey should clearly be indicated in the remarks column.
- (7) Many a time Government servant proceeds on regular leave from an outstation, and charges T.A. expenses for return journey. The fact of his proceeding on EL is not recorded anywhere in the T.A claim. As this is a very important and material information directly affecting his T.A/D.A; the suppression of this information would be viewed very seriously. No T.A is admissible in such cases for return journey back to Headquarters.
- (8) As and when a full taxi (Four wheeled auto fitted with a milometer) is engaged and higher rate of 60 P. per Km is charged registered Taxi Number needs be quoted.
- (9) Printed receipts for hotels charges should invariably be insisted upon.
- (10) As and when halt at an outstation exceeds 30 days at a stretch, the official should apply for full rate of D.A. certifying that the halt was in public interest and he continued to incur extra expenditure.
- (11) The tour advance applications do not indicate the balance of previous tour advances outstanding against the applicant. In future, therefore, such applications should detail out, the net outstandings against the Government servant, after including all the previous advances vis a vis the “adjusting T.A. Bills” presented by him.

ANNEXURE V

(Referred to in Para 1.51)

Copy of letter NO. 2255-Admn.III/466-60 dated 17.11.60 from the Office of the Comptroller and Auditor General of India, New Delhi to all State Accountants General.

Subject : - Local audit of accounts of the offices of the State Government situated outstate the State.

It has come to the notice of this office that in cases where certain departments of the State Government have their activities in other states. Audit of the accounts of offices relating to such activities is normally conducted by the Accountant General of the State concerned. This involves heavy expenditure on account of T.A. and D.A etc. of the local audit parties. In order, therefore to avoid unnecessary expenditure on local audit of Civil offices like Emporiums, Trade Agents etc., of State which are situated outside the state, it is felt that the audit of such offices may be conducted by the Accountant General in whose jurisdiction the offices exist. In fact, proposals for entrusting Audit according to this principle are occasionally received and approved by this office. I am, therefore, directed to state that the position in this regard may please be reviewed and proposals to entrust the audit of such Civil offices to Accountants General in whose jurisdiction the offices exist, may please be submitted to this office at an early date.

ANNEXURE VI

(Referred to in Para 1.10 (f))

Register showing proforma Review of work done by Auditor LAP No. _____

(1) Name of Unit Name of Auditor

(2) Period of Audit Name of Assistant Audit Officer

Sl. No.	Nature of work done by auditor	Extract quantum stating No. of pages, No. of receipt books & No. of vouchers etc. audited	Period covered	Review to be done by S.O.	Details of review done (stating the full particulars of items reviewed- page Nos. of cash book, receipts books, cash book items & name of Officials whose	Percentage
---------	--------------------------------	---	----------------	---------------------------	---	------------

1	2	3	4	5	6	7
---	---	---	---	---	---	---

-
- (a) Computation 5 %
 - (b) Receipt Tracing 5 %
 - (c) Vouching 5 %
 - (d) Check of service book and leave accounts:-
 - (a) Persons retiring within 5 years
 - (b) Others 5 %
 - (e) Any other item allotted to Auditor & review by S.O

Signature of Auditor/LAP

Signature of reviewing Assistant Audit Officer/LAP

CHAPTER 2
DUTIES OF HEADQUARTER SECTIONS AND THE RECORDS MAINTAINED BY
THEM
GENERAL DUTIES

2.01 All headquarter sections are responsible to see:-

- (i) that all files of office orders, circulars and policy files on matters of general importance are maintained up to date ;
- (ii) that the calendar of returns is maintained regularly and the returns are submitted or issued on due dates;
- (iii) that the records no longer required in the section are sent to old Records section after noting the period of preservation on the front page of each file (A list of records and the period of their preservation are given in Para 1.47 of Chapter 1).

2.02 Registers common for all Headquarter sections of OAD:

- (1) Calendar of Returns- A Calendar of Returns (in form SY 264) should be maintained by each headquarter section of OAD. This will show the due date of submission of Reports, Returns statements etc. with due dates of their actual submission. The Calendar of Returns should be submitted to the Branch Officer of the Section every week on Monday and to the Sr. Dy. Accountant General/ Dy. Accountant General (concerned wing) on 15th of every month.

IMPORTANT ITEMS OF RETURNS WITH DUE DATE ARE MENTIONED IN APPENDIX II

- (2) Register of Digest of Important and Interesting cases-This Register should be maintained by each H.Q section of OAD to record all cases where, at the instance of local audit any substantial loss to Government was avoided or where due to acceptance of the suggestions of audit any substantial saving to Government was effected. Other interesting cases of importance may also be noted therein. After noting all such cases the Register along with the digest thereof may be submitted to the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) of his information and approval and may be sent to E.P.A. Section by 10th of each month.
- (3) Register of watching the removal of defects pointed out by the Director of Inspection- A register should be maintained in the Form 6 to ensure that the defects and omissions pointed out by the Director of Inspection in his Inspection Report are remedied as expeditiously as possible. The Register should be submitted to the Branch Officer fortnightly on 1st and 15th of the month

and to the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) on 10th of each month.

(4) The following registers may also be maintained by each section and their due completion and timely submission to Branch Officers, where necessary, watched through the calendar of returns.

- (i) Register file of Event Reports
- (ii) Casual leave register
- (iii) Register of Earned leave applications
- (iv) Duty Register
- (v) Register of losses
- (vi) Register of Treasury Irregularities
- (vii) Register of Delegation of Financial powers
- (viii) Register of over hauling
- (ix) Assistant Audit Officer's Note Book
- (x) Register of office orders
- (xi) Register of Codes and Manuals
- (xii) Register of weekly diaries
- (xiii) Register of watching the disposal of Lists of D.C. Bills sent by D.A. sections (Excepting OAD section).

2.03 Duties of OAD Sections

The OAD Sections will be responsible for –

- (i) Preparation of Annual Forecast of Local Audits/Inspections
- (ii) Working out the staff requirement of the department in the light of the decisions taken on the Annual forecast and securing sanctions to additional requirements where necessary.
- (iii) Management of personnel including the periodical replacement of persons in the field by substitutes from the Central Office.
- (iv) Preparation of tour programmes of audit parties and Inspecting Officers and regularization of deviations there from.
- (v) Issue of timely intimations of audit to the Heads of offices to be visited with the prescribed proforma and where necessary, to others.
- (vi) Arranging the supply to local audit parties of stationery articles and forms;

Note :- Service postage stamps may be obtained by the local audit parties by direct correspondence with the Despatch Branch of the Central office. Cases of non receipts or delay in receipt of the S.P. Stamps may, however be brought to the notice of OAD Sections.

- (vii) Keeping local audit parties and the Inspecting Officers fully posted with all important orders, decisions etc. likely to affect their work in the field.
- (viii) Disposal of all questions and correspondence relating to matters dealt with in the outside Audit Department, including the resolution of doubts and difficulties of technical or procedural character referred to Head quarters by local audit parties and Inspecting Officers and the issued of appropriate instructions to them.
- (ix) Examining and submitting the Monthly Movement Reports of Inspecting Officers and local audit parties and issuing reminders in cases of non-receipt.
- (x) Submitting applications for regular and casual leave of the staff working in the field to the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing).
- (xi) Preparing monthly reports of arrears in the department.
- (xii) Furnishing of returns and statements required by Admn. Section regarding establishment and staff of OAD.
- (xiii) Keeping the OAD Manual upto date and supplying corrections slips issued thereto to the local audit parties and Inspecting Officers.

2.04 Registers to be maintained by the OAD Sections

The following are the important Registers which are required to be maintained by the OAD Sections –

- (i) Register of Special Audits- As soon as it is decided by the Accountant General to conduct special audit of particular formation it should be noted in the Register of Special Audit in Form 7. The Register should be put up to the Branch Officer on the 12th of each month. The assistant dealing with programme should take care to book the special audit at the earliest opportunity under orders of the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing).
- (ii) Register for watching monthly progress of receipt of Movement Report- A Register in the form OAD/4 showing monthly progress of receipt of movement Reports of local audit parties should be maintained by the OAD sections and submitted to the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) through Accounts

Officer/OAD on the 15th of every month to facilitate strict watch over the receipt of the Movement Reports (See Note (i) below para 1.24 (ii) of Chapter 1)

- (iii) In addition to the above the following Registers will also be maintained by the OAD Section-
- (a) Register of Forecast
 - (b) Register of programmes Cycle Index Register
 - (c) Register of Tour programmes of Senior Deputy Accountant General/ Deputy Accountant General (concerned wing).
 - (d) Register of list of offices.
 - (e) Register of casual leave of field staff.
 - (f) Register of tenure of staff in OAD field.
 - (g) Register of Index cases.

2.05 Other duties of Headquarter Sections

Headquarter sections will also be responsible for –

- (i) Arranging the supply of the documents necessary for the conduct of local audit, including files of correspondence on previous Inspection Reports; (See para 1.06 of Chapter 1).
- (ii) On receipt of the draft Inspection Report from the LAP the auditor of the Headquarter Section will check that it is complete in all respects and then submit the same to the Assistant Audit Officer with the edition memo in form No. 16 duly completed. After editing, the Assistant Audit Officer will put up the same to the Accounts Officer/Sr. Dy. Accountant General for his orders.
- (iii) Scrutiny of replies to Inspection Reports and issue of rejoinders until all the points raised in the Reports are finally settled dropped or held over for further verification or investigation at the time of next audit.
- (iv) Pursuance of outstanding Reports/paras by various means such as, issue of reminders to the officers responsible for furnishing replies to them, sending statements of outstanding objections to higher authorities, reviewing the outstanding objections and issuing appropriate directions to parties visiting the same establishment on subsequent occasions.
- (v) Watching the receipt of communication about the result of scrutiny of expenditure by the local audit parties against the amounts drawn on AC Bills for which the DC Bills were not received in the Central office and their transmission to the DA sections concerned.
- (vii) Furnishing material required by Report Sections for inclusion in Audit Report.

2.06 Other registers to be maintained by Headquarter Sections of OAD

The following are the important Registers which are required to be maintained particularly by the Headquarter Sections of the OAD dealing with Audit Inspection Reports.

(1) Check Register for watching the Receipt and issue of Inspection Reports

A Register for watching the receipt and issue of Inspection Reports shall be maintained in form 8 to watch the receipt and disposal of all inspection reports by each auditor of OAD H.Q section. The Register shall be kept upto date and submitted to the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing), on the 5th of every month Reminders shall be issued to local audit parties for any Inspection Report not received within a week of completion of local audit. It shall be ensured that the reports are issued within a month of the date of completion of Inspection.

(2) Progress Register of settlement of Inspection Reports.

This Register shall be maintained in Form 9. It should also be submitted to the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) on the 5th of every month.

(3) Control Register of settlement of Audit Inspection Reports

Each Auditor who maintains a progress Register of settlement of Audit Inspection Reports should maintain a subsidiary Register to be called “Control Register of settlement of Audit Inspection Reports and the summary thereof” in form 10. The volumes of this Register will correspond to the volumes of progress Register of settlement of Audit Inspection Report. Separate volumes or acts of pages in a volume, as the case may be will be earmarked for separate departments.

N.B :- The Check Register (S.No. 1 above) the Progress Register (S.No. 2 above) and the Control Register (S No. 3 above) will be put together on 5th of the following month to the Accounts Officer (OAD)/Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) by Assistant Audit Officer of the Headquarter Section with summary report for each month in form 10.

(4) Objection Book :-

(a) Money values of objections raised in Inspection Reports should be registered in objection book maintained in form/MSO (T) 127-B by OAD (Headquarter) Sections.

(b) The objection book will provide separate columns for keeping a record of the objections under the following categories viz:-

- (i) Mis-appropriations, defalcations etc.,
- (ii) Recovery of excess payments;
- (iii) Losses, shortages of stores etc;
- (iv) Credit sales pending recovery beyond a reasonable period (To be fixed by AG.);
- (v) Advances pending recovery/adjustment beyond a reasonable period (to be fixed by AG).
- (c) Exception

Money values in the following cases, however, need not be entered in the objection book:

- (i) Trading and proforma losses of Government schemes/concerns;
- (ii) Outstanding dues to Government on account of credit sales and other outstanding dues to Government in respect of which accounts are kept by the department for purpose of watching the recovery;

Note : Items in respect of which there is delay in recovery of over a year should however be segregated and commented upon in Inspection Reports and recorded in opening balance.

- (iii) Outstanding loans and advances made by departmental agencies debited to a debt deposit or advance head of account.
- (iv) Cases of differences, discrepancies etc. in stock other than specific cases of shortages in departmental balance of stock for which responsibility has not been fixed and action for recovery has not been taken.

(CAGs letter No. 2560-Tech-Admn I/635-66/1-9-67)

NOTES: The Comptroller and Auditor General has ordered that there should be no distinction in the matter of recording of objections in the Objection Books. Whether they pertain to Government accounts or accounts of autonomous bodies and provisions of para 820 of MSO (T) Vol I should apply equally to objections and observations arising out of audit in these cases.

(CAG's letter No. 749-TA/635-66 dated 28.05.69).

(5) Register of Returnable Documents

The documents sent by the HQ Sections of OAD to the local audit parties may be noted in this Register. It should be submitted to the Branch Officer on 10th of each month. The Register should be maintained in Form 11.

(6) The Register regarding the points to be looked into at the time of next audit.

A Register in Form 12 may be maintained to recall all points which are desired to be specially investigated by the parties during the course of local audit of a particular office. Whenever any such office is booked for audit a remark may be noted in the remarks column of

the periodical programme, to indicate that special points are to be investigated so as to enable the dealing assistant of OAD. Headquarters section to take precautions to sent the record in time. In case the papers and files do not reach the party in time, they should call for the same telegraphically. Failure to send and call for records will be viewed seriously. By the 12th of each month an abstract of outstanding items should be drawn, indicating clearly cases of failure to send papers and to intimate the points to the parties and submitted to the Branch Officer.

Reference to file, in which the concerned papers are kept, should be conspicuously noted in the Register.

(7) Register for watching receipt and non-receipt of vouchers and other documents from Central office by Local Audit Parties

A Register should be maintained in Form 13 for keeping a record of offices where the DA Sections failed to intimate selection of months and send the records. For this purpose a statement of documents received/not received, sent by the local audit parties along with draft inspection reports may be referred to. Omissions on the part of the DA Sections should also be brought to the notice of T.M. Section by each OAD (HQ) Section by 10th of each month following the month under report.

An additional column may be suitably opened in this register for watching the dispatch of a list of wanting DC Bills to the Local Audit Parties and intimate the names of the defaulting DA sections to T.M. Section.

(Reference : Para 1 (iii) of the O.O. No. OAD (M)/11-128/1973-74-O.O. 24 dated 23.3.1974).

(8) Register of Grant-in-Aid:-

The auditors concerned of the HQ Section dealing with grant-in-aid will maintain a register in form A.T.M 41 to record sanctions to Grants-in-aid as and when these are received from the D.A Sections. The Register should be submitted to the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) on 1st of January, April, July and October every year.

(9) Broad sheet of Audit Fees

The OAD (HQ) Section dealing with grant-in-aid and audit in respect of bodies/authorities etc., from whom audit fees are recoverable should maintain a Broad sheet in form S.Y. 188-D to watch the recovery of audit fees. The recoveries should be traced in the receipt schedule of the Central Departments and posted in the Broad sheet which should be submitted to the Gazetted Officer in charge on 20th of each month.

(10) Register of drawals remaining untraced during local audit

A Register in form 14 should be maintained by each Head Quarter Section of OAD to keep a note of drawals which could not be traced in the cash book and the Bill Register of the Head of the Office during local audit. An extract of the para of the Audit Inspection Report regarding untraced drawals may be sent to the concerning DA Section for verification of the drawals from the original vouchers and to report the results to the OAD (HQrs) Section concerned and pursuance may be watched through the Register till the matter is settled.

The Register should be reviewed every month on 7th and cases expedited through issue of reminder note/personal contracts. The date of submission to Branch Officer/Senior Deputy Accountant General every month should be noted in the calendar of returns.

(O.O No. OAD (M) II/125/1973-74/O.O/12 dated 1.9.73)

2.07 The SFI Cell will be responsible for :-

- (i) Processing of important observations considered likely to provide material for Audit Reports on Appropriation Account including the issue of factual statements and preparation of draft paras.
- (ii) Examining the “Register of serious Financial Irregularities” once a month and the “Progress Register of Inspection Reports” monthly to see that the proper action on each case is being taken.

2.08 The SFI Cell will maintain “A Register of serious Financial Irregularities and for processing important irregularities for draft paras for inclusion in Audit Reports” in the Form II.

During the scrutiny of Inspection Reports, a number of important irregularities are noticed, which may ultimately merit inclusion in the Audit Reports. All such irregularities should be noted in a separate register in the Form 15 and should be pursued separately through special letters with the departmental authorities and the Government. In case no reply is received from the Departmental authorities to whom the report was made, within six weeks, the case should be pursued demi-officially, with the Government at appropriate level to obtain specific comments on the irregularities involved. Meanwhile action should be taken to see that factually the objection is correct and to collect any further information which might be necessary for strengthening the objection. On receipt of Government reply or at the end of the two months from the issue of the first demi-official communication to the government if no reply is received, the feasibility of the preparation of draft para with the information available and issuing it to the Government may be considered. If this procedure is followed it might be possible to expedite

action over these irregularities and to consider their inclusion in the Audit Report as early as possible.

The Assistant Audit Officer of the SFI Cell shall be personally responsible to see that all these cases are properly noted in the Register and processed promptly. The Register should be submitted to the Branch on the 5th of each month.

2.09 All work and activities arising in connection with implementation of the provisions of the relevant Sections of the Comptroller and Auditor General's letter no. 149/TAI/50-69. concerning grants and loans paid to bodies and authorities within the State of C.G. are coordinated by a special "Grant-in-aid Cell" headed by an Accounts Officer, formed in pursuance of the Comptroller and Auditor General's letter No. 149/TAI/50-69, vol. II dated 2.3.74.

2.10 The distribution of some of the items of work among different sections of OAD at the Head quarters as mentioned in the foregoing paras of this chapter is subject to revision as and when found necessary.

2.11 Preparation of the charge report at the time of change in the incumbency of the auditors in the Head quarter sections of OAD

The following is the procedure for preparation of charge reports, whenever there is a change in the incumbency of auditors in the OAD sections at the headquarters.

(a) The charge report giving full details item wise, should be prepared in triplicate and kept and record as under :-

- (i) First copy should be kept by the Assistant Audit Officer in the file of charge Reports of the Section. This file should be duly numbered and kept with the Assistant Audit Officer under the personal custody.
- (ii) The second copy should be kept by the auditor taking over charge, in the file of charge report maintained for the seat. This file should be numbered and entered in the Register of cases of the seat.
- (iii) The third copy should be kept by the auditor handing over the charge report as his personal copy for future reference.

(b) The Assistant Audit Officer will also review charge report file under his custody in consultation with the incumbency register maintained in the Section and submit to Branch Officer on 10th April/10th July/10th October and 10th January.

(OAD (M)/O.O.1/74-75 dated 3.3.1975).

CHAPTER 3

INSTRUCTIONS ON PREPARATION OF MATERIAL FOR AUDIT REPORT

3.01 Importance of Audit Report

The Comptroller and Auditor General considers that the Audit Report is the only document by which the achievement, usefulness and effectiveness of the Audit Department is judged by the legislature and the general body of the tax payers. It provides the Legislature with a powerful weapon against irregular, extravagant and wasteful expenditure of public money. It is not only an evaluation of the regularity and propriety of Government expenditure of a particular year, but also indicates the quality of work, knowledge and efficiency of our organization. In fact, it is the one thing, which above everything should engage the constant personal attention of all members of the Department engaged on audit work. It is, therefore, of utmost importance that cases which are likely to merit inclusion in the Audit Report should be segregated right from time they come to our notice (i.e in course of inspection or otherwise) and their processing started forthwith, so that the final drafting of the paras is completed in the minimum time.

3.02 The OAD Head quarters has to furnish the under mentioned material to the Report Section and the Director of Audit, Central Revenues, on the due dates prescribed by them from time to time.

- (i) Draft paragraphs on specific irregularities for inclusion in the Audit Reports duly approved by the Accountant General (vide para 30 of MSO (T), Vol. II and Appendix XI thereto).
- (ii) A review of the working of the outside Audit Department, covering typical irregularities noticed in the local audit of the office concerned covering important types of irregularities noticed during local audit and inspection.
- (iii) Paragraphs on “Audit of Stores and Stock Accounts”.
- (iv) Paragraphs on audit of the bodies and authorities under Section 14 & 15 of CAG’s (DPC) Act, 1971.
- (v) A statement showing the number of unsettled Inspection Reports and audit objections arranged department-wise and year-wise.
- (vi) Any other information required by the Report section and the D.A. C.R.

3.03 Selection of material for inclusion in the Audit Report

As regard the choice of material to be included in the Audit Report the instructions contained in para 29 and 30 of Chapter III of the MSO (T) Vol. II and Appendix XI thereto may be noted carefully.

(a) Some of the irregularities which may be found suitable for inclusion in the Audit Report are mentioned below. These are the principal types of irregularities which if properly presented and subject to general consideration indicated in sub-para (b) below may find a place in the Audit Report. This list is only illustrative and not exhaustive. Much will depend upon intelligence and experience of the officer in charge of the Inspecting party:-

- (i) Any negligence, manipulation in accounts-bad faith or fraud in monetary transaction or in the disposal of stores or other property.
- (ii) Any appreciable loss of Government money or property.
- (iii) Any serious irregularity connected with a contract or heavy purchases.
- (iv) Any extra ordinary infructuous or apparently un-necessary expenditure such as (a) payments made as an act of grace (b) unnecessary payment of demurrage or rent and compensation paid for damage attendant upon some executive failure (c) any payments of heavy amounts which appear to be contrary to any rule or terms of a contract.
- (v) Any advance or large claim which has been outstanding for unduly long time.
- (vi) Absence of Administrative regulation or procedure to secure a proper and effective check on monetary transaction.
- (vii) Any irregularity connected with grant-in-aid, such as neglect-(a) by the sanctioning authority of the condition precedent to the grant (b) by the grantee of the conditions attached to the grant by the sanctioning authority.

N.B.:- A reference is also invited to para 14 of C & AG's letter No. 149 TAI/50-69-Vol II dated 2.3.1974 and para 12 of CAG's letter No. 214 TAI/357-74 dated 25.3.1974 (Reproduced in Annexure).

- (viii) Any important irregularity in the realization of revenue.
 - (ix) Sanctions to write-off of an item of avoidable expenditure, such as legal expenses incurred by Government in a case in which interests of the Government are not directly involved.
- (b) The following considerations should be borne in mind while making a choice of the materials for inclusion in the Audit Report.

- (i) Cases involving transgression of statutory provisions, rules or orders and other cases which have led to or likely to lead to substantial loss of public money may be mentioned individually. A series of less important irregularities pointing to a common defect in financial control or administration may be commented upon collectively. Normally such irregularities should not be considered for comment, if adequate remedial action has been taken by the administration. The importance of an irregularity or a case of loss should be judged in the context of size of a scheme or project and the conditions in which the work has been executed.
- (ii) Cases which are subjudice will not be mentioned in such a way as to prejudice the claim or defence in a court.
- (iii) Normally very old cases should not be included in the Audit Report excepting the cases which could not have come to notice of audit earlier and some question of principle is involved. Cases where there has been lack of response to constructive suggestions made by audit for rectification of defects in financial or accounts control, may be commented upon if the continuance of the unsatisfactory features in attendant with risk of fraud or loss to Government.
- (iv) Minor case where no malafides or deliberate intentions to circumvent the procedure are involved may be eschewed.

3.04 Drafting of paragraphs for Audit Report

- (a) In drafting paragraphs for Audit Report, instructions contained in paras 31 to 38 of MSO (Tech). Vol. II may be borne in mind.
- (b) The draft paragraphs should not be lengthy and should not include unnecessary material. All relevant information and data should be given and the exact point to be brought out in the paragraph should be correctly emphasized. All words and phrases which are likely to cause resentment or unpleasantness should be avoided and the paragraphs should be drafted in detached and dispassionate language so that the facts should speak more than the comments.
- (c) The words “Audit Comments” which frequently appear as the heading of a sub para after the paras narrating the irregularity should be dropped and that the comments themselves, where necessary should appear as statements or observations without qualifying words such as “Audit thinks that” or “ the audit comments are that” etc. In many cases the comments may be so obvious that they may occur to every intelligent reader and might be dropped altogether.

3.05 Processing of draft paras for inclusion in the Audit Report

- (i) Paras containing comments on serious financial irregularities noticed during edition of the draft Audit Inspection Reports received from the local audit parties will be marked to S.F.I (CELL) of the OAD (HQ) for further pursuance with a view to develop the case into draft paras for inclusion in the Audit Report of the Comptroller and Auditor General. On receipt of such cases the S.F.I (CELL) will note them in the “Register of Serious Financial Irregularities”, and then examine them carefully and intelligently to judge their potency to develop into draft paras. Any further particulars or information necessary for processing the cases should be called for by the S.F.I (Cell) forthwith.
- (ii) The pre-requisite for preparation of a draft para is the preparation of a factual statement to prove that the case merits development into a draft para. In regard to the cases which stand on firm ground and where a factual statement has been sent by the party the statement should be critically examined in the S.F.I Cell; where, however, no factual statement has been received from the local audit party the necessary factual statement will be prepared by the SFI cell, supported by a short synopsis of each case indicating, interalia, the major irregularities committed and the cases will be submitted to the Sr. DAG/ DAG (concerned wing) for his approval. The factual statement as approved by the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) will then be forwarded to the Secretary to the Government of the Department concerned for acceptance of facts within a specified time. Copies of the statements will also be forwarded simultaneously to the Heads of the Offices and of the Departments concerned.
- (iii) On receipt of all necessary information for proper presentation of the case draft paragraphs will be prepared by the SFI cell and submitted to the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) for approval. After his approval the paragraphs alongwith other necessary connected papers will be forwarded to the Report section for further necessary action.
- (iv) The cases which are ultimately found to be not suitable for inclusion in the Audit Report, should be removed from the “Register of Serious Financial Irregularities” maintained in the SFI Cell under orders of the Sr. Deputy Accountant General/ Deputy Accountant General (concerned wing).

3.06 When any case of financial irregularity relating to central subjects is noticed, orders of the Senior Deputy Accountant General/ Deputy Accountant General (concerned wing) should be

obtained as to whether the case is of sufficient importance and should ultimately find place in the Audit Report (Central) to be prepared by the D.A. C.R. If he passes the order in the affirmative the procedure as enjoined in para 25 of the MSO (Tech.) Vol. II should thereafter be followed.

3.07 In respect of the draft paragraph sent to the Director of Audit, Central Revenues, for inclusion in his Audit Report by the Report Section further developments should be communicated quarterly to the Report Section to enable that section to furnish the same to the Accountant General, Central Revenues on the 1st April, 1st July, 1st October and 1st January till the case is closed. (A.G.C.R's D.O. No. R-9-9-2025 dated 5th September 1953 and No. R-9-9-1550 dated 22nd June 1955).

3.08 A statement showing the total number of unsettled Inspection Reports, excepting those relating to treasuries, and number of items together with money value, if available, duly classified department/Ministry wise, and covering the year under report and each of the preceding years concerned covering the oldest items should be prepared separately for the state and Central Government offices locally audited and should be furnished to the Report Section.

N.B: According to the procedure in vogue whenever a local audit party visits an office for inspection it, besides other items, undertakes the audit of the entire expenditure for which D.C. Bills have not been received in the Central Office. This audit is generally confined to the period for which the audit is booked i.e., from the date of last audit. Yet there are many A.C. Bills for which D.C. Bills are not received in the Central office. There is thus the possibility that these bills may conceal likely misappropriation, frauds, etc. The Comptroller and Auditor General of India has, therefore, decided that here after the local audit parties should audit the expenditure in respect of all A.C. Bills for which detailed bills are still awaited from the departments.

In order to ensure the compliance of the orders of the Comptroller and Auditor General of India following procedure is laid down:-

- (i) On receipt of the tour programme, the D.A Sections should draw out and send to the local audit parties a list of all outstanding DC Bills in respect of the amounts drawn on the A.C. Bills vide para 2 of the office order no. TMI/II/6 (16)/O.O/28 dated 9.1.1974.
- (ii) On receipt of this list the local audit party should scrutinize the expenditure and send the results of such scrutiny to the concerning HQrs section of the OAD in a separate cover along with the draft Audit Inspection Report for onward transmission to the concerning DA sections.

- (iii) The HQrs, OAD sections should open an additional column in the register for watching the record sent to the LAP by D.A. sections and initiate to the concerning TM section the names of the defaulting D.A. sections if the list of outstanding D.C. Bills is not received by the local audit party.

Important and significant irregularities noticed during the audit could be considered for being mentioned in the audit report.

(OAD (M)/II-128/1973-74/0024 dated 23.3.1974)

ANNEXURE

(Referred to in para 3.05 (a) (VII))

Extract of para 14 of CAGs letter no. 149-TAI/50-69-Vol-II dated 2.3.1974

Section 14 of the C & AG's (Duties, Powers & Conditions of Service) Act, 1971 also places a statutory responsibility of the CAG to report on the receipts and expenditure audited by him. For this purpose results of audit of bodies or authorities under Section 14 of the Act will have to be incorporated in the C & AG's report (Civil) of the Union Government, each State Government and each Union territory Government which has a Legislature preferably in a separate Chapter. In this Chapter, the number of bodies or authorities, accounts of which have been audited, will be mentioned. The more important irregularities noticed will be mentioned. The more important irregularities noticed will be mentioned individually in addition to general comments about types of irregularities. After audit of the accounts of such bodies or authorities for 1971-72 and 1972-73 is over, each A.G. may send a draft chapter to this office which he proposes to include in the next report (Civil) alongwith a list of institutions audited.

Extract of para 12 of CAG's letter No. 214-TAI/357-74 dated 25.3.1974

Important irregularities noticed during scrutiny of the procedures in the office of the sanctioning authorities and/or scrutiny of records of the recipient bodies or authorities may also come to be featured in the Audit Report distinctly and separately in a chapter on "grants/loans given by Government". In this chapter the important points arising out of the audit of the receipts and expenditure of bodies or authorities coming under section 14 (in this connection, reference is invited to para 14 of this office circular dated 2.3.1974), those arising out of the scrutiny under Section 15 (i) of the procedures by which sanctioning authorities satisfy themselves as to the fulfillment of the conditions governing grants and loans for specific purposes and the scrutiny under section 15 (1) of the books and accounts of bodies and authorities in receipt of such grants and loans for specific purposes should be distinctly brought out in separate paragraphs. In regard to grants/loans to bodies or authorities, not coming under the scope of section 14 and also not coming under section 15 (1) due to non mention of any specific purpose in the sanctions, such items should be listed out and mentioned distinctly in a separate paragraph of this chapter, so as to bring to the notice of the legislature the number of such cases and quantum of money involved that remain unaudited by the Indian Audit Department though it constitutes expenditure out of Government Funds.

CHAPTER 4

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

4.01 The instructions in this chapter are general and deal with the important records of accounts which are common to all civil departments. Peculiarities in departments having special sets of books of accounts or any other special feature have been dealt with in separate chapters. The principles given in this chapter are explanatory and supplementary to the rules and instructions contained in the Manual of standing orders (Technical) Vol. I and the secret Memorandum of Instructions regarding the extent of audit and other regulations issued by the Comptroller and Auditor General or the various authorities of the State Government (or Government of India relating to offices and institutions of the Central Government). These are by no means exhaustive and are meant simply for guidance of the Inspection Staff whose intelligence or discretions is not attempted to be fettered.

4.02 The primary object of local audit and inspection is to ensure that the original data on which the accounts rendered to the audit office are based, are correct and complete. All possible attention, should therefore, be paid to this object of local audit and inspection. It should also be ascertained whether the treasury (and other) rules are properly followed by the departmental officers.

For an intelligent and efficient audit of inspection of the account, the inspecting staff, should have an intimate knowledge of various Acts, Codes and Manuals and any special rules relating to such accounts.

Before taking up, the local audit of an establishment, the local audit staff should make themselves conversant with the general setup of the department, the nature and volume of transactions it deals in the system of accounts, the account books prescribed, the budget, departmental manual and the administrative report or say other publication, arrangements for internal audit and inspections by departmental superiors, in order to make their audit both intelligent and useful instead of allowing it to become merely a routine process of checking registers in a disconnected and mechanical way.

In this connection, para 769 of CAG's MSO (Tech) Vol. I may also be referred to,

NOTE : The system of internal check should be examined and the inspection reports of internal audit, if any, should be seen. The defects pointed out in those reports should be commented upon, if not remedied.

4.03 General Examination of Accounts

Immediately on taking up an audit, all accounts registers and records including the accounts of receipts and of stores, cash books measurement books, muster-rolls and works accounts for the entire period covered by the audit should be generally examined with a view to see :

- (i) that they have been written upon date, are complete in all respects and are susceptible to audit;
- (ii) that they have been maintained according to rules;
- (iii) that the writings do not indicate any attempt to tamper with record or to evade the requirement of the rule. The recorded transactions should be reviewed intelligently and the abnormal and doubtful features investigated in detail.

Ordinarily this general examination should be conducted by the Assistant Audit Officer himself and not left to his auditors.

Where subsidiary registers of cash and stores accounts are kept, it should be verified that these are properly maintained and the totals and balances are correctly taken over to the main registers.

N.B. : (Period of accounts to be audited :

The period of accounts to be audited by the Inspection party should, unless otherwise specified, be the period falling between the month upto which the accounts were last audited and the month preceding in which the present audit takes place).

(CAG No. 1307/Admn. I/388-55 dated 26.6.1955)

4.04 Audit of Cash book

In addition to the detailed audit for the selected month the following points in regard to maintenance of cash book and receipt of cash may be carefully examined and any deficiency on the part of departmental authorities in following the procedure prescribed in Treasury Rules or departmental regulations should be prominently brought out in the Audit Inspection Report-

- (1) The arrangements for the drawal of cash from treasury, for realization from other sources and for custody, payment and accounting of cash, should be examined to see that they are in conformity with the prescribed rules.
- (2) Drawals from the treasury for the month selected for test audit may be traced in the cash book.

N.B: 1 To enable conduct of above verification list of payments of the treasury, for the months selected in respect of all major heads operated by the drawing officer are sent to the local audit party by the D.A. sections. Where such lists are not received or are not received in respect of all the major heads the audit party should prepare a list of drawals under the various major heads being operated by the drawing officer as per treasury records and locate the same in the cash book. Conduct of actual verification into the cash book and Bill register should be done by Assistant Audit Officer.

N.B: 2 The Directorate of Treasuries and Accounts M.P. Bhopal have issued instructions to all the Treasury Officers to cooperate with the Audit Parties in preparing the list of drawals etc. made by a Drawing Officer and to authenticate such lists as also to furnish full details in the schedule of payments made by the treasury. Copies of the Directorate circular letter no. /XVI/9/74-75/5328 dated 27.6.1974 and /16/66/78-79/15620 dated 20.11.1978 are reproduced in Annexure II to this Chapter”.

(3) A list of remittances into the treasury during the months selected for detailed check may be prepared from the cash book by the Assistant Audit Officer himself and verified directly from the Treasury records. This verification should be conducted at the treasury independently with reference to the treasury records, by deputing a member of the local audit party to the treasury.

(4) Checking of arithmetical accuracy of the cash book should be done for the months selected for test check. Including check of opening balance for proper carry forward from the closing balance of previous month and that of closing balance of the month selected for scrutiny to the next month in case of annual audits, one more month may be selected at random to check arithmetical accuracy.

(CAG's No. 770-TA.I/117-74 dated 7.9.1974).

(5) It should be seen that:-

- (i) all transactions have been entered in their strict chronological order;
- (ii) totals are correct and balances have been carefully worked and analysed;
- (iii) the head of the office has recorded on the Cash Book, over his dated signatures certificate to the effect that he has verified the closing balance by actual count at periodical intervals and has also prepared an analysis of the cash balance and reviewed its clearance as prescribed under S.R. 53 (iv) of C.G. Treasury Code Vol. I.
- (iv) the permanent advance is not in excess of requirement;

- (v) no expenditure has been incurred in excess of the permanent advance by spending from the departmental receipts which constitutes a serious irregularity;
- (vi) there no tendency to keep an unduly large cash balance in hand; sums are not drawn far in advance of requirement; and that the cash in hand of the cashier is sufficiently covered by his security deposit;
- (vii) if money is temporarily advanced to subordinates for departmental expenditure, either from the permanent advance or out of drawals from treasury there should be a proper record of the payment of the advances and the receipt of accounts of expenditure incurred therefrom. It should be seen that such advances were made for authorized purposes only, that amounts were not held outside the chest in this manner any longer than was absolutely necessary and that the receipt of accounts of advances and the incorporation of expenditure in the cash book was strictly watched by the officer in charge of the cash book.
- (viii) Adequate arrangements exist for the safe custody of cash:-
 - (a) When under any special sanction, a Government servant deals with both, the Government and non-Government money, in his official capacity, the Government money should be kept in a cash box quite separate from the non-Government money and the transactions relating to the latter should be accounted for in a separate set of books entirely out of Government accounts;
 - (b) it should, therefore, be seen in audit that the accounts of non-Government money have been maintained in a set of books separate from the Government accounts and that Government money has not been mixed up with, but kept separate from the non-Government money;
- (ix) there are no erasures, over writings or interpolations and errors are verified properly and duly initialed;
- (x) each entry in the cash book is attested by the officer in charge of the Cash Books,
- (xi) the officer in charge of the Cash Book should verify the total of the Cash Book or have it done by some responsible officer other than the writer of the Cash Book.
- (xii) where the number of payments made into treasury in a month is more than ten and total amount involved there in exceeds Rs. 1000 the officer in charge of the cash book should obtain from the treasury a consolidated receipt for all remittances made during the month which should be compared with the postings in the cash book.
- (xiii) in addition to the verification and check of the cash book and the bill register, prescribed under S.R. 53 (ii) and 197 of C.G. Treasury Code Vol. I the officer-in-charge of the cash

book should conduct fortnightly verification of the entries in the cash book and the Treasury voucher slips and record a certificate of having done it after close of the entries for the 15th and last day of the month.

- (xiv) that in the case of undisbursed amount of pay and allowances the dates of withdrawal are recorded and no item is held in hand for more than three months;
- (xv) there is no evidence of removal of or tampering with the pages of the Cash Books and that its pages are machine numbered, that the certificate of count of pages contained in a Cash Book is recorded under the signatures of the Head of the office on the fly leaf before bringing the same into use.
- (xvi) It should be seen that security has been obtained from persons handling cash and stores in terms of provision contained in Para 285 and 286 of C.G.F.C (Rule of G.F.R. in case of Central Government Department).

(No. OAD (M)/AGI/189-II/0012 dated 17.2.1976)

4.05 All receipts of cash as shown in the counterfoils of receipts books as well as the cash received from the treasury on bills, cheques cash orders, demand drafts should be traced in the cash book for detailed audit.

4.06 Audit of Receipt Books

Audit of Receipt Books will consist in seeing that:-

- (i) the number of books received agrees with the indent on the forms, department and the books are kept under lock and key in the custody of an authorized officer;
- (ii) a regular stores account of the receipt books has been kept;
- (iii) only one book is in use at a time (in some offices like sales shops this may not be rigidly enforced);
- (iv) the number of receipt forms contained in each book is recorded on the covering page under the initials of a responsible officer and that all forms are machine numbered;
- (v) receipt books are issued only to officers authorized to issue receipts and that their acknowledgements are on record;
- (vi) both at the time of issue of Receipt Book as also the return of a use up book an entry of the transaction is made in the Stock Register;
- (vii) in the case of defaced or cancelled receipts both the original and duplicate are recorded together with the reason for defacement or cancellation;

- (viii) a periodical verification is conducted of both the used and unused receipt books with the closing balance in the Stock Account;
- (ix) the amounts shown as having been realized on the counterfoils of receipts have been correctly entered on the receipt side of the Cash Book;
- (x) the return of counterfoils of used receipt books is properly watched and the counterfoils are recorded after check so as to ensure that there had been no delay or omission in bringing the receipts to accounts.

4.07 Receipt Audit

- (a) It is observed that the local audit parties generally confine themselves to receipt tracing and remittance of receipts into the treasury verification with treasury records. Actually the various processes and stage of collection of revenue and its accounting should be intelligently examined in order to ascertain the weak points if any, in the system involving risk of leakage of revenue/short realization.
- (b) Following instructions should be borne in mind during local audit:-
 - (i) that adequate regulations and procedures have been framed to serve as effective check on the assessment, collection and allocation of revenue;
 - (ii) that such regulations and procedures are being observed;
 - (iii) that where any financial rule or order prescribed the scale or periodicity, there is no deviation without proper authority from such scale or periodicity;
 - (iv) that a register of all recurring or/and non-recurring demands is kept in accordance with the rules and collections watched against it;
 - (v) that arrangements for collections are satisfactory and that there are no outstandings requiring special notice;
 - (vi) that the receipts are not directly appropriated to departmental expenditure except to the extent provided in the Treasury Rules.
 - (vii) that if remissions are granted they are duly supported by the sanction of the competent authority;
 - (viii) that the persons are invariably granted receipts in a printed machine numbered and authorized form of receipt duly signed by competent authority;

N.B.: In civil courts nazir or naib nazir issues receipt over his signatures in lieu of having received the money under Rule 470 of Rules and orders (Civil).

- (ix) that moneys received are brought to account immediately and that ordinarily there is no delay in their remittances into the Treasury.
- (x) that return of the counterfoils of used receipt books is properly watched and that the counterfoils are recorded after check so as to ensure that there had been no delay or omission in bringing the receipt to account;
- (xi) that for cancelled receipts, both the original and duplicate foils are on records;
- (xii) that the amount realized on a receipt has been clearly written in words and figures. Any indistinct or doubtful entry should be viewed with suspicion and further proof regarding the amount actually realized should be demanded from the office inspected;
- (xiii) that the amount realized as per the receipt issued has been correctly noted in the Demand Register;
- (xiv) that a responsible official is held responsible for carrying out the internal check on the line indicated in (iv),(v) and (vii) to (x) above and there is recorded evidence to the effect that he exercises his checks; and
- (xv) Detailed test checks for receipts for the months related for detailed audit is to be done with reference to tariffs.

(OAD (M)/II-118/1973-74/O.O 18 dated 15.7.1973)

4.08 Demand Register

The demand register should be checked carefully to see that:-

- (a) the closing balances of the previous demands have been correctly brought forward;
- (b) all demands falling due during the period have been correctly noted for recovery and the names of all persons from whom taxes, fees or other revenues are due have been duly noted (this check should be exercised with reference to other allied registers rolls and records maintained to show their names)
- (c) all the amounts shown in the counterfoils of receipts granted to parties have been correctly noted in the register and credited in the cash book.
- (d) the amounts shown as having been realized on the counterfoils of the receipt has been correctly entered on the receipt side of cash book;
- (e) all sums due are realized with reasonable promptitude and checked against demands;

4.09 Scrutiny of Treasury Chalans

Receipted chalans in support of amount paid into the treasury should be examined to see:-

- (i) that the authorized official of the treasury or the bank has given a legible receipt of the amount received over his official stamp and that it tallies with the amount for which the challan was prepared;
- (ii) that the challan by its appearance does not suggest any tampering with the entry of the amount deposited or the date of deposit and that due precautions are taken in writing the amount (both in words and figures) to exclude the possibility of fraudulent alterations or interpolations.
- (iii) that wherever practicable the signatures of the bank or treasury official signing the receipt on the challan should be compared with those on other challans. The genuineness thereof got confirmed from the Bank of Treasury in cases of doubt;

4.10 Bill Register

Check the Bill Register to see that:

- (i) It has been maintained in the prescribed form (C.G.T.C 17 in the case of C.G. State Government Offices) and all the columns provided therein have been properly filled in;
- (ii) all bills drawn have been entered in the Bill Register date-wise and the entries duly endorsed by the drawing officer in each case over his dated signature;
- (iii) that erasures and over writings (which are strictly prohibited) are not indicative of circumstances requiring thorough probe;
- (iv) in case of bills endorsed to parties see that they have been entered in the Register and a note to this effect has been made there in;
- (v) that in regard to bills endorsed to private parties an advice has been sent to the treasury officer and the bank in the manner laid down in S.R. 302 (2) of C.G. Treasury Code Vol. I;
- (vi) all bills have been cashed and treasury voucher numbers (with dates) have been noted in all cases;
- (vii) in case of cancelled bills, a note to that effect has been made in the Register, indicating the reasons for cancellation;
- (viii) all bills shown as cashed have been promptly accounted for in the Cash Book as well as in other subsidiary registers;
- (ix) the register has been reviewed monthly by the officer in charge of the Cash Book and the result of the review recorded thereon.

N.B. Under the Rules the head of an office is personally responsible for the amount drawn on a bill signed by him until he has paid it to the person entitled to receive it and obtained a legally valid acquittance.

Local audit parties should, therefore, in addition to ensuring the entries of all drawals in Bill Register/Cash Book satisfy itself that the legal valid acquittance of proper person in respect of each drawal is recorded.

(OAD (M) II-109-99-73-74/006 dated 20.5.1973)

4.11 Audit of Expenditure

The objects of local audit of expenditure are to ensure that:-

- (i) a proper voucher complete in all respects and in proper form, where one is prescribed, exists in support of every item of expenditure and it bears evidence of due scrutiny of the claim and “Pay Order” by the head of the office concerned;
- (ii) full details of each item of expenditure are either recorded on the voucher itself or are available in a reliable and recognized subsidiary record;
- (iii) that the vouchers, sub vouchers and muster rolls have been duly cancelled or defaced after payment in such a way that they cannot be used again to prefer a second claim;
- (iv) the expenditure incurred does not contravene any financial rules or procedure laid down by the Government and all re-requisites to the incurring of expenditure have been compiled with;
- (v) there is provision of funds to meet the expenditure duly authorized by the competent authority;
- (vi) that the expenditure is in accordance with a sanction properly accorded by a competent authority and is incurred by an officer competent to incur it;
- (vii) the expenditure sanctioned for or required to be incurred within a limited period has not been incurred beyond that period without proper sanction;
- (viii) the rules regarding the method of payment have been duly observed by the disbursing officer;
- (ix) the payment has, as a fact, been made to the proper person, and that it has been so acknowledged and so recorded that a second claim against Government on the same account is impossible;

- (x) that the charge is properly classified and if a charge is debit to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order, it is recorded as such in a personal account;
- (xi) the rates paid for work done or supplies made are in accordance with any scale or schedule prescribed by competent authority and, where no such scales have been prescribed, are the lowest obtainable in the market conditions prevailing locally;
- (xii) the payment have been correctly brought to account in the original accounts;
- (xiii) all stores paid for have been properly accounted for in the various stocks and stores registers and their quality and specifications have been certified as conforming to those of the goods ordered and paid for;
- (xiv) the expenditure has been incurred with due regard to financial propriety (e.g. there is no waste or extravagance, supplied obtained are not in excess of requirements and the expenditure has been incurred on legitimate objects etc.).
- (xv) open competitive tenders have been invited as enjoined by the rules for the purchase of articles required and in case of non acceptance of the lowest tender, the reasons therefore have been duly recorded and whether contract agreements have been promptly executed by the competent authority;
- (xvi) where formal written contracts have not been entered into at least written agreements as to price have been entered into before orders are placed for supplies etc.
- (xvii) expenditure on contingencies, works etc; has been properly regulated according to the financial rules and the accounts indicate no laxity in supervision or control;
- (xviii) there is no undue rush of expenditure at the far end of the financial year, and, if there is any such rush, it does not lead to financial irregularities such as failure to obtain supplies at all or according to desired specifications for payments made etc. and that the charges incurred in one year has not been met from the budget allotment of the next year.

N.B.1: The financial rules of Government prescribe that money should not be drawn from treasuries unless they are required for immediate disbursement. Drawal of money in advance of requirement is an irregularity which is against the financial rules and is in contravention of the Annual Appropriation Act.

Such irregularities should be commented upon in the Audit Inspection Reports giving full details of the drawals and disbursements.

N.B.2: In several cases money so drawn from the treasury was deposited unauthorisedly in a private bank, post office Savings Bank Account etc. Besides commenting upon the irregularity the local audit party should also examine in details the manner, extent and time of the ultimate utilization of the amount so kept outside Government accounts and bring out the relevant facts in the audit inspection report.

(The instructions issued by State Government in this regards in their Memorandum No. 187/MS/76 dated 8th March 1976 are reproduced as Annexure II.

4.12 Stores and Stocks Accounts

The general rules governing the purchase, receipt and issue, custody, condemnation, sale and stock taking of stores required for use in public service are contained in :-

(a) Chapter 8 and 9 of the General Financial Rules, Volume I and appendices 8 to 11 thereto in volume II and;

(b) Chapter 7 in the C.G. Financial Code Volume I and appendices 5 and 8 thereto in volume II. Appendix 5 as amended vide Government of M.P. Commerce and Industries Department Memo No. 11208-3209-XI-A dated 26th August 1974 reproduced as annexure II. Detailed rules and instructions relating to the various departments responsible for or concerned in large purchases, manufacturers or consumption of stores are usually set out in the departmental regulations of the department concerned. Personnel of local audit parties and Inspecting Officers are expected to be fully conversant at all times with the general rules as well as the responsibilities of audit in relation to stores and stock accounts as set out in Chapter 5 in Section II and Chapter 7 in Section III of the MSO (Technical) Volume I. Before they take up the audit of particular establishments of Government they should study the detailed rules and instructions peculiar to the department to which the establishment belongs. The audit of accounts of stores shall be directed to ascertaining, by means of a general examination of the accounts and a detailed scrutiny of the entries therein in respect of the transactions of the months selected for detailed audit, that these departmental rules and instructions are well devised and are applied properly and effectively.

NOTE:- The term “Stores” as used in this chapter applies to all articles and materials purchased or otherwise acquired for the use of Government including not only expandable and issuable articles in use or accumulated for specific purposes, but also articles of dead stock of the nature of plant, machinery, instruments, furniture, equipment, fixtures etc.

1. As regards purchase of stores, it should be seen that:-

- (i) these are properly sanctioned, are made economically and in accordance with any rules or orders made by competent authority for purchase of stores required for the public service in particular when stores are purchased from contractors the system of open competitive tender is adopted and the purchase is made from the lowest tenderer unless there are recorded reasons to the contrary;

N.B.:- Execution of contract without inviting tenders may entail loss of chances of cheaper rate through competition.

- (ii) the rates paid agree with those shown in the contract or agreement made for the supply or the stores;
- (iii) certificates of quality and quantity are furnished by the passing and receiving Government servants before payment is made, except where the contrary is allowed by the rules of Government regulating purchase of stores; and
- (iv) purchases order have not been split up so as to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the orders.

2. The other points to be seen are:-

- (a) that they are kept in the prescribed form;
- (b) that the quantity accounts of receipts, issues and balances as well as the value accounts (where they are maintained) tally, in all respects, with the expenditure and other transactions connected with the stores.
- (c) that every article purchased or otherwise obtained for store is entered in the store account. (This should be checked at the time of audit of contingent vouchers or the contingent register).
- (d) that the entries of receipt of all stores purchased or otherwise obtained issues are made in the accounts as transactions actually occur.
- (e) that some official is held responsible for checking that this is done properly and for seeing that balances are worked out properly.
- (f) that issues are supported by requisitions and indents approved by the proper authority for issue.
- (g) that proper acknowledgements of the recipients exist.
- (h) that an accurate and detailed account of consumption of consumable stores is maintained by the indentors to whom these stores are issued.
- (i) that where a sale has been prescribed by Government or other authority for issue of stores of any particular kind, the same has not been exceeded.

(j) that the accounts of balances which were audited in the previous local audit have been produced complete in all respect, that the entries in them have not been tampered with, that the closing balances as per previous accounts have been carried forward to the accounts under scrutiny and that at the closing there exists a certificate of check of balance.

(k) that all transactions and balances in the stock registers or ledgers have been attested by a responsible officer.

(l) that stores are counted, weighed or otherwise examined at prescribed periodical intervals by some responsible official other than the custodian of the stores or the person responsible for keeping the account thereof or a subordinate of either and verified with the balances in the stock account.

(m) that a certificate of such verification indicating the results thereof is recorded by a responsible authority.

(n) that the system of verification adopted is adequate and proper.

(o) that adequate action has been taken to investigate the regularized under the orders of competent authority any differences between book and physical balances thrown up by such verification.

(p) that a reserve limit of stock has been fixed by Government or other competent authority as a safe guard against unnecessary accumulation of stores and that the balance in hand does not exceed of requirement for a reasonable period.

N.B.:- In respect of stores, stocked in excess of requirements, leading to locking up of Government money a list of such stores indicating the date of purchase and value should be obtained duly attested by the officer-in-charge.

(q) that adequate action has been taken to survey, segregate and arrange for disposal of surplus, obsolete and unserviceable stores.

(r) that where a priced account is maintained:-

(i) the stores are priced with reasonable accuracy and the rates initially fixed are reviewed from time to time and revised where necessary, so as to take them to the level of market rates.

(ii) the value of accounts tally with the accounts of works and departments connected with stores transactions, that the total of the value account agrees with the outstanding amount in the general accounts and that the numerical balance of stock materials is reconcilable

with the total of value balances in the accounts at the rates applicable to the various classes of stores.

- (iii) steps have been taken for the adjustment of profit and loss due to revaluation, stock taking or other causes and these are not indicative of any serious disregard of rules.
- (iv) the value accounts as a whole are correct and the allocation of debits to the various heads of accounts for the cost of the stores issued is correct.

NOTE:- Depreciation should be shown as an item in the Stores Accounts only when there is a definite policy of writing down stores values by such means. Where there is no such policy, only actual writes off of stores or surplus, unserviceable or lost stores or losses on revaluation should be shown.

3. Scrutiny of purchases made by the Stores purchase Committee of various Departments during local audit:-

(a) As per M.P. GAD Memo No. 296/23/OLM dated 5.11.1966, a stores purchase committee should be set up for each head of the Department and even for local heads of offices where by and large purchases are made upto an aggregate of Rs. 5000 or more in value per annum. During local audit of any unit the local audit party should examine the purchases made by the store purchase committee (where formed) or otherwise according to Store Purchase Rules and the departmental orders on the subject and bring out audit comments on such purchases chronologically in one para itself.

(b) Normally the party should examine the purchases made by the Committee during the period covered by audit though there is no bar to examine earlier purchases if these were not subject to scrutiny during previous audit.

(c) The Inspecting Officer/Assistant Audit Officer writing the report should also bring out in Part 1 A (iii) of the Draft Inspection Report whether a store purchase committee was formed in the Department/Office and the total purchases made by the Committee. In case no committee was formed even though required under the above order, reasons for the same should be ascertained and specified.

(O.O No. OAD (M)/oo/13/1972-73/3668 dated 15.2.1973).

4.13 Audit of Contingent Expenditure

The contingent expenditure of the Central Government is governed by the rules in Chapter 5 of C.T.R. Vol. I and Chapter 7 of G.F.R and that of the Government of Chhattisgarh

by Section V of Chapter V of C.G.T.C. Vol. I and Chapter 6 of C.G.F.C Vol. I. While ensuring that the expenditure incurred conforms to these provisions it should particularly be seen that:-

- (i) sub-vouchers and payees receipts are available in all cases in which they are not required to be sent to the Controlling Officer and the audit office and they have been so cancelled or defaced as to prevent their use again for fraudulent purposes.
- (ii) that the totals are in words as well as in figures and that any alterations in figures have been attested by the Drawing Officer.
- (iii) that the details given in the sub vouchers agree with the entries in the contingent register, stock register and other registers or record maintained.
- (iv) that the charges paid are of obvious necessity and the rates are not excessive.

N.B.:- The certificate/revised certificate of reasonableness of rent issued by the Collector of the District in the case of private accommodation hired for departmental use should invariably:-

- (a) mention the amount of monthly rent certified to be reasonable;
- (b) bear issue number and date of issue of the Collectorate;
- (c) the special reasons for revisions of rent in case of revised certificate.

(Government of M.P.F. No. 2337-C-R-770-IV-R-V dated 20.8.1960).

- (v) that the acquittances of menials for whom the pay has been drawn on contingent bills have been duly taken and is on record.
- (vi) that where expenditure on rents, Municipal Taxes or charges for the consumption of electricity and water relating to buildings used wholly or in part for residential purposes has been incurred initially from Government funds, the share of such expenses payable by the person who reside in the building has been correctly assessed and realized from them.
- (vii) that in respect of amounts drawn on Abstract Contingent Bills D.C. Bills have been sent to the Controlling Officers Well in the time prescribed in the Treasury Rules and that the certificates recorded by the Drawing Officers on abstract bills regarding submission of D.C. Bills to Controlling Officer and to the audit office are factually correct.

NOTE:- According to paragraph 278 of the M.S.O (Tech.) Vol. I, contingent charges on account of wages of Mazdoors engaged on manual labour and paid at daily or monthly rates are passed in Central Audit on the authority of a certificates signed by the disbursing officer to the effect that the mazdoors were actually entertained and paid. Contingent charges on accounts of pay and allowances of all other staff paid from contingencies are admitted in Central Audit on the

authority of the certificates regarding entertainment, disbursement etc. prescribed in the Treasury Rules (S.R 288 of the C.G. Treasury Code Vol. I. It will be duty of the Local Audit parties and the Inspecting Officers to vouchsafe the correctness or otherwise of the certificates with reference to the rates approved by the Collector of the District.

(Office order No. OAD/00/35/61-62/9565 to 9715 dated 12.12.1961).

4.14 Audit of the Contingent Registers

The entries in the Contingent Registers should be checked with the sub vouchers where available and the propriety of the expenditure scrutinized with reference to relevant rules. It should further be seen that:-

- (i) it is an accurate record of the contingent expenditure, incurred in cash, as well as by book adjustment.
- (ii) each entry is initialed by the drawing officer;
- (iii) charges are recorded properly under the detailed heads of contingent expenditure, progressive totals struck and excesses if any over the monthly proportions of the appropriations explained to the controlling officer.
- (iv) total of the entire sub-vouchers agrees with the totals of the contingent bills drawn.
- (v) appropriations have been noted at the top of respective columns.

4.15 Audit of Establishment Pay Bills and Nominal Check

(a) Consequent upon the discontinuance of nominal audit as prescribed in para 258 (c) (d) and (e) of M.S.O (T) Vol. I in the Central audit with effect from 1.4.1980, the nominal audit will be conducted during local inspection to the extent shown below:-

- (i) The nominal audit will be conducted in respect of pay bills of establishment for the month/months selected for test audit.
- (ii) Nominal check will be exercised with reference to the initial and primary records containing the authority for the events necessitating the regulation of pay and allowances of Government servants, such as increment certificates, sanctioning the increments declaring him fit to cross the efficiency bar, orders of promotion reversion and consequential fixation of pay, sanctions to leave and leave salary, orders of suspension and subsistence allowance granted, general orders of Government governing the pay scales, different type of allowances admissible and specific order of Government in regard to grant of special pay or compensatory allowance.

Apart from comparing the pay and allowances drawn by each Government servant in the pay bills of selected test audit month/months with the corresponding entries in the pay columns of the service books and checking the acquittance rolls to ensure that the pay and allowances drawn have been disbursed and acquittance obtained properly and accurately, the admissibility of pay and allowances drawn for each individual Government servant in these bills should be checked completely in the manner indicated above.

- (iii) The above checks should be integrated with the checks of service books and where service books are not made available they should be checked independently with reference to the initial and primary records mentioned above.
- (iv) In addition to audit of pay and allowances drawn in the pay bills of establishment for the selected months, 20% of (i) cases of increments and (ii) cases of fixation of pay on promotion or reversion during the period covered by audit should also be checked.
- (v) Besides, the overtime allowance claims, children's education allowance claims, reimbursement of tuition fees claims and T.A bills should be checked with reference to the local records kept in the departmental accounts offices to satisfy about the correctness of the certificates on the basis of which the claims have been drawn and to see that the rules and regulations in regulating such claims have been followed.

(CAG's letter No. 102-O & M/145-79/II dated 20.3.1980 enclosed with O.O. No. TM.I/Gr. 3/5 dated 18.6.1980)

- (b) In addition to the above checks, the paid vouchers received from the headquarters should be carefully compared to verify that:-
 - (i) the amount paid by the treasury on the voucher agrees with the total amount of the office copy and the amount entered in the cash book;
 - (ii) there are not variations in the number of the officials included in the bill, their names, amount payable to each and the totals in the office copy and the copy of the same bills sent to the Audit Office;
 - (iii) the absentee statement attached to the audited copy tallies with that enclosed with the office copy of the bills;
 - (iv) the details in the absentee statement are correctly shown with reference to service books, leave accounts and other records;

- (v) that the money drawn on the bill is fully accounted for by the acquittances of the payees and undisbursed amount of the bill, if any, has either been refunded/adjusted by short drawal or stands included in the cash balance;
- (vi) Postal carbon receipts and money order acknowledgement exists in respect of amount shown as remitted by money orders;
- (vii) thumb impression of illiterate payees have been attested by a responsible office;
- (viii) where arrears of pay, fixed allowances or leave salary bills are drawn, the bill from which amount was withheld or in which it was refunded by deduction or increase in pay is quoted and that a note of the arrear bill has been made in the office copy of the bills for the period to which the claim pertains over the dated initials of the drawer of the arrear bill in order to avoid the risk of arrears being claimed over again; and that
- (ix) on acquittance rolls or the receipted office copies of the bills, the certificate of disbursement to the actual payee is duly recorded by the disbursing office under his dated signatures showing clearly the item No. and the amount paid on different dates;

N.B :- The pay and allowances of gazette officers of categories mentioned below are drawn by the Head of Offices on the establishment pay bill form. The procedure for test check of the claims of such officers will be same as in respect of claims of non-gazetted staff.

- (i) Lecturers in Education Department
- (ii) Assistant Surgeons in Medical and Public Health Department
- (iii) Tehsildars
- (iv) Superintendent of Land Records
- (v) Nursing Superintendent/Matrons
- (vi) Veterinery Assistant Surgeons

4.16 Audit of T.A. Bills

- It should be seen that – (i) subsidiary details of the claims paid i.e. details of journey in a T.A. bill, tally in both the copies of the bills and correctly shown with reference to the tour diaries or programme and other records.
- (ii) As the responsibility of Audit in regard to the checks exercised by controlling officers in T.A Bills is to be discharged by occasional test check, audit should check a few specimen cases at the time of local inspection/audit of Government Offices, to ensure that the duties assigned to controlling officers are properly exercised by them and draw attention

to any cases that may come to notice in which the controlling officer did not discharge the responsibilities assigned to him.

(iii) See also para 4.15 9i) (iv) (v) and ante.

N.B. :- In regard to the travelling allowance bills of the Non-gazetted Government Servants, the check that the claim was not preferred and drawn at any time before, is to be exercised during local audit, For this purpose, all the T.A. Bills containing belated claims in the months selected for detailed audit should be subjected to check with reference to the check registers maintained in the office of the drawing/controlling officer as required under Rule 273 of C.G.T.C. Vol.I.

(O.O No. OAD/OO/48/62-63 dated 18.7.1962).

(iv) Consequent upon discontinuance of T.A. Audit Register envisaged in para 200 of M.S.O (T) Vol. I in the Central office in respect of the Gazetted Government servants with effect from July, 1979 the old gazette audit procedure may be followed in local audit giving special emphasis on the following points:-

(a) whether the system prescribed for the discharge of responsibilities enjoined on the drawing and controlling officers is working satisfactorily and adequately,

(b) whether all necessary records prescribed are being maintained properly.

(CAG's letter No. 512-O & M/26-79 dated O.O. No. OAD (M)/Gr.II/206/79-8/7 dated 22.9.79)

4.17 Audit of Works Expenditure

(a) General – Rule 153 of C.G. Financial Code Vol. I enjoins that all original works and special repairs costing more than Rs. 2500 relating to Building and other works should be executed through the agency of the Public Works Department. In exceptional cases, however, when the Public Works Department is not employed for the execution of such works or repairs it should be seen in audit that sanction of the Government is obtained in each case. The form and procedure relating to expenditure on such works should also be prescribed by departmental regulations framed in consultation with the Accountant General, generally on the principles underlying the financial and accounting rules prescribed for similar works carried out by the Public Works Department.

(b) Measurement Books- It should be seen that-

(i) the books are maintained in accordance with the instructions prescribed on the fly-leaf of the book;

- (ii) the arrangements in force for taking measurements, for checking measurements by some officer superior to the official who had originally taken measurements and the results of check measurements are not such to indicate laxity of control;
 - (iii) the pages containing detailed measurements are scored by a diagonal line in red ink after payment of the relevant works bills and the relevant abstract of measurements bear a reference to the number and date of vouchers payments;
 - (iv) the dates of measurements of any outstation works are traceable in the T.A Bill and tour diaries of the officials concerned. (A few cases at random to be test checked to see this point);
 - (v) all previous payments made on a particular work are deducted from the final bill;
 - (vi) a few records of measurements selected at random are correct arithmetically;
 - (vii) in the case of cancelled measurements, the cancellation is supported by the dated initials of the officer ordering the cancellation and also full reasons for the same;
 - (viii) a proper register is kept for watching the issue and return of Measurement Book;
 - (ix) measurements have been recorded in chronological order;
 - (x) blank pages or portions or pages left blank have invariably been crossed out and cancelled over the signature of the holder of the book to avoid the possibility of fraudulent entries at some later date.
- (c) The standard measurements, if any, on the basis of which either estimates are prepared or payments are made should be examined to see that-
- (i) they are certified as fully checked by some responsible officer;
 - (ii) they are brought up to date from time to time and that additions and alterations in the books are approved by a responsible officer;
 - (iii) when a payment is based on standard measurements, there should be a certificate by some responsible officer to the effect that the whole of the work (or the portion of the work charged for in the bill under examination) has been executed as per standard measurements and that it has not previously been billed for in any shape.
- (d) See that-
- (i) estimates are prepared and sanctioned by the competent authority as prescribed in rules;
 - (ii) the rates in the sanctioned estimate do not exceed those allowed in the neighbouring P.W. Division;

(iii) the rates paid are in accordance with contracts and in cases where they are not covered by contracts do not exceed the market or schedule rates;

N.B:- Expansion of contract by extra items or by extra quality, involving wide and disproportionate variation with the original estimated value of the contract and also involving an amount sufficiently warranted for fresh tender independently should be specifically commented upon.

(iv) when “through rates” for finished works are allowed to contractors, the value of any materials, carriage etc., and incidental charges are not charged to Government but recovered from contractors;

(v) no financial aid is given to the contractor beyond that agreed upon in the contract;

(vi) in cases where contractors are allowed labour rates only or work is carried out by daily labour, arrangements exist for exercising detailed control over transactions relating to materials and for verifying unused materials;

(vii) there is no undue delay in closing of accounts of works;

(viii) excesses over sanctioned estimates are investigated and sanctioned by the competent authority;

(ix) no amount provided in the estimate as contingencies is paid to the contractor as a matter of course.

(e) Loss caused by careless or dishonest accounting in works expenditure- Losses are often caused by careless or dishonest accounting in expenditure relating to works. Although audit has a little approach to the actual state of affairs and its hold on a well planned fraud is limited, such cases may come to light by an examination of the records with a view to see that there are no cases of the nature indicated below:

(i) omission to claim money due from a contractor or to afford credit in the accounts when it is actually realized;

(ii) exorbitant rates in estimates for works;

(iii) allowance of full rates to contractors when the contract rate is both for labour and material but the material is supplied by the department and is charged to the estimate;

(iv) when the rate for a certain kind of work e.g., brick work is fixed on the assumption that the required materials will be available at a certain rate allowance of full rate to the contractor when the departmental supplies the materials at a lower rate;

- (v) when the issue rate of stock is below the market rate, issue of more materials to the contractor than are actually required for the works;
- (vi) incorrect measurements for a work, or measurements paid for twice over; and
- (vii) charge to work of the cost of departmental labour supplied to a contractor, instead of recovery from him.

The above list is just explanatory and not exhaustive. A careful and thorough check may reveal many other types of cases and is quite essential.

(f) **Audit Muster Rolls-** It should be seen that :-

- (i) the attendance is taken daily and the recorded attendance is checked by some responsible officer;
- (ii) the muster roll is an original record and has not been copied from some other register or record;
- (iii) the disbursements are not entrusted as a rule to officials of low standing;
- (iv) the officer making the payment is not the same as that controlling the labour;
- (v) a record is kept of the progress of the work done by labour and that the cost is not so largely in excess of the value at current rates as to indicate either loss to Government or need for closer financial control;
- (vi) all thumb impressions of illiterate payees are duly attested;
- (vii) the certificate of disbursement has been duly signed and dated by a responsible officer.

4.18 Tenders and Contracts

The general principles for entering into contracts are laid down in Rules 12 to 15 of the General Financial Rules and Rules 20 to 21 of the C.G. Financial Code Vol. I. In the audit of contracts the Inspecting staff should particularly see that:-

- (a) Unless otherwise permitted by Government or by the competent authority, tenders have been invited in the case of all purchases of articles and stores. They should examine the original tenders and compare them with the comparative statements and the agreements finally accepted. Cases of alterations of figures over writings and other errors should be mentioned in the Inspection Reports on the accounts of the office inspected. The inspecting staff will also see that the rules laid down by Government or set out in the Manuals in regard to invitation and acceptance of tenders and for entering in agreements with contractors have been observed. Cases of irregularities may be brought to notice in the Inspection Reports.

The files for the contract agreements should be scrutinized to see-

(1) that the departments made an intelligent assessment of their requirement regarding the purchase to be effected and also decided the specification of each article, which were made public in the tender notice itself and that the terms in the tender notice are quite clear regarding the last date of inviting tenders the period for which supplies are required, for earnest money, and security deposits, the time for supply of articles by the suppliers/stipulated date of completion of work etc;

(2) that the tender are in the most open and public manner and that satisfactory reasons are recorded for accepting a tender other than the lowest;

(3) that contracts are executed either on standard forms or on special forms prepared in consultation with the law officers of the Government and the terms are precise and definite and there is no room for ambiguity or misconstruction therein and ;

(4) that contracts are sanctioned by competent authority and that the terms once entered into are not varied without special and proper sanction;

(5) The cases where a formal written contract is not made, it should be seen that the orders for supplies or for execution of works are not given without atleast a written understanding as to the price or rate at which payment is to be made;

(6) that no contract involving uncertain or indefinite liability or any condition of an unusual character is entered into without the previous consent of competent financial authority;

(7) that in selecting the tender to be accepted the financial status of the individuals and firms tendering has been taken into consideration in addition to all other relevant factors;

N.B.:- Acceptance of tender without verifying financial and technical capacity of contractor is likely to involve risk of decision of contract due to inability of the contractor to perform it and might involve extra expenditure in giving work on higher rate consequently.

(8) that provision has been made in the contracts for safe guarding Government property entrusted into a contractor;

(9) that when a contract is likely to endure for a period of more than five years, it, wherever feasible includes a provision for an unconditional power of revocation or cancellation by Government at any time after the expiry of six months notice to that effect.

Audit has power to examine contracts and to bring to notice of the proper authority any case where competitive tenders have not been sought, or where higher tenders have been accepted or where other irregularities in procedure have come to light.

Cases in which there is evidence that an officer or agent of contracting department has an undue common interest with the other contracting party should be brought to the notice of competent higher authority for such action as it may deem necessary. Standing contracts should be reviewed occasionally and if audit has reason to believe that the rates accepted in those contracts are considerably higher than the rates prevailing at the time of review such variation should be brought to the notice of the competent authority.

In cases of contracts entered into by Civil Departments dealing in large scale purchases the following instructions have been laid down for the guidance of Local Audit Parties.

- (i) Audit and review of contracts and purchase orders should be checked according to usual quantum, mentioned in secret communications. All important and usual contracts should invariably be reviewed.
- (ii) Rates and running contracts should be audited and reviewed in full.
- (iii) The inspecting officer should review all regular contracts executed by store Purchase organization or the Central Purchasing Agency and test check other agreements, made since last inspection.

(b) Tenders and Comparative Statements-

The tenders received including the rejected ones should be checked to see-

- (i) that the widest possible publicity was given for calling them and due period of notice allowed consistent with the magnitude of the contract; Short notice of tender prevents adequate number of competitors;
- (ii) the tenders have been received on prescribed form in sealed covers;
- (iii) that all tenders bear the dated initials of the officer opening them;
- (iv) that the rates quoted by the tenderers have not been overwritten or changed without attestation by the tenderer and have correctly transcribed in the comparative statement;
- (v) that the lowest tender has been determined by working out the cost of all items of works of supplies on the basis of estimated quantity of work to be done or supplies to be obtained and not merely by visual comparison of the tendered rate without reference to the cost of work or supplies involved;
- (vi) that the comparative statements have been duly checked and approved by the Head of Office and contain his orders about tender accepted;
- (vii) that a complete and regular stock account of receipt and consumption of blank tender forms have been kept;

- (viii) that the sale proceeds of tender forms have been correctly accounted for in the books and promptly credited to Government;
- (ix) it should be carefully seen from a comparative study of dates of advertisement, opening of the tenders, preparing the comparative statements and placing the orders etc., that tenders were actually invited and that the tender lowest or otherwise was properly accepted before the order was placed and that the inviting of tenders was not a mere show and whether suitable reasons have been recorded by the competent authority for rejecting lowest tender.

4.19 Check of Provident Fund Accounts of Class IV employees

- (a) The G.P. Fund accounts of all class IV officials are maintained departmentally by their departmental officers. The accounts so kept by the departmental officers should be audited locally by the local audit parties along with local audit of the establishment. The quantum and extent of check will be sent percent.
- (b) During local audit of these accounts it should be seen-
 - (i) Whether subscriptions have been properly recovered and credited to the ledger accounts;
 - (ii) Whether interest has been calculated properly;
 - (iii) It should also be specifically see-
 - (1) Whether monthly debits and credits have been intimated to Head of Department.
 - (2) Whether heads of departments are sending quarterly and annually returns (Form XXI) for credits and debits as per broad sheet to Accounts Officer for getting the figures confirmed by the Accounts Officer.
 - (3) Whether interest for the year has been entered in ledger and broad sheet and statement of interest forwarded to the Head of the Department who will send a consolidated statement to Accounts Officer for adjustment.
 - (4) Whether form VII (Account slip) was issued to individual subscribers at the end of the year for acceptance of balance.
 - (iv) Whether advances and withdrawals have been properly sanctioned and accounted for;
 - (v) Nominations, Insurance policies and final payment cases should be scrutinised specially;
 - (vi) The procedure laid down by the Government under P.D. Memo No. F/No. 8-9-1-74 R-II/IV/74 dated 15.2.1974 (a copy of which should be available with the offices inspected) should be studied;

- (vii) The irregularities noticed should be mentioned in the test audit note, a copy of which should be handed over to the office on spot.
- (c) A certificate to the effect that the accounts were checked to the prescribed extent should be furnished by each party along with the particulars in the following form; Over the countersignature of the Assistant Audit Officer:-
- (i) No. of PDF accounts maintained
 - (ii) No. of accounts not maintained
 - (iii) No. of accounts produced
 - (iv) No. of accounts checked

Signature of the Auditor

(O.O No. OAD (M)/AG.I/O.O 6/1974-75 dated 4.10.1974)

4.20 Check of Minimum rate of G.P. Fund subscription in the cases of G.P.F. exemptions.

While conducting audit of the establishment of any office the local audit party should also check the cases of G.P. Fund exemptions if any to the extent prescribed (of 20 %) of the cases covered under the certificates recorded on the pay bills (Appendix J). The local audit parties should call for appendix J attached to the pay bills for March paid in April from the departmental office on the spot and select to the extent prescribed (20%) cases detailed therein for checking.

The result of inspection should be communicated to OAD Headquarters alongwith the Inspection Report, but in a separate cover. The cover will be passed on to Fund I section by the OAD HQrs. The following certificate should be given in the forwarding memorandum of the Inspection Report.

“Certified that the General Provident Fund Exemption cases, have been checked by the Local Audit Party to the prescribed extent and report is sent herewith in a separate cover which may be passed on to Fund I Section.”

(Fund I Sections’ confidential letter No. Fund I/199 dated 2.5.1969)

4.21 Audit of Log Books and Car Diaries

(a) Rules for the use, maintenance and control of departmental staff Cars and other Motor Vehicles and some of important orders issued by Government in this regard are reproduced in Chapter 23-“Audit of Accounts of Miscellaneous Departments-State Garage”.

(b) When any local office is found to be maintaining a staff car or a vehicle it should be seen that:-

- (i) a separate log book in the prescribed form has been maintained for each vehicle;
- (ii) full details of all journeys undertaken are recorded, covering the mileage done, places visited enroute and the relevant kilometer reading;
- (iii) purpose of journeys is always recorded in detail under the signatures of the officials using the vehicle and vague descriptions such as “official duty” ‘Government work’ etc. are avoided;
- (iv) the vehicle is used only for bonafide public purposes and not for any private purposes without orders of competent authority;
- (v) in the case of authorized private journeys the charges recoverable at the prescribed rates have been recovered and credited to Government Revenue;
- (vi) all issues or purchases of petrol, mobil oil and other lubricants and consumable stores such as acids, distilled water etc., are duly recorded in the log book;
- (vii) Log books are closed and average No. of miles (k. metres) run per litre of petrol or diesel oil worked out at prescribed intervals and that the yield is not unduly low and where it is so the cause leading thereto is investigated;
- (viii) that full details of major repairs to the vehicle, replacement of parts and spares are recorded in the log book;
- (ix) that the repairs and replacements have been done by government workshops authorized dealers or garages in accordance with the orders of Government in this behalf;
- (x) a list of equipments, tools with the driver is kept in the log book or other record.
- (xi) details regarding the identity of the engine, tyres and battery etc. fitted on the vehicle are on record;
- (xii) the replacement of parts, for which life has been prescribed i.e., engine, tyres etc. have been made only after completion of the required mileages;
- (xiii) where frequent repairs to vehicles engines or replacement of some parts have been carried out they are not indicative of any foul play (some cases at random may be selected and explanation for frequent repairs may be called for);
- (xiv) the vehicle is periodically tested and inspected by the prescribed authorities;
- (xv) a stock account of the condemned and replaced parts and accessories is maintained and their disposal done to the best advantage of the Government.

N.B.:- Log books are required to be preserved for a period of five years reckoned from the date of the last entry in them or one year after their examination in Local Audit whichever is earlier provided, however, that no log books due for destruction after the stipulated period, should be destroyed until the settlement of all audit objections relating to any entry therein, Government of M.P. Home Department letter No. 4097/VI-A(4) dated Sept. 1959).

- (c) It was brought to the notice of the Accountant General that while claiming their travelling allowance the Ministries/Deputy Ministries often include in their TA Bills the propulsion charges of the departmental cars used by them for the journeys. With a view to coordinating central and local audits the Accountant General has ordered that while checking the log books of the departmental cars the inspection staff should keep a watch over this irregularity and should furnish a list of journeys performed by Ministers/Deputy Ministers in departmental cars with sufficient details of such journeys including – interalia, the agency (Departmental officer or Minister/Deputy Minister) who paid the propulsion charges. If there are no such instances to quote a ‘NIL’ statement may invariably be furnished.

This list should be forwarded by OAD (HQ) to Gazetted Audit Section concerned for further necessary action.

4.22 Audit of Schemes

Besides the scrutiny of individual transactions with a view to detect cases of improper extravagant, wasteful or uneconomical expenditure, an important function of audit is to examine how far the agency or authority whose transactions are under audit is adequately discharging its financial responsibilities in regard to the various schemes undertaken by it and to what extent the implementation of those schemes proved fruitful keeping in view their social efficacy.

It is therefore, necessary that every scheme falls under audit scrutiny and with a view to see whether the scheme is being executed efficiently, its operation conducted economically and achievement of the pre-decided physical targets is within the prescribed period.

During local audit, the records of the schemes implemented by the office should be called for and its various aspects carefully scrutinized. After collecting the notes and copies of documents required for the purpose the local audit party should bring out a review in Part II-A of Inspection Report indicating the aim, objects and nature of the scheme, yearwise and progressive expenditure incurred, the physical and financial target fixed while initiating it and extent to

which the scheme has been achieved keeping in view of the social efficacy of the programme, level of staff and facility provided.

The following specific points should receive very close attention:-

- (1) Main objectives of the programme/plan.
- (2) Identification of beneficiaries or of areas to be benefitted.
- (3) the then and present economic conditions of beneficiaries/areas to be benefitted.
- (4) Total estimated cost of the programme.
- (5) Actual performance of schemes etc.
- (6) Any special development including departmental justification if any,

(O.O SFI-G/Sch/1403-7 dated 16.8.72)

(O.O.OAD(M)/18/1508 dated 15.9.72)

4.23 Check of record maintained by local offices under Additional Emoluments (Compulsory Deposits) Act 1974

1. Additional Emoluments Compulsory Deposit (Government Employees) Scheme, 1974

(a) Detailed instructions for the Drawing and Disbursing Officers and by the Treasury officers in regard to compulsory deductions under the Additional Emoluments (Compulsory Deposit) Act 1974 are contained in the Government of India, Ministry of Finance (Department of Economic Affairs) memorandum No. F4(1)CB/74 dated 23.7.74, No. 3/1(CD)/74 Spl. Dated 6.9.74, and the Hand book of detailed instruction issued by the Ministry, which may be available in local offices. These may be studied by the members of local audit parties before taking up scrutiny of the concerning records maintained by local offices.

(b) Under the Additional Emoluments (Compulsory Deposit) Act, 1974, 100 % of additional wages for a period of one year and 50% of additional Dearness Allowance for a period of two years are required to be deducted from the wage bills of the employees of Central and State Governments and kept in a separate deposit account. The drawing and disbursing officers (DDO) are responsible to make the required deductions and keep the individual accounts of all the employees working in the office of DDOs.

(c) The total amount deducted from each bill will be posted in a proof sheet vide para 7 of G.I.M.P. Memo dated 6.9.1974. The monthly deductions from the bills encashed during the month and entered in the proof sheet will be totaled up at the end of the month and sent to the treasury three copies). The treasury officers will check the statements with the deductions registers kept in treasuries and certify the proof sheets and return to D.D.Os concerned.

(d) The local audit parties are required to see that :-

(i) The deductions made are correct and posted in the ledger account of the employees.

(ii) Proof sheets are prepared by the DDOs and got certified by the Treasury Officers. Such sheets should be files chronologically and kept securely for being made available during the inspection/audit.

(iii) The transfer cases of the employees are duly accounted for as mentioned in para 3 (iii) of G.I memo dated 23.7.1974.

(e) The local audit parties during inspection of treasury will ensure that the requisite records are being maintained in the treasuries and the Treasury Officers are following the procedure correctly.

(f) The interest payable under the scheme is debit to the consolidated fund of India. Since the correct calculation and payment of interest in this respect is basically dependent on the correct and accurate maintenance of initial records in the office of DDOs and Treasury Officers, it is necessary that the parties verify the initial records on sample basis.

(g) Any deficiencies noticed in the maintenance of initial records in the offices of DDO and Treasury Officers should be suitably commented in the draft inspection reports regularly. A separate information in the proforma below may also please be sent on the last day of audit of OAD Hqrs by name of Assistant Audit Officer/OAD (M).

(Office order No. OAD (M)/AGI/II-173/OO.3 dated 28.5.75).

Form (Para 4.23 (g))

Information regarding additional Emoluments Compulsory Deposit Scheme

(To be filled in by Inspecting Officer/Assistant Audit Officer in detail)

1. Name of office Inspected
2. Total No. of employees in the office
(Gazetted & Non gazette)
3. No. of employees from whom compulsory
Deductions under the act was made
4. No. of employees for whom ledger accounts
have been opened.
5. (i) No. of employees transferred
(ii) No. of accounts transferred
(iii) No. of accounts not transferred with
reasons
- 6 (i) No. of employees came on transfer
(ii) No. of accounts received.
(iii) No. of accounts not received with reasons
7. Whether proper accounts are kept in the cases of
transferred employees
8. Whether monthly proof sheets duly certified by T.Os
Are available.
9. Whether DDO wise accounts are kept in the
treasuries
10. Deficiencies noticed (Brief of the points taken in IRs).

**Inspecting Officer/Assistant Audit Officer
LAP/RAP**

11. Audit of transactions relating to Additional Emoluments Compulsory Deposit (Local Authority Employees') Scheme 1974

Orders and instructions issued by the Government of India regarding compulsory deposit under Additional Emoluments Compulsory Deposit (Local Authority Employees) Scheme 1974, as to the manner of deduction for compulsory Deposit from the employees of local authority, remittance of deductions to Bank, maintenance of accounts in the office of the local authority, submission of statement of accounts by the local authority to the nominated authority and manner of maintenance of accounts in the office of nominated authority are contained in notification No. GSR-459(F), dated 8th November 1974 as amended further by the Ministry of Finance Notification No. GSR-253 (3) dated 12th May 1975.

Under para 5 of the additional emoluments compulsory deposit (Local Authority Employees) Scheme, 1974 the specified authority i.e. the local body concerned is required to remit within 15 days of the close of every month the total amount of deductions from the emoluments disbursed for the month by a separate cheque or demand draft drawn on the bank situated at the same station, as the deposit office and within 5 days of such remittance a statement of the deposits made is required to be sent to the nominated authority in form V prescribed under the scheme. Under para 9 of the scheme, the nominated authority is required to maintain an account for each specified authority separately for Additional wages Deposit Accounts and Additional D.A. Deposit Accounts.

Pursuant of para 16 of the scheme where under the accounts of transactions are open to audit by IA & AD besides audit of the accounts and other relevant records of the local authority by an auditor designated for the purpose. It has been decided by C & AG that the accounts and other relevant record maintained by the nominated authority under the scheme should be inspected in the office of the nominated authority. The local audit party should in the first instance ascertain the total number of local bodies which come under the purview of the scheme and are required to render accounts and other relevant records to the nominated authorities and besides exercising general check over the accounts maintained, conduct – Detailed check to the prescribed extent of 20 % of the accounts of the individual specified authorities each year in order to cover the accounts of all specified authorities over a period of 5 years.

It should interalia be seen:-

- (i) That interest on the deposit have been correctly calculated and that the repayments do not exceed the deposit actually credited under the scheme and the amount of interest which could not be disbursed within the stipulated period is deposited by the specified authority into the Govt. treasury with a challan (in quadruplicate) in form 'KK' under the head 'Deduct Expenditure' subordinate to the minor head E.E. (C.D.) Act, 1974, Vide Government of India. MFEA, Special Cell letter No. F. 6 (56)-CD/75 dated 20.12.75.
- (ii) Whether inspection of the accounts of the specified authority was undertaken by the nominated authority and if so, whether there is a proper follow up action in respect of points noticed during such Inspection.
- (iii) Whether the report of the auditor of the specified authority which is required to be sent to the nominated authority under the para 10 (i) of the scheme is available. Such audit reports

should be scrutinized to ensure that proper attention has been taken by the nominated authorities in respect of irregularities mentioned therein.

The deduction made from the employees of the local authorities will be deposited by the specified authorities in the respective deposit offices. Subsequent repayment of the deposits whenever due will also be withdrawn with the approval of nominated authority. These transactions will not pass through Reserve Bank of India and will be credited by the deposit office with the Reserve Bank of India. Interest on deposits payable to the employees will be a charge on the consolidated fund and will be drawn on separate bills by the nominated authorities. The deposit office will make the payment and include the debits therefore in the account rendered to the treasury with which it is in account. The vouchers in support of the interest payment received in the accounts office in support of the Debit in the Treasury Accounts will be segregated and sent to the local audit party at the time of local audit of the office of the nominated authority. While the total payments as included in these vouchers will be checked with records in the nominated office the details will be checked with reference to subsidiary records maintained by the nominated authority.

Consequent on the departmentalization of accounts of the Ministries and Departments of the Union Government, the above procedure will not be applicable so far as those Departments are concerned. According to para 2 of the MOF (DEA) circular letter No. F.5(5)-CD/76 dated 14.10.1976, the offices of the Reserve Bank of India and branches of the State Bank of India, acting as deposit offices will, after making repayments of deposits and payment of interest, prepare payments scrolls in quadruplicate and send original and duplicate copies of scrolls to the Principal Accounts Officer, Department of Economic Affairs, New Delhi and send triplicate copy for their record. Thus after departmentalization, the vouchers will not be received in the A.G's Office and will not be available for handing over to the local audit parties for checking the accounts in the nominated office. Thus the transactions of interest payments arising under A.E.C.D. (Local Authority Employees) Scheme, 1974 may be checked in the nominated offices with reference to Bank Scrolls (received by the nominated authority) and the ledger accounts, and other subsidiary records maintained by them. The correctness of the interest payment drawn (as indicated in the copies of the bills available with nominated authority) may also be verified with the scrolls received from the Bank.

(CAG's circular letter No. 491/TAI/10-80 dated 2.6.1980)

If any major irregularities is noticed in the Audit Report or in the Inspection Report of the nominated authority as mentioned in para 3 (iii) above and in case the party feels the necessity of examining the original record of the specified authority, a note containing a detailed justification of such a proposal may be forwarded by the local audit party to the Sr. Dy. Accountant General (I-c) along with Inspection Report to enable consideration of further course of section.

III Additional Emoluments Compulsory Deposit (Employees other than Employees of Government and Local Authorities) Scheme, 1974

(a) In respect of bodies and authorities coming under the purview of this scheme, the Employees Provident Fund Commissioner and its Regional Offices will function as the nominated authority. The detail procedure for audit of the various bodies and authorities coming under purview of this scheme will be the same as prescribed above for Local Authority Employees.

(Authority : CAG's letter No. 254-D & M/3-75 dated 12 December, 1975)

(b) The Government of India bear the expenditure incurred by the organization on payment of pay and allowances of the additional staff employed for the purpose, purchase of paper, other stationery and other office expenses etc. connected with the implementation of the Act for this purpose the Government of India, Ministry of Finance (DEA) releases, 'on account' payment to the Employees Provident Fund Organisation. The Central and Regional Office of the Employees Provident Fund Organisation are required to keep separate detailed accounts of this expenditure. A consolidated Monthly statement of expenditure is also required to be furnished to the Ministry of Finance by the Central Office of the Employees Provident Fund Organisation by the 20th of the month following to which the expenditure relates. The 'on account' payments are adjusted on the basis of actual. While auditing this expenditure the LAP should ensure:-

(i) In the office of the Regional P.F. Commissioner and Central office of E.P. Fund Organisation- that the expenditure incurred correctly pertains to work connected with A.E.C.D. or if any part of the expenditure of the organization is allocated to this work, the allocation has been correctly worked out.

(ii) In the office of the PAO (DEA)- That the monthly statements of expenditure such by the Central office of the Employees Provident Fund Organisation to the Ministry of Finance are checked by the PAO with the vouchers.

(CAG's letter no. 59-C & M/3-75 Vol. V dated 3.5.1978)

IV Furnishing of Audit Inspection Report

The observations and objections on the accounts kept by the Nominated Authorities under the three schemes framed under the Additional Emoluments (Compulsory Deposit) Act, 1974 may also be furnished to the Ministry of Finance, Department of Economic Affairs (CD-Special Cell) New Delhi.

(CAG's circular letter No. 35 – O & M/3-75 Vol. V dated 22.3.78)

4.24 Account records not specifically mentioned in this Manual

All other accounts records not specifically mentioned in the preceding paragraphs of the chapters dealing with the audit of the accounts of the particular office or institution should be examined to see :

- (i) that they are maintained in accordance with the prescribed rules and are upto date ; and
- (ii) that they are periodically reviewed by a responsible officer.

4.25 Audit of loans

The following points may be seen in the audit of loans :-

- (i) Whether all the formalities which were required to be observed before the grant of loan e.g. checking of the solvency of the loanee, execution of a mortgage bond to secure the loan, furnishing of surities etc., have actually been compiled with the departmental officers and whether important documents have been kept in safe custody.
- (ii) The nature of records maintained by the departmental officers for the grant and watching the recovery of loans for the various purposes and whether they are adequate to serve the purpose for which these are intended.
- (iii) The pace of recovery and the amount which might have become irrecoverable should be examined to see whether departmental officers have made serious efforts to recover the dues from the debtors and in the case of default from the sureties.
- (iv) Whether departmental officers are following the Rules and orders issued by the Government for release and recovery of the Principal as also levy and recovery of interest/Penal interest.
- (v) Whether the loan has been utilized for the purpose it was sanctioned and utilization certificate has been obtained from the loanee.

(vi) Adequate security has been obtained particularly from Private Loanees to safeguard Government interest and Government have made adequate arrangements to keep themselves informed of the continued solvency of the loanee.

(vii) That there is no tendency to grant further loans for the same purpose to a loanee when he has unutilized balances out of the previous loans.

(O.O No. OAD I/O.O/42/62-63, dated 1.6.62 and para 437 of M.S.O Tech.)

ANNEXURE I

(Referred to in N.B. 2 below para 4.11)

Copy of memorandum No. 187/MS/76, dated the 8th March 1976 from Government of Madhya Pradesh, General Administration Department, Bhopal, addressed to all Departments of Government, All Heads of Department, All Collectors M.P.

1. It has come to the notice of the Government that some officers of Government are withdrawing large amounts from treasuries and opening accounts with banks without obtaining clear orders from the State Government. In future no drawing and disbursing officer shall open any account in any bank out of amounts drawn from the treasury without the specific authority of the Government, which shall issue only after consultation with the Finance Department. If any such account has been opened by the officer without specific orders of the Government, it should immediately be closed and the amount credited into Government treasury under the relevant head of account. An intimation to this effect be sent to the Director (Budget) within 7 days of receipt of his order. If any account has been opened under orders, intimation regarding the amount deposited in banks the nature of account current or fixed-the reasons thereof and the authority by which such account has been opened be sent to the Director (Budget) within 7 days of the receipt of this order.
2. Any violation of this rule by any officer would be severely dealt with.

**Sd/-
(S.C. Verma)
Chief Secretary to Government,**

APPENDIX I (I)

(Referred to in the note 2 below para 4.04)

No. A/C/XIV/9/74-75/5328

Dated : 27.6.1974

To

All Treasury Officers,

Madhya Pradesh

Subject : Verification of the figures of income and expenditure by the Local Audit Parties of the Accountant General's Office, with reference to Treasury records.

It has been brought to the notice of the Directorate that the Local Audit Parties of the Office of Accountant General, in course of their examination of records of the concerned Departments request the Treasury Officers to verify the figures of receipts and expenditure of the concerned Department with reference to the Treasury record.

In this connection, it has been decided that when the Audit parties request for verification of figures of receipt and expenditure of various Departments, they may be requested to furnish two copies of the statements of such receipts and expenditure, one of the copies should be returned to the Audit Party after verification with reference to the treasury records and the other copy should be preserved in the treasury so that, it may be possible to ascertain as to which particular statement was verified if the necessity so arises.

**Sd/-
T.L. Soni
Dy. Director**

APPENDIX I (ii)

(Referred to in the note 2 below para 4.04)

Directorate of Treasuries and Accounts Madhya Pradesh

No.,A/C/16/66/78-69/5620

Raipur, Dated 20.11.78

Subject : Verification of drawals from Treasury list of payment (posting schedule)

Reference : This Directorate memorandum No: A/C/16/47/74-75/559 dated 3.6.75

Your personal attention is invited to this Directorate relevant memorandum (copy enclosed on the above subject and it is stated that it has been again brought to the notice of this Directorate by the Accountant General, Chhattisgarh, Raipur that complete and correct designation of the drawing officer and other details are still not being recorded by the Clerks in the posting schedule of some of the Treasuries and thereby much difficulty in verification of

drawals is faced by the auditors of Accountant General's office and Departmental reconciliation parties.

2. Therefore strict directives should be issued to concerned posting clerks to check such incorrect and incomplete entries in future and they should be clearly told that disciplinary action shall be taken against them in the event of incorrect and incomplete entries noticed in the posting schedules. For the compliance of these instructions it is also necessary that Treasury Accountant and Treasury officers should test check 20 % and 5 % entries respectively while signing daily account of the treasury.

ANNEXURE II

(Referred to in Para 4.12 (b))

Rules for the supply of articles for the Public service (Store Rules) and Instructions for the Guidance of officers who are required to make purchases of stores under the provisions thereof.

Preamble to the rules

The policy of State Government is to make their purchases of stores for the public service in such a way as to encourage the development of the industries of this State in particular and the country in general to the utmost possible extent consistent with economy and efficiency, and the following rules, which are applicable to the purchase of stores (other than Printing and Stationery Stores) are prescribed for Chhattisgarh by the State Government in accordance with this policy. **These Rules supersede all previous orders on the subject.**

In order to give effect to the above policy, preference in making purchases will be given in the following order.

First- to articles which are produced by State owned Corporations/Industries provided the quality is sufficiently good;

Secondly – to articles which are produced by Small Scale Industries of Chhattisgarh and registered as such with the Director of Industries provided the quality is sufficiently good;

Thirdly – to articles which are produced by Medium and Large industries of Chhattisgarh provided the price and quality is comparable with the articles produced outside the State;

Fourthly – to articles which are produced in India in the form of raw materials, or are manufactured in India from raw materials, or are manufactured in India from raw materials produced in India, provided that the quality is sufficiently good for the purpose;

Fifthly – to articles wholly or partially manufactured in India from imported materials provided that the quality is sufficiently good for the purpose;

Sixthly – to articles of foreign manufacture held in stock in India provided that they are of suitable type and requisite quality; and

Seventhly – to articles manufactured abroad which need to be specially imported.

Competent authority shall give the prescribed preference to articles manufactured by the State owned Corporations/Industries and the prescribed price preference to the small scale industries of Chhattisgarh registered as such for the concerned articles with Director of Industries.

1. The rules express a definite preference for articles which are produced in state owned corporations and in small scale industries of Madhya Pradesh.

2. The difference in the character of the preferences which may be given should be carefully noted. In the case of first five categories mentioned in the preamble the condition is that the quality is sufficiently good for the purpose, and for the sixth category that the articles are of suitable type & requisite quality. This means that the articles coming under the first five categories should be accepted in that order unless it is considered that the quality is definitely not up to the standard required even though articles manufactured elsewhere and imported articles may be considered to be of better quality.

3. The other kind of preference referred to in the rules is a price preference, and it is enjoined that the prescribed price preference shall be given to articles produced or manufactured by the State owned corporations/Industries and small scale industries registered as such with Director of Industries. It is also enjoined that a limited price preference may be given to articles produced or manufactured in India either wholly or in part by officers specially authorized. It should be noted that no price preference should be given to articles falling in the sixth category over those which come within the last category.

4. A strict comparison with prices prevailing abroad is not required but the underlying principle is that the preference to be accorded to Indian products or to imported stocks is to be tempered by the consideration of economy.

5. Every proposal for the grant of a price preference (otherwise than in accordance with these rules) should be referred by purchase officers concerned through proper channel to State Government in Commerce and Industry Department.

Rule 1- Save as provided in Rules 9 and 10 All Articles required to be purchased for the Public Service shall be purchased on the condition that delivery shall be made in India for payment in Rupees in India.

6. It should be carefully noted by all purchasing officers that under the revised rules the purchase in India of all articles (with the exception of the classes of stores specified in rule 9) required for the Public Service is obligatory.

7. Indents for stores, other than the classes of stores specified in rule 9, should not be sent to the Director General of Stores, London, but the stores should be obtained by calling for tenders in India in accordance with the provisions of the revised rules.

8. It should be clearly stated in all invitations to tender, issued by purchasing officers in India, that tenderers must provide in their tenders for delivery in India and that payment for the articles will be made in rupees in India.

9. With reference to the principles of preference mentioned in the preamble, tenderers should be requested to furnish information in regard to the country of manufacture and/or origin of the material used in the manufacture of the articles.

10. Purchasing officers may exercise full discretion regarding the point or place of delivery to be specified in their invitations to tender. They may specify G.I.F. or F.O.R. Indian port, F.O.R, place of dispatch, in India or Free Delivery receiving station in India. Where tenders are invited to plant and equipment in which the erection of the plant at site is to be undertaken by the successful tenderer, appropriate terms in regard to delivery at site should be included in the invitation to tender or in general specifications.

11. When specifying the point or place of delivery purchasing officers should endeavour to lay down terms which will give all tenderers equal opportunities to put forward their lowest prices. For instance, in many cases tenderers abroad may be unable to tender for delivery F.O.R

Indian port or free delivery receiving station in India and may only be able to tender on the basis of delivery C.I.F. Indian port with payment in rupees in India against shipping documents. Such tenders should be considered as coming within the meaning of rule 1 and should be accepted if satisfactory in other respect.

12. Except in special cases full payment for the stores should not be made against shipping documents but only after delivery of stores has been taken by the receiving officers and they are found to be satisfactory in every respect.

Rule 2-Tenders shall be invited Indian and abroad also when considered desirable, for the supply for all articles which are purchased under Rules 1 to 5 unless the value of the order to be placed is small or sufficient reasons to be recorded exist which indicate that it is not in the public interest to call for tenders. No tender which fails to comply with condition as to Delivery and Payment prescribed in Rule 1 shall be accepted:

Provided that where purchases are to be made from Government owned Corporations/Industries under Rule 14 (a) no tenders shall be invited.

Note :- For the purchase of articles or group of articles costing up to Rs. 250 (Rs. Two hundred and fifty) on each occasion tenders may not be invited, if in the opinion of competent authority which should be recorded in writing, it is not possible to follow the usual procedure.

13. In selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors. In cases where the lowest tender is not accepted, reasons therefore should be placed on record.

14. The rule authorizes the issue of invitations to tender to firms abroad “when considered desirable”. The discretion to invite such tenders will vest in the Head of the Department concerned.

15. Tenders should be invited abroad as well as in India, whenever it is considered necessary or desirable to do so in order to obtain adequate publicity and to ensure economical purchases. These considerations will apply mainly to the categories of stores which have hitherto been obtained by indent on the Director General, India Store Department, London and when dealing with the purchase of such classes of stores, it is essential that tenders should be invited abroad in order to obtain wide competition and utilize and all possible sources of supply.

16. If the response to any invitation to tender indicates that, owing to inadequate publicity or some other reasons, favourable tenders have not been received, then fresh tenders should be invited and measures taken to bring the invitation to tender to the notice of all possible tenderers.

17. When the circumstances of a particular case indicate the desirability of obtaining tenders from firms established abroad, who have no branches or agencies in India a sufficient supply of tender forms with the relevant documents, specifications and drawings should be sent as soon as possible to the Director General, India Store Department, London. The latter will give such publicity to the demand as he may consider to be the most suitable for the purpose, by advertisement in the newspapers or otherwise. Demands estimated to cost Rs. 20,000 or over will, as a rule, be advertised by him. Intending tenders established abroad will be instructed by the Director General, India Store Department, London, to apply to him for the tender forms, copies of which will be supplied by him in each case. The tenderers will at the same time be instructed to submit their tenders direct to the purchasing officer concerned in India and not to the India Store Department, London, and the order will be placed by the former direct with the successful tenderer.

18. When it is desired to have the recommendations of the technical advisers of the London Store Department, e.g., the Consulting Engineers, Naval Architects, etc., on the tenders, before a decision is reached as to that a complete duplicate of the tender should be delivered to the Director General, India Store Department, London, on the same date as that fixed for the submission of the tenders in India. The Director General, India Store Department, will arrange for the examination of the tenders by the appropriate technical authority and will telegraph his recommendations to the purchasing officer concerned in India. For the work connected with this examination of tenders, the Director General India Store Department will make a fixed charge against all commercial and other Departments who are not entitled to utilize the services of the London Store Department free of cost.

19. It should be made clear on every tender form that the stores must be delivered in India, that payment will be made in India in rupees, and that any tender which does not comply with these conditions will not be considered. Tenderers abroad should also be required to specify their agents in India through whom delivery will be arranged and payment received and who, when so required will arrange for erection at site and for the carrying out of such tests on completion as may be specified in the contract.

20. No account adjustments will be made between the High Commissioner's office and the purchasing department in India for the value of tender forms sent to London and issued on behalf of the purchasing authorities in India and the expenditure on advertisements, postage charges, etc. in the High Commissioner's Office.

21. When considering the desirability of calling for tenders abroad it is important that purchasing officers in India should bear in mind the necessity of allowing sufficient time for the receipt and publication of invitations to tender, the receipt of the tender forms by tenderers, and the preparation and dispatch of the tenders, to India.

22. The following is an approximate estimate of the time required :-

Time required for sending the forms from India to London :-

By Ordinary Mail – About 18 days

By Parcel Mail – About 27 days

By Air Mail – About 8 days

Time taken in London in advertising and issuing forms of tender, say, 10 days

Time required by tenderers to prepare and dispatch tenders, average say 14 days.

Time required for forwarding the tenders to India:

By Ordinary Mail – About 18 days

By Parcel Mail – About 27 days

By Air Mail – About 8 days

If American tenders have to be awaited about three weeks will require to be added to the above figures and in cases of complicated engineering schemes it will be necessary to allow a longer time to tenderers for the preparation of their tenders.

23. Rule 2 does not preclude the use of limited or single tenders, nor does it require that tenders should be called for where it is clearly not in the public interest to do so.

The following procedure for obtaining tenders should be followed as far as practicable:-

Tenders should be obtained :-

(1) By advertisement (Open tender)

- (2) By Direct invitation to a limited number of firms (limited tender)
- (3) By invitation to one firm only (Single tender, or 'private purchase').
24. The "Open Tender" system, i.e., invitation to tender by public advertisement should be used as a general rule and must be adopted subject to the exception noted below in all cases in which the estimated value of the tenders to be received is Rs. 5,000 or over.
25. The India Trade Journal published by the Director General of Commercial Intelligence and Statistics, Calcutta, which is a Government publication, should be regarded as the standard medium for public advertisement in India. Advertisements may, however at the discretion of the purchasing officer be inserted in one or more of the principal newspapers in India.
26. When in the circumstances stated in paragraph 15 it is decided to invite tenders from abroad the paragraph 15 it is decided to invite tenders from abroad the procedure described in paragraphs 17 and 18 should be followed.
27. The "Limited tender" system should ordinarily be adopted in the case of all orders the estimated value of which is less than Rs. 5,000.
28. For the purposes of the limited tender and single tender procedure the purchasing officers will maintain a list of firms, both Indian and foreign, of known reliability who have been able to satisfy them that they possess the necessary equipment and facilities for the supply of stores which they offer. The list should be subjected periodically to examination and revision, and any application from a firm for inclusion in the list should be considered on its receipt. Before the name of a firm is added to the list such enquiries as may be considered necessary should be made by the purchasing officer to ascertain the ability of the firm to execute contracts satisfactorily. From this list the name of firms to be invited to tender should be selected.
29. Such a list is already maintained by the India Store Department and the Director General of Supplies and Disposals will on receipt of a request, furnish purchasing officers with such information as he may possess regarding the capability and standing of any firm approved by him.
30. The "Single tender" system may be adopted in the case of small orders, or when the articles required are of a proprietary character and competition is not considered necessary. A "small order" shall be interpreted to mean for this purpose an order the total value of which does not exceed Rs. 500. In all such cases, however, the purchasing officer should consider whether it

is not feasible to enter into a rate of running contract for the articles in question or to utilize the rate or running contracts entered into by the Director General of Supplies and Disposals.

31. The “Limited tender” system may, however, be adopted instead of the “Open tender” system even when the estimated value of the tenders to be received is not less than Rs. 5,000 in the following cases:

(a) When sufficient reasons exist which indicate that it is not in the public interests to call for tenders by advertisements. In every case the reason must be recorded by the purchasing officer and communicated to the Accountant General confidentially, if necessary.

(b) When the indenting officer certifies that the demand is urgent and any additional expenditure involved by the elimination of open competition must be incurred. In all such cases the indenting officer must place on record the nature of the urgency and why the demand could not be anticipated.

32. When tenders are invited by public advertisement the issue of the tender forms need not be restricted to firms whose names are on the list of approved contractors. Firms not on the list should, on enquiry, be informed that they are at liberty on payment of the prescribed fee to tender for advertised requirements. When a tender which appears to be satisfactory has been received from an unknown firm steps should be taken before any order is placed to ascertain whether the firm is capable of executing the work in a proper manner. If the enquiries prove satisfactory, the order or a portion of it, may be placed with the firm. If the order or the portion thereof is satisfactorily executed, the name of the firm should be added to the list of approved contractors.

33. Chhattisgarh Laghu Udyog Nigam Ltd., and the Small Scale Industries registered with the Directorate of industries are exempted from payment of earnest money/Security deposit for the purpose of participating in Government purchase programme. Tenders from such industries whose competency is certified by the Director of Industries should, therefore, be accepted without security deposits. A competency certificate issued by the Director shall be in force for a period of two years unless it is withdrawn.

Whenever in such cases supplier fails to deliver the stores the Director of Industries should be immediately apprised of it. He may take appropriate action having regard to merits of each case and remove the name of the firm from the list of industrial units qualified for the above concession for a period not exceeding two years.

Rule 3- Subject to Rule 14, Articles which are produced or manufactured in Madhya Pradesh should be purchased in preference to articles produced or manufactured in other parts of India, provided that the quality is sufficiently good and the price Reasonable.

Rule 4- All articles, whether manufactured in India or Abroad shall be subject to inspection before acceptance, and articles, for which specifications and/or tests have been prescribed by the Government of India or the State Government shall be required to conform to such specifications and/or to satisfy the prescribed test or tests which may be carried out during manufacture or before or after dispatch from the supplier's premises.

Rule 5- Subject to Rule 14, Important Plant Machinery and Iron and Steel Work shall be obtained only from firms approved by the Director General of Supplies and Disposals India Store Department and specified in the list issued by him from time to time.

34. The intention of rule 5 is to ensure that plant, machinery and other engineering equipment, e.g., bridge girders, roof trusses which form important components of a project shall be obtained only from firms which possess workshops and appliances capable of turning out work of the desired standard.

35. The lists referred to in this rule will be maintained and issued from time to time to all purchasing departments by the Director Generals of Supplies and Disposals, India store Department. They will include the names of firms in India and abroad which have been approved for the supply of important plant, machinery and iron and steel work.

36. Applications for inclusion in the lists mentioned in this rule should be made to the Director General of Supplies and Disposals, India Store Department, direct by the firm with a full statement of the reasons which in their opinion justify such inclusions.

37. Cases may arise in which tenders may be received from firms whose names do not appear in the lists of approved firms. If the tenders are prime facie satisfactory they should not be summarily rejected, but a reference should be made to the Director General of Supplies and Disposals, India Store Department, who will, if he considers it necessary, make enquiries in regard to the capabilities and standing of the tendering firms and will intimate the result of the enquiries to the purchasing officer concerned.

Rule 6- In the case of important construction work let out on contract, articles required for the construction of such works may be supplied by the contracting firm provided that when

specifications and/or tests have been prescribed for such articles they shall conform to such specifications and/or shall satisfy such tests.

38. The object of rules 4 and 6 is to emphasize the importance of ensuring that articles purchased for the public service conform to the specifications which may be prescribed by competent authority, and the necessity for careful inspection of all stores before acceptance. The appropriate specifications should be annexed to or quoted in the invitations to tender, and it should be stipulated in the conditions of contract that the articles supplied will be subject to inspection and/or tests prescribed in the specifications before acceptance.

39. When tenders for important construction works are invited the officer concerned should also stipulate in the invitations to tender that the articles required for the construction of such work must comply with the specifications prescribed for such articles. The articles should be inspected and/or tested in accordance with the provisions of the specifications before acceptance.

40. All purchasing officers should pay special attention to these points and should take steps to ensure that adequate inspection arrangements are made in each case.

41. When articles are obtained from abroad which require inspection and/or test during manufacture and before shipment, arrangements should be made by the purchasing officer concerned for such inspection and/or tests to be carried out by the India Store Department, London. Any further inspection and test considered necessary or desirable after receipt of the articles in India should be arranged for by the purchasing Department. The services of the India Store Department can be utilized in connection with such inspection and tests.

42. As soon as a contract for articles which require inspection and/or test during manufacture or before shipment from abroad has been awarded, four complete copies of the accepted tender with specifications, drawings, conditions of contract and all other relevant documents, should be sent to the Director General, India Store Department, London, with complete instructions for inspection and the full address of the manufacturers. The contractors should be informed that inspection during manufacture or before shipment will be carried out by the Director General, India Store Department, London, and he should be asked to instruct his representative in the country of manufacture to communicate direct with that officer.

43. With regard to the inspection of articles, obtained or manufactured in India all purchasing officers can, if they so desire, utilize the services of the India Store Department for the inspection and/or test during manufacture and before despatch.

44. In the cases of orders for plant and machinery, whether purchased in India or obtained from abroad, which include erection and test at site of work, arrangements for inspection and test after erection at site can be made through the India Store Department.

Rule 7- Indenting Officers in the case of purchases in India above Rs 50,000 each in value must use the agency of the Director General of Supplies and Disposals, unless they can show that they can themselves purchase the materials more cheaply or in a case of urgency more expeditiously:

Provided that where purchases are made from state owned corporations the above restrictions shall not apply.

45. The intention of rule 7 is that the agency of the Director General of Supplies and Disposals should be utilized when the value of a purchase made at one time exceeds Rs. 50,000 irrespective of whether such a purchase is of a single article or of a number of articles of the same kind. When a number of diverse articles are included in the indent, the limit of Rs. 50,000 shall apply to each such article or group of articles of one kind included in the demand.

Rule 8- Nothing in these Rules shall be deemed to prohibit the purchase of articles by one department from another.

Rule 9- The articles enumerated in Annexure 'A' or any other articles of a special or unusual character may, when suitable and economical purchases cannot be made in accordance with the preceding rules be obtained without Reference to those Rules subject to the following conditions:

(a) where the value of the purchase exceeds Rs. 5,000 the purchasing officer shall place of record his reasons for not effecting the purchase in accordance with the preceding rules.

(b) The purchasing officer may at his discretion either obtain the article that he requires by indent on the India Store Department, London, or purchase it direct from manufacturers or dealers abroad subject to the limits prescribed in rule 12 of these rules.

Where resort is had to direct purchase from manufacturers or dealers abroad tenders shall, whenever practicable, be first obtained.

(c) When articles are purchased abroad under this rule through the agency of the India Store Department, London, payment shall be made by that Department. In other cases payment shall be made:-

(i) in countries other than Great Britain and Northern Ireland, direct to the suppliers by the purchasing officer.

(ii) in Great Britain and Northern Ireland, through the High Commissioner for India.

46. Rule 9 is in the nature of an exception to the principle enunciated in rule 1. Before availing himself of the discretion given by this rule it will be incumbent on every purchasing officer to taken all possible steps to assure himself that the stores of the requisite qualities cannot be obtained in India at suitable prices that the underlying principles of the rules are not violated, a copy of all orders for stores placed abroad, whether on the London Store Department or directly on the suppliers, under this rule, should be forwarded to the Director General of Supplies and Disposals, India Store Department for scrutiny, and also for the purpose of compilation and publication of a list every two months of all such orders placed abroad.

47. If orders are placed abroad under the provisions of rule 9 on the basis of delivery free on board vessel at Port of Despatch, arrangements for the shipment of stores should be entrusted to the Director General, India Store Department, London.

The indenting officer should inform the supplier of this arrangement and should send a copy of his order to the Director General, India Store Department, London for information.

48. It will be noted that under this rule “articles of a special or unusual character” may be obtained by indent on the India Store Department, London, or purchased direct from manufacturers or dealers abroad. It should be clearly understood that the expression “articles of a special or unusual character” is not to be taken as covering generally the case of articles not produced of manufactured in India, such as locomotives, boilers, plant, machinery, etc. The expression “articles of a special or unusual character” is intended to give purchasing officers liberty to obtain direct from manufacturers or through the Director General India, Store Department, London, articles such as spare or replace parts of non-standard appliances and other articles which cannot conveniently be obtained by calling for tenders on a rupee basis. For example, a purchasing officer may require a replace part for a machine tool of a particular type and make. The manufacturer may not be represented in India, and he may be unable to tender for delivery and payment in India. Again, a special type of machine may be invented and produced by a manufacturer who is not represented in India and who will only agree to supply his machine on his own conditions of sale.

49. It should be noted that the inclusion of “Scientific Instruments” in item (viii) of Annexure ‘A’ under this rule is not intended to permit the purchase of drawing, surveying and other mathematical instruments, either from manufacturers or dealers direct or through the Director General, India Store Department, London. Indents for such instruments should be placed with the mathematical Instruments Office of the Survey of India Department.

Rule 10- The purchasing officer shall obtain by indent on the India Store Department, London. All articles not produced in India and required to be purchased for the public service, stocks of which are not available in the country or could not be made available within the time such articles are required to be brought into service.

In all such cases the purchasing officer shall, before forwarding the indent, place on record his reasons for not effecting the purchase in accordance with the preceding rules and also sign on the Indent a certificate in the following form:-

“I certify that form enquiries made, I am satisfied that the article/articles included in this indent is/are not at present available in stock in India and cannot be made available within the time such articles are required to be brought into service”.

Rule 11- Forecast of requirements which may be obtained by indent on the India Store Department, London. In cases in which stores are to be obtained through the India Store Department, London every effort should be made to foresee requirements so that the indents may be dispatched in ample time. It should be borne in mind that Government Stores are now liable to customs duty in exactly the same manner as private merchandise and that the duties will be charged to the intending department concerned. The forecast of expenditure on imported stores should accordingly include customs duties.

Rule 12- Time required to obtain stores from England- It may be assumed that the time required from the transmission of an Indent upon the India Store Department, London, to the receipt of the stores is :-

Urgent Telegraphic Indents-Not less than three months.

Ordinary Indents-six to ten months according to the article demanded.

For Special Stores e.g. Large Girders, Rolling stock, etc.-upon one year in ordinary time.

Note : When ordinary stock articles conforming to well recognized standards are required within a shorter period than three months, and the purchase is being made through the India Store

Department in accordance with rule 9, the indenting officer shall, if he desires, that the procedure indicated in the resolution in the Department of Commerce and Industry No. 6862-6869-37, dated the 13th September, 1911, be adopted, state the fact clearly in his telegraphic indent.

Rule 13- Financial limits on powers of officers to make purchases in India and Abroad- A Department, or Officer's Financial Powers in the matters of the purchase of stores ordinarily extend to the limits to which it or he is empowered to enter into contracts. But in the case of purchases made in India under clauses "Sixthly" and "Seventhly" of paragraph 2 of the preamble the limit upto which power to purchase any one article or any number of similar articles purchased at one time extends are as follows:-

(A) Civil Departments

- (i) The Administrative Departments of Government-2000
- (ii) Heads of Departments, and other officers of or above the rank of Collector whom the State Government may select- 1,500
- (iii) Other officers authorized to incur expenditure – 100
- (iv) State Government- Full Powers

(B) Public Works Department

- (i) Executive or Assistant Engineer holding charge of a Division-1,000
- (ii) Superintending Engineer- 5,000
- (iii) State Government – Full Powers

Note 1 : The money limits are inclusive of all incidental charges involved in effecting a purchase and these powers are subject to the rules of the budget system. No sanction will be given which will involve expenditure from the budget grant of any future year.

Note 2 : The rule does not over ride the provisions of Financial Rule 100 in respect of contingent expenditure nor does it confer upon the officers concerned power to incur such expenditure, to the extent detailed therein without the sanction of the competent authority.

Rule 14 – The prescribed price preference that shall be allowed to state owned Corporation/Industries Products and Registered Chhattisgarh Small Scale Industries Products will be as follows:

(a) Articles shown in Annexure 'B' subject to revision from time to time, for exclusive purchases from State Owned Corporation/Industries, shall be purchased from such Corporations/Industries only.

(b) Articles, included in Annexure 'C' produced or manufactured by Small Scale Industries of Chhattisgarh Registered as such, with Director of Industries for concerned article, shall be given such price preference as may be prescribed by the State Government from time to time over articles procured from any other source.

Note 1 : The list of annexures 'B' & 'C' will generally be reviewed and modified by the State Government in Commerce and Industries Department in consultation with Finance Department twice a year in the months of December and June.

Note 2 : On representation from the purchasing department about quality and reasonability of the price, a committee, consisting of a representative each from the purchasing department, Director of industries and the concerned corporation, shall examine and decide the complaint having regard to cost of production and quality of the product.

Note 3 : There will be no price preference while comparing tenders/quotations for any article offered by two or more registered small scale units in C.G.

Note 4 : The price preference to be given will be subject to the purchasing authority being satisfied regarding quality of items proposed to be purchased and competency of manufacturing unit to make the supply in time.

In case the purchasing authority is not satisfied about the quality of items or competence of manufacturer the matter shall be decided by a Joint-Committee consisting of the nominees of the purchasing officer and the Director of Industries.

Note 5 : The prescribed price preference shall also be available for the articles on D.G.S & D rate contract to Small Scale Industries Units registered with the Director of Industries for the concerned articles.

50. The intention for rule 14 is that items, reserved for purchase, from the Government Corporation/Industries shall as far as possible be purchased from these Corporations/Industries only. Whenever such items are required to be purchased an indent should be placed with the concerned Government Corporations/Industries without inviting tenders and reasonable time should be given to them for making the supply. Only if the government Corporations/Industries

certifies their inability to make the supply, the purchase should be made from other sources in accordance with these rules. If tenders are invited then the prescribed price preference should be given to small scale industries registered with the Directorate of Industries.

51. The purchasing authority while sending bills to Treasury shall record a certificate on it to the effect that the rule in regard to give price preference on the production of S.S.I units have been fully complied with.

Rule 15- Power to sanction departures from the Rules-The State Government have power to sanction departures from the rules in cases in which departure is in the public interest. Applications for sanction in such cases should be made to the State Government in the Commerce and Industry Department.

ANNEXURE 'A'

(See Rule 9)

- (i) Seeds
- (ii) Cincone bark
- (iii) Articles for experimental or research purposes
- (iv) Chine, glass, cutlery, plate, crokery and perishable fabrics including linen for residences which are furnished by Government
- (v) Copper, Zinc and other non ferrous metals produced in Australia or America
- (vi) Timber produced in Australia or North America
- (vii) Such articles as the Superintendents of Vaccine Depots may require for the preparation of vaccine lymph.
- (viii) Chemicals and scientific instruments
- (ix) Preserved and tinned foodstuffs
- (x) Articles required for Governor's residence

ANNEXURE 'B'

(See Rule 14 (A))

List of articles manufactured by State owned/aided Corporations Industries reserved for exclusive purchase

	Name of articles	Corporation Manufacturing
1	Bicycle with their accessories	Chhattisgarh State Industries Corporation Ltd. Raipur
2	Barbed Wire	do
3	Brushes of all types	do
4	Shoes, Boots, Ammunition boots, Belts and other leather articles	do
5	Crockery, S.W. Pipes, White Flower Vases etc.	Chhattisgarh Laghu Industries Corporation Ltd. Raipur
6	Steel Furniture including beds, chairs, Tables etc	do
7	Pins, Gem Clips, Cut Tacks	do
8	Kit Boxes	do
9	Umbrellas	do
10	Wire Nails (of difference size)	do
11	Rolling Shutters	do
12	Mild Steel Trusses	do
13	Wooden Black Boards	do
14	Water Buckets	do
15	Construction of Body Building of Chasis	do
16	Tat Patti	Laghu Udyog Nigam Ltd. Raipur
17	Bandages & Gauge, if available as per Specifications of the Drug Controller And other cloth excluding cloth for Uniforms/liveries	Chhattisgarh Sahakari Samiti Maryadit Jabalpur and CGLVN Ltd. Raipur
18	R.C.C Pipes and its accessories	Cement concrete Febrication Unit, Itarsi
19	Half round pipes	CC Febrication Unit Itarsi
20	Ring of Well	do
21	Frame of Windows and Doors	do
22	Waste ware	do
23	R.C.C. Jail	do

ANNEXURE 'C'

(See Rule 14 (b))

List of articles for Price Preference to Registered Small Scale Industries units

- 1 Paints, Varnishes and Distempers
- 2 Hides raw and tanned
- 3 Leather and leather goods of all kinds excluding industrial items
- 4 Timber :
 - (a) Timber sawn and scantlings
 - (b) Wooden furniture of all kinds
 - (c) Doors, windows and other building fixture
 - (d) Other wooden articles including tentage requirements
- 5 Non-ferrous utensils, kettles, hot water boilers, fitting and other utility articles
- 6 Agricultural implements :
 - (a) Bullock driven ploughs of all types
 - (b) Rehats (persion wheels)
 - (c) Winnowers
 - (d) Ridgers
 - (e) Threshers
 - (f) Chaff cutters
 - (g) Seed drill and seed graders
 - (h) Hoes (Akolas)
 - (i) Spades
 - (j) Pickaxes
 - (k) Phawras
 - (l) Ghamelas

7 General Engineering:

- (a) Hardware articles like wire nails, panel, pins, rivets, washers, nuts and bolts, door and window fittings
- (b) Iron castings like C.I. Pipes and specials, sewage fittings and other drainage items, surface boxes, manhole covers, ventshafts, distance markers
- (c) Building materials like steel structures, trusses, steel doors, windows grills, storage tanks, rolling shutters, centering plates, C.I. sluice gates.
- (d) Barded wire, M.S. Wire, wire netting, link chains
- (e) Sheet metal goods like steel trunks and boxes, drums, containers, buckets, office stationery articles, trays, waste paper baskets, confidential boxes, racks, etc.

(f) Steel furniture of all kind including office, hospital and other requirements

(g) Conduit pipes

8 Electric cables and wires

9 Electric heaters, room coolers

10 Automobile:

(a) Spring leaves

(b) Hub drums

(c) Bushes

11 Weights and measures – commercial

12 Animal/hand driven trolleys and carts

13 Brushes

14 Umbrellas

15 Gymnastic items

16 Stationery articles like pins, tags, gem clips, wooden rules, paper weights, pin cushions, slates, pen stands, blotters, envelopes, gum bottles, writing ink.

17 Chemical products :

- (a) Acids – Sulphuric, nitric, hydrochloric
- (b) Soap, soap powder, toilet and laundry
- (c) Phenyle
- (d) Lime
- (e) Distilled water
- (f) Shellac
- 18 Bakelite moulded switches, plugs, bulbs, holders, ceiling roses.
- 19 Plastic goods, furniture cane, polythene bags, layflot bubing, buckets, tumblers, jars etc.
- 20 Cement castings, pipes, fittings and tiles
- 21 Asbestos cement pipes and fittings
- 22 Vulcanised rubber goods
- 23 Bicycle and cycle parts
- 24 Hosiery goods
- 25 Beam scales
- 26 Enamel and pigments
- 27 Spirits, alcohol and alcoholic products
- 28 Rubber tyres and tubes
- 29 Drawing and crafts paper
- 30 Glass-ware
- 31 Medical stores :
 - (a) Drugs
 - (b) Surgical instruments
 - (c) Dressings including absorbent cotton
- 32 Hand tools
- 33(i) Electricals :

- (a) Ceiling, table and cabin fans
- (b) Motors
- (c) Transformers
- (d) Electric batteries and cells (other than dry cells)
- (e) Electric instrument and meters
- (ii) Other Electrical fittings and accessories
- 34 Mechanical Engineering:
 - (a) Internal combustion engines
 - (b) Other industrial engines
 - (c) Pumping sets, motor driven
 - (d) Deep well turbine pumping sets
 - (e) Pumping sets, engine driven
 - (f) Earth moving machinery and spares
 - (g) Steel casting
 - (h) Centrifugal pumps
- 35 Pipe fittings, G.I. Bands, Tees, Sockets, cock sluice and valves
- 36 Water meters
- 37 Tractor accessories and implements
- 38 Expanded metal
- 39 Coilers and collars and poles
- 40 Casting, housing and slotted pipes for tube wells
- 41 Pines splot, taper cotter etc.
- 42 Steel pipes and fittings
- 43 (i) Workshop machinery (other than machines tools)
- (ii) Machine tools

- 44 Radio equipment
- 45 Well boring plant
- 46 Enamelled iron goods
- 47 Electrical :

Electric screens, iron clad switches, copper tapes, Air Conditioning Plant, Wheat stones bridges, Earth Meggar, Series resistance box, steel poles, incubators autoclaves, electrical carpet cleaners, carbon restate meggar, insulation tests, check tester, ammeters, electrical accessories such as button holders, tumbler switches key holders, lamp locks for brackets, holders, cut outs, fluorescent tubes.

- 48 Amplifiers (sound equipment)
- 49 Insecticides, pesticides and fungicides formulations.
- 50 Mathematical and survey equipment
- 51 Laboratory equipment cotton waste, munj ban.
- 52 Crockery, cutlery and enamel ware
- 53 Fire fighting equipment, hoses, pumps, fire extinguishers refills, etc.
- 54 Clocks and watches
- 55 Tinned and canned food stuffs
- 56 Animal feeds
- 57 Door mats
- 58 Head pan, wash upsinks, slab urinals
- 59 ACSR and ASC conductors
- 60 Asbestos pressure pipe
- 61 Automobile axles
- 62 Wipers and horns
- 63 Speedmeter cables
- 64 Brake lining

- 65 Pressure gauge
- 66 Commulator
- 67 Bus body building, bus kits, bus windows, truck bodies and coach bodies
- 68 C.I. Surface plates
- 69 Road roller rims
- 70 Spun pipes
- 71 Electrical meters
- 72 Fluorescent lighting fixtures
- 73 Gears
- 74 C.I wires
- 75 Toughened
- 76 Glues
- 77 Ice machinery and refrigerating equipment
- 78 Drilling machines
- 79 Metallic flexible tubes
- 80 Oscilloscope
- 81 Pharmaceuticals
- 82 Straw boards
- 83 Stay wire
- 84 Signalling wire and ground wire
- 85 Traffic signaling equipments
- 86 Sewing machines
- 87 Safety matches
- 88 Tubular structurals poles
- 89 wire ropes

- 90 Waxes and water proof papers
- 91 Webbing products
- 92 Optical lenses
- 93 Optical instruments
- 94 Welding transformers generators
- 95 Anneled wired
- 96 Automobile armature coil and dynamos
- 97 Sawing blades
- 98 Fire bricks and refractories
- 99 Fire clay
- 100 Machine screw and wood screws
- 101 Metal labels and badges
- 102 Tarpaulines
- 103 Room cooler
- 104 Bandsaw blades
- 105 Pressure gauge
- 106 Gelatine
- 107 Polished stone
- 108 Metal rods of wire, non-ferrous metals in extended shapes and brass rods
- 109 Rolled steel sections and rod angles
- 110 Tubular nuts
- 111 Pistons
- 112 Battery charges and eliminators
- 113 Voltage booster, Transformer, Automatic voltage stabilizers, Low voltage transformer, Motor starting, auto-transformer, phase shifting and phase conversion transformers

- 114 Small ovens and furnaces, electrically operated water distilling plants
- 115 M.S. Pipes/flat
- 116 Round bars angles, channels flats, Tee pipe joints etc., Products of steel re-rolling mills and foundries
- 117 Spring pins
- 118 Kingpin bushes
- 119 Silencers
- 120 Crank shafts connecting rods
- 121 Hand loom articles-such as guage, bandage cloth, Saries, chaddar, bed spreads, curtain and upholstery materials, tussar fabrics
- 122 Laboratory fine chemicals and analytical re-agents
- 123 Ayurvedic medicines
- 124 Ready made garments
- 125 Alum
- 126 Plough corn shelters, seed drills spare, C.I. and M.S spares,
- 127 Square bars
- 128 Casting like manhole covers, gates etc. Types of ferrous and non-ferrous casting All kinds of steel casting
- 129 Buttons (plastic)
- 130 Woollen blankets

CHAPTER 5

CHECK OF LEAVE ACCOUNTS AND SERVICE BOOKS OF NON GAZETTED GOVERNMENT SERVANTS

5.01 Consequent on the discontinuance of Annual Establishment Returns, Service Book is the only document for the verification of the service for pension. It was therefore, decided that adequate attention should be paid during local audit to the review of service books.

5.02 The service Books and leave accounts should be checked to the extent mentioned in para 5.04 below including therein the Service Books and leave accounts of all Government servants who are due to retire during the next five years. The service books so checked should bear an audit endorsement duly signed (with date) by the official in charge of the audit party. The check of service book should be to ensure that they are kept upto date. The entries in pay columns should also be verified with reference to the office copies for the month or months selected for detailed audit to see that they agree (CAG Confidential letter No. 928-Admn.II/349-61, dated 26.6.1962).

5.03 It should be seen that the annual verification of service is properly recorded by the heads of office in the service books of the Government servants concerned in accordance with the provision of Rule 81 of General Financial Rules and under S.R. 37 under F.R. 74 of C.G. Fundamental Rules Vol. 1

5.04 The extent of check of service books and leave accounts is as under:

(i)	Offices inspected annually	25 %
(ii)	Offices inspected biennially	50 %
(iii)	Offices inspected triennially	75 %
(iv)	Offices inspected once in four years or more	100 %

Service Books and leave accounts of those Government servants who are due to retire during next 5 years should be checked cent per cent.

(No. TM.I/IV/2/(IC)/23 dated 5.11.1965 and O.O. No. AGI/OAD (M)/II-49/O.O.I/75-76, dated 16.4.1975)

N.B : In order to ensure that the check of Service Books/Leave Accounts of all the members of staff of an office should be completed in a cycle of four years, the selections for the purposes of

check should be made by the local audit party with reference to the Service Books/Leave accounts checked during preceding local audit.

5.05 A statement should be obtained from the office inspected showing the names of all Government Servants whose service books and leave accounts are required to be kept by the Head of Office. The names of such gazette Government servants should also be included whose pay and allowances are drawn on establishment pay bills. The cases of retirement should be indicated by showing the date of retirement against their names. Remarks column should also indicate the cases where the Service Books are not available due to (i) S.B. not opened in cases of fresh appointment, (ii) S.B not received from old office in case of transfers, (iii) Service books sent to other offices etc.

NOTE: Service Books and leave accounts of such Government Servants whose services are terminated/who have resigned/left service during the period covered by local audit are to be included amongst the cases selected for test check invariably.

5.06 A certificate in the following form should be furnished alongwith the draft Inspection Report:

“Certified that the required percentage (25 %, 50 %, 75 %, 100 % as the case may be) of Service books and leave accounts have been checked including service books and leave accounts of all Government servants due to retire within next 3/5 years with the exception listed below which were not made available for check at the time of inspection. The names of persons whose service books and leave accounts were checked are as per list enclosed.

Encl : One list

No. of service books required to be maintained _____

No. of service books produced against the required _____

Percentage requisitioned for check _____

No. of Service books checked _____

No. of Service books not produced _____

(O.O No. OAD (M)/AGI/II-49/839 dated 18.8.75)

5.07 The following points should generally be seen in checking the (a) Service Books and (b) Leave accounts

(a) Service Books :

- (i) That a service book has been maintained for every non-gazetted Government servant and a service roll for each class IV.
- (ii) That entries of all events in the official career of a Government servant are made in the service book and attested by competent authority
- (iii) That the date of birth is clearly recorded and non alteration is made therein without the sanction of the competent authority.
- (iv) That the entries in the front page are reattested every five years.
- (v) That annual certificate of verification of service is recorded in the service book
- (vi) Entries in pay columns relating to pay and increments should be verified with reference to the office copies of pay bills for the monthly/months selected for detailed audit to see that they agree and are currently allowed.
- (vii) That no payment has been made to a Government servant beyond his attaining the age of superannuation or on the expiry of term of extension of service sanctioned by competent authority.
- (viii) That the date of first entry into Government service and the orders of confirmation are recorded.
- (ix) That the interruptions in service are clearly indicated.
- (x) That the Pay on the revision of pay scales has been checked by the competent authority and the relevant statements are pasted in the Service books.

N.B: The instructions for local audit in respect of fixation of pay as a result of revision of pay scales in M.P. from 1.4.1958 and 1.7.1960 are contained in O.O no. OAD (M)/70-71/1 dated 28.1.1971 reproduced as Annexure to this chapter. These instructions will also apply to Revision of pay scales from 1.1.1972.

- (xi) That the service book and leave accounts are maintained properly and are up to date

(b) Leave Accounts

Prescribed percentage (5 %) of the leave accounts including accounts of persons likely to retire or likely to complete 30 years of qualifying service are checked in detail to ensure that :

- (i) it has been properly posted and closed after the incumbent returns to duty from leave and every entry has been duly attested.
- (ii) That leave sanctioned has been correctly posted in the leave account and the entry of the leave sanction order has been attested.
- (iii) Leave at credit has been correctly calculated in accordance with the rules and the leave account has been revised with reference to orders regarding completion of probation, confirmation. Etc.
- (iv) the fact of issue of certificate under F.R. 26 (b) is recorded, where the period of leave is counted as service for increment under that rule;
- (v) subsidiary leave accounts have been maintained wherever necessary.
- (vi) the collective record of various kinds of special leave granted to the employee is maintained.
- (vii) the nature and extent of leave sanctioned is correctly due and admissible to the employee.
- (viii) that there are no cases of evasion of leave rules.

(CAG's letter No. 102-O & M /145-79/II dated 20.3.80 annexed to O.O No. t.M. I/Gr. 3/5 dated 18.6.1980)

5.08 Encashment of Earned leave

While checking the cases of surrender and encashment of earned leave the local audit parties should see :

- (i) That the authorities who are empowered to sanction earned leave are only competent to accept surrenders of Earned leave;
- (ii) That a Government servant encashes, a maximum of 30 days Earned leave or 15 days EL only after an interval of 24 months and 12 months respectively.
- (iii) That the total of earned leave actually availed of and the EL surrendered in continuation do not exceed 120 days.
- (iv) That the period of EL surrendered does not go beyond the date of retirement.

(v) that the period of leave surrendered is detailed to the respective leave account, the sanctioning order is noted in the service book and a certificate to this effect is recorded by the Drawing Officer in the pay bill in which the leave salary is drawn.

(vi) That the leave salary has been calculated reckoning a month of 31 days and not 30 days.

(vii) That Provident fund subscription at the usual rate is deducted from the leave salary paid for the surrendered leave if it is for 30 days and at prorata basis if it is for a lesser period.

(viii) That House Rent Allowance, Project allowance and non-practising allowance are not payable alongwith the leave salary for the surrendered earned leave. However, other allowances like City Compensatory Allowances are payable to the Government servants.

(ix) That this concession is admissible to the Government servants on foreign service or on deputation to Government of India or other State Governments or any other non-Government body or institution or have been sent on training in India or abroad.

(x) That the concession is not admissible to Government Servants on leave preparatory to retirement or refused leave or during extension of service or to the re-employed persons;

(xi) That if a Government servant permitted to surrender leave voluntarily, returns to duty before the expiry of 30 days leave he should not ordinarily be permitted to rejoin duty. If, however, he is permitted to rejoin duty the order regarding surrender of leave should be cancelled.

(Government of M.P.F.D letters No. 1351-CR-2539-IV-R.I.72 dated 23.11.1972, 258.3637-R.N. 3 dated 31.1.77, A.1-14/73-R-I-IV dated 18.2.1974, 1-14=I/73-R.IV dated 28.5.75).

5.09 The local audit parties should furnish alongwith the draft inspection report, a statement of persons due to retire during the next 5 years to be sent to T.M. Section on the completion of audit, which should interalia, give the following information:

(a) If the service book has not been produced for local audit, such remarks should be given against the name of the person.

(b) If the Service Book has been found to be in order, such remarks should also be noted against the name of the person.

(c) If the Service book has been produced for audit and some defects have been noticed, the same should, besides being commented upon in the draft Inspection Report or Test Audit Note

also be recorded against the persons concerned mentioned in the list intended for T.M. Section for further pursuance there on the following lines-

(i) T.M Section will send extracts from these objections statements to the D.A. sections connected where cases of overpayment have been pointed out.

(ii) T.M. section will send extracts to pay fixation section in cases where non fixation of pay or non-verification of pay fixation in audit or wrong fixation has been pointed out.

(iii) T.M. section will send extracts to the Pension Report section concerned in cases where any period of service of the person concerned has not been verified from the local records and attested in the Service Book or there are other defects affecting pension e.g. any discrepancy in date of birth, absence of entries about first entry in pensionable service and confirmation, and other relevant matters which have been spelt out in detail in the prescribed service verification form.

ANNEXURE

(Referred to in Note below para 5.06 (ix))

No. OAD (M)/70-71/O.O.I/

Dated 28.1.1971

OFFICE ORDER

Subject : Pay fixation cases and collection of information thereof.

It has been observed that many heads of the offices have either not submitted at the pay fixation cases to this office for check so far or the cases returned with the enfacement "Not checked in Audit" which were required to be rechecked by the Departmental Authorities on the basis of cases checked by Audit, have not been checked. The overpayments, if any, due to be recovered from the concerned individuals do not also seem to have been recovered. As such, large number of wrong pay fixation cases still exist.

2. In order to keep strict watch over such cases, it has been decided that the local audit parties while checking the prescribed percentage of service books during the course of local audit of an office should see the following in addition to other prescribed checks. These checks are to be limited to the Service Books selected for check in local audit based on the periodicity of the office inspected.

A (i) In cases which have been returned duly checked by the pay fixation section of this office, whether the over payments, if any, have been worked out by the Department and recoveries have been effected from the persons concerned and further pay from time to time has been regulated according to the pay fixation approved by this office.

(ii) In cases which have been returned duly marked, as "Not checked" by the Pay fixation section and returned to the Department for rechecking, whether those cases have been rechecked by the Department and necessary certificate has been recorded by the Head of Office in the Service Book. Further the overpayments, if any, arising out of the rechecking by the department; have been worked out by the Department and the recoveries have been effected from the persons concerned.

(iii) Cases which have been returned by the pay fixation section unapproved with objections, have been returned by the department duly compiled with.

(iv) Cases which have not been sent to A.G so far, for check of pay fixation statements and the reasons why they have not been sent so far.

B. In addition to above, the local audit parties should also obtain from the Department the following informations:

(i) List of persons in whose cases the overpayments, as a result of checking of pay fixation statements by the A.G. Office, have been worked out but the recoveries have not been effected so far (showing the amount yet to be recovered against each person) and the reason for non-recovery.

(ii) List of persons in whose cases the overpayments as in (1) above are yet to be worked out and recovered together with the reasons for delay.

(iii) List of persons in whose cases, the overpayments, as a result of rechecking done by the Department have been worked out but the recoveries have not been effected so far (showing the amount yet to be recovered in each case) and the reasons for non recovery.

(iv) List of persons in whose cases the overpayments, as a result of rechecking done by the department are yet to be worked out and recovered together with reasons for delay.

(v) List of persons in whose cases the rechecking is yet to be done by the Department and necessary certificate remains to be recorded in the Service Books.

(vi) List of persons in whose cases the pay fixation statements (for check of pay fixation as on 1.11.56, 1.4.58 and 1.7.60) have not yet been sent to Accountant General for approval.

3 On the basis of verification done as 'A' above and as a result of collection of information as in 'B' above the irregularities/shortcomings noticed may be commented upon in Part II of the Current Inspection Report.

4 Information as at 'B' above will be required to be sent in triplicate with the Inspection Report to the concerned OAD section who will send one copy to concerning DA sections and other copy to T.M. section. The third copy will, however remain with the Inspection. The para of the Inspection Report will be settled in OAD on receipt of the reply from the Department having compiled with the above requirements without waiting for its verification by next audit. Those replies will be sent to concerned DA sections who will take necessary action for compliance with the department for further necessary action if any.

CHAPTER 6

AUDIT ON THE ACCOUNTS OF CENTRAL RESERVE POLICE

6.01 Preamble

Apart from all Central Government Rules, Codes and Manual the following Act, Rules and Manuals specially applicable to the department should be studied in detail before taking up audit of the department :

1. CRPF Act, 1949
2. CRPF Rules, 1955
3. CRPF Manual

Besides the general checks prescribed in chapter 4 & 5 instructions contained in succeeding paragraphs should also be borne in mind.

6.02 Receipt & Payment

(i) With the introduction of centralized Pay and accounting unit in the office of Director General, Central Reserve Police Force w.e.f. 1.8.1969 the function of Treasury Officer are transferred to this unit. All bills for drawal of Pay and Allowances, contingent charges etc., are sent by the drawing officers to the Central Pay & Accounting Unit and all payments are received from the C.P.A.U by means of Bank drafts. The Bank drafts received are immediately accounted for as receipt in the cash book on the day of their receipt and a credit order is issued for each item of receipt. Relevant Rules relating to issue of credit orders and their cancellation are contained in Para 279 to 283 of Section XIV of CRPF Manual. A credit order is cancelled only when a final quittance is received or amount acknowledged by another unit or when it is remitted into Treasury etc., under the signature of the officer-in-charge. At the end of each month a list of pending credit orders is made out and certified by the officer-in-charge. Correctness of the issue and cancellation of credit orders is, therefore, required to be scrutinized in audit carefully.

(ii) Since the functions of the Treasury Officer are done by the centralized Pay and Accounting Unit (CPAU) amounts drawn by the drawing officers are not available with the Treasury nor a list of payment is received. The drawals, are therefore, required to be verified with reference to the list of Bank drafts issued by the CPAU in the particular month. The CPAU furnish list of Bank Drafts issued in favour of each drawing officer during a month to the

Controlling Officer (Sector 1. G. etc.) which are distributed by them to the concerned drawing officers. The drawing officers are required to verify these units and settle erroneous adjustments by APAU. Remittances are, however, made by the CRP officers into the local Treasury/sub Treasury by means of challans and such remittances are required to be verified with reference to Treasury records.

6.03 Store & Stock Accounts

The procedure regarding purchase, issue and disposal of stores, maintenance of their accounts and conduction of stock taking etc., is laid down in Sections XI & XII of the Manual for the C.R.P.F 1973. In the scrutiny of the store accounts the local audit party, in addition to bearing in mind the instructions contained in para 4.12 of chapter 4, should also ensure compliance to the provision of above referred departmental rules.

6.04 Clothing

The authorized scale of clothing and the life are laid down in the CRPF Rules 1955. No addition and alterations to the scale are permissible without previous sanction of the Ministry of Home Affairs, Government of India (193).

The procedure for initial issue and replacement of the form and for the recovery for the articles lost or rendered unserviceable before the prescribed life of the article is laid down in para 194-195 of the C.R.P.F Manual which should be referred to by the local audit party while taking up scrutiny of the related record. The register of deductions (Para 197) and the Register of issue of articles on payment should also be checked during local audit to ensure that proper maintenance and also to ensure timely recovery of all dues and their proper accounting in the cash book.

6.05 Motor Vehicles, Motor Cycles etc.

Detailed rules regulating the use, upkeep, maintenance and repairs of Motor Vehicles and for the maintenance of records relating thereto are contained in Section XIII of the C.R.P.F Manual and are reproduced as Annexure and should be referred to in the scrutiny of log books and other record and expenditure related to vehicles etc.

6.06 Audit of Attached/Unattached Battalions

It has been decided by the CAG in his circular letter No. 904-TA.I/388-68 II dated 1.11.1974 that the audit of the initial accounts of the Battalions should be conducted at the

concerned group centres to which the battalion is attached by the State Accountant General within whose jurisdiction that group centre is located.

N.B : The Inspection Programme of the visiting LAP is required to be intimated to the group centres of the Battalions concerned sufficiently in advance so that necessary arrangement can be made by them to obtain the records from the Battalion for production at the group centres. Separate cash book is maintained by the Battalions for different financial years.

As regards unattached battalions whose audit does not present any difficulty as they are independent units for drawals and disbursement purposes, audit of the unattached battalions should be conducted by the Accountant General in whose jurisdiction they are situated.

ANNEXURE

(Referred to in para 6.05)

RULES REGULATING THE USE OF THE CENTRAL RESERVE POLICE FORCE VEHICLES

205 Controlling Officer

The Central Reserve Police Force Vehicles will be under the administrative control of the Battalion Commandant, who will have the Unit Quarter Master as the controlling officer in respect of the Central Reserve Police Force Vehicles. The quarter Master, for this purpose, will be designated as Motor Transport Officer (hereunder known as M.T.O) and be responsible for the proper use, care and maintenance and would regulate the running of the vehicles in accordance with these Rules.

(Authority – Late Ministry of States Memorandum No. F. 51 (19)-D/52, dated the 3rd December 1952)

206 M.T.O

The M.T.O will arrange to maintain :

- (a) A Car Diary (in form No. IAFZ-2209) showing particulars of journeys performed by the vehicles on duty.
- (b) A vehicle Log Book showing record of repairs, replacement of spare parts, tools, equipments, maintenance etc.
- (c) Vehicle indents and duty slips in CRPF Form 29 A and 29 B showing :
 - (1) Name of indenter, purpose of journey, place and time in which journey is to be performed. It would also contain orders of M.T.O detailing particulars vehicle for journey.
 - (2) Details of Vehicles proceeding on duty, milometer reading before and after the journey alongwith signature and designation of the indenter. The above forms will also be applicable for vehicles detailed for duty against payment as provided by rules hereunder.
- (d) Monthly running account register in C.R.P.F Form 96 showing issue and receipts of P.O.L datewise- The M.T.O should check all monthly running account registers in C.R.P.F. form

112 showing details of daily running of all vehicles and their monthly average petrol consumption.

(e) Petrol, Oil and lubricants register in C.R.P.F. Form 96 showing issue and receipts of P.O.L datewise. The M.T.O should check all the above records once every month and the commandant once in any three months.

Note : The vehicles on detachment would be under the control of the detachment commanders who would maintain the above records for such vehicle under the general directions issued by the M.T.O.

207 The M.T.O will have the vehicles tested every month on the Form I.A.F (IEME) E.03 or CRPF Form 53 for the general fitness and place a report on record. The repairs to the vehicles would generally be carried out in the Unit Workshop and records of spare parts supplied to each vehicle would be entered in the Log Book.

208 Use of Central Reserve Police Force Vehicles for Official purposes

All Central Reserve Police Force Vehicles will be used for bonafide Government work only unless there are hired for private use by the authorized members of the Force as per conditions laid down in para 215 and 216. The main duty of the Central Reserve Police being to carry troops and luggage thereof and such duties would be performed either at the Unit Headquarters or elsewhere throughout India, where the Central Reserve Police Force either moves or gets posted in the form of detachment.

209 Motor Vehicle generally be used for Central Reserve Police Force personnel only when the party of either more than 5 strong of the stores to be carried exceed six maunds. Gazetted Officers and Subordinate Officers proceeding on duty would be provided with vehicles.

210 Water truck will supply water for all members of the Force living in Barracks and also to force cook houses and workshops etc., Water will be supplied on payment to other members of the Force as per rules provided in para 219. This arrangement will cease as soon as pipe water becomes available.

211(a) The Medical Officer of Central Reserve Police Force Hospital may use a Government Vehicle for medical attendance of Gazetted Officers and their families at their residences provided the condition of the patients in such that they cannot attend the hospitals as out-door patients and a certificate to this effect is obtained from the competent authority.

NOTE : Competent authority means any medical Officer of the CRPF Hospital authorized to attend to Gazetted Officers and their families.

(b) Ambulance will carry sick members of the Force and families to and from Hospital. An emergency demand from the town may be met on payment as per rates provided under para 216 on the discretion of the Commandant.

212 The Commandant and Inspecting Officers visiting Battalion Headquarters will be authorized to use station wagon. Jeep for Government duty only. If they proceed on tour to a detachment by Government Vehicles they would be required to give a certificate along with the T.A. Bill whether or not the Government Vehicles were used by them.

213 Every detachment of the Central Reserve Police Force shall be provided with adequate number of vehicles for duty. The detachment Commander will be responsible for proper maintenance of the Vehicle allotted to him.

214 Indents for Government vehicles required for duty will be placed on M.T.O/detachment Commander will in advance. The Vehicle for duty will be detailed by the M.T.O and the duty slip issued for the same. The indentor after having used the vehicle will sign the duty slip after checking the milometer reading entered therein.

215 Use of Government Vehicles on Private Duties

All Doctors, subordinate Officers, Upper Division Clerks, Lower Division Clerks, Under Officers and other Ranks of the Force can have the Government vehicle on payment once a month. The Gazetted Officers and Central Reserve Police Force Organisations like cooperative shop, band may have the vehicles on payment for private work as per their requirements. The vehicles detailed for payment duty will be governed by Para 216.

216 A Central Reserve Police Force Vehicle may be given on hire to persons authorized in Para 215 at a flat rate of 0.31 paise for light vehicles and 0.44 paise for heavy vehicles per kilometer for use within forth kilometers of Central Reserve Police Force Headquarters/Detachment Headquarters. The persons using it will be responsible for any damage caused to the vehicle during the course of journey.

No detention charges will be recovered from the officers using a vehicle for private purpose during the normal duty hours (i.e. from 9.00 AM to 7.00 PM) but if the vehicles are used for private purposes before or after normal duty hours (i.e. 9.00 AM to 7.00 PM) or on Sundays

and closed holidays, detention charges at 0.25 paise per hour or fraction thereof subject to a minimum of 0.50 paise will be recovered in addition to the hire charges.

The use of the Central Reserve Police Force Vehicles is not permissible for journeys to places of entertainment, public amusements, parties and pleasure trips etc.

This letter issues with the concurrence of the Ministry of Finance (HLL Div) vide their U.O. No. 1397-HLL/66, dated the 3rd February, 1966.

217 Persons other than members of the Force shall not be carried in the Central Reserve Police Force Vehicles on duty without a certificate from the M.T.O.

218 The Children of the members of the Force will be carried to School in the Central Reserve Police Force Vehicle against monthly charges of Rs. 2.50 per child.

219 The water truck will supply water to the Gazetted Officers at Battalion Headquarters at the rate of Rs. 10 per officer per month. The water will be supplied to the Subordinate Officers, Clerks and other Ranks living in the family quarters at the rate of Re. 1 per family quarter per month.

220 Maintenance of Vehicles

All general rules of maintenance of vehicles and their driving will be followed as per instructions issued from time to time.

221 Pay and Allowances of Drivers

The Drivers and other M.T. Staff being the members of the Force will be governed by the Central Reserve Police Force Act and Rule made thereunder for all purposes.

222 Classification of Running

All running of Motor Vehicles will be classified as under :

(a) Training

(1) Training of Drivers

(2) Training of Troops giving details of place and authority under which is done (Place to be given).

(3) Education (Map reading out door) (Place to be given).

(b) Regimental –

- (1) To carry Government Stores (more than 6 maunds, if at Headquarters).
- (2) To carry men on troops movement (if more than 5 headquarters) (from and to and when to be given).
- (3) To carry rations on detachments or posts.
- (4) To carry sports party.
- (5) To collect Government Cash.
- (6) To purchase or procure Government Stores.
- (7) Inspection of detachments or sub-detachments by Officers (Name of Inspecting Officers to be shown).

(c) General –

- (1) Patrolling (Authority to be given)
- (2) All operational movements of troops
- (3) Fire and General Alarms
- (4) Maintenance including washing and workshops tests.
- (5) Liaison Duty (Including call on civil authorities) Name of Officer using the vehicle to be given and also the purpose to be shown).

(d) Amenities –

- (1) For Gazetted Officers, Subordinate Officers, Upper Division Clerks on payment (as per para 215).
- (2) School Bus, for children of the members of the Force (Vide para 218).
- (3) Supply of water to Gazetted Officers, Subordinate Officers and other Ranks with families.
- (4) To carry sick persons (Name of sick person to be given).

223 Rules regulating the use of the Central Reserve Police Force Motor Cycles (Authority- Ministry of Home Affairs Memorandum No. 10/37/55-Police-II of 12th April, 1955).

The Central Reserve Police Force Motor Cycles will be under the administrative control of the Commandant, Central Reserve Police Force and the Quarter Master (Motor Transport

Officer) will be responsible for the proper use, care and maintenance of Motor Cycles and will regulate their running in accordance with these rules.

224 The Motor Cycles will be used only for the performance of Government duties. The Motor Cycles will be detailed either for execution of specific duties or for execution of Government duties for any specific period by any individual who may be required to attend to the emergent duties during such specified period.

225 The motor cycles will be detailed for execution of only the following classes of Government duties unless otherwise authorized by the Commandant for any reason which may be noted on the indent and order forms :

- (a) Inspection and Supervision of the Force sub-units
- (b) Coney conducting
- (c) Pilot and Jail duties
- (d) Emergent message dispatching
- (e) Inspection of Guards and Picquest
- (f) Liaison with authorities of department or District Officials
- (g) Training of despatch riders
- (h) Enforcement of Security Orders
- (i) Reconnaissance of training area
- (j) Workshop and maintenance tests

226 All persons requiring use of a Motor Cycle for execution of Government duty shall place an indent on the M.T.O in Form No. CRPF 29 A, giving details of specific duties to be performed and certifying that the proposed rider holds a valid driving license for the class of motor cycles.

227 The M.T.O will detail a motor cycle for use by any person after ensuring that such person holds a valid licence to driver-Motor Cycles. No person will indent any Motor Cycle unless he possesses a valid driving license for the class of motor cycles and will certify accordingly on the M.T.Indent and Order Form. Double riding on motor cycle is strictly forbidden.

228 No CRPF Motor Cycle will be detailed for any Non Official Business under any circumstances. However, if any running is performed by rider which is not classified as Government duty, then it will be classified as payment duty, then it will be classified as payment duty, and such person will be required to pay @ 25 paise per mile.

229 The following record will be maintained for each motor cycle :

- (1) Motor Cycle Log Book (Form No. IAFZ-2197)
- (2) Individual Running Diary (Form No. IAFZ-2209)

The log book will contain particulars of makers specifications, name of riders, transfer of holding, repairs executed, equipments and tools issued, monthly running accounts, average monthly P.O.L consumption, Battery and Tyre records, accident particulars, monthly inspection remarks.

Individual running diary will be maintained by the person using the motor cycles. The diary will contain particulars of issue of P.O.L and will specifically mention particulars of each journey performed supported by milometer readings and exact nature of duties executed.

230 Daily running of each Motor Cycle will be consolidated every month on the VDRA (Form No. IAFZ-2212)/CRPF Form 112.

231 The M.T. Officer will have the motor cycles tested every month for the general fitness and place a report on record. The repairs to the motor cycles would generally be carried out in the Unit Workshop.

232 The M.T.O should check all the above records once every month and the Commandant once in any three months.

233 Maintenance of Log Books for Motor Vehicles

For better upkeep of vehicles Log Books will be maintained for each vehicle, which will be permanent record. On the first page of log book an index will be drawn up and it will include all subjects under which entries have to be made. Entries in Log Books will be made as described below :

- (a) Particulars of vehicles- As much information as can be made available should be entered in columns showing particulars of vehicles.

- (b) Record of posting – In these columns the entries made will go to show different detachments where the vehicle has worked and remarks for condition at the time of arrival and departure will be noted.
- (c) Record of Repairs- All repairs not falling in the category of maintenance will be entered in the columns. Any part replaced will be shown along voucher number against which the part was taken from the Stores.
- (d) Record of Tyres – Date of issue of tyres and tubes and their replacement will be entered. Monthly inspections will be carried out and report in brief noted.
- (e) Record of Mileage- After the end of each month mileage as required by the columns will be entered.
- (f) Schedule of Vehicle Tools and Equipments – A list of all tools and equipment such as head lamp glasses C.B. Points or Hot patches etc., will also be entered. Three monthly checking of tools will be done by the M.T. Officer Incharge and report entered into. Shortage to be provided.
- (g) Maintenance and Inspection- Weekly inspection and maintenance shall be carried out and entered in this column and also in check sheets. Any defect and damage noticed will be entered. Monthly inspection will be signed by the Detachment Commanders at Detachments and Quarter Master at Headquarters.
- (h) Record of Battery and Oil changing- All batteries will be numbered as per the number of vehicles. Record of battery inspection and oil changing will be entered us per columns.
- (i) Record of driver- Particular driver will be kept on the vehicle unless he goes on leave. On the occasion of change signatures of both drivers obtained in tools list.
- (j) General including Accidents- Any Accident minor or major will be entered as per columns. All drivers will be clearly explained the maintenance of Log Books. The Workshop section will be entered by the workshop. Men and transport section by Havildars Incharge M.T. Section, Motor Transport Jamedar will be responsible for correct maintenance of Log books at headquarters.

234 Rules for M.T. Stores

The following system will be observed for storing and issuing of M.T. Stores. The Motor Transport Jamedar will be responsible for the correct maintenance and issues thereof :

- (a) General stock book will be maintained setting aside pages for different types of M.T. Stores. All issues and receipts will be entered therein.
- (b) Indents shall be drawn up by the Demanding Officer on the voucher forms in duplicate. All receipts and issues will be made against these vouchers only. The vouchers will be given serial numbers and the entry of serial number will also be made in the stock book. All issues of spare parts for repairs of vehicles in Headquarters Workshop will duly be supported by the Defect Memo and work orders.
- (c) The spare parts or stores so received will be fitted in the vehicle and an entry thereof will be made in the Log Book as per rules laid down separately.

235 Maintenance of tyres and tubes

It is necessary that tyres should be periodically removed from rims for the purpose of dealing with corrosion and rust which is allowed to accumulate makes it difficult to change the tyre when an emergency arises and also results in damage in the bread of the tyre. All tyres will be removed as per above once in every four months. When the tyres are removed, these will also be changed in the cyclic order. It has been seen that if tyres are not interchanged these are eaten away on one side and are rendered unserviceable only on this account. Slight greasing of rim surface will also be done. Entries will be made in Log Books for the change of tyres. Drivers will be personally responsible for this.

Cyclic change of tyres will be as under :

- (a) Spare Wheel to be rear right wheel.
- (b) Rear right wheel to be front left wheel
- (c) Left rear wheel to be front right wheel
- (e) Right front wheel to be spare wheel

236 Maintenance of Battery

The following instructions will be observed for the proper maintenance of the Batteries :

- (a) Self starter will not be made use of any time in the course of normal duties. Every driver will start the vehicle with the crank handle. While doing so he shall be careful not to damage the radiator in hurry. The common practice of self starting will not be adopted.
- (b) Weekly checking of the Battery will be carried out by the driver. The entries will be made in the Log Book. He will check :
 - (1) Level of electrolyte
 - (2) Clean the case
 - (3) Check leaks if any
 - (4) Clean vent holes and caps
 - (5) Wipe out signs of corrosion around the terminal and grease these
 - (6) Check bracket for proper fittings and holding down bolts.

237 Changing of Lubricants

Engine Oil – It should be changed in ordinary course after a run of 2000 miles in case of all vehicles. However, it can be modified in case of vehicles actually operating in desert area but should be within limits. The oil which is being supplies should not be changed merely because it has changed its colour into black as being its property it dissolves itself all rust but does not render itself useless.

Gear Oil – Gear Oil is usually changed after every 6000 miles. This should be done for all vehicles except those actually operating in desert area where slight modifications are reasonable.

Bread Fluid Oil – It should only be filled when below prescribed level. Replacement for sake of changing is not necessary.

238 General Maintenance

All systems of vehicles should be checked once a week and defect removed. Nothing including body should be left unattended. Petrol, oil and water should be checked every morning.

239 General Rules for the Working of M.T. section

- (a) The two sections of M.T. namely workshop and transport will work independently M.T. Subedar (Technical) incharge M.T. workshop and M.T. Jemadar Transport will be separately responsible to the Quarter Master for their respective sections.
- (b) Workshop tools and stores will be looked after by the M.T. Subedar (Technical) Incharge M.T. Workshop while P.O.L Stores under Transport Jemadar.
- (c) Monthly inspection and maintenance of all vehicles will be carried out in Workshop under the arrangements of M.T. Subedar (Technical) Incharge M.T. Workshop. This will be done as per a schedule to be drawn up in advance under intimations to the Transport Jemadar. Vehicles and Detachments will be supervised and checked under similar arrangements by workshop personnel there.
- (d) For weekly inspections, fixed days will be painted on individual vehicles. M.T. Jemadar will carry out weekly inspections. Repairs to be done will be reported to the Workshop staff.
- (e) All repairs carried out will be under the supervision of M.T. Subedar (Technical) Incharge M.T. Workshop while running will be looked after by the Transport Jemadar.
- (f) Any repairs required by the Transport Jemadar in vehicles will be reported by him to the M.T. Subedar (Technical) Incharge M.T. Workshop and similarly defects noticed during the inspection will be communicated to the M.T. Officer and Transport Jemadar by means of Inspection Report in CRPF Form 53. For all repairs the M.T Subedar will prepare a Defect Memo and undertake work after obtaining works order. All repairs work will be executed on job cards by the repair staff.
- (g) The M.T. Jemadar will see that vehicles parade to workshop on prescribed day unless there is emergency, and particular vehicle cannot be put off road. Whenever such thing happens M.T. Officer will be informed in advance.

(h) Daily and weekly maintenance and running will be responsibility of M.T. Jemadar and will be carried out on prescribed days.

(i) All vehicles off road will be under the charge of M.T. Subedar (Technical) Incharge M.T. Workshop.

(j) The M.T. Workshop will work for 8 hours on the same lines as the workshop run. Regular attendance and work sheet will be kept. Daily out-put of work in the M.T. Workshop will be put up before the M.T. Officer every week on Mondays.

(k) On monthly inspections every vehicles will be :

(1) Thoroughly cleaned

(2) Lubricated, Oil level checked.

(3) Tools checked,

(4) All systems examined.

Inspection report will be put up before the M.T. Officer monthly.

(l) Weekly inspection will consist of all round checking and also the laying out of tools etc. Report will be forwarded to the M.T. Officer.

(m) P.O.L. Stores will also be checked by the Transport Jemadar once a week and report entered in the register. Weekly return showing receipts and issues of Petrol will be furnished to the Quarter Master (M.T. Officer).

(n) Damages when occur will be recorded in the prescribed register C.R.P.F Form No. 98 and placed before the M.T. Officer for necessary action.

(o) Daily runnings will be recorded in the Car Diaries by drivers and also in the monthly Running Account Register in CRPF Form 112 by the M.T. Jemadar. Detachment Commanders will furnish monthly statements on this account for the vehicle in their charge, to the M.T. Officer. The details of running will be copies out in the monthly Running Account Register in CRPF Form No. 112 by the M.T. Jemadar.

240 Maintenance of M.T. Tools

- (a) M.T. Tools attached to the vehicles will be in charge of drivers of the vehicles. In the case of off road vehicles the tools will be on the charge of the M.T. Jemadar. These tools will be entered in the Log Books of the Vehicles.
- (b) Stock of tools will be kept by the M.T. Jemadar and he will issue or receive the same against vouchers.
- (c) M.T. Subedar (Technical) Incharge M.T. Workshop will hold monthly checking of workshop tools and similarly the tools held by the vehicles will be checked by the M.T. Jemadar.

241 Storage of Petrol, Oils and Lubricants

- (a) Petrol, Oils and Lubricants (here under called P.O.L) will be stored and accounted for by a Havildar of M.T. Section. He will be store keeper on behalf of the M.T. Officer. He will issue P.O.L stores to individual vehicles. General stock book in C.R.P.F Form 96 showing total issues of P.O.L. Stores for the day will be maintained by him and the balances recorded on a board kept in the M.T.O's Office. He shall furnish weekly statements of consumption and balance of petrol to the M.T. Officer on every Monday. He will also maintain a general issue register showing issues to individual vehicles date to date. The M.T. Officer will check the stocks and accounts of P.O.L every month and also at any time he desires to do so as a surprise check. The P.O.L Havildar will receive petrol from the petrol dealers and stock the same in petrol pump. He will be responsible for its proper stocking and other stores and will see that all precautions against leakage, evaporation, and fire are observed. He will be personally held responsible for the leakage if any.
- (b) He will be always available for issue of petrol and stores and will be particularly present when fire alarm or general alarm is sounded or when mobile column falls in for any kind of movement.
- (c) The keys of the stores will be duplicate, one maintained by him and another by the M.T. Officer, to whom he would be responsible for every thing.

CHAPTER 7

AUDIT OF THE ACCOUNTS OF THE COLLECTORATE

7.01 Preamble

The audit of the accounts of Collectorate assumes greater importance in view of the huge allotment placed at the disposal of the Collector through various services for the execution of several development works/schemes and plan activities.

7.02 The collectorate generally consist of the following sections :

- (i) Finance (Nazarat)
- (ii) Land Records
- (iii) Development
- (iv) Home guards
- (v) Election
- (vi) Rehabilitation } Audit of these office is
- (vii) Tribal and Harijan Welfare } conducted separately
- (viii) Panchayat and Social Welfare } and not with Collectorate
- (ix) Mining Section
- (x) Food Section

The above list is not exhaustive and the local audit party should, therefore, ascertain the position at the commencement of audit. In some districts there is no separate drawing and disbursing officer for publicity office and the collector is vested with these powers in respect of that office. In such cases, the audit of the District Publicity office is conducted with the audit of Collectorate but the inspection report is drawn up separately.

7.03 Scope of audit

Audit checks prescribed in Chapters 4 and 5 should be applied to the audit of Collectorate. Points to be looked into in the audit of the accounts of scarcity works, development works and grants sanctioned during mass contact tours are discussed below :

(A) Development works – Development works are executed mainly through Development blocks. An over all appraisal of the position of the works in the district as a whole should be done with reference to progress reports sent by the blocks to see, inter alia :

- (i) Whether the works for which the grants have been sanctioned where completed within the time schedule,

- (ii) Number of works awaiting completion and reasons therefore,
- (iii) Number of works abandoned reasons therefore may be analysed.
- (iv) Whether valuation of the works got done and recovery, if any, in cases in which grant was found to be excessive, was made,
- (v) Whether completion certificates were sent to A.G. in respect of completed works.

(B) Scrutiny of expenditure relating to relief work in Scarcity areas- Heavy expenditure is incurred by the various agencies of the State Government in connection with relief work in scarcity areas. While conducting audit of such offices as are carrying out any relief work in scarcity areas, the local audit parties should take up the audit of expenditure on relief work in scarcity areas with particular reference to the expenditure for months selected for detailed audit. The local audit parties should inter alia, ensure that –

- (i) detailed accounts for drawal with reference to Muster rolls are checked and improper and irregular payments on muster rolls are brought out,
- (ii) the amounts are not drawn in excess of requirement at a particular time and have been refunded in time if they were not required for payment;
- (iii) there are sanctioned estimates for works, periodical reports of the progress of work are sent to appropriate authorities and that payment for the same work has not been made twice. This check can very well be exercised by comparison of muster rolls of different periods; and
- (iv) that there is no delay in the submission of the D.C. Bills.

The Inspecting officer/Assistant Audit Officers of local audit parties should mention on the forwarding memo the fact of having audited the expenditure relating to relief work of scarcity areas while forwarding the Inspection Reports.

The Departmental Audit Sections will intimate the local audit parties the total amount drawn by the drawing officer under the head “Famine Relief”.

(O.O No. OAD (M)/II-91/1973-74/OO.1 dt 7.4.1973)

(c) Audit of grants sanctioned during Mass contact Tours by Ministers- Orders of Government regarding grants sanctioned in the course of Mass contact Tours of Ministries are contained in M.P.G.A.D Memo No. 1546/1614 (i) dated 3.5.1971 (Extracts of paras 2 to 7 given at the end of this chapter as Annexure A). The local audit parties should append to the Draft

Inspection Report a complete statement of all grants sanctioned upto the date of audit including those fully utilized in the form appended as Annexure B. The comments in the draft Inspection Report by the local audit party should inter alia convey/cover the following information/points :

- (i) The portfolio of the Minister alongwith the dates of tour,
- (ii) Total grant approved alongwith details as to number/name and the amount sanctioned for each scheme/work; also a reference to formal sanction;
- (iii) Whether the quantum and nature of aid and also the manner of disbursement to the grantees conformed to the instructions and procedure laid down by the Government in the G.A.D memo ibid and the grant was released after due execution of agreement in proper form.

Local audit party should particularly see-

- (a) that the first and subsequent installments of grants were released after due observance of conditions of grants as laid down in para 7 (2) (3) and (4) of the G.A.D Memo ibid,
- (b) that the manner of drawal of amounts of grants from the Treasure by the Tahsildar and the accounting of undisbursed amount conformed to the instructions contained in paras 7 (i) of the memo and that the fortnightly progress reports of the amounts of grants distributed were duly submitted by him to the Collectorate.
- (c) that the unutilized amounts at the end of the year were duly refunded into Treasury.
- (d) that the works were subjected to periodical inspection by the authorities, and that the completion of the work is supported by the completion certificate signed by Tehsildar after the works have been certified to be completed and technically sound by P.W. Department officers.

(O.O NO. AGIII/OAD (M)/1976 dated 15.10.1974).

(d) Audit of Taccavi Loans and Land compensation – The local audit parties while auditing the records of the Land Revenue and Land Acquisition Sections of the Collectorate should see –

- (i) That the taccavi loans, granted either in cash or in kind by the Agriculture Co-operative and other Development Departments, were properly accounted for and individual ledger accounts (Khatas) of the loanees were maintained.
- (ii) That the amounts drawn on A.C. bills by the disbursing officers were fully disbursed and valid acquittances existed on record and the unspent balance, if any, was refunded into the treasury promptly.

- (iii) That the recoveries were timely made and were duly posted in the respective khatas.
 - (iv) That the Khatauni Registers duly completed and posted upto date were available for checking.
 - (v) In case misutilisation of loan is reported to the Collector, the same may be elaborately brought out in the Audit Inspection Report.
 - (vi) Payments made as compensation for acquiring land should be critically examined in the light of the following factors :
 - (a) Reasons for acquiring land
 - (b) Dates on which proposal for acquiring land were sent to the Collector and the date on which the award was given as also the date of taking possession and its actual use
 - (c) Reasons for which damages or interest, if any, paid.
- (O.O No. OAD (M)/AG I/Gr. II/37/OO/19 dated 25.6.78)

7.04 Endorsed bills

The bill of establishment of Tahsildars are drawn by the Collector and endorsed to Tehsildars. The vouching of such bills for the selected months should be done in Collectorate with reference to the bill register and acquittances etc. As the bills are drawn by the Collector the acquittances and other sub-vouchers should be on record in the Collectorate. In case the same are claimed to be in the Tehsil. They should be required to be brought from there and produced to audit. If any of these records are not so produced the fact should be commented in the report.

At the time of local audit of the Tehsil also particulars of the bills drawn by the Collector and encashed by the Tehsildar in the month selected for detailed audit should be obtained from the Treasury/Sub Treasury concerned and detailed audit of disbursement done for such drawals completed by requiring the Tehsildar to have the acquittances and other sub vouchers brought from the Collectorate and produced for audit. Failure to produce such records should be commented in the Report.

(OAD/PP/67-68/3 dated 25.11.1967)

7.05 Election Expenditure

The audit of election section of Collectorate which was hithertofore done alongwith the audit of Collectorate will be conducted separately each year. Checks laid down in Chapter 4 should be applied in audit.

7.06 In terms of instructions contained in letter No. F.2/50-C dated 7.2.1960 dated and of even no. dated 14.5.70 from Ministry of Law of Government of India the expenditure incurred by the State Government in the preparation of Electoral Rolls and in conducting election are subject to local audit. The Inspecting Officer/Assistant Audit Officer, Local Audit Party should, therefore, verify the figures with reference to statement of expenditure received from the D.A section or (in the case of D.A. section fails to send the statement of expenditure) obtain the same from Department at the time of local audit of election expenditure and furnish certificate in the following form to OAD Headquarters.

Certified that the expenditure on elections/by elections/mid term elections and on preparation of and printing of electoral rolls in the _____Collectorate for the financial year _____ has been checked with reference to the instructions issued by the Ministry and the following amounts are inadmissible:

Items	Total expenditure for the year	Amount in admissible
1	2	3
(a) Cost of paper		
(b) Cost of printing of the Electoral Rolls		
(c) Cost of extra establishment employed on Election work		
(d) T.A. of officers and staff		
(e) Contingencies		
(f) 1/3 rd of the pay and allowances and T.A. of the District officers working on election duties in addition to their normal state duties without any extra remuneration		

A test audit note on irregularities noticed is enclosed.

Accounts Officer/LAP _____
Assistant Audit Officer/

One third of the Pay and Allowances and Travelling Allowances of District Officer working on election duties in addition to their normal duties without any extra remunerations to be treated as extra cost and may be treated as an authorized item of expenditure wherever included by the Department in the expenditure statement.

(O.O No. OAD (M)/OO/71-72/5 dated 11.2.71 and O.O No. AG I/OAD (M)/II-188/OO/11 dated 24.1.1976).

N.B : The Government of India have revised the procedure for the allocation of election expenditure between the Government of India and State Govt. w.e.f. 26.4.75 vide their letter no. G-27031 (3)/75 E & A dated 1.12.1975 (reproduced in Annexure (C) received with C.A.Gs letter No. 1346-NGE IV/77-75 dated 22.12.1975.

7.07 Orders issued by the Government regarding printing of electoral rolls, rates of hire charges of hired vehicles etc., may be referred to at the time of audit.

7.08 Audit of Treasury Establishment will be conducted by the Local Audit Party at the time of Treasury Inspection.

ANNEXURE 'A'

(Referred to in Para 7.03 (c))

- 1 Extract of Para No. 2 to 7 of Memo No. 1546/1614-I (i) Bhopal, dated the 3rd May 1971, from Government of Madhya Pradesh, General Administration Department, Addressed to All Collectors (By Name) Madhya Pradesh.
- 2 The grants will be limited to Rs. 5,000 per scheme.
- 3 The aid to be sanctioned by a Minister, State Minister, Dy. Minister and Parliamentary Secretary for any work will be decided on the merits of the case, looking to the un-official efforts made and the necessity of the work felt; but in no case should the Government contribution exceed 3 times the contribution made by the Public and the Public contribution must thus at least be 25 % of the total cost of the work.
- 4 The scheme selected should be of utility to the village community as a whole, free from political bias and not for the benefit of a particular person or group of persons or a particular community.
- 5 The amount of grant announced will be placed at the disposal of the local panchayats, or an adhoc committee of village elders, if there is no panchayat at the village.
- 6 The grant will lapse, if not utilized within the financial year.
- 7 The expenditure will be subject to local audit.

ANNEXURE 'B'

(Referred to in para 7.03 (C))

S.No.	Description of the scheme/work	Date of the Mass contact Tour in the course of which the grant was approved	Total cost of work as per estimate approved by Collector under clause (i) of the agreement	Amount of aid sanctioned	No. & date of sanctioned	Amount drawn from Treasury		Amount actually disbursed		
						Vr.No. and date	Amount	Date	Amount disbursed	Amount spent by the grantee upto that date as verified from vouchers filed with Tah/NT/B.D.O.
1	2	3	4	5	6	7(a)	7(b)	8(a)	8(b)	8(c)
Public contribution received			Date of completion/ state of work if in- as complete	Date of completion/ state of work if in- as verified with ref. to vouchers filed with BDO		Amount of aid utilized utilized balance of aid		Disposal of un- Amount How Disposed		Remarks
Date on Which	Nature of contribu- tion	Amount ----- value								
9(a)	9(b)	9(c)	10		11	12 (a)	12 (b)	13		

Lekha Adhikari/OAD

ANNEXURE 'C'
(Referred to in Para 7.06)
Copy of CAG's letter no. 1346 NGE IV/77-75 dated 22nd December 1975

Subject : Allocation of election expenditure between the Government of India and the State Government

In continuation of this office endorsement No. 534-NGE II/50-72 (i) copy of Government of India, Ministry of Law, Justice and Company Affairs Letter No. G 27031 (3)/75-E A dated 1.11.1975 is forwarded for information to :

Copy of letter No. G 27031 (3)/75-E & A dated 1st November, 1975 from office of the Government of India Ministry of Law, Justice and Company Affairs, New Delhi addressed to the Chief Electoral Officer, Government of Sikkim, Gangtok, and among others and copy also endorsed to C.A.G. of India, New Delhi.

Subject : Allocation of election expenditure between the Government of India and the State Government.

1 I am directed to address you on the subject of allocation of Expenditure incurred by the State Government on the preparation, printing and revision of electoral rolls and conduct of elections and bye-elections to the State Legislative Assembly and Parliament.

2 The entire expenditure on the preparation, printing and revision of electorals rolls and conduct of elections and bye-elections, both the State Legislative Assembly and House of the People, would initially be borne by the State Government. The State Government will recover half of such expenditure from the Government of India as the latter's share towards the end of the financial year. In assessing the Government of India's share of expenditure, care will be taken to see that only such expenditure is debited to the divisible pool has been incurred on items which are of common concern to both the Governments. For instance, the expenditure on the conduct of elections/bye-elections to both of them are held simultaneously, and in cases where the elections/bye-elections to the State Legislative Assembly and the House of the People are held independently, the expenditure will be borne by the State Government or the Government of India, as the case may be.

3 The procedure indicated in para 2 above, takes effect from the 26th April, 1975, the date from which the Constitution (Thirty Sixth Amendment) Act, 1975 came into force and from that date onwards the election expenditure incurred by the State Government will have to be initially met by the State Government from their own budget. The State Government should accordingly make necessary provision for that expenditure, if any, for the period from 26th April, 1975, to 31st March 1976 in their Budget for the current financial year. The Government of India will make reimbursement of their share of the expenditure to the State Government towards the end of the current financial year.

4 I am to add that the expenditure, if any, incurred by the State Government in connection with the election to Council of States during the current financial year shall also be initially met by them from their own Budget and recovered from the Government of India by including the same in the State Government's annual claim for reimbursement to be submitted to this Ministry in January/February, 1976.

5 Copies of the important orders regarding share of election expenditure issued by the Ministry and indicated in the margin are enclosed for information and guidance.

- (i) Letter No. F2/50-C, dt. 7.2.1950
- (ii) Letter No. F5(2)/55 EE & T dt. 20.10.56
- (iii) Letter No. F1(2)/52 EE & T dt. 20.07.53
- (iv) Letter No. F5(7)/55 EE & T dt. 22.05.56
- (v) Letter No. F2(7)/52 C dt. 01. 08.52
- (vi) Letter No. F3(3)/53 EE & T dt. 15.06.53
- (vii) Letter No. F1(22)/59 Elec. dt. 06.08.59
- (viii) Letter No. F1(1)/60 Elec. dt. 22.02.61
- (ix) Letter No. F1(4)/72 B & A dt. 17.02.72

6 I am to request that Budget Estimates, 1976-77 representing the Government of India's share of election expenditure likely to be incurred by the State Government during the financial year 1976-77 may be furnished to this Ministry telegraphically.

CHAPTER 8

AUDIT OF THE ACCOUNTS OF POLICE DEPARTMENT

8.01 General

In addition to general checks prescribed in Chapter 4 and 5 of the Manual, instructions laid down in this chapter should be kept in view while conducting the local audit of the departmental accounts. Before taking up the audit of the accounts of the department the local audit party should refer to the following provisions in the C.G. Police regulations :

- (1) Housing and Medical aid Chapter XII Part II
- (2) Construction-Chapter XIII Part II
- (3) Clothing Stores & ammunition Chapter III Part IV and Appendix H
- (4) Accounts and records – Chapter III Part III
- (5) Funds- Appendix E

(The rules quoted in these chapters are those contained in Police regulations).

8.02 Receipt and Payment

The local audit party should be very thorough in its examination of the transactions relating to the remittances of amounts of pay etc. to various Police Stations, its accounting in the cash book, receipt of acquittances of the payees, and their final record etc. Delays in receipt of account of disbursement of pay from the Police Stations and non-refund of undisbursed amount in the next pay bills etc. should warrant special attention.

It should also inter alia be seen that :

- (1) The custody, receipt and disbursement of cash is entrusted to the head clerk who has given a security of proper amount (928). Cash security of Rs. 400 and personal bond required under Rule 282 of MPFC Vol. I is required to be furnished by persons handling cash and stores (PHQ Memo No. XI/6/74/71 (in) 42-J-75 Dated 21.10.75).
- (2) In the case of rewards payable to an informer whose name is not desirable to disclose, a certificate from the Superintendent that “the amounts drawn for rewards to informers have been duly distributed and the receipts obtained have been cancelled and filed” is produced in support of payment (930).

(3) No money is received in the office without issue of proper receipt over the signature of Superintendent and that only one foil book of receipt is in use at one time. When Superintendent is absent from the Stations, the delegation of duty of signing foil books to an Assistant or Reserve Inspector is supported by an entry in the Order Book (932-933).

(4) The Acquittance Rolls are checked and signed by the Superintendent (922).

(5) All money sent from head-quarters to a police Station or from one police station to another is supported by an invoice duly receipted by the officer to whom the money has been remitted (927).

(6) Weekly physical verification of cash is conducted by the Superintendent (935).

(7) Proper and effective watch is kept over the receipt of valid acquittances in respect of payments made by money orders, Tehsil cash orders, cheques of transfer receipts (938).

(8) The amount drawn from treasury does not remain too long in hand and when the pay bill is drawn, the balance of undisbursed pay in hand is deducted from the next pay bill.

N.B. : For the drawal on F.V.C. pertaining to Petrol and Oil charges the procedure to be followed has been laid down by Police H.Qrs. in their memo no. PHQ/II/(DC)/668/75 dated 27.11.1975 (Reproduced in Annexure A to the Chapter).

8.03 System of disposal and accounting of sale proceeds of

(a) Grass, fruit, lac and garden produce of the lines

(b) lease of grazing and of the right to the trenching ground

(c) newspapers and waste papers

(d) band fees

(e) grass at Police Stations and police office compound

(f) grass on the musketry range

(g) Dry trees in lines, Police Stations and office compounds should be examined by the local audit party in order to ensure that it is regulated according to well laid down principles. The transactions should accordingly be subjected to audit in term of provisions of Chapter 4 of this Manual.

N.B. 1 : As per Section II of Appendix E of the M.P. Police Regulations all receipts from the above sources must be credited into the treasury.

N.B. 2 : At the beginning of each year Government will make to the lines Fund a grant equal to the receipts credited under the above heads during the preceding year. The grant will be drawn by the Superintendent on an ordinary bill form.

8.04 Purchase of Stores

Purchase of stores is made in bulk by the Police Headquarters. It should be seen in audit that :

- (i) the wide publicity was given and due period of notice was allowed consistent with magnitude of the contract.
- (ii) the tenders were received in prescribed forms in sealed covers.
- (iii) rates quoted have not been changed/overwritten without attestation.
- (iv) comparative statement has been duly checked and contains the orders of the office in-charge about the tenders accepted.
- (v) If the lowest tender has not been accepted reasons for that have been assigned.
- (vi) Proper agreement has been entered into before supply orders are placed.
- (vii) The supplies are in order and payments have been made as per tendered rates.
- (viii) Proper security deposit has been obtained from the firm.
- (ix) The sale proceeds of the tender form is brought to account.

STOCK ACCOUNT

8.05 Clothing kit and Accountments

Police regulations 538 to 553 govern the maintenance, receipt and issue of the above mentioned stores. The supplementary regulations are contained in Appendix 'H'. The following checks may inter alia be applied:

- (i) That the registers prescribed under para 2 of the Appendix have been properly maintained.

- (ii) that in respect of receipt of stores, there is evidence of their having been examined and compared with the samples where necessary and that the invoices have been brought on stock book promptly.
- (iii) Verify the receipt of articles :
 - (1) from vouchers of firm,
 - (2) committees report,
 - (3) invoices and memos from other units
- (iv) Check the correctness of the issues with indent slips or requisitions and acknowledgements.
- (v) See that except in the case of fresh issues to new recruits issues are made only on the return of old articles vide Para 541 of Police regulations and that the amount realized, if any, in the sale has been brought to account.
- (vi) See that the articles have been issued according to the scales and periodicity of supply and are supported by proper sanction where necessary.
- (vii) That the kit of these personnel who quit the service on account of casual discharge etc have been duly returned to stores.
- (viii) See that the capitation grant paid to civil police and S.A.F personnel is as per prescribed rates vide para 540 of Police regulations.
- (ix) That the kit register is properly maintained and that the number of kits in Deposit agrees with the vacancy Kit register.
- (x) Verify whether in the case of loss of articles necessary recovery has been made and accounted for.
- (xi) Examine the issues supplies for garments/ascertain if the garments were prepared to the required numbers as per specifications.
- (xii) Check receipt of garments in ordinary stock from the cloth register to ensure that all the garments were accounted for.
- (xiii) See if the stitching charges have been paid as per prescribed rates.
- (xiv) See if quarterly physical checks were carried out and report sent to D.I.G.

8.06 Arms and Ammunitions

It should be seen that :

- (i) The supplies made were properly accounted for.
- (ii) Issues were covered under proper sanction and were as per requirement and the issues were supported by proper acknowledgement.
- (iii) Sale proceeds of lead taken from butts after target practice and of damaged bullets were properly credited to Government.
- (iv) Whether a quarterly statement showing broken and missing parts replaced was sent to I.G. as required under para 561 of the Police regulations and sanction for write off obtained.
- (v) Whether half yearly physical verification of stock has been carried out and a certificate to this effect recorded (Vide para 561 of Police Regulations).

N.B.: The provision contained in 567, 568 and 572 of Police regulations should be gone through to ensure their compliance.

8.07 Audit of Log Books and Vehicles diaries

The checks to be exercised in the audit of log books and vehicle diaries are contained in para 4.21 of this manual. The instructions issued by I.G. of Police, in Memo No. PHQ/GB/4125/73 dated 16.11.1973 and circular No. PHQ/III-B/MT/2551/74 dated 22.7.74, regarding economy in use of Government vehicles, are reproduced in Annexure B and C.

8.08 Construction, additions and alterations and repairs of buildings.

The audit checks to be exercised in the audit of expenditure on construction and repair works are contained in Chapter 4 of this manual. For the departmental work under taken compliance to Police Regulations 307 to 320 should also be referred to Local Audit Party should inter alia see that :

- (1) Proper estimates have been prepared.
- (2) Funds are not drawn at the fag end of the year just to avoid lapse of budget grant and funds drawn are not kept unutilized for long period.

- (3) Works do not remain unexecuted even after procurement of materials resulting in wastage and locking up of capital.
- (4) Materials are procured by following proper financial regulations i.e., by invitation of tenders/quotations etc.
- (5) Payments are not released without receipt of material.
- (6) Proper accounts of receipt and issue of material is maintained.
- (7) Proper record of work done with detailed measurement is maintained.

N.B. : I.G. of Police in his circular No. PHQ/II/(V)/1/74 dated 21.1.74 has prescribed the maintenance of accounts of P.C. & R works in all the units in following proforma.

S.No.	Name of work	Estimted Cost of works	Amount sanctioned by PHQ	Expenditure end of incurred upto previous month
1	2	3	4	5

Expenditure during the month	Total expenditure incurred upto the end of the month	Balance	Nature of progress during the month	Nature of progress at the end of month	Remarks
6	7	8	9	10	11

8.09 Register of incoming Bank draft and Money orders

It may be seen that :

- (i) The amount of the Bank drafts and Money orders is notes in the respective register and simultaneously in the cash book on the same day.

(ii) The payees acquittance is sent to the concerning office soon after payment is made and remarks to this effect is made in the register.

(iii) The entries are attested by the officer incharge.

8.10 Register of outgoing Bank drafts and Money orders

The following points deserve attention:

(i) Whether the payees acknowledgement has been received from the unit/official to which the amount was remitted.

(ii) Whether the entries of the remittances having been made and are not left over from being noted in the register.

(iii) That the entries are attested by the officer incharge

8.11 Motor and Railway Warrants

Para 963 of Part VII Chapter III section XI of Police regulations lays down the rules for the issue of rail warrants which may be gone through. It may be seen during the audit of the register of railway warrants and motor warrants that :

(i) the warrants have been issued when travelling on duty only and to the conveyance of Prisoners and persons whether in proper judicial or jail custody travelling under proper escort.

(ii) these have been issued for journeys by shortest and cheapest route.

(iii) warrants are issued for arrested persons only when travelling under police escort for purpose of investigation or trial when such persons be technically in police, jail of magisterial custody.

N.B : For prisoners travelling under police escort on transfer from a Jail to another, tickets will be provided by the Jail Department.

(iv) The necessary deductions of the value of ticket obtained on railway/motor warrant has been made in the T.A. claim.

(v) The proper account of the warrants has been maintained and spare stock is kept in the safe custody of the Head Clerk of the office.

N.B : Books of warrants issued to the H.Qrs lines and to each of Police Station are kept in the custody of the Reserve Inspector or the Station Officer.

(vi) The necessary verification as required under para 963 (9) is carried out in all cases and recovery is effected in cases in which warrants have been improperly used.

(vii) Physical verification of stock is carried out at regular intervals.

8.12 Register of House Rent

It may be examined that the register has been maintained properly and the payment of house rent has been made for the period of occupation only and the sanction of competent authority for providing private accommodation has been obtained vide Para 293 of police regulations.

8.13 Stock register of medicines of the hospital

The checks applied in the scrutiny of stock register viz., proper accountal of receipts, physical verification of stock supplies supported by doctors prescription etc. applies to this also. It may also be seen that medicines have not been stocked in excess of requirement.

ANNEXURE 'A'

(Referred to in Para 8.02)

A copy of letter No. PHQ/II/(DC)/668/75, dated 27.11.1975 from the office of the Inspector General of Police, Madhya Pradesh, Bhopal addressed to All Superintendents of Police, M.P. All Superintendents of Police M.P., Sr. Supdt. Of Police (Radio), Bhopal), All Commandant, SAF Bus. (Including Nagaland Bns.), Commandant, GEME/W/Shop, Gwalior, Supdt. Radio Trg. School, Indore, Dy. Supdt. of Police (Radio), Gwalior, Principal M.P. Police, College, Sagar, Supdts. PTS Indore/Tigra/Gwalior/Rewa/Rajnandgaon/Pachmarhi, Dy. Supdt. PTS Indore/Tigra (Gwl/Rewa/Rajnandgaon/Pachmarhi/Dy. Supdt. of Police, SPE Divisional HQrs. Bhopal/Indore/Gwalior Jabalpur/Rewa/Raipur and Bilaspur, Director F.S.L. Sagar Chief Organiser, VDS Gwalior.

Subject : Drawal of funds on fully vouched contingent bills- Payments of petrol bills.

The A.G.M.P., has, in a letter addressed to the Inspector General of Police, pointed out various irregularities in drawal of F.V.C Bills pertaining to Petrol & Oil charges.

This office is aware that since last year several difficulties are being experienced in the drawal of petrol bills. These difficulties had arisen because the Indian Oil Corporation and aotehr oil suppliers introduced the system of advance payment prior to supply and so also the local dealers, who refused to supply petrol on credit. As a consequence, it appears that out police unit have been effecting advance drawal on FVC bills to meet the cost of petrol, oil, etc.

In this connection, attention is invited to S.R. 308 to 310 of M.P.T.C volume I and the provisions contained therein. The rules do not permit advance drawal of P.V.C. bills. It is necessary that all F.V.C bills should be supported by vouchers, bills etc., which should bear proper pass orders and stock entries. All stamped receipts for amounts exceeding Rs. 100 should either be attached with the bill or sent to A.G.M.P. subsequently for adjustment.

It appears that the above requirements are being overlooked by many units. Though the circumstances might have necessitated drawal of funds either on proforma invoices or on other form of demands, this does not obviate the necessity for adherence to the provisions under the rules.

In this connection, in order to eliminate the possibility of any foul play or double drawal, the following instructions are hereby issued.

(1) In respect of all drawals made on proforma invoices and other bills prior to supply in addition to the usual account records and registers the following registers in the proforma at Appendix A shall be maintained by all drawing officers.

(2) The Drawing Officer shall sign at column no. 5 of the register immediately after he signs the F.V.C bill for drawal. After encashment, he shall record the details of B.D. No. and date by which the amount is remitted to I.O.C or other firms and sign at column no. 8. Once the consignment or the material is received, it should be taken into stock register and the details entered in the proforma.

When the stamped receipt is received, it should be sent to AGCG after entering the details of stock entry, bill No. Tr. Vr. No. and date by which the amount was drawn etc., on the reverse of the receipt as follows :

(To be entered on the reverse of stamped receipt)

Amount drawn vide Bill No. _____ dated _____ Tr. Vr.
No. _____ dated _____ Amount paid to firm vide B.D. No. _____ Dated
_____ material taken into stock book on _____

Page No. _____

Item No. _____

Drawing Officer

If no stamped receipt is received, the details may be entered on the cash memo and sent to A.G.C.G for the adjustment of the drawal in their books.

The register should henceforth be maintained by all units and scrutinized by the head of office every month. This should also be produced to audit for examination. Compliance in this regard may be reported immediately.

Sd/-

DIG of Police-I, SAF

Annexure 'B'

(Referred to in Para 8.07)

Copy of letter No. PHQ/GB/4125/73, dated the 16th November 1973, from Office of the I.G. of Police, Madhya Pradesh, Bhopal, Addressed to All Departmental Officers.

1. I enclose herewith a copy of Government order NO. F.17/21/73-A(2)/II, dated 30th October, 1973 regarding economy in expenditure use of Government vehicles, etc.
2. As will be seen from these orders, Government have taken drastic steps to cut down the expenditure on P.O.L and to stop avoidable use of Government vehicles. It is with great difficulty that we have been able to get the Police Department exempted from the Operation of these orders, but we must fully understand the spirit of these orders, and on our own, do out utmost to cut down the expenditure on P.O.L to the minimum.
3. Instructions have been issued from time to time, emphasizing the need for economy in the consumption of P.O.L in PHQ/Memo No. SAF/MT/XVIII/574/64, dated 18.1.64, revised monthly quota of P.O.L for different types of vehicles was fixed, but it is a matter of some regret that it is being complied with mode in breach than in observance. Excess P.O.L is being consumed as a matter of routine and its sanctions is also being given by the Range D. Is. G. as a matter of routine. This state of affairs is highly unsatisfactory. We must now ensure that the expenditure of P.O.L is kept strictly within the quota fixed which is as under :
 - (1) Jeeps/Land Rovers-125 litres
 - (2) ½ ton, 1 ton and 1 ½ ton (4 x 2)-150 litres
 - (3) 1 ton willys pick-ups and power wagons (4x4) Four wheel drive-185 litres
 - (4) 3 ton petrol and Diesel-230 litres
 - (5) 5 ton petrol and diesel – 275 litres
 - (6) Motor Cycles – 30 litres
 - (7) Scooters – 20 litres
 - (8) Excess expenditure of P.O.L will be an exception rather than the rule and the Range D.Is.G., while considering such requests for sanction, will please satisfy themselves that the excess expenditure was fully justified. Where such justification is not forth-coming, the head of the Unit concerned shall be required to pay for all excess consumption.

(b) The use of Police vehicles for non Law and Order duties must be reduced to the minimum. If the places are connected by train or bus, and the journey is not in connection with urgent Law and Order duties then it should be performed by bus or train only.

(c) A Police vehicle should be used only with the specific permission of the S.P./Commandant. The S.P./Commandant will be held personally responsible if any unnecessary use of a Police Vehicle is noticed. They should inspect the drivers diary of every vehicle at least once a week during their visit to the Lines.

(d) The use of Police trucks should be made only when full load has to be transported and not for small loads which could be more economically transported by bus or train.

(e) No vehicle should leave a unit premises without a prior movement slip mentioning the purpose of the journey and the officer requiring the vehicle. The officer using the vehicle will sign the movement slip and the driver's diary.

4 I trust each one of you will release the importance and the urgency of minimizing the consumption of P.O.L. I expect that consumption of P.O.L will be reduced atleast by 25 % on the basis of the average consumption of a vehicle during the last 3 months if not more from the month of December 1973. Anyone who is not able to reduce the consumption of petrol to this extent, must send detailed report explaining entire circumstances to me in a D.O. letter in the first week of January, 1974.

5 Please acknowledge receipt of this D.O.

Yours sincerely,

Sd/-

(RS NAGU)

ANNEXURE 'C'

(Referred for in para 8.8)

Endt. No. PHQ/III-B/2551/74 dated 22.7.1974

**OFFICE OF THE INSPECTOR GENERAL OF POLICE-
MADHYA PRADESH, BHOPAL
CIRCULAR**

It has come to notice that the police vehicles are being used indiscriminately inspite of instructions issued from time to time. As already instructed vide D.O. letter No. PHQ/GB/4125/73 dated 16.11.1973 economy in expenditure on police vehicles is most essential.

With a view to ensure economy and avoid misuse of the police vehicles, the following instructions should henceforth be followed rigidly. D.Is.G. Ss.P./Commandants should ensure compliance of these orders by frequent checking of police vehicles found on the road.:

- (1) Ordinarily no vehicle should be allowed to cross the jurisdiction of a district without obtaining permission of the D.I.G of Police of criminals etc., a report to that effect should be submitted to him within 2 hours of the incident.
- (2) A police vehicle should not go out of the jurisdiction of the State without obtaining prior permission of the I.G. of Police.
- (3) The driver is entirely responsible for a vehicle and will drive it whenever required. The user of the vehicle should not drive it unless specially authorized by the D.I.G. and if so authorized will be responsible for any accident or damage that may be caused to the vehicle.
- (4) Every time a trip is made, it will be entered in the drivers diary correctly and signed by the user or the officer authorized by S.P. or an officer of the equivalent rank. Besides date and time the specific purpose should also be mentioned. The general terms like Government work etc., should be avoided and the actual purpose for which the vehicle was requisitioned and used should be noted in the drivers diary also.
- (5) In the case of vehicles allotted permanently to a police station or other police officers, the entries in the drivers diary will be checked and signed by the officer concerned daily.
- (6) The police motor vehicles will not be used for teaching driving unless special permission is obtained from the DIG (Admn.).

(7) Whenever a police motor vehicle is requisitioned for miscellaneous duties it should not be delayed nor detained beyond the period of requirement.

(8) The standard average mileage per litre of petrol for different type of vehicles is given below :

Type of Vehicles	Standard Average per litre
(1) 3/5 Ton personnel carrier, prisoner vans and goods Trucks 1 ton light van	3 kilometres
(2) 1 ton light van	4.5 kilometres
(3) 3/4 ton light van civilian type	4.8 kilometres
(4) 3/4 ton light van military type	2.4 to 3.2 kilometres
(5) Station wagon civilian type	4.5 kilometres
(6) Jeep	5.75 kilometres
(7) Land Rovers	5.75 kilometres
(8) State cars	5.75 kilometres
(9) Sedan Dodge Cars	4.8 kilometres
(10) Hindustan Ambassador cars	6.4 kilometres
(11) Motor cycle 3.50 CC	27.2 kilometres
(12) Motor cycle 5.00 CC	24 kilometres
(13) Diesel 3 ton trucks	4.8 kilometres

It should be ensured that the vehicles plied are not less than the average mileage per litre mentioned above. In case the petrol consumption goes up, the vehicle should be stopped and examined properly. Every care should be taken to ensure that the average mileage does not fall below the standard average, otherwise the matter should be reported to PHQ. If there is some mechanical defect every effort should be made to get the same rectified.

(9) Every vehicle detailed for duty must be issued with a duty certificate in the enclosed proforma. The driver being checked must produce the duty certificate for inspection of the checking officer. The officer in charge of M.T. and the driver will make themselves liable for departmental action in case a vehicle on being checked is found without duty slip.

There is a maintenance day for each vehicle. It should be ensured that the maintenance is done on that day. If the vehicle be on some unavoidable duty on that day, then as soon there after as possible.

Sd/-
Inspector General of Police
Chhattisgarh, Raipur

CHAPTER 9

AUDIT OF ACCOUNTS OF JAILS

9.01 Preamble

Subject to the Accounts and Financial Rules for the time being in force the transactions relating to Jail Department are governed by the rules and regulations contained in Jail Manual. The relevant provisions of the Jail Manual should be carefully gone through before taking up the audit of the Jail accounts.

9.02 General

The transactions of the Jail Department broadly fall under one or other of the following categories:

- (a) General or maintenance activities;
- (b) manufacturing activities;
- (c) miscellaneous activities such as agriculture operations, garden, keeping of diaries, poultry etc.

It should be seen in particular that the accounts are regularly checked by the Jailor and the Superintendent as required under the rules, that balances of all kinds of stores, goods, Government property are verified periodically by the Jailor and the Superintendent, that deficiencies and surpluses detected have been brought to account and reported to the competent authority where necessary and there is no unnecessary accumulation of any stores or goods.

Books, records and registers maintained in the Jail Department are listed in Appendix III of the Jail Manual Vol. II; list of some of the important account records is contained in the annexure.

9.03 Security Deposit Register

The instruction regarding obtaining of security from the Jail Staff are contained in Appendix IV of the Jail Manual. It should inter alia be seen that :

- (i) the security prescribed has been obtained from the Jail Staff and the penalty bond has been duly executed by them;

- (ii) the security register showing how far the required securities have been deposited has been correctly maintained;
- (iii) separate post office saving Bank accounts opened for each officer has been duly pledged to the Inspector General and every monthly deposit is punctually paid into the account immediately after it is realized;
- (iv) all deposits made in the post office are entered in the Cash book and saving bank books are kept in the cash chest and produced as voucher whenever there is entry in the cash book of the deposit of security money;
- (v) advances sanctioned fulfill the requirements of para 16 of the Appendix and proper watch over their recoveries is maintained.

9.04 In the scrutiny of the jail receipts and expenditure, the superintendents order book, containing record of result of his examination of books and registers (Rule 102), is an important record of reference. The local audit party should also go through the register of Minute Book and see that the remark recorded by the I.G. of prisons have been attended to so far as they relate to accounts.

9.05 In the scrutiny of the cash book, besides exercising the audit checks referred to in para 4.04, the local audit party should also, inter alia, see that :

- (i) At the time of periodical check of the balance of money in the cash chest with that shown in the cash books (Rule 104) the cash books of the factory maintenance and prisoners private cash are examined simultaneously so as to preclude the possibility of a transfer of funds from one account, to recover any deficiency in other cash books.
- (ii) Daily check of the receipt of money realized and entered in the various registers and books is conducted with those shown in the cash books over the dated signature of the Superintendent as prescribed under rule 105.

Dietary Accounts – The main points to be seen in the local audit of dietary accounts are that all purchases have been duly brought on to stock, that the issues are authorized and are according to sanctioned scales and that there has been no undue loss in wastage etc.

9.06 Procuring and storing food supplies-Stock book of provisions and stores

- (i) The system of procuring and storing of food supplies should be critically examined and it should be inter alia seen that the instructions laid down in rules 103 and 565 to 569 of the Jail Manual have properly been carried into effect and that the years' supply of grain and firewood and all articles of ration are purchased in the cheapest season. In the case of contracts for the supply of grain or raw material or other articles for jail the compliance to the provision of rule 97 should also be ensured.
- (ii) The local audit party should check the charges for the purchase of provisions and stores by reference to contract rates and agreements and trace the purchases into the stock book of provisions.
- (iii) Check the issues shown in the stock book with the stock book of ration/diet registers. Check the totals and balances.
- (iv) See that in the stock book of provisions and stores, separate page is assigned to each description of stores, as rice, *ata*, bran etc. The receipt and disposal of stock is recorded daily as soon as possible after each transaction takes place and the account is balanced at the end of each month.

9.07 Diet Accounts

Diet charges are incurred in jails for :

- (1) Ordinary convicts and under trial prisoners.
- (2) Sick prisoners in Jail hospitals.
- (3) Civil prisoners.

The lock up register shows the total number of prisoners in the jail, while the hospital register shows the sick prisoners in the jail hospital. A diet register is maintained to show the issue of provisions from day to day. The following points should be specially looked into :

- (a) Check at random all the diet registers with the scale laid down to Chapter II Part IX of the Jail Manual.
- (b) Check the issues of diets as shown in the stock register of provisions and register of milk accounts with the entries in the diet registers.

- (c) Check the daily abstract of sick prisoners with the entries in the Hospital diet register and the diet register of infirm patients and also see that the infirm prisoners are not included in the number of prisoners shown in the diet register.
- (d) Check the number of prisoners shown as fed on any day in the diet register with the lock up register.
- (e) Check that the grinding register is maintained and that the wastage does not exceed the scale sanctioned by the competent authority and that on account of by products like bran etc. is kept.
- (f) Check that the total monthly consumption shown in the Diet Register and the Stock Book of rations has been arrived at by actual summation of the daily issues and not by multiplying the total number of prisoners fed during the month with the quantities allowed for prisoners according to scales.
- (g) Check that the diet allowance of civil prisoners is always realized in advance according to fixed scale and credited in the cash book, the payment out of it, is properly accounted for (Rule 386) and that the decree amounts paid into the jail by the civil prisoners (Rule 387) are entered in the cash book, remitted to the court and their acknowledgement taken.

9.08 Register of Clothing and Bedding

The instructions regarding clothing and Jail Equipment are contained in Para 583 to 614 of Jail Manual. Following checks should particularly be exercised :

- (a) It should be seen that the registers have been neatly kept and written up to date and they bear evidence of check by the Superintendent.
- (b) Check the entries on the receipt side of the convict clothing account with the store and sale book of Manufactured articles (factory) in the case of Central Jail and in the case of district jails with the inter departmental receipts.
- (c) Check the issues of convict clothing to prisoners with the Superintendent orders.
- (d) See that unserviceable clothing are disposed of/utilized in the manner provided for in para 590 of the Jail Manual.
- (e) See that the recovery made from the Civil prisoners on account of supply of clothing and bedding as per provision of para 607 of the Jail Manual is credited in the Factory Cash Book.

9.09 Register of Warders' uniform received and issued.

The check should consist, inter alia, of seeing that:

- (a) The issues are in accordance with prescribed scale and conditions of supply have been sanctioned by competent authority.
- (b) The issues have been acknowledged by the recipient or certified to by Superintendent.
- (c) The clothing left unused, if any, has been returned and re-credited to the stock.

9.10 Under-trials and Prisoners Private Cash

Private cash brought by under trials and prisoners and its refunds should be checked with the entries in the prisoner cash book. Attention should particularly be paid to the following:

- (a) All cash and jewellery shown in the register of under trial prisoners and in the register of convicted prisoners are brought on the Register of prisoners properly.
- (b) Verify the property (cash and jewellery) with the register of prisoners property.
- (c) All cash brought on the register of prisoners property and all amounts received on diet money of Civil and Revenue prisoners are credited in the cash book and check the total amounts shown in the latter with the totals of connected registers.
- (d) Check the amounts of the private cash returned to released prisoners with the amounts shown in the register of prisoners property and see that the amounts drawn on Revenue Deposit vouchers are not in excess of the actual requirement by a reference to the disbursement certificate furnished to this office.
- (e) If the amount of prisoners cash accumulated is large, see that so much of it as is not required for current payment to prisoners, on their release, is made over to the District Magistrate for deposit.

9.11 Labour Employment Register

Check the employment register and ascertain whether the hire of convicts supplied to private individuals is realized and credited in the cash book.

N.B : When prison labour is employed on the public works other than jail works, the full market value of the work performed, as certified to by the Executive Engineer, will be charged to

the Public Works Department. The adjustment of such charges is to be made according to the general rules for payment by one department to another (see rule 4).

9.12 Jail buildings: Construction works

Works in jails are mostly carried out by prison labour and the main account is, therefore, that of the building materials. The following points should receive special attention besides the general checks referred to in para 24.17:

- (i) That a proper account for the materials purchased (including articles supplied from jail factories), its consumption on the works and disposal of surplus material, is maintained and all building materials obtained by dismantling is also included therein.
- (ii) That the outturn of work is commensurate with the qualities of material used.
- (iii) That there are no abnormal differences between the estimated quantity of material required for work (as per estimate) and the quantity of materials actually collected.

9.13 Jail Manufacture Accounts

General: Besides the specific check of all accounts registers and records the manufactory operations of the jail department should be generally examined with a view to see that :

- (a) All operations relating to the manufacture of articles in the jail are to the greatest possible advantage of the Government.
- (b) All accounts regarding manufactures are kept by a paid jail servant.
- (c) The raw materials required for use in all branches of the manufacturers are purchase as far as practicable, in the cheapest market in the season articles can be best bought and at the most favourable rates obtainable.
- (d) Proper evaluation is made from time to time to ensure that the work turned out in each branch of industry is commensurate with the labour employed and the raw material consumed.
- (e) All stores maintained in the manufacturing department of the jail, whether consisting of raw material, material in process of manufacture or/and manufactured goods, machinery, plants, tools or other articles are kept under proper care and supervision.
- (f) Proper accounts are caused to be kept of all stores purchased, received in stock; all registers and accounts prescribed are correctly prepared and kept up to date and that proper vouchers for all issues of stores and payments are obtained.

(g) There is proper periodical examination/physical verification of all cash, stores, machinery, plant, tools, raw materials, materials in process of manufacture and manufactured articles and agreement between physical and account balance is on record.

(Rule 163 to 169 of Jail Manual Vol. I)

(h) Statement No. XII-A showing the results of the financial working of a jail factory should be seen during local audit of a jail and the consolidated statement showing the results for all the factories of the jail department taken together as published in the Annual Administrative Report of the Jail Department should be seen during the local audit of the office of the I.G. of Prisons, Chhattisgarh.

(Authority I.G. Prisons D.O. letter No. 8863/Acctts/Dt. 19.5.1973 in file of OAD I and AG's order dated 4.9.73).

9.14 The following checks should be applied in audit of individual transactions:

- (1) Check the amounts remitted into the treasury with the treasury challans.
- (2) Check the totals and balances in the cash book, Credit ledger, Store Accounts for Raw Materials and manufactured articles.
- (3) See that the different registers are paged and that the number of pages it is certified to by the Superintendent at the first page of each register.
- (4) Check all balances brought forward to the ledger of credit sales, ledger of raw materials and ledger of manufactured articles from the registers belonging to the previous year.
- (5) Cross check the entries in the Factory Register.
- (6) Check the expenditure on the purchase of raw materials, as shown on the payment side of the Cash Book, with the corresponding entries on the receipt side of the Day Book of Raw Materials, dead and live stock.
- (7) Check all entries on both sides of the Day Book of Raw Materials for the periods selected for audit, with corresponding entries in the Stock Ledger of Raw Materials.
- (8) Check the sale book of manufactured articles with the entries in the Credit Ledger, Cash Book etc. Bring to notice long outstanding entries in the Audit Report.
- (9) Check the charges on the expenditure side of the stores and sale book of manufactured articles sold to the jails with the I.D.Rs.

- (10) Check the totals of cash sales in the stores and sale book of the manufactured articles.
- (11) Compare at random the daily employment register or work sheets with the Day and Stock Books of Raw Materials and stock ledger of manufactured articles and see that the articles manufactured are correctly brought into account.
- (12) Check the gate passes with the entries in the sale book at random.
- (13) Exercise any other useful check which may be brought proper or desirable.

9.15 C- Miscellaneous Dairy

In jails in which cattle is maintained, besides ensuring compliance to the instructions laid down in Appendix V of the Jail Manual the local audit party should examine following points specifically :

- (a) That the stock account of live stock of each animal showing receipt and disposal separately of cows, bulls, bullocks, male calves, female calves, is duly maintained.
- (b) That the production from each animal is economical; the examination should be conducted by comparing the production with reference to the period or dryness, the production during the whole period of lactation and the cost of its upkeep.
- (c) That the necessary stock account of the purchase is maintained and that there is no case of unauthorized disposal of produce; the check of total issued should be conducted by check of milk account with reference to diet register and medical officers' orders.
- (d) That an account is maintained of fodder purchased and issued for the maintenance of cattle and the transaction recorded therein are a correct.

9.16 Jail Garden and Agriculture

Instructions regarding maintenance of Jail Garden and agriculture operations are contained in Appendix VI of the Jail Manual. The local audit party should see in particular that:

- (a) A proper account of the Jail produce, viz. Grain and vegetables, is maintained and that the bye-products are properly disposed of for Government purpose only. The annual statement showing the value of vegetables and other products of the Jail land and farms used to supplement supplies purchase for maintenance of the Jail required to be submitted to Inspector General vide para 7 of Appendix should also be referred to.
- (b) All products suitable for fodder are appropriated for consumption in the dairy.

(c) The surplus vegetables, fruits and condiments sold to public under para 11 of the Appendix is priced at market rate; and that all sums realized from the sale is paid in to the treasury without delay.

ANNEXURE

(Referred to in para 9.02)

List of records maintained in Jails

(Referred to in para 9.02 of Chapter)

(a) General Register

- 1 Superintendent order book
- 2 Register for convicted prisoners
- 3 Register of under trial prisoners
- 4 Register of Civil and Revenue Prisoners
- 5 Release diary of prisoners
- 6 Daily employment register
- 7 Register of remission and rewards
- 8 Register of convict clothing.

(b) Hospital Register

- 9 Medical officer's minute book
- 10 Hospital Diet Register
- 11 Register of infirm and convalescent Gang
- 12 Register Milk Accounts
- 13 Register of instruments and medical and surgical appliances

(c) Financial Registers

- 14 Cash Book
- 15 Stock Book of provisions and stores
- 16 Diet register of C class prisoners
- 17 Diet register for A & B class Prisoners
- 18 Dead Stock Register

- 19 Register of inter departmental receipts
- 20 Register of Treasury Challans
- 21 Register of bills passed.

(d) Factory Register

- 22 Cash Book
- 23 Contingent Bill Register
- 24 Day Book of Raw material
- 25 Stock ledger of raw material

CHAPTER 10

AUDIT OF THE ACCOUNTS OF GOVERNMENT PRESS

10.01 The C.G Printing and Stationery Department comprises the following units:

- (1) Government Regional Press, Raipur
- (2) Government Regional Press, Rajnandgaon
- (3) Government Stationery Depot, Rajnandgaon

Before taking up the audit of accounts of these units the local audit party should refer to following publications:

- (1) Printing and Publication Rules
- (2) C.G. Forms Rules, 1961
- (3) C.G. Purchase of Stationery Rules, 1957
- (4) Rules for depreciation fund in the Govt. Presses
- (5) Manual of instructions for the audit of Government Presses, Book Depots etc.
- (6) Rules regarding printing at Private Presses, 1957.

10.02 The Controller Printing and Stationery, Raipur is the technical advisor to State Government in all matters of Printing. Being the controlling officer he enjoys all financial and administrative powers delegated to a Head of Department.

10.03 Annual Consolidated Store Accounts

(a) Consolidated Store Accounts for the entire department are prepared by the Controller, Printing and Stationery, Raipur which are required to be submitted to Accountant General on or before 31st July each year in proformas reproduced in Annexure A & B along with copies of the final detailed statements of each individual unit which formed the basis of consolidated accounts.

(b) The local audit party conducting local audit of these institutions should forward with the inspection report four copies of the store accounts along with the Depreciation Reserve Fund Accounts duly checked and certified by the Inspecting Officer accompanied with following information:

- (1) Period of Accounts under audit.

- (2) Full name of and designation of the officer I/C Press who signs the accounts.
- (3) The full name(s) and designation(s) of person(s) who compiled the accounts and the date(s) of compilation.
- (4) Date of signing the audit certificate
- (5) Name(s) and designation(s) of persons who carried out physical verification of stores along with the date(s) of such verification.

The accounts, on their receipt in O.A.D. HQ should be sent to Central Audit Section for verification and return to O.A.D. for onward transmission to report section for incorporation in the Appropriation Accounts.

N.B : To enable the individual units who are required to render store account of their respective unit to controller in the first week of July each year, to take into account the omissions and errors pointed out by the audit parties the local audit of all units should be completed by 30th June.

(O.O No. OAD (S.F.I.)-F-9 (1) dated 14.1.1976).

10.04 Procedure for the adjustment of difference in stock found on stock taking

Government has decided that:

- (a) in case of paper and binding materials and articles other than dead stock no adjustment in respect of values should be made and only the correct quantities as found in stock taking should be shown in the ledgers by addition to receipts or additional issues as the case may be. The adjustment of values is not essential in these cases as the issue price of these articles will not be corrected on the basis of the articles in stock.
- (b) in the cases of articles of dead stock including type and type metal, the adjustment should be made in the ledger both in values and quantities. This is considered necessary because for the purpose of correct cost account the amount of depreciation should vary with the actual stock value and the type, type metal and other articles of dead stock. Further the value of articles found short in excess is generally appreciable and this seriously effects the amounts to be debited under "Depreciation and interest" in the statement dealing with analysis of press costs.
- (c) in addition to the annual physical verification of stock and stores conducted by the controller each Head of the office/officer in charge of stock should conduct physical verification after 6 months from the date/dates on which annual physical verification was conducted by the

Controller. Responsibility for the shortages noticed should be fixed and necessary action to recover the cost or write off the cost of article found short should be taken without loss of time. At the same time the articles which are lying idle for a long time should be checked and proposals for their transfer to other presses should be sent to the Controller for approval.

(Memo No. GB/3/(M-72)74 dt. Nil of the Controller, Printing and Stationery).

10.05 Purchase of stock and stores

Responsibility for making purchases of Stocks and Stores of permanent nature for use in the Printing presses and the articles of Stationery for use in the Govt. offices will devolve on “Stationery Purchase Committee” consisting of the following members:

- (1) Deputy secretary Govt. of C.G. Revenue Department
- (2) Deputy Secretary Govt. of C.G. Commerce and Industries Department.
- (3) Controller Govt. Printing and Stationery, Raipur
- (4) Superintendent, Stationery and Text Books, C.G.

It should be seen in audit that the procedure adopted for various purchases in the Govt. Presses was in conformity with the rules contained in the C.G. Stationery Purchase Rules 1957.

10.06 Paper Account

- (a) It should be seen that:
 - (i) the maximum balance stock of paper in Government presses does not exceed the limit if any fixed by the Government.
 - (ii) The quantity indented for was reasonable and was approved by the Competent authority.
 - (iii) The issues are in accordance with the description given as regards size weight and colour
 - (v) the quantities of papers issued under each head in a month with reference to proofs and work orders agree.
 - (vi) The percentage prescribed for wastage if any, is not exceeded without the order of the Controller.

10.07 Printing work done at Private Presses

During the course of the audit of the accounts of the Government Presses, a general scrutiny of Printing Works done at private presses should be conducted and the transactions pertaining to the months selected for audit should be conducted in detail. The scrutiny should be done with a view to seeing that the charges on account of printing work done at private presses are in accordance with the schedule of rates approved by the Competent authority and the proper accounts of work done and paper supplied are maintained. It should also be seen that printing of scheduled or non scheduled forms was got done only from the private presses duly registered for the purpose after obtaining tenders and only under the orders of the controller as required under rule 13 of C.G Forms Rule 1961.

10.08 Remittances to the Treasury

The Government has ordered that receipts realized in the press should be credited into treasury at least once a week on Mondays or on the next working day if Monday happens to be a holiday. If the receipts are heavy in any week and the amount thereof with the cashier exceeds Rs. 250 it should be credited into the treasury during the week.

10.09 The Register showing the Printing and supply of Receipt books, cheque books, forest rate passes should be examined to see whether they are correctly maintained in all respects and particularly whether the out turn corresponds to the quantity of paper supplied. A few entries in each page selected at random should also be checked.

10.10 Depreciation fund account

This account should be checked to see whether the conditions prescribed and the procedure laid down for budgetary accounting and other matters relating to administration of the Depreciation Fund in the “Rules for Depreciation Fund in the Government Presses” are being followed properly.

10.11 Government Press Fine Fund

Where such a fund exists the accounts thereof should be audited along with the other account records of the concerning press.

ANNEXURE 'A'

(Referred to in para 10.03 (a))

**Depreciation Reserve Fund Account of the Government Regional Press/Stationery Depot
for the year from _____ to _____**

Credit	Amount	Debit	Amount
(1) Opening balance as on 1 st April		Renewals and replacements by local purchase	
(2) Credits on account of Depreciation		Closing balance on 31 st March	
(3) Book value of plant etc. Written off during the year			

Store Keeper

Accountant

Dy. Controller/Controller

I have examined the above account and according to the best of my information derived from the test of the Books and a consideration of the explanation given to me the account is correct.

Accounts Officer

Asstt. Accountant General

ANNEXURE 'B'

(Referred to in para 10.03 (a))

Grant No.

Store Accounts of the Government Regional Press for the year

Heads	Opening Balance on 1 st April	Receipts	Issues	Results of stock verification	
				Excess	Shortages
1	2	3	4	5	6

Results on revaluation on others	Closing Balance on 31 st March	Agency employed for stock verification revaluation and others
7	8	9

Store Keeper

Accountant

Dy. Controller/Controller

Certificate:

(Same as under Depreciation Reserve Fund Account)

Accounts Officer

Asstt. Accountant General

CHAPTER 11

Audit of the Accounts of Panchayat and Social Welfare Department

11.01 Preamble

Besides the expenditure on Pay and allowances and contingencies of establishment the department provides financial assistance in the form of grant-in-aid/loans to panchayats and various non-official institutions. The related transactions merit particular attention of the local audit parties. Rules regulating grant of loan/grant-in-aid are mentioned below and should be referred to by the party before taking up the audit of these transactions:

- (i) Rules regulating grant-in-aid to non-official social welfare organizations.
- (ii) Rules regarding grant of scholarships to physically handicapped students.
- (iii) Rules regarding grant of special aid/equipment to physical handicapped persons.
- (iv) Rules regarding grant-in-aid to libraries run by non-official institutions.
- (v) Rules regarding grant-in-aid to Panchayats for reading rooms and libraries.

11.02 Audit Checks

Checks prescribed in Chapter 18 should be borne in mind while auditing the grants-in-aid payments.

11.03 Loans are also sanctioned by the Government to Panchayats for remunerative schemes such as poultry, fisheries development, construction of shades/*chabutra* for market etc.

Before taking up the audit of these transactions the local audit party should refer to Rules for sanctioning loan to Panchayat for creation of remuneration community assets.

11.04 Besides the audit checks enjoined in Para 4.25 it should also be critically examined how far the object for which the loans were given have been occurred.

11.05 Personal Deposit Account

In the audit of personal deposit account the following points may be borne in mind:

- (i) That the proper paid vouchers and cheques in support of the withdrawals exist and that the withdrawals do not exceed the balances at the credit of the prescribed account.
- (ii) That the account is maintained properly as prescribed by the Directorate.

N.B : (1) Separate cash book is maintained for this account and prescribed receipts are issued to Gram Panchayats for amount.

(ii) The receipts and payment account of the month is required to be sent to the A.G by the 10th of the next month with a copy to Director of Panchayat and Social Welfare Department.

(iii) The District Panchayat and Welfare Officer is personally responsible for sending correct account to the Accountant General.

(Directorate of Panchayat Social Welfare Memo No. S.E.A/5/2/65-66/6567 dated 2.12.66)

11.06 The department also engages in education the rural masses through audio-visual aids. For this purpose a cinema van has been provided to each of the District Panchayat and Welfare Officer. According to the departmental instructions each unit is required to give 12 cinema shows and programmes of *kalapathaks*. The departmental instructions further require that cinema shows and programmes of *kalapathaks* may be arranged in villages falling on the same route so that with the minimum run of the cinema van maximum cinema/*kalapathaks* shown may be exhibited.

(Directorate circular No. SE/B/7/254 dt 16.4.74)

It should be seen that target fixed for cinema shows/programmes of *kalapathaks* is achieved and the vehicle is utilized mainly for exhibition of shows and programmes of *kalapathaks* and is not misutilised. The log book, petrol, oil and lubricant account of vehicles should be checked in the light of instructions contained in para 4.21.

N.B : As per memo No. SE/B/7/234 dated 16.1.74 from Director of Panchayat and Social Welfare Department the average consumption of dodge power wagon should not be less than 3.25 KM per litre.

11.07 Radio Work Shop

(i) It may be seen whether proper account is maintained and repairs charges correctly assessed, realized and credited to Government.

(ii) Proper account of the radio parts is maintained.

(iii) Radio work shop register should be checked with reference to indents despatch note stock ledger of radio articles, bill book of Radio work shop and credit ledger.

11.08 Audit of Schemes

Instructions regarding audit of schemes are contained in Para 4.22 and may be referred to.

CHAPTER 12

AUDIT OF THE ACCOUNTS OF TRIBAL WELFARE DEPARTMENT

12.01 General

The Primary function of the department is to formulate and execute schemes for the all round development of the tribals, harijans and vimukta jatis. Amongst other, the activities of the department involve expenditure on following purposes:

- (a) State Scholarship
- (b) Post-matric scholarship
- (c) Hostel stipends and
- (d) Subsidies and grants-in-aid for maintenance, construction work, purchase of equipment, furniture etc.

12.02 Receipt and Payment

While checking the Cash Book and Bill Register in the office of the D.T.W.O/D.T.W.A., the accounts of the bills endorsed to the subordinate offices should be specifically seen to ensure that a proper system exists to watch their final adjustment and valid quittance of the payees have been obtained and are produced to audit for scrutiny alongwith other vouchers and records. These should be subjected to check in term of instruction enjoined in para 4.10 (iv) & (v) of the Manual.

N.B. 1 : The following instructions have been issued by the Director of Tribal Welfare in regard to the Endorsed bills:

- (i) In case of bills drawn and endorsed for payment to subordinate officers for which cash is not received by the drawing officer, a remark to this effect should invariably be recorded against the entry of drawal in the bill register and acknowledgement of the officer receiving the bill should be kept properly. Entries of such bills should not be recorded in the cash book and the register of cash advances. Treasury voucher No. & date of encashment should be obtained from the subordinate officers and columns in the bill register completed accordingly.
- (ii) The receipt of accounts of endorsed bills for pay and allowance, contingencies, construction works, subsidies, scholarships, stipends etc., should be watched through the 'Check Register of Endorsed Bills' which should be maintained in the following proforma :

Sl. No.	Date	Name & Designation of the endorsee	Net amount of the bill endorsed	Purpose for which endorsed				
				Pay	Allowances	Contingencies	Scholarship & stipends	Construction work
				(a)	(b)	(c)	(d)	(e)
(1)	(2)	(3)	(4)	(5)				

Initial of the drawing officer in token of endorsement of the bill	Date of receipt of a/cs and amount of the account rendered	Misc.
(6)	(7)	(8)

(Director Tribal Welfare Circular Memo No. Audit/I/139 dtd 1.4.1970)

2. Also see Note below para 20.04

12.03 State Scholarship

The grant of scholarship aimed at rendering financial assistance to the students belonging to (a) scheduled tribes, (b) scheduled castes, (c) Vimukta Jatis is regulated under C.G. Govt. Tribal Welfare Department State Scholarship Rules 1972; these rules should be studied in detail before taking up audit of such payments.

12.04 The Director of Tribal Welfare has prescribed vide his letter No. Edn/SS/3515 dated the 22.3.1966, the maintenance of the following Registers for controlling the payment of scholarships:

- (1) Register for renewal of scholarships
- (2) Register for fresh scholarships
- (3) Check Register of Bills received and countersigned.

(In order to watch the expeditious adjustment of scholarship amounts issued to subordinate officers as advances, this Register should contain a column “Date of receipt of acquittance rolls/Certificate of payment or challans with”).

(D.T.W. No. Audit/13470 dated 14.8.1969).

- (4) Register of disbursement of scholarships.
- (5) Register for check of institutions.
- (6) Register of allotments and expenditure.

During local audit, it should be ensured that all these Registers have been properly maintained.

N.B : Following instructions have been issued by the Director of Tribal Welfare in regard to proper maintenance and review of check register of scholarship bills :

- (i) The Receipt of accounts of cash advances for scholarship should be watched through the check register No. 6 and Register of Advances and, on the receipt of the accounts column 13 of the check Register should be completed. Simultaneously entries should be made in the Register of Advances against the items concerned.
- (ii) For bills endorsed to Government institutions i.e. in favour of the Principals/H.S.S/D.E.O. etc for drawal and payment column 13 should be completed on the basis of acquittance rolls or certificates of payments from the head of the institutions.
- (iii) As regards to bills endorsed to subordinate officers of this department full account of the amount of the bill alongwith the acquittance rolls should be obtained and column 13 of the check register completed.

(Director of Tribal Welfare letter No. Audit/13476 dated 14th August, 1969).

12.05 Checks to be applied in Local Audit

The provisions contained in the State scholarship Rules may be carefully gone through before commencing scrutiny of scholarships. The scrutiny should consist, inter alia of verifying that:

- (a) the application for grant of scholarship is in proper form and that all the information desired therein has been given by the applicant.

- (b) the eligibility of the students to the scholarships has been properly verified, the terms and conditions for the grant of or continuance of the scholarship has been fulfilled and the payments have been made at correct rates.
- (c) The disbursements of the scholarships were made before member or members of the school committee, Panch of the Gram Panchayat, Patel or any responsible person and certificate for proper disbursement (vide note below Rule 22 *ibid*) obtained.
- (d) The student who has been paid the scholarship is actually on the rolls. The register of check of institutions which is meant to find out the number of students entertained for renewal or fresh scholarships will be helpful in ascertaining the facts. Attendance register of the schools run by the Tribal Welfare Department may be test checked to ensure the correctness of the grant of scholarship.
- (e) Recoveries on account of absences have been made.
- (f) The progress report of the students have been obtained from the proper authorities before the scholarship which was awarded in the previous year is renewed in the subsequent year.
- (g) where the award of scholarship is based on 'means test' necessary verification in the matter has been made.
- (h) Scholarship amounts issued to subordinate units/institutions are not awaiting adjustment for a long time. In case of old items, searching enquiries should be made to ascertain that the delay in rendering the accounts supported by acquittance rolls etc. is not a device to hide fraud or defalcation. Action taken by the drawing officer to make the subordinate officer/institution submit the accounts should also be critically reviewed.
- (i) The details shown in the vouchers received from the Central office agree with the office copies kept in the departmental office and payments as evidenced from the acquittances of the person concerned have, as a matter of fact, been made to the person for whom it was shown in the bill. It should also be seen that the records maintained and the system of obtaining the required information in the departmental offices are adequate to verify that the conditions attached to the scholarships were actually fulfilled.

12.06 Post-Matric Scholarships

- (i) Regulations governing the eligibility rates and other matters regarding grant of the Post-Matric scholarships to the students belonging to the Scheduled Castes, Scheduled Tribes, are

formulated by Government of India for each academic year and should be referred to by the local audit party before scrutiny of payments relating to the scheme.

(ii) The basis of grant, terms and conditions of the grant of the scholarships should be studied to see that the recipients are actually entitled to such scholarships.

(iii) The other checks prescribed in the preceding paragraph 20.05 should also be exercised while scrutinizing payment of post-matric scholarships.

(iv) The Director of Tribal Welfare, vide his letter No. Edu/SS/3515 dated the 22.03.66, has prescribed the maintenance of the following registers for watching and controlling the payment of post-matric scholarships.

- (A) Register for scrutiny for fresh application forms
- (B) Register for scrutiny of renewal application forms
- (C) Award Register
- (D) Register of allotment and Expenditure

A general examination of these registers should be made during local audit for ensuring that their maintenance does not suffer from any defect or shortcoming.

12.07 Hostel stipends

(i) A large number of Hostels providing boarding and lodging facilities to the students belonging to scheduled tribes, scheduled castes etc. are run by the Tribal Welfare Department. A set of rules titled "Rules for the Hostels run by the Tribal Welfare Department" have been framed by the Department which should be studied carefully, before starting scrutiny of the payment of hostel-stipends and expenditure connected with the running of the hostels.

(ii) The following articles for the students are to be purchased out of the stipend money of one month:

- (a) Gadda
- (b) Rajai
- (c) Bed sheets and covers
- (d) Clothing
- (e) Shoes

(f) Pillows

Expenditure for the purchase of these articles, if met from government money will be irregular and should be objected to in audit.

(iii) The stipend amounts are to be deposited with the Hostel Superintendent, who will realize from them the meal and other charges recoverable from the students.

(iv) Charges per student per month on boarding, clothing, bedding, toilet etc. in the hostels attached to Ashrams and community Welfare Centres shall not exceed the stipend amount. This means that no expenditure on these accounts can be met from Government fund.

(v) Payment of stipend as well as state scholarship (except, however, merit scholarship) simultaneously is not permissible.

(vi) Students of colleges will get hostel stipend only upto the period they are not awarded post matric scholarships.

When however the post-matric scholarship is awarded, the entire hostel stipend already paid is recoverable from such scholarship.

12.08 (a): The checks prescribed in para 20.05 will apply, mutatis mutandis, to the payments of Hostel stipends.

(b) As already stated, the stipends are to be first deposited with the Hostel Superintendent to enable him to recover there from the messing and other charges. The balances if any, left after meeting such charges are not to be refunded to the Government but are to be expended on items decided by the students committee or to be refunded in cash to the hostellers. The accounts of the Hostel Superintendent should, therefore, be checked to see that they do not suffer from irregularities and the hostellers have not been denied the residual amount to which they are otherwise entitled.

(c) In order to overcome the difficulty in running the hostels and Ashrams due to scarcity, at times, of food grains in the market, the Collectors are authorized by the Government vide the Tribal and Harijan Welfare Department's letter No. 2892/4932/XXV/II/65 dated the 20th April 1966 to draw an advance of Rs. 15 per student in hostels and Ashrams from their stipend amount. Such advance may be drawn for a maximum of ten months in respect of each student for making bulk purchases of food grains. The advance is, however, required to be adjusted by short drawal against regular monthly bills. During local audit, besides verifying that unutilized portion

of advance has been refunded, it should be seen that proper records are maintained to watch the adjustment.

N.B : (1) The stipend is admissible for ten months only. The period of ten months is reckoned from July to April.

(P.D.D.O. No. 5317/25/1/75 dated 25.11.1975).

(2) In the case of sudden death of hosteller the stipend is payable to parents of guardians declared as heir.

(No. Hostel/120/73-74/7134 dated 12.3.74).

12.09 Grants-in-aid

Grants-in-aid paid to non Government institutions engaged in activities aimed at uplift and improving the conditions of the members of scheduled tribes and other backward classes. Before taking up audit of these payments the local audit party should study the grant-in-aid rules framed by the department regulating such grants. While bearing in mind the instructions contained in Chapter 24, the scrutiny should consist inter alia of verifying that:

- (a) the sanction of grant-in-aid conforms to the provisions of such rules.
- (b) a proper procedure exist by which the authority sanctioning the grant satisfied itself as to the fulfillment of the conditions attaching to such grants and proper utilization of grant is ensured by them.

N.B : Departmental authorities required to conduct inspection of the Grantee institutions atleast annually with a view to ensuring that :

- (i) the grants have been utilized properly;
- (ii) they continue to be engaged in activities rendering them eligible for the grants;
- (iii) aims and objects of the grants have been successfully achieved.

(Director, T.W. No. Grant/D/14826 dated 31.5.1974 and No. Grant/D/5/19200 dated 2.7.1974).

12.10 Construction Works-Checks to be applied in Local Audit

Checks required to be exercised in the audit of work expenditure laid down in Chapter 4 apply to departmental works undertaken by T.W.D departmental regulations for the constructions works of Tribal Welfare Department issued by Government of M.P. Vide No. 1158-XXV-I-68 dated 27.11.1968 are reproduced in Annexure and should be referred to by the

local audit party. Compliance to following further instructions issued in Directorate Tribal Welfare letter No. 6570-71 dated 6.3.1975 should also be ensured :

- (i) No deviations in the approved designs and specifications should be made without prior approval of the Directorate.
- (ii) No work should be started before the accord of Administrative approval and Technical estimate having been sanctioned;
- (iii) The work should be inspected regularly by the departmental officers during progress of work to ensure that (i) its execution is according to approved plan and specifications, (ii) the material of required standard has been used and (iii) that the record of measurement in the measurement book represents true facts. The case of use of inferior material and/or misrecord of measurements in the measurement book represents true facts. The case of use of inferior material and/or misrecord of measurements in the measurement books should be investigated in consultation with senior officers of Public Works Department for further suitable action, simultaneously reporting the matter to the Directorate.

12.11 Maintenance of Departmental Buildings

During audit of expenditure on special repairs or/and annual maintenance of Buildings, the local audit party should bear in mind the following procedure laid down by the Director of Tribal Welfare in his letter no. Const/3/A/39249 dated 27.12.1974 to ensure that resort to special repairs or/and Annual repairs is not a cover-up devise for any defective work.

- (i) Collectors have been delegated with the powers to sanction special repairs upto Rs. 10,000 from 1973-74.
- (ii) In no case special repairs can be sanctioned for works which are under construction or which are incomplete (The work will not be considered complete till completion certificate has been given by the competent authority).
- (iii) In no case special repairs can be sanctioned for a newly constructed departmental building for a period of 5 years from its completion. Expenditure on the maintenance of a new building is also not permissible for a period of 3 years from the date of its completion.

N.B : If in any case special repairs or expenditure on maintenance is considered to be necessary before prescribed period, approval of Directorate of T.W will be necessary.

- (iv) A record of issue of certificate of annual repairs of building on completion should be maintained in a prescribed register.
- (v) Any proposal for special repairs in respect of any work should set forth following particulars:
 - (a) In whose books building is borne;
 - (b) Original cost of the building;
 - (c) Date of completion (on the basis of completion certificate).
 - (d) Details regarding repairs already carried out on previous occasions;
 - (e) Dimension of building (specify items and period);
 - (f) Proposal for special repairs supported by technical details.
- (vi) After the completion of special repairs of any building completion certificates may be issued and noted in the register prescribed for the purpose.

12.12 Training-cum-Production Centres (T.C.P.C)

The main purpose of these centres is to impart training to the people belonging to the scheduled Tribes and Scheduled Castes in a trade, so that the training, after it is completed, will enable them to earn their livelihood. Production, therefore in such centres is normally treated as incidental. In spite of this, it will be the duty of the Audit Party to check that the working of the Centre is economical to the extent possible and where the centres are run on the basis of no profit no loss, the financial result does not exhibit any monetary loss to the Government. Records like the store ledgers, Job Registers, Production Accounts sales Books, Annual Financial accounts should be scrutinized carefully for seeing, inter alia, that :

- (i) the entertainment of staff and overhead expenditure is not very much on the high side in comparison to the number of trainees,
- (ii) the issue of materials is made only up to the requirement and the materials have actually been used on the job,
- (iii) the wastages involved in the process of manufacture is minimum and the cost of production is not on the,
- (iv) the system of costing of finished goods does not suffer from any defects,

- (v) there is no undue accumulation of finished goods or raw materials,
- (vi) Sale proceeds are promptly credited to Government Accounts. Credit sales are allowed only in authorized cases and recoveries in such cases are also prompt and regular,
- (vii) where the trainees are paid stipends there exists sanction of the competent authority for payment of stipend and the rate at which the stipend was paid, is not more than the rate prescribed and that, all conditions for the payment of the stipend have been fulfilled.

12.13 Tribal Blocks

The execution of various schemes formulated by the department for the development of tribals is carried mainly through the Tribal Blocks. The main activities of the block are (1) running educational institutions and distribution of scholarships and stipends (2) distribution of grant-in-aid and subsidies for execution of works (3) execution of works under crash programme (4) running of cooperative societies (5) execution of the Midday Meals programme and (6) distribution of food grains to the poor people in rural area.

Besides drawing the pay and allowances of the staff of his own office the Development Assistant in charge Block also draws pay and allowance of teachers of tribal schools in the Block and of Managers of Tribal Cooperative societies.

Besides the checks to be exercised in normal audit of a formation, the local audit party should critically examine and comment upon the various schemes implemented by the department. The checks applied in scheme audit is laid down in Chapter 4.

ANNEXURE

(Referred to in para 12.10)

**Government of Madhya Pradesh, Tribal and Harijan Welfare Department Bhopal the 27th
September 1968**

No. 11587-XXV-I-68 State Government are pleased to frame the following regulations namely “Departmental Regulation for the construction Works of the Tribal Welfare Department”.

“Departmental Regulations for the Construction Works of Tribal Welfare Department”

1. The categories of construction works pertaining to Tribal Welfare Department works undertaken departmentally will be as follows:

- (1) Building works:
 - (i) Schools
 - (ii) Staff Quarters
 - (iii) Hostels
 - (iv) Balwadies
 - (v) Sanskar Kendras
 - (vi) Ashram Schools
 - (vii) Other Works Constructed Departmentally
- (2) Water Supply Works:
 - (i) Wells
 - (ii) Bunds
 - (iii) Tanks
- (3) Communication Works:
 - (i) Roads
 - (ii) Culverts
 - (iii) Bridle Paths

(a) “Building Works” includes (i) construction of Pucca, Semi-pucca and Katcha Buildings and (ii) improvement, additions, extensions special and annual repairs and other minor works of the existing buildings.

(b) “Water Supply Works” includes laying of pipe lines, installation of pumps and other allied works.

2. The physical targets of the works to be carried out from a particular year will be determined by the Director, Tribal Welfare and Communicated to the Commissioner of Divisions, Collectors and District Officers of Tribal Welfare Department. Budget provision for all departmental works will be included in the departmental budget.

3. As soon as the construction programme of a particular year is finalized by Director, Tribal Welfare, the Collector, and the District Officer, of the Tribal Welfare Department will take up all the preliminaries i.e. selection of site, acquisition of land, preparation of state I plan and estimate and issue of administrative approval for commencing work. In accordance with the delegation of powers made from time to time. The existing delegation are given in Appendix I.

4. A copy of administrative approval of each work will be endorsed by the sanctioning authority to the Director of Tribal Welfare and to the Accountant General, Madhya Pradesh. Thereafter the Director, Tribal Welfare will release allotment of funds for that work according to the requirement to be proposed by the Collector.

5. A copy of the administrative approval together with State I estimate will be forwarded to the authority competent to accord technical sanction. Stage II estimate will be prepared in detail and will be technically sanctioned by the competent authority as shown in Appendix I (B).

No technical sanction to state II estimates will be necessary for petty works upto Rs. 2,000 in each case.

6. The Collector of the District can get the work executed through any of the following agencies, except in cases where the Director, Tribal Welfare desires the Execution of any particular work to be done through a particular executing agency:

(a) Specially constituted ad hoc bodies;

(b) Local Bodies;

- (c) D.As or A.O.T.D. Block;
- (d) Cooperative societies with the previous concurrence of Director, Tribal Welfare;
- (e) Departmentally and through officers subordinate to the Collectors.

In case of works allotted to the agencies (b) and (c) above, the agencies will follow their own prescribed rules and procedure.

In case of works against items (a), (d) and (e) above the rules and procedure of Tribal Welfare Department will be followed. In case when the above agencies do not come forward to take up the work, the collector may get the work executed through contractors in accordance with the procedure laid down in rule 7 (b) and to the extent of powers delegated to him vide Appendix I.

When the execution of the work is entrusted to an agency (b) or (c) the Collector may release advance funds for the purpose either in lump sum which would not be equal to the total estimated cost of works or in installments based on the progress of works. The Agency will be responsible to submit quarterly progress report along with the Certified Statement of Expenditure in the Form Appendix II. After the work is completed the completion report in Appendix II-A along with the certified statement of expenditure should be submitted to the collector by the Agency concerned.

7 Execution of works

(A) As far as possible work should be done departmentally. For this, Nominal Muster Rolls in C.P.W.A Form No. 21 may be used. Work may also be got done through village bodies, local labour headman, Gram Panchayat etc., without calling for tenders as per conditions specified in item 3 Appendix I.

INSTRUCTIONS FOR USE OF MUSTER ROLLS

(i) When work is done by daily labour, a Muster Roll in the C.P.W.A Form No. 21 should be maintained. It should be prepared by the person incharge and show the names of labourers, number of days they have worked and amounts due to each of them. The daily attendance or absence of labourers must be recorded so as to prevent any correction in the original entries. The muster rolls should be checked by the overseer concerned or other field staff of Tribal Welfare Department as frequently as possible. The labourers to be employed on daily wages on works and the rates of wages to be paid to them will be fixed by the Area Organiser, Distt. Tribal Welfare Assistant/District Organiser/S.D.O. Such rates should not be excess of the current market rates prevalent in that locality. The actual disbursement of wages to the labourers should be made by Overseer in the presence of the departmental officer of highest standing available in that locality not below the rank of Circle Organiser or Secretary, Adhoc Committee. The total of amounts paid on each date should be noted in words as well as in figures at the foot of the muster rolls. The signature or thumb impression of the labourers should be obtained on the muster roll in token of having received their wages and the same attested by the person making payments. Stamped acknowledgements may be obtained wherever necessary. It is not necessary to submit the paid Muster Rolls to the Accountant General, but it will be enough if a certificate as mentioned below is furnished:

“Certified that all labourers whose wages have been charged in the bill were actually entertained for that work during the period concerned”.

The Overseer/Circle Organisers should never pass a gang without checking the attendance and entering his dated initials in the appropriate places. He must also check the progress of work. The Regional Deputy Director/District Organiser/S.D.O District Tribal Welfare Assistant/Area Organiser will check the attendance as often as can be done and will record the fact on the Muster Rolls concerned.

(ii) A simple register showing the amount of wages remaining unpaid should be maintained to record therein the details of unpaid wages and their subsequent repayment in such a way as to prevent double payments.

(iii) Register of Muster Rolls- A register of muster rolls should be maintained in the form Appendix III and no muster roll should be issued unless it is entered in the Register and the

Register No. and date is noted on the form by the officer issuing the form under his signature and date.

(B) Tender and Agreement-(i) For works proposed to be given on contract, notice inviting tenders should be in the form in Appendix IV. Invitation of tenders should be given wide publicity. The N.I.T should be exhibited on the notice Board and copies should be sent to the other officer for similar exhibition. Tenders for bigger works say costing more than Rs. 50,000 may be advertised in the local press or other papers according as contractors are likely to tender locally or from outside.

(ii) Sealed tenders must be obtained for all works proposed to be given on contract unless the amount of contract is Rs. 1,000 or less. Contracts for Rs. 1,000 or less may be awarded by the Collector after negotiation.

(iii) Power of authorities to accept tenders of contractors is specified in item 2 of Appendix I.

(iv) Tenders should be in any one of the following forms as per requirement:

- | | | |
|-----|--|---|
| (1) | C.G. P.W.D. form A printed as Appx. 33 to C.G. P.W.D. Manual Vol. II | Percentage rate (on scheduled or rates) tender and contract for work. |
| (2) | C.G. P.W.D Form C printed as Appx. 35 C.G. P.W.D. Manual Vol. II | Tender and contract for supply of materials |
| (3) | C.G. P.W.D Form B printed as Appx. 34 to C.G. P.W.D. Manual Vol. II | Item Rate tender and contract for works |
| (4) | C.G. P.W.D Form F printed as Appx. 38 to C.G. P.W.D. Manual Vol. II | Tender for lump-sum contract |

(v) A register of tenders should be maintained in form shown in Appendix V.

(C) Written Agreement should be drawn in the prescribed tender and Agreement form for contractors above Rs. 1,000.

The accepted tender in one of the prescribed form will borne the Agreement. If the tender is not properly written or required any corrections, a fresh agreement may be drawn up in same form embodying the same terms and conditions as the original tender. In the P.W.D agreement

form S.D.O/Division Officer/Engineers/Executive Engineer should be substituted by Collector and Superintending Engineer should be corrected to read Director of Tribal Welfare.

(D) A register of Agreement should be maintained in form Appendix VI.

8. Earnest Money- Tenders will be required to deposit earnest money of one per cent of the probable value of the contract. Earnest money is the guarantee of the tender to deposit the requisite security Deposit and enter into the required agreement when his tender is accepted.

9. Security Deposit- Security deposit should in all cases be taken for the due fulfillment of a contract. The security deposit may be:

(a) A deposit of cash in lump.

(b) Government Security Deposit receipts of recognized Banks (Approved by Government).

(c) Post Office Cash Certificate.

(d) Deduction of 10 percent from the bills.

10 (A) Advance payment- Advances are as a rule prohibited, and every endeavour should be made to maintain a system under which no payment are made except for work actually done. Exceptions are, however, permitted in the following cases:

(a) Cases in which a contractor, whose contract is for finished work, requires in advance on the security of materials brought to site/District Organiser/Area Organiser/District Tribal Welfare Assistants may, in such cases, sanction advances upto an amount of not exceeding 75 percent of the value (as assessed by themselves) of such materials, provided that they are of an imperishable nature and that a formal agreement in C.P.W.D Form 31 is drawn up with the contractor under which Government secures a lien on the materials and is safeguarded against losses due to contractor postponing the execution of the work or to the shortages or misuse of the materials and against the expenses entailed for their proper watch and safe custody. Payment of such advances should be made only on the certificate of an officer, not below the rank of circle Organiser that the quantities of materials upon which the advances are made have actually been brought to site that the contractor has not previously received any advance on that security and that the materials are all required by the contractor for use on item of work for which rates for finished work have been agreed upon. The officer granting such a certificate will be held personally responsible for any overpayment which may occur in consequences. Recoveries of advance so made should not be postponed until the whole of the work entrusted to the contractor

is completed. They should be made from his bills for work done as the materials are used, the necessary deductions being made whenever the items of work in which they are used are billed for.

(b) Cases in which in the interest of works, it is absolutely necessary to make petty advances, advances upto Rs. 50 may be allowed by subordinates.

(c) In all other cases, only with the sanction of the Government which may, in exceptional circumstances, authorize such advances as may be deemed indispensable, taking the necessary precaution for securing Government against loss and for preventing the system from becoming general or continuing longer than is absolutely essential.

(B) An advance payment for work actually executed may be made on the certificate of a responsible officer (not below the rank of Area Organiser) to the effect that not less than the quality of work paid for has actually been done, and the officer granting such certificate will be held personally responsible for any over-payment which may occur on the work in consequences. Final payment may however, in no case be made without detailed measurements.

11 (A) Form of Bills – The authorized form of bills and vouchers are as follows:

- | | | |
|-----|--|---------|
| (a) | First and final bill C.P.W.A | Form 24 |
| (b) | Running Account Bill | Form 25 |
| (c) | Running Account Bill | Form 26 |
| (d) | Running Account Bill | Form 27 |
| (e) | Hand Receipt | 28 |
| (f) | Pay bill of work charged establishment | Form 29 |

(B) Contract Ledger- A contractors ledger should be maintained in Form Appendix X.

12 Measurement Book

(i) Measurement for works done other than by daily labour or supplies made should be kept on record in the printed Measurement Books in C.P.W.A. Form No. 23. This should be maintained by the Area Organiser/Circle Organiser/Executive Agency staff according to the rules laid down in para 209 of C.P.W.A code. In case of contractors, complete measurement should be taken at the time of the drawing of the bill available for inspecting and check during

the local audit. Final measurements of all works below ground level or likely to be covered up should be recorded before they are covered up.

Running and measurements should be recorded by a technical officer and where S.D.O is appointed, the final measurement should be checked by him.

In no case should final bills be prepared and paid before the work is completed.

(ii) Register of Measurement Books - All Measurement Books should be numbered serially in a register to be maintained in the form as Appendix VII by the District Organiser's Area Organiser's/District Tribal Welfare Assistant's office which should also show the names of officers to whom the book are issued, date of issue and date of return, so that their eventual return to the supplier may be watched. Books no longer in use, though not completely written up, should be returned to the District Organiser/Area Organiser/S.D.O/D.T.W.A. The procedure regarding maintenance and preservation of measurement books obtaining in Public Works Department should be followed.

13 Work charged establishment

All the work charged establishment should receive the prior sanction of the competent authority as per existing orders of the State Government. The wages of the members of the work charged establishment should be drawn in C.P.W.A Form No. 29 (Bill for work charged establishment may be drawn as provided in rules 232 and 233 of C.P.W.A. code).

14 Watch over expenditure and register of works

(a) In order to watch expenditure over a particular work, a register of works should be maintained in the enclosed form Appendix VIII. This is a permanent and collective record of the expenditure incurred during the year of each work including grant-in-aid works. Separate pages should be allotted for each work wherein will be shown the name of the work, the amount of estimates, and funds allotted for the year. It should be posted from the cash book in respect of each transactions and stock book for the stock transactions. It will thus show the expenditure incurred every month and the progressive expenditure to date. The quantity of work done should also be shown in it. The expenditure incurred in a month should include all items of expenditure both in cash and kind actually incurred in that month.

(b) Money sanctioned for a particular work should not be spent on other works. The authority executing the work should see that the sanctioned cost is not exceeded. He should take

necessary steps to get the estimates revised before incurring any expenditure in excess of the sanctioned cost. The excess within ten percent of the sanctioned estimate may be approved by the authority which has sanctioned the estimate provided that the total cost does not exceed its power of sanction. Sanction of the next higher authority is necessary where the excess is over 10 per cent.

(c) Quarterly Progress Report- (1) To watch the progress in respect of construction work of Tribal Welfare, it has been decided to prescribe quarterly progress returns. With this view, a set of proforma for reporting the particulars and stage of progress in respect of all construction works in the district is prescribed.

(2) The executive Agencies will furnish the quarterly progress reports to the Collectors, in the attached proforma (Appendix II) by the 10th January, 10th April, 10th July and 10th October for the quarters ending December, March, June and September respectively. The collectors will then send the consolidated quarterly progress reports of the districts in form (Appendix II) which should reach the Directorate Tribal Welfare by the 31st January, 30th April, 31st July and 31st October.

(d) Register of Buildings, Roads and wells should be prepared in form Appendix XII, XIII and XVI respectively and kept properly in the office of D.O./A.O/D.T.W.A.

15 Stock and Store Register

(a) Orders regarding the purchase of stores are given in Appendix IX of Financial Rules, Volume II of Government of C.G. which are reproduced as Appendix 'A' and they should be strictly observed unless otherwise directed while making purchase for public services.

(b) As a general rule, the payment for supplies is not permissible until the stores have been received and verified.

(c) The drawing officer should record a certificate on the invoices or bills that the articles detailed therein have been received in good order and accounted for in the stock book. He should also certify that the quantity is correct, the quality is good, the rates paid are not in excess of the accepted or market rates, and that suitable notes of payment have been recorded against the indents and invoices to prevent double payments.

(d) In addition to the certificate mentioned in (c) above the drawing officer should also furnish a certificate to the effect that the rules regarding purchase of stores prescribed in Part I of

Appendix IX to the C.G. Financial Code Vol. II have been strictly observed wherever they claim money from the Treasury for the purchase of stores.

(e) All the purchases should be entered in the stock book or equipment register as shown in Appendix IX as the case may be quoting reference to voucher number and date. The register should be in 2 parts. Part I for building material, Part II for other items such as tools and plants. A separate folio should be opened for each kind of article. For example there should be a separate folio for lime, cement, GCI Sheets etc. The quantity, purchase rate per unit as well as the cost of purchase should be entered therein. Similarly quantity issued as well as its cost should also be noted in the relevant columns.

A physical verification of all stores should be made at least once a year in accordance with the instructions contained in Rule 133-139 of the C.G. Financial Code Vol. I

16. Completion certificates- On completion of work, a completion certificate should mention whether the work has been executed according to plan, Estimates specifications. It should be furnished by the collector to the Accountant General C.G. The powers of officers for issue of completion certificates are specified in Appendix I (A) completion certificates of each work will be issued in the form at Appendix II-(A). For grant-in-aid works the completion certificate should be in form Appendix II (B).

17 Allotment of Funds – (1) It is irregular to obtain from the Directorate heavy allotment of funds for construction works which are not utilized within a reasonable time. This results in heavy accumulation of funds which normally are to be surrendered at the close of the financial year. It is also irregular to draw lump sum amount equal to the cost of the work and place at the disposal of executing agencies without any follow up action about their timely utilization. These practices not only lead to wastage of funds but seriously disturb the execution of plan programme.

(2) Funds are to be demanded and drawn only when required for immediate disbursement. In the light of this fundamental principle, allotment of funds to districts for constructions works will be released by the Director of Tribal Welfare only on the basis of actual requirement, after assessing the actual progress of each work. It is, therefore necessary that all proposals of allotment of funds (both for initial and subsequent allotment) for construction works, should be sent in the proforma, Appendix XI. This proforma is to be adopted in respect of all works both old and new as also for special repairs/extension/addition and alteration of buildings. Before

sending requisition of allotments, it is to ensure that funds are required for immediate use. No proposal for allotment of funds for any work will be entertained unless supported by a statement in the prescribed proforma. In this context, it is to be noted that the executing agencies of works whether official or non-official, have also to be released funds on the basis of requirement and progress of works. Lump sum payment of funds to them not required for initial use is contrary to rules and is, therefore, not desirable.

In laying down the above procedure of allotments, it is not at all the intention of this department that execution of works should slacken or slow down. The imperative need is that all preliminaries viz. site selection, acquisition of land, issue of administrative approval, selection of executing agency of the works should be finalized well in advance and thereafter execution should be taken up according to phased programme. Quick and proper implementation of allotted works in districts has got as much importance as the need for following rules in relation to drawals and disbursements.

18. Drawal of Money from Treasury- The drawing officers will claim money from the treasury on an abstract contingent bill form for expenditure on works. In drawing money from the treasury on an abstract contingent bill it should be noted that an amount sanctioned for expenditure should not be drawn in lump sum only because it has been sanctioned by the competent authority. It should be noted that financial sanction is an authority to incur expenditure within certain authorized limits, and not an order upon which the whole money may be drawn from the treasury. It is not permissible to withdraw money from the treasury unless such is required for immediate disbursement. It is also irregular to draw money from the treasury either for the execution of work, the completion of which is likely to take a considerable time or to avoid lapse of grant. Money must be drawn from the treasury either for expenditure which has already been incurred, e.g., permanent advance or which will be incurred immediately after drawal. It is essential that when D.C. Bill is drawn up and submitted to the appropriate authority on the prescribed date, the concerning officers should submit vouchers, and the account of expenditure as having actually been incurred. If this cannot be done, the drawing of advance is not permissible to the concerning officer.

By order and in the name of the Governor of Madhya Pradesh

T.N. SHRIVASTAVA,
Under Secy. To the Govt. of M.P.,
Tribal and Harijan Welfare Department

APPENDIX I

Serial No.	Item	Powers delegated to Divisional Commissioner	Powers delegated to Collectors	Remarks
(1)	(2)	(3)	(4)	(5)
Extract of T.W.Department Memo No. 7679-3255-XXV-PS-61 dated 7.11.1964				
1	To accord Administrative approval to construction works under various schemes for welfare of Backward classes	Upto Rs. 1,00,000	Upto Rs. 50,000	
2	To accept tenders, contract Agreement	Upto Rs. 1,00,000	Upto Rs, 50,000	(i) The Collector may accept only the lowest tender for a contract of value upto Rs. 50,000. If in respect of any such contract he considers that a tender other than the lowest should be accepted he should send all the papers to the Commissioner for decision. The Commissioner will send list of such decision to Government for information With a copy to D.T.W.
3	Execution of works, supply of Materials through village bodies local labour headman, Gram Panchayats etc. without Calling for tenders.	Full powers upto schedule of rates and 20 percent above in consultation with Superintending Engineer	Upto Rs, 10,000 in case at or below the Schedule rates and 10 percent above the schedule of rate in consultation with the Executive Engineer.	
4	To sanction payment of lump sum for any item of work not provided in the schedule		Full powers of Superintending Engineer i.e. upto Rs. 50,000 only	No lump sum payment may be made for any item which is susceptible of measurement not withstanding that such provision exists in the sanctioned estimate provided loss does not disclose a defect of system or any suspicion of dishonesty on the part of any Government.
5	Disposal of unserviceable stores and sanction to write off	Rs 500	Rs. 300	
6	Powers to appoint works charged establishment	Full powers of Superintending Engineer i.e. Rs. 75 and not exceeding Rs. 25 on the prescribed maximum for various classes of establishment.		

Extract Item 23 of T.W. Department Memo No. 6193-1424-XXV-II/IA-64 dated 12.8.64

1 Powers to accord administrative approval to the construction works under various schemes for the Welfare of Backward classes. Powers delegated to D.T.W upto Rs. 50,000

As amended vide T.W. No. 11746/1309/XXV/II/P/72 dated 3.11.1972

APPENDIX IA
Delegation of powers regarding completion certificate

Serial No.	Nature of works	Authorities to issue completion certificate	Requirements
1	2	3	4
1	Works taken up Departmentally through Collectors or other official agencies Authorized by the Collectors.	1. D.O.T.W upto Rs. 10,000 2. Collectors above Rs. 10,000	Measurements to be recorded by the Block Overseers as accepted by Planning Development or our Sepcial Public Works Department Staff where this has been provided.
2	Works taken up through Ad-hoc bodies and local bodies.	(i) Upto Rs. 6,500 (ii) Above Rs 6,500	(i) (a) By Chairman of the Ad-hoc and local body other than Janpad Panchayat. (b) By Chief Executive Officer of Janpad panchayat. (ii) By officer specified for works At S.No. 1.
3	Works taken up by Collectors through Local Public Works Department Authorities as deposit works.		By Executive Engineer under whose supervision works were executed.
4	Works entrusted to non-official Organization on the grant-in-aid Basis.	(i) District Organiser, Tribal Welfare upto Rs 10,000. (ii) Collector above Rs. 10,000	After certificate by an Assistant Engineer Public Works Department or if this is not possible by Block Overseer or our Special Public Works Department staff.

2 The above delegation is subject to the condition that the completion certificate issued by the Chairman of the Ad-hoc Committee should be countersigned by the District Organiser, Tribal Welfare who may do so after inspection of works on the spot and after checking the accounts.

APPENDIX I (B)

Powers proposed to be delegated for according technical sanction to detailed estimates of construction works of Tribal Welfare Department

Name of Powers	Extent of delegation	Authority to whom to be delegated
(a)	(2)	(3)
To accord technical sanction to plans and estimates Of works under various Schemes for the welfare of Scheduled/Backward Classes/Tribes provided in the Budget Estimate of Tribal Welfare Department.	Upto Rs 10,000 Upto Rs. 50,000 Upto Rs. 1,00,000	D.O on the advice of Engineer or Overseer, Collector on the advice of Executive Engineer, Division Commissioners in consultation

APPENDIX II

Proforma of quarterly report from the Executing Agency in the Collector and from the Collector to Directorate fo
Tribal Welfare

Quarter ending

1. S. No.
2. Name of the Exexuting Agency/District.
3. Name of work
4. Location _____ Tahsil _____ Place _____
5. Estimated cost
6. Date of starting works\
7. Allotment till the end of quarter.

Till the end of Previous quarter	Durign the Quarter	Total
(1)	(2)	(3)

8. Expenditure till the end of previous quarter	Expenditure during the quarter	Total expenditure	Balance allotment
(1)	(2)	(3)	

9. Physical progress till the end of the quarter
10. Likely date of completion
11. Remark

Signature of Executive Agency/
Collector District

APPENDIX II (A)

Form of Completion Certificate

Certified that I have inspected the work _____ estimated to cost Rs. _____ completed on _____ and based on an assessment of its specifications and present conditions. I am of the opinion that the work should cost Rs. _____.

That the work has been done properly and the building/works is not in a reasonably sound condition. The following points need attention in due course immediately.

APPENDIX II (A)

Completion Certificate of Grant-in-aid Works

1. Name of works
2. Name of constructing Agency
3. Estimated Cost
4. Actual cost of construction
5. Percentage of Expenditure sanctioned as against grants-in-aid
6. Total grant-in-aid for the work
7. Total amount of peoples contribution in cash, kind and labour received.

CERTIFICATE

1. Certified that the grant was utilized for the purpose for which it was sanctioned.
2. Certified that all the other conditions attached to the grant leave been fulfilled.

Signature _____

Designation _____

CHAPTER 13

AUDIT OF THE ACCOUNTS OF DISTRICT SOLDIERS, SAILORS AND AIRMEN'S BOARD

13.01 Preamble

The State Government declared the D.S.S.A Boards of the State as a normal permanent department under the control of Home Department w.e.f. 12.3.74. Consequently the D.S.S.A Boards Employees (Conditions of Service) Rules 1961 ceased to be applicable to the employees of the Board and they are governed by the State Government rules in the matter of recruitment, pay and allowances, leave, medical, attendance, retirement, pension, gratuity etc., subject to the conditions inter alia, that :

(i) The maximum age limit for ex-servicemen for entry into service has been laid down as 50 years for members of subordinate staff and 52 years for secretaries. The age of retirement has been fixed to be 58 years as per State Government rules.

(ii) The leave at credit of the employees of the Board at the time they are declared as Government employees from 12.3.74 has been allowed to be carried forward.

(Govt. of M.P. (Home Deptt) Memo No. F-28-2/IIA (3) dated 12.3.74 and No. 1096/IIA (3) dated 22.3.75)

13.02 Financial arrangement

(i) The State Government is required to maintain the district Boards from State revenues, Central Government, making grants to the State Govt. equal to half the expenditure incurred on the Boards and admitted in audit at the end of the financial year on receipt of the audited account.

(ii) The State Government is required to furnish statement of actual expenditure and audit report to the Central Government. The responsibility for ensuring that the observations, made in the audit report are investigated and other recommendations made therein are implemented devolves upon the State Govt. An annual report describing its activities during the year is required to be submitted by each D.S.S.A. Board at the end of each financial year.

(iii) The budget of the State Government is required to be examined by the Central Government. The Central Government may draw attention of the State Government to any

important item of expenditure which in their opinion appears to be exorbitant and can be curtailed.

(iv) While the State Government can regulate the expenditure of the District Boards either by way of increase under the existing budget heads, the prior sanction of the Central Government is necessary in the case of increase in electrical strength of the District Board. The Central Government's sanction is also required to be obtained. In cases where new categories of post such as sweepers, gardener, welfare workers etc., which did not exist previously are sought to be created.

(v) The setting up of new District Boards as well as abolition, downgrading, amalgamation, upgrading of existing ones requires prior approval of Central Government.

(vi) The Secretary State S.S. & A. Board C.G is the controlling Officer.

(Govt. of M.P. (Home Department) Memo No. F.28-2/II-A (3) dated 12.3.74 and No. 1096/II A (3) dated 22.3.75).

13.03 Audit Checks

The checks laid down in Chapter 4 should be applied during local audit inspection of the accounts of Boards. It may also be seen during local audit of State Board that the orders issued by the Government regarding appointment of employees, upgrading, degrading setting up and abolition of Boards were not violated. It may also be ensured that leave at credit of the employees has been correctly carried forward vide para 15.01.

13.04 Reimbursement of expenditure

The expenditure on the Boards is to be shared between Central and State Government on 50:50 basis on the basis of audit certificate to be furnished by D.A. 19 section of this office. A copy of the audit Inspection Report is to be endorsed to that section by OAD section after edition.

(T.M.I./IV/TR 40 dated -7-75).

CHAPTER 14

AUDIT OF DEVELOPMENT BLOCKS

14.01 Preamble

Community Development Blocks were re-organised vide Government of Madhya Pradesh, Planning and Development Department memo No. 2566/816/R/22/191/69, dated 19.8.69 and the administrative and financial powers enjoyed by the Block Development Officer's of the old blocks were vested in them. They were made the coordinate authority for various activities implemented by the block.

14.02 Before taking up the audit the inspection staff is advised to study:

- (i) the compilation of orders and instructions issued by Government of Chhattisgarh.
- (ii) Notes for guidance of B.D.O issued by the Development Commissioner.
- (iii) Delegation of powers issued by Government.
- (iv) Orders regarding scale of grant-in-aid and expenditure for various items.

14.03 Following are some of the points which require special attention of the Inspection staff in addition to those prescribed in other chapters of this manual:

- (i) Payment of grant-in-aid – It should be seen that:
 - (a) there exists a properly completed proposal from the sponsoring agency in the prescribed form duly signed by proper authorities;
 - (b) the proposals have been properly scrutinized and an order in the prescribed form exists for according approval to the work and time limit within which the work should be executed is fixed;
 - (c) agreements in prescribed forms have been executed by the grantee before the first installment of grant-in-aid is actually given and one of the members has been nominated to receive payment, render accounts and receive instructions etc;
 - (d) interim payments are made strictly on the basis of work and reports to this effect are on record;
 - (e) when advances are made for the purposes of materials etc., necessary surety has been obtained and his solvency was verified before making payment. The Block Development

Officers are authorized to sanction advance payments of grants-in-aid under certain conditions (vide planning and Development Department Memo No. 11966/3842/XXI-EP, dated 22.12.1954), the fulfillment of which should be verified;

- (f) grant has been released in suitable installments; and that
- (g) when grant-in-aid is sanctioned to non-statutory body, final installment of the grants-in-aid is made only on the basis of work duly measured by the technical officer according to the Public Works Department Schedule of Rates;
- (h) unspent balances have been surrendered by the local body and the completion certificates are on record.

In case where the prescribed time limit has been exceeded and the completion certificates are not on record, it may specially be investigated whether the work is still in progress and likely to be completed or has been abandoned entailing loss to Government. All cases where completion certificates are wanting and those which are reported to have been abandoned should be listed out and commented upon in the Report.

(ii) **Accounts of material and Labour** – In respect of materials received from the people on voluntary labour rendered by them, it should be seen that proforma accounts are maintained. It should particularly be seen that the total value of material and labour is in no case less than what have been agreed to in the agreement.

(iii) **Sanctions to Estimates** – It should be seen that properly detailed estimates have been prepared and sanctioned by competent authority and that the extent of people's contribution in cash and kinds has been settled in advance and incorporated in sanction order.

(iv) **Issue of materials-** It should be seen that materials are issued only against indents and full particulars such as quantity, rate, cost etc., are properly recorded therein and that the issues are supported by acknowledgements of the persons who receive the articles. When material such as cement, bricks etc., is issued in lieu of grant-in-aid, it should be seen that its value is worked out on the basis of issue rates properly fixed. In such cases, it should further be seen that it has been ensured by the technical staff that the whole of the material has been utilized completely on the work to which it was issued, that no further installment is given before the utilization of materials already issued, and that at the end of the work, surplus materials have been received back and are properly accounted for or transferred to another work.

(v) **Expenditure on works** – A register of works has been prescribed to be kept for to watch expenditure on a particular work, including grant-in-aid work. It should be seen that it has, properly been maintained and kept upto date.

(vi) **Measurement Books-** It should be seen that proper account of all the measurement books in the block is maintained and that acknowledgement in support of measurement books issued are on record. Measurement books should be inspected and it should be ensured that they are maintained strictly in accordance with rules laid down in Chapter 4 of this manual. In respect of interim payments to contractors, it should be verified that complete measurements have been taken at the time of drawal of bills, and that the amount paid does not exceed the value of work done as recorded in the measurement book.

(vii) **Work charged establishment-** It should be seen that appointments on work charged establishment are made with the prior approval of the competent authority.

(viii) **Contract** – Normally works under community programme are executed through contracts. The contractors are authorized to get all local works executed at or below the P.W.D Schedule of Rates prevailing in that locality by bonafied village leaders or Gram Panchayats or registered co-operative societies without calling for tenders when the cost of work to be executed does not exceed Rs. 25,000 in the case of registered Co-operative Societies and Rs 10,000 in other cases. The Development Commissioner is empowered to get work executed through a bonafied body. Labour Headman, village leaders, Gram Panchayats, or Co-operative Society without limits of amount upto and below the schedule of rates and upto Rs 50,000 above the schedule of rates.

Where contractors have been engaged, it should be ascertained that tenders were invited and a contract deed specifying in clear and definite terms rates and conditions of contracts is executed by the competent authority before the work is started. It should be seen that a copy of each contract has been furnished to Central Office. It should also be seen that no payment is made to a contractor except for work actually done or supplies actually received and that ten percent deduction is made from the amount claimed as security for due fulfillment of contract. It should also be seen that final bill has been drawn for the total amount payable supported by full details.

(ix) **Stock and Stores Registers-** It should be seen that all materials purchased locally or received through the Development Commissioner are properly accounted for in the stock book or

equipment Register and that every month the receipts and issues of stock together with their value is balanced (both quantity and cost) and the balance is carried forward to the next month.

(x) **Register of classification of expenditure** – It should be seen that the register is maintained properly and kept upto date, progressive totals are given and that the ceiling of various items fixed in the schematic budgets are not exceeded and that the classification of expenditure is in accordance with the standing orders.

(xi) **Register of Advances-** It should be seen that advances, including advances given for contingent expenditure are duly recorded in this register and that rendition of accounts of the advances are not unduly delayed or otherwise left unadjusted.

(xii) **Miscellaneous** – (i) The Block Officers incur certain items of expenditure such as Shivirs, Melas, Rallies or Seva Dal etc., for which certain scales have been laid down by the State Government. In regard to such items, it should be seen that full details of the activity are available in the Block Office and that there are no cases where the scale has been exceeded. For this purpose the register etc. maintained in the Block Office should be verified and it should be seen that the total number of persons as reported in the D.C. Bills is correct and that the charges per head are actually within the limit.

(ii) There are certain other types of expenditure such as grant-in-aid for sports material, radio sets, etc. In such cases, it should be seen that the grant paid does not exceed the prescribed maximum. When the materials are purchased by the Block Office, it should be verified that the proportionate amount has been received from the grantee in advance and credited to revenue.

(iii) In respect of grant-in-aid payment for latrines, smokeless *choolhas* etc. where grant-in-aid payments are to be distributed to the individuals through the sarpanch or village leader, it should be seen that detailed accounts of such distribution together with the acknowledgement of the individuals are obtained and kept on record.

14.04 Muster Rolls

Checks prescribed in Para 4.17 (f) may be referred to.

CHAPTER 15

AUDIT OF THE ACCOUNTS OF MISCELLANEOUS STATE GOVERNMENT DEPARTMENTS

A. Accounts of the Civil and Criminal Court Deposit

15.01 Preamble

The accounts of the Courts comprise besides expenditure on establishment and contingency transactions relating to:

- (a) Payment of diet money and witness batta;
- (b) The copyists establishment;
- (c) Deposits;

(Criminal Court Deposits, which are taken in this state, to the head "Revenue Deposits" and Civil Court Deposits).

- (d) Fines.

15.02 Accounts Register etc

Some of the important Registers and accounts etc. which should be subjected to scrutiny during local audit, are as below:

General to all courts

- (1) Register of Deposits;
- (2) Register of lapsed deposits;
- (3) Register of attendance of witness;
- (4) Register of Miscellaneous Revenue;
- (5) Register of application for copies;
- (6) Treasury Pass Book;
- (7) Register of subsistence money of prisoners and miscellaneous deposits;
- (8) Register of repayments of miscellaneous deposits.

15.03 Process of Audit

The following records, amongst others, will be sent to the Audit party from the Deposit Section at the H.Qrs:

- (a) Extract Registers for the months selected for detailed audit;
- (b) (+) Memoranda;
- (c) List of Repayment for the months selected;
- (d) C.C.D. Vouchers (and cheques for M.P. Courts only) for the months selected, and
- (e) The list of outstanding items of difference.

Some of the important checks required to be exercised by the party with reference to the above records as well as those maintained in the courts are pointed out in the succeeding paras.

N.B.: Pleaders fee is not admissible if presiding officer is not present with prior intimation. As per instructions issued by Government of M.P. (Law Deptt.) in their memo No. 18565/21-क(आय), dated August 1975. District and Sessions Judges are required to be specifically mention in the orders for payment of fee to pleaders that the Govt. pleader had no prior information about the absence of presiding officer.

15.04 Register of Deposits

It should be checked to see-

- (a) that the maintenance of the Register complies with the requirement of the Treasury Code of the Government and the rules/orders passed/issued by the High Court and other competent authorities;
- (b) that the moneys received to be held as deposits with the Government, can properly be credited to the Public Account of the State by virtue of a statutory provision or of general or special orders of Government. It should also be verified that the nature of the amounts credited to the Deposit Accounts is not such as could have been credited as revenue receipts or reduction of ordinary expenditure;
- (c) that the credits in this register are supported by the entries in the Cash Book and counterfoils of receipt books;

- (d) that in respect of repayments of deposits, there are proper vouchers in support of the amount repaid. The vouchers of repayment of deposits should also be checked with the Register of payment orders and it should be initialed by an officer authorized for this purpose in token of check;
- (e) that the amount repaid equals to or is below the amount of original receipt. For this purpose, each repayment should be checked against the original receipt either individually or against the total credit in a particular account, in order to see that the amount repaid does not exceed the amount originally received and credited to Government. Further, when there are two or more repayment orders in a single case, it should be seen whether all the repayment orders are within the amount or respective credit;
- (f) that repayment has been acknowledged by the payee and the entries (or daily total) thereof in regard to the repayment are traceable in the cash Book conversely, it should also be verified that all payments have been noted in the Deposit Registers/ledger.
- (g) whether all the repayments as per repayment list for the months selected are noted against the original receipts;
- (h) that no repayment has been made out of the deposits which has been or should have been, credited as lapsed to the Government without the sanction of the Accountant General;
- (i) that the daily totals are correctly carried over in the cash book.

N.B: 1 The accuracy of postings from the General Cash book into the several Deposit Registers and of the daily totals there from in the abstract or ledger should be checked.

N.B: 2 The deposit accounts should be completely checked for the selected months or months with the help of paid cheques received from the Central Office.

15.05 With reference to the individual case files (available with the courts), it should be seen whether-

- (a) the amounts credited by the parties as per orders of the court are the same as taken in the accounts (Cash Book Deposit Register) under the "C.C.D";
- (b) the amount is paid to the same party to which it was ordered to be paid;
- (c) the signature of the payees as given in the vouchers are the same as given in the case files.

N.B : Instruction have been issued to all the distt. and Sessions Judges in the State vide Registrar High Court memo No. 9001/III-19-14/51 (Raigarh) dt. 3.7.75 to make available the application for leave to deposit or application for payment of deposit as far as practicable and possible to the audit party conducting the audit provided that so long as the judicial records remain in the custody of the audit party it will be the audit party who will be responsible for its safe custody.

15.06 With reference to the list of repayments sent from the main office, it should be seen-

- (a) Whether the repayment items as per courts repayment Register are correctly noted in the repayment list furnished to Audit Office;
- (b) whether every payment is supported by the voucher particularly;
- (c) whether repayment items are arranged chronologically and whether the year wise amount in the Repayment Register tally with those indicated either in the list of payment or in the plus and minus (+) (-) memorandum.

15.07 With reference to the extract Register of Receipts (sent from Main office) it should be seen-

- (a) whether all the items of receipts of the Deposits Register are correctly noted in the E.R.;
- (b) whether the totals of the Deposit Register for the month is agreed with the totals of the E.R.

15.08 With reference to the Plus and Minus Memoranda it may be seen-

- (a) whether the opening balance is correct and the total receipt and year wise repayments tally with those shown in the Deposit Registers (Receipts and Repayments);
- (b) whether the pass Book balance shown in (+) (-) memo tallies with the actual Pass Book Balance;
- (c) whether the cash in hand exhibited in the (+) (-) memo is actually the same as per the Cash Book of the courts in the Madhya Bharat and V.P. Regions;
- (d) whether, in respect of the courts in the Mahakoshal area, the discrepancies, if any, pointed out by the Treasury are settled promptly.

15.09 With reference to the vouchers, it should be seen-

- (a) whether there is a pay order recorded in the cash file in respect of each payment;
- (b) whether the amounts shown in the vouchers are correctly accounted for in the Deposit Register of Repayments;
- (c) whether, in cases where the vouchers are not marked for central audit, the number of original deposit and date of receipt given in the number are correct and the amounts exhibited in words and figures are one and the same;
- (d) whether the repayments are correctly classified.

15.10 Register of attendance of witness

It should be seen that-

- (a) the dates of attendance and discharge have been noted in it;
- (b) such daily entries have been attested by the proper authority;
- (c) the column of the register showing the amounts paid to witnesses have been duly filled in;
- (d) the witness themselves have signed in the vouchers in acknowledgement of the receipt of their expenses;
- (e) the payments do not exceed the amounts originally recovered;
- (f) the payment of the diet money and batta charges (travelling allowances) is according to the scale prescribed for those purposes.

(C.A.G's letter No. 2175-Adn. I/450-55 dated the 21.10.1965.)

15.11 Register of application for copies

The scrutiny should consist of as below:

- (a) Checks whether the various registers prescribed in the rules have been opened and maintained properly;
- (b) See whether there is proper record for receipt of the application for copies and the collection of fees for the same;
- (c) Check the court fees paid for application for copies as entered in the Register of applications for copies "with the entries in the Register of Court fees";

- (d) See whether searching fees have been realized for copies of papers contained in the record of cases which are not pending;
- (e) See that amount recoverable under different categories e.g. cost of paper, typing fees, comparing fees etc. is worked out and specified in the relevant columns of the register. Also see that the calculations are correct;
- (f) Check the remuneration paid to copyists every month from the acquittance rolls with the amount drawn in the contingent bills for remuneration to copyists;
- (g) See that the amount creditable to Government is adjusted to the relevant head by transfer adjustment and the amount so creditable is specified in the register;
- (h) Check the amount paid into the treasury with reference to the credits in the cash book and relevant items of the register of application;
- (i) In case of refund of copying fee, see that the refund has been made under the sanction of the competent authority and that the amount refunded is correct.

15.12 Treasury Pass Book

Every item of remittance to the treasury as recorded in the court's accounts should be supported by the treasury challan and traced into the treasury pass book. Withdrawals from the treasury should be compared with the office copy of the bills and the Pass Book. It should be seen that the monthly closing balance as recorded in the courts accounts agrees with the balance in the Pass Book, which should be certified by the Treasury after effecting reconciliation, if any.

15.13 Register of subsistence money of prisoners and miscellaneous Deposits

Credits in this register should be checked with the entries in the cash book and counterfoils of receipt books. It should also be seen that each item of receipt in connection with different cases is credited separately and its repayment noted against original credits.

15.14 Register of repayment of Miscellaneous Deposits

It is to be seen that-

- (a) the payment does not exceed the amount of original deposits or that it is covered by subsequent additions of deposit;
- (b) the payment of expenses etc., payable by the parties in a civil suit is recovered in advance before the payment is made.

15.15 Register of fees, fines and forfeiture etc.

It should be seen that proper records as prescribed in the rules are maintained for the realization of the fines for various purposes and that the amounts realized are promptly brought to account. The entries (pertaining to the month/months selected for detailed audit) in this Register maintained by the courts should be checked with the actual receipts of fees, fines shown in the different Registers of receipts maintained. Any discrepancy notice should be investigated from the records of the cases.

15.16 The difference indicated in the statement sent to the party are to be reconciled at the spot and the results thereof are to be intimated to the central audit for adjustment of the outstanding items.

CHAPTER 16

AUDIT OF GRANTS-IN-AID AND LOANS TO BODIES AND AUTHORITIES

16.01 Preamble

Section 14, 15, 19 and 20 of the Comptroller and Auditor General's (D.P. & C.) Act 1971 deal with powers and duties of the Comptroller and Auditor General in relation to audit of the transactions other than those relating to Consolidated Fund/Contingency Fund/Public Account of the Union and/or the State.

The implication and scope of these sections and the guidelines for the audit of transactions falling thereunder are detailed in the succeeding paragraphs.

AUDIT UNDER SECTION 14

16.02 Introduction

The Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, which came into effect from 15th December, 1971, contains important provisions in Chapter III Section 14 entrusting the audit of the accounts of bodies and authorities substantially financed from Union or State revenue to the Comptroller and Auditor General. This section reads as under :

“Audit of receipts and expenditure of bodies or authorities substantially financed from Union or State Revenue.

Where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly, the Comptroller and Auditor General shall, subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body or authority

Explanation : Where the grant of loan to a body or authority and to report on the receipts and expenditure audited by him.”

Explanation : Where the grant of loan to a body or authority from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly in a financial year is not less than rupees five lakhs and the amount of such grant or loan is not less than seventy five percent of the total expenditure of that body or authority such body or authority shall be deemed,

for the purposes of this section, to be substantially financed by such grants or loans, as the case may be. “The notes on clauses, contained in the Bill explained the provisions of this clause as under:

“Clause 14- This is new provision which provides for audit by the Comptroller and Auditor General, of the accounts of bodies of authorities substantially financed by grants of loans from the Consolidated Fund of India or a State or of a Union Territory having a Legislative Assembly. For this purpose, a grant or loan will be treated as substantial if it is not less than Rs 5 lakhs and constitutes not less than seventy five percent of the total expenditure of the body or authority in a financial year”.

2. Audit under section 14 is to cover all the receipts and expenditure of the body or authority specified in the section and not merely the part thereof relating to finances provided by Government. The scope, extent of this audit as well as other audits under the Act will be as laid down by regulations framed by the C.A.G under section 23 of the Act. In auditing the accounts of the authorities or bodies under Section 14 the principles and instructions for audit of Government transactions should generally be applied, having regard to the nature of the transactions of the authority or body its objectives and other relevant factors.

3. The essential ingredients for any institution to attract audit under this section are:

- (i) the grant of loan must be to a body or authority.
- (iii) the body or authority should be “substantially financed” by grant or loan in accordance with the explanation of that term given below the section;
- (iv) the audit will be of all receipts and expenditure of the body or authority;
- (v) results of audit will be reported upon by the Comptroller and Auditor General; and
- (vi) audit will be subject to the provisions of any law for the time being in force applicable to the body or authority.

4. The term, ‘body’ or ‘authority’ used in this section has not, however, been defined in the Act but these terms have also been used in Article 149 of the constitution. On a reference made to the Attorney General of India regarding the powers of the Comptroller and Auditor General to examine the books of private bodies etc. the Attorney General had opined in 1960 that an authority would mean a person or body exercising power or command and a body would mean an aggregate of persons incorporated or unincorporated. This term will thus include companies,

corporations etc. The Attorney General also held that Parliament would be competent to provide by law that the Comptroller and Auditor General may perform his duties and exercise his power in relation to the accounts of an unincorporated association of persons entering into contract with Government but that Parliament will not be competent to provide for the performance of such duties and the exercise of such powers in relation to the accounts of an individual or a Firm contracting with Government. Thus while under section 4 (42) of the General Clauses Act, a person is defined to include any company or association or body of individuals, whether incorporated or not and will thus include a 'body or authority', the converse is not true viz. that a body or authority cannot cover a person.

A clear distinction has to be made between the term 'body or authority' appearing in section 14 and the term 'corporation' used in clauses (2) and (3) of section 19. In consultation with Ministry of Law and Justice, it has been decided that the term 'Corporation' would refer to any body corporate established by or under an Act of Legislature, having perpetual succession with a common seal, with power to acquire and dispose of property of contracting obligations and of suing and being sued in its corporate name. The Ministry of Law and Justice further clarified that a body or authority referred to in section 14 can include such a corporation. The term can also include corporations established by or under law made by Parliament referred in section 19 (2) of Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act 1971.

5. The second condition in section 14, is that the grant or loan must be paid from the Consolidated Fund. Accordingly if any grant or loan is financed from funds available with the Governments in or outside their public accounts, such grants or loans cannot be taken into account for purposes of section 14 unless the transaction is routed through their consolidated Funds. Cases in which the grants or loans are received by a body or authority through another body or authority which is itself financed by the Central or State Governments, may have to be excluded from consideration, unless however it could be clearly established that the intermediary body or authority was a mere agency for remitting the grant/loan provided by Government. Cases of doubt in this regard should be referred to C.A.G for clarification, with copies of all relevant papers.

Transfer of revenues of Government to the local bodies and authorities i.e. assignments or revenue are, in some cases initially accounted for in accounts either as reduction or receipts or

as a specific item of expenditure and in some others, they do not enter the Government account at all, the beneficiaries directly collecting and appropriating the revenues. Assignments ab initio, cannot be treated as payment of grant by the Governments to the local bodies. On the other hand, in respect of assigned revenues paid by debt to the Consolidated Fund, it has been recognized by the Governments and legislatures that the relevant receipts are the revenues of the States and are accountable as such as per Article 266 of the constitution and payments out of such revenues are discretionary to be specifically voted by the legislatures. Accordingly such payments may be treated as grant for purposes of application of section 14.

6. The third condition in this section is to be read with the “Explanation” under the section. If the amount of the grant or loan or both in any financial year together with the unutilized grant or loan carried over from preceding financial year from either the consolidated fund of India or of any State or of any Union Territory having a Legislative Assembly are collectively not less than Rs 5 lakhs in a year, the institution can be covered by this section if the other provision regarding percentage of expenditure is also fulfilled. It may be noted that only “unutilized loan” should be taken into consideration and not the entire outstanding loan against a body or authority. When the accounting year of body or authority is not identical with the financial year of Government (e.g. cooperative societies), the test for determining whether the body or authority falls under section 14 may be applied with reference to the normal accounting period of the particular body or authority.

7. The term ‘total expenditure’ used in the “explanation” is to be interpreted to mean both revenue and capital expenditure. In respect of institutions running business (e.g. sale of Khadi by State Khadi Boards, disbursement of loans by financing institutions an activity etc.), the expenditure incurred in purchase of raw material, finished goods, loans paid etc. should also be accounted as expenditure. However payment of a purely deposit nature (such as deposits for works done, Income tax recoveries, advances to staff, investments of cash balance and transfer of cash between office and bank etc.), are not to be treated as expenditure.

8. In respect of organizations which run several activities but do not compile consolidated account in respect of all such activities, it may appear necessary to combine the transactions of all such activities and applicability of section 14 examined with reference to the combined effect of all transactions. Such an approach may lead to practical difficulties even an impossibility, if the number of institutions run by one management is too large or are spread in several States. In

the circumstances for practical purposes, application of section 14 may be examined with reference to the accounts of the respective activity provided:

- (i) the grant or loan is paid for a specific activity,
- (ii) payments are made with reference to the accounts of the activity,
- (iii) payments are made to the management of the activity and not to the apex body,
- (iv) the institutions should have their own managing committees, and
- (v) the managing Committees should have adequate control/autonomy of its own for Management purposes.

Where however, in any cases, the Government concerned take a different stand, it will be the responsibility of the Government concerned to furnish to Audit a consolidated account.

9. The fourth condition for audits under Section 14 is that audit is not intended to confine itself to the grant or loan and utilization thereof, but has to cover all receipts and expenditure of the body or authority, from whatever source they are derived. The type, scope, nature and periodicity of audit to be conducted is entirely at the discretion of the Comptroller and Auditor General under section 23 of the Act. In the circumstances, the Comptroller and Auditor General cannot be required to audit the accounts every year and certify the same, nor can be expected to comply with certain time-bound audit schedules that the body or authority or Government have prescribed unilaterally.

10. The term 'audit' normally includes certification of annual accounts. In this sense, audit under section 14 does not preclude certification of accounts by the C.A.G. However, the term "report" used in section 14 obviously relates to report under Article 151 of the constitution i.e. the report submitted by the C.A.G to the President/Governor for placing before Parliament/Legislatures. The main objective of Audit under Section 14 is to included in such report points of significance. Certification of the annual accounts of the organization is not obligatory under section 14; such certification should be undertaken only where the Comptroller and Auditor General is to be the sole auditor under other provisions of the Act.

11. It may be noted that audit under Section 14 is "subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be". The correct interpretation of this term will be that the existence of any provision in a State Act entrusting the

audit of the body or authority to an agency other than Comptroller and Auditor General under Section 14.

The opposite view advanced in this case stated that:

- (i) provision in State Laws relating to audit of any body or authority would be implication, preclude audit by the C.A.G and/or
- (ii) audit by two statutory agencies is likely to create complication and duplication of work, and/or
- (iii) such audit might cause embarrassment particularly when the two agencies come to different conclusions, and/or
- (iv) nature and scope of audit under section 14 should be such that it does not infringe the other audit and/or
- (v) the Public Accounts Committee of the State can consider only reports by Auditors appointed by State Government under rules or the Legislative Assembly.

12. The Ministry of Law, Justice and Company Affairs has stated that:

the expression, “Subject to

the critical question in each case would be whether the C.A.G’s audit is excluded expressly or by necessary implication;

the provisions in the relevant State Act and rules there under would not exclude audit by the C.A.G under section 14.

16.03 Procedure

1. The first stage of audit will be to identify each year the bodies and authorities that attract section 14. Soon after the close of each financial year, the various departments of the government should be required to furnish a list in prescribed form, of bodies or authorities to which grants or loans were paid by them and their subordinate offices during the financial year just ending. The information on grants and loans may first be collected from the records available with the Accounts Officers but it is advisable to ensure the correctness of the information so collected with reference to information obtained from Government. Departments of Government concerned should also be requested to send the annual accounts of all bodies and

authorities in which the grant and/or loan with the body or authority in a financial year, including unutilized balances carried forward from previous years, is not less than Rs. 5 lakhs.

2. In respect of institutions in other States to which grants and loans are paid by a State Government, the Audit Officer will draw a list for each of the States involved and furnish the same to the Audit Officer of such State half-yearly by the end of June and December, under intimation to C.A.G's office. D.A.C.R. and D.A.C.W & M., will similarly compile a list in respect of bodies or authorities situated within the jurisdiction of each of the other Accountants General and send the list to them under intimation to C.A.G's office.

3. The Information collected should be posted in an institution-wise register containing all information about grants or loans sanctioned and paid by the Central and State Governments. In addition, information regarding unspent balances, if any of the grants and loans for each year together with the grants and loans and total expenditure of that year should be noted in the register, to facilitate selection of the cases that attract section 14 each year. The register must be periodically reviewed to ensure that upto date information is recorded and that audit of all institutions attracting section 14 is being arranged. For purposes of obtaining the annual statements of grants and loans and annual accounts of the bodies and authorities, it is desirable to draw up a drill in consultation with the State Governments. In respect of loans/grants paid by the Central Government to bodies/authorities situated within the audit jurisdiction of a State Accountant General, the State Accountant General should, on receipt of the statement from the D.A.C.R./D.A.C.W & M directly address the concerned Ministry/Department of the Central Government asking for a copy of the annual accounts of the body/authority which is in receipt of assistance from the State Government as well as and/or under general control of the State Government, there is no objection for the copies of the accounts being obtained through the State Government.

4. On the basis of information collected, a list of the bodies and authorities, the audit of the accounts of which are required to be undertaken under section 14 should be prepared and a programme for audit of their accounts should be drawn up. Simultaneously the concerned Department of Government should be requested to notify the bodies/authorities that the audit of their accounts would be taken up by the A.G under Section 14 and that for this purpose, and advised to make their books of accounts available and provide necessary facilities.

The audit of Institutions under section 14 should not be delayed merely because of the fact that the audit by its regular auditors is in arrears. As indicated in para 18.29 the Institutions attracting Section 14 come under our audit only once in 3 to 4 years. During this period the Examiner, Local Fund Accounts or the regular auditor of the institutions is likely to have completed his audit for at least one year and his results of audit might be available. In any event if it is seen that audit of any institution is in arrears for a long period say 3 to 4 years or even more, the matter may be taken up with Government. Audit under section 14 may, however, be carried out mentioning the delay in the audit report containing the results of audit.

Since the audit of any body/authority is conducted with reference to its accounts, a copy of the accounts audited under Section 14 should be obtained and kept as part of audit records. In addition, a statement of grants/loans including unutilized grants/loans carried over from past periods may be obtained and kept on record so that the application of section 14 would be clear with reference to such statements and the audited accounts.

5. The results of audit under Section 14 will have to be incorporated in the C.A.G's report (Civil) of the Union Government, State Government and Union Territory Government having a legislature, as the case may be, in the chapter relating to financial assistance to bodies and authorities. The more important irregularities may be mentioned individually in addition to general comments about types of irregularities relating to a group of organisations, preferably of the same category.

6. When two or more Government render financial assistance to a body or authority, the audit comments should appear in the reports of all the Governments that finance the body/authority. However, the Accountant General auditing the institution may exercise his discretion to decide, with due regard to the magnitude of the grant/loan given by the Government concerned, object of such assistance, control exercised by the Governments, nature of objections raised in relation to the assistance given by various Government, etc., and decide as to which particular report or reports the audit paras or observations should appear. He should send copies of all relevant material to the concerned Accountants General for further processing in their respective reports. If the body is located in one State and is financed both by State and Central Governments, normally the material will appear in the State Report. If, however, the material is considered worth mentioning also in the Central Report, there is no objection to the State

Accountant General finalizing the para in consultation with the Governments and forwarding the same to the D.A.C.R/A.G.C.W & M. for inclusion in the Central (Civil) Audit Report.

7. The audit of the accounts of companies that attract section 14 will be conducted by the commercial audit wing. If an Accountant General comes across a company attracting section 14, he should contact the appropriate authority in the commercial audit wing of this department and request for the audit being done by that wing. The results of audit will, however be incorporated in the chapter relating to financial assistance given by Government in the Civil Audit Report. Here also, it is for the A.G. concerned to finally decide whether anything is to be included or not in the relevant Audit Report. In cases of serious difference of opinion between the commercial audit wing and the A.G. in this matter, the matter should be reported to the C.A.G for orders.

8. With a view to enabling C.A.G's office to assess the volume of work involved under section 14, a return should be furnished half-yearly by 30th April and 31st October each year by all offices containing the following information for each year:

- (1) Number of bodies/authorities to whom grants/loans not less than Rs 5 lakhs were given.
- (2) Number of bodies/authorities for which accounts have been received and examined.
- (3) Number of bodies/authorities that attracted section 14.
- (4) Number of bodies/authorities audited and names of such bodies/authorities.
- (5) Number of bodies/authorities with names that have not been audited.
- (6) Information on paragraphs that have been proposed for, or appeared in, the Audit Report.
- (7) Whether any drill has been finalized and if so, how far it has been implemented.
- (8) In respect of bodies/authorities for which accounts are awaited, whether any comment is considered necessary for mention in the Audit Report.
- (9) The manner in which information for compiling the statement of grants/loans was unplanned.

16.04 Scope and Extent of Audit

1. The autonomous bodies or authorities that may come up for audit under section 14 may fall broadly under the following categories :

- (i) Companies other than Government Companies as defined in Companies Act, 1956. The provisions of section 14 would not be applicable to bodies/authorities whose audit arrangement is considered under section 19 (1) or 19 (2).
- (ii) Commercial undertakings incorporated under specific Acts of Parliament or State Legislatures.
- (iii) Public utility undertakings incorporated under specific Acts of Parliament or State Legislatures.
- (iv) Promotional undertakings established in the same manner as (ii) and (iii) above.
- (v) Bodies and authorities constituted for educational culture, scientific or social welfare development.
- (vi) Authorities/corporations constituted by Acts or legislature for development of urban/rural areas including such bodies set up for decentralized local Government.
- (vii) Consumer and producer cooperatives which receive substantial assistance from Government.

2. The particular procedures and modalities to be adopted for audit are bound to differ in respect of each of these organizations but the main objective of audit by C.A.G in all these cases will be to ascertain how the funds provided by Government have been actually used to identify the factors that have led to less than that.

3. The duties of C.A.G in respect of these organizations can be broadly grouped under two categories viz. (i) financial auditing and (ii) operational auditing. Financial auditing is a critical review of the controls and financial records of an organization that leads to an opinion on the accuracy and fairness of the financial statements and adequacy of the safeguards available against errors and losses. In respect of organizations for which the C.A.G Acts as sole auditor, this function is essentially performed in his capacity as auditor of the organization under sections 19 and 20 of the Act. In respect of organizations, where C.A.G is not sole auditor but he is an auditor under section 14 only, the task of financial auditing is usually performed by the auditor appointed by the organization (e.g. Chartered Accountants) though C.A.G may exercise a check on the efficiency of such auditing.

4. Operational or management auditing is an extension of the financial audit going beyond what is generally considered as the accounting function; it deals primarily with non financial

aspects that sooner or later are tentatively expressed in the financial records of the organization. In a sense, audit under section 14 should be construed as intended to go beyond the financial audit already conducted by other auditors and hence is taken to operational or management auditing. Audit under section 14 is hence a second audit of the organization for an objective entirely different from the one for which the organization Government had appointed auditors for the annual certification of accounts.

5. The scope and extent of the audit under section 14 will naturally vary in accordance with the specific provisions pertaining to each organization. Where the C.A.G sets as sole auditor, he combines the functions for financial auditing and operational auditing. Where he is the second auditor, he acts essentially as operational or management auditor, he acts essentially as operational or management auditor, though it may be necessary for him to test check the work done by the first auditor. As Auditor under section 14, his function is not merely to see that the accounts represent a true and fair picture of the transactions of the year but also to examine whether value for money spent has been realized and that, if any, specific lapses have occurred in this regard. To effectively appraise the same, it is necessary to examine the various policies, plans and programme, to identify deficiencies in detailed planning and in execution and to bring to light various lacunae in procedures and methods as well as particular lapses on the part of institutions and individuals. Audit under section 14 will thus include, as an integral part, a review and appraisal of the efficiency and effectiveness of the programme and their implementation procedures. It carries with it the need to discover and inform the legislature of the problems of implementation and consequential failures and short comings in the implementation of the programmes and policies.

6. The result of audit under section 14, as already mentioned earlier, has to be reported to the Parliament/Legislature. If the scope of audit under section 14 is as stated in the previous paragraph, an analysis in depth mentioned earlier cannot be conducted every year and presented to Parliament/ Legislature annually. Such an annual presentation is, prima facie, not possible with due regard not only to the time and expenditure involved but also the limited space available in the Audit Reports. Further a deeper analysis of the type mentioned above has to take into consideration results over a period of years and not confine itself to one year alone. Besides annual presentation under section 14 of materials about every organization could mean repetition of points without the objective of audit being achieved. Audit under section 14 should therefore be taken up in respect of any institution once in a period of 3 to 4 years.

7. In the context of the aforesaid objective and periodicity of audits under section 15, it should be reviewed whether:

(i) objectives of the organization have been clearly defined are in conformity with the Government's policies and decisions and the objectives stated in the memorandum of association or other charter establishing the organizations and have been within the knowledge of all concerned.

(ii) policies and programmes are drawn up in accordance with these objectives and are being implemented by specific and well defined procedures.

(iii) procedures are followed as intended.

(iv) system exists for collecting reliable progress reports on implementation of the policies and programmes.

(v) progress is from time to time reported to that governing body of the organization/Government with adequate, timely and accurate reports; and

(vi) an effective control exists over various areas of implementation to check leakage loss, avoidable and wasteful expenditure etc.

8. For this purpose, audit should be familiar with the various aspects of the organization and its activities can be analysed under suitable headings as indicated below:

(i) Organisational set up

(ii) Management process

(iii) Research and Development

(iv) Personnel policies and management

(v) Materials Management

(vi) Finance Accounts (Internal Audit)

(vii) Works

9. It is advisable that in respect of each of these fields of operation, a set of questionnaire relevant to the organization is compiled to indicate the approach of audit to the party undertaking the work so that the audit is systematic and efficiently performed. Raising a good question, it may be noted, is often the key to uncovering hidden problem of revealing a sound solution.

Nothing inherent in the questionnaire, however, precludes the auditor from bringing the full range of his capabilities to bear on the performance of the audit assignment. The questionnaire is hence an important tools and only one of the tools in the hands of audit. With this background an attempt has been made to frame a series of common questionnaire relevant to various activities. They are kept as appendices 1 to 7 to the chapter. They are, by no means exhaustive nor are relevant to each and every organizational set up taken up for audit. They have to be amended both in wording and content with due regard to various factors governing the organization under audit. They are intended to serve as a broad guideline as to what is expected to be achieved in audit under section 14. Bases on replies obtained in writing or from the records of the organization for suitably redrafted questions, the auditor has to apply his mind and intelligence and frame his conclusions.

10. The findings of audit as a result of this examination in dept should be communicated to the organization and the Government according to existing procedures, their replies/comments obtained and thereafter the final conclusions should be examined to see whether the results are such that they should be reported to the Parliament/legislature. Based on the conclusions so reached, the audit officer concerned can proceed to draft the paragraph and process the same in accordance with the existing procedures therefore.

APPENDIX 1

Questionnaire relating to Organisational set up

1. Is there a clear statement in writing regarding the goals of the organization and what its immediate objectives are ?
2. Are administrative actions and utilization of resource in keeping with the organizational goals and objectives?
3. Has the organization adopted suitable methods to realize its objectives?
4. Does the organisation's financial statements provide adequate information to the management and administration and are they readily understandable?
5. Is the required financial information made available to the committees, experts etc. who need it in fulfilling their obligations ?

6. Are the decisions on various matters taken at appropriate levels?
7. Are systems and procedures generally documented at appropriate levels?
8. If so, are the documents of systems and procedures available in the hands of the users?
9. Are the documents of systems and procedures and manuals current?
10. Are there controls to keep the documents and manuals current?
11. Are the powers of the various levels, financial, technical, procedural etc. well defined?
12. If so, are they duly observed?
13. Does the organization measure and rate the performance of its various wings and take adequate action fields which need special attention? If so, please check:
 - (i) results over a period of time vis a vis budget.
 - (ii) production, where applicable, over a period of time with reference to budget.
 - (iii) use of resources.
 - (iv) quality and utility of the results.
14. Are the budgets, both financial and performance developed by those responsible to meet them?
15. Are the budgets subjected to adequate scrutiny?
16. Where the goals set in the budget capable of being obtained with due regard to manpower, finance and other resources available to the management?
17. Are the budgets framed from planned estimates rather than guesses solely on the basis of prior performance?
18. Is the organization aware of the return that it gets out of the funds made available and does it evaluate? If not, can one be attempted?
19. Does the organization prepare any annual report? If so, does it present objectively the activities of the organization, problems etc., and does it bring out all salient points?

APPENDIX 2

Questionnaire relating to management process

1. Have responsibilities for the planning function been assigned and have time and facilities for planning been set aside? Is planning done on a scheduled basis?
2. Does it appear that adequate avenues exist for accomplishing the targets fixed in the plan?
3. Does the organization seek active participation of all levels of management in formulating its plans?
4. After the plans are framed, are they reviewed by an independent authority (e.g. Government) before the programme is cleared for implementation?
5. Are the plans and programmes reviewed during implementation by means of periodical reports?
6. If there are indications that the plans are either not workable or not working, are they modified or formally terminated at an early a time as possible to avoid further outflow of funds in the plan?
7. Have priorities been attached to all approved plans?
8. Are the plans laid only after adequate search and evaluation of the main problems have been made?
9. Has it been examined whether the cost of development compares favorably with budget on the one hand and with plan on the other?
10. Does the budget reflect the objective of the plan and is it used to translate the plan into action?
11. Does any revision in budget materially affect the goal as provided in the plans and if so, is it duly taken note of at appropriate level before revision is agreed to?
12. Do cash flow projections provide proper guides to action in handling capital structure and liquid resources?
13. Does revision of budget indicate defective planning or any coverage of failure to attain the planned goals due to other reasons?

14. Are explanations of budget variations with actual examined, are they genuine as opposed to ineffective implementation?
15. Are the budgets prepared well in time and approved in time?
16. Is an analysis of budgets over a period of years conducted to see that it tries to translate into action goals of plans and objectives of the organization?
17. Are there fields of activities where the budgeting has been consistently defective, in as much as actual were always considerably less/or considerably more than the budget? If so, were they taken note of by the management and remedies sought? How far have such variations upset achievement of planned progress?
18. Is responsibility for executing plans assigned?
19. Is performance measured against Plan?
20. Do the plans deal with matters necessitating change in organization and if so, are they taken note and suitable action taken.

APPENDIX 3

Questionnaire relating to Research and Development

1. What is the procedure adopted for selection of subjects for research? Is it adequate? Is adequate data available before a subject is chosen for research?
2. Are concerned experts in the line consulted before a subject is chosen?
3. Is there any assessment of utility of the research and possibility of profitable utilization?
4. Is the financial abilities of the project adequately assessed?
5. Does the organization possess adequate manpower and other resources to undertake the research? If not, has adequate planning been done to acquire the man-power and resources before the project is undertaken?
6. Are adequate funds allocated from year to year for accepted research projects and do the funds so allocated compare with the estimated cost of the project ? If funds are not adequate, what is the rational of such allocation?

7. Is staging of accepted research projects resorted to for want of either manpower, finance or other resources?
8. Is each research project time bound? Examine whether extensions were applied for and given where projects could not be completed in time?
9. Is intermediary assessment of continuing research projects done to ensure that the research is progressing as planned or is not handicapped for various reasons or needs to be given up for certain valid reasons? If so, what is the follow up action taken on such intermediary assessment reports?
10. Is the implementation of any research project dependent on continued availability of certain personnel and services for pre-determined periods and if so, are their availability ensured before the research is undertaken?
11. In cases where extension is given for completion of research, are the grounds of extension genuine, unavoidable etc.?
12. Is there any research project which is continued without any noticeable progress resulting in continued development of certain personnel, equipment etc. and consequent waste?
13. Has the organization executed specific agreements on its right over the results of research for marketing, publication, utilization etc.? If so, are they adequate and are they duly implemented? If not, has the organization suffered in any case?
14. Does any system exist for evaluation of results of research and proper utilization? If so, are these attended to within reasonable period after reports are furnished by those in charge of the research?
15. Does any arrangement exist for propagation of result of research to ensure their profitable utilization?
16. Is the organization in the know of action taken on results of successful research projects?
17. Are there cases of overlapping research projects within the organization and outside and if so, how far is such a situation resolved to the best of interests of the organization?
18. Are the results of research based on adequate data as prescribed when the research was authorized to be undertaken or are they based on comparatively inadequate data? If so, what are the consequences?

19. Have the research projects been evaluation by the organization to see whether time, money and energy were well spent on them?

ANNEXURE 4

Questionnaire relating to personnel policies and management

1. Is the manpower requirement planned for justifiable reasons, sufficiently in advance?
2. Is any assessment of existing manpower done to ensure that it is profitably distributed?
3. Is the manpower equipped to carry out the duties assigned to it?
4. Are steps taken to divert idle manpower to profitable side well in time?
5. Are there instances of frequent changes, resignations etc. affecting the quality of output of any activity?
6. Are there cases of idle manpower due to non-availability of equipment, material etc.?
7. Is any standard of output prescribed and output compared to the standard?
8. Is any training programme necessary for development of personnel employed and if so, has it been implemented?

APPENDIX 5

Questionnaire relating to Materials management

1. Has the organization any construction, manufacture, purchase, sales etc. activities? (If so, this section is applicable).
2. Is any standard of production prescribed?
3. Is there any record relating to life, capacity etc. of various plants, machines? If so, how does production compare with capacity and what are reasons for shortfall.
4. How long has any plant or machinery outlived its life or underlived and are there justifiable reasons?
5. Is the production capacity of various interlinked plants and machinery comparable? If not, how far have the variations affected the cost?

6. Is the cost of running of the plants and machinery reasonable?
7. How often do the plants and machineries fall sick and what are the causes? Are they analysed and remedies sought?
8. What are the various components that make up cost of production? Are they correctly assessed and to the actual compare favorably.
9. Is any production target prescribed and are there means to achieve it? Is the target fixed realistic with due regard to demand, supply etc.
10. How far does actual production compare with estimate? How far does variation effect cost of production?
11. Does the cost of production compare favorably with cost of production by others in similar lines? If there are wide variations, have they been analysed by the management?
12. Is there any overstocking of finished goods and if so, is it taken note during further production?
13. How is disposal price determined? How does it compare with cost, market condition etc.?
14. Is any subsidy by Government involved in pushing up sales? Has the subsidy any real effect in pushing up sales?
15. Could the subsidy by Government to push up sales be avoided by a economical expenditure in specified lines?
16. Has any product manufactured become out dated and if so, were timely steps taken to check further production?
17. What is the procedure adopted to procure raw materials? Are they procured during proper seasons and stocked in adequate quantities or are purchases resorted to as and when needed? Are they made at economical rates consistent with quality?
18. What is the prescribed procedure for marketing? Is it considered adequate and is it reviewed from time to time with due regard to stock, demand etc.?
19. Is any ceiling prescribed for storage at various centres and how far are they realistic?
20. Is there accumulation of stock at one place and corresponding shortage in another?

21. Is the stock of all materials (both raw and finished) subject to periodical review and physical check? Are the shortage subjected to analysis?
22. Are the storage facilities adequate?
23. Is there an internal system of checks over production storage, disposal etc. and is it adequate?

ANNEXURE 6

Questionnaire relating to finance accounts and internal audit

1. In respect of receipts, is the system of collection, accounting and remittance to bank fool proof? If not has it resulted in any pilferage, loss etc.,?
2. Are surplus funds profitably utilized or are they lying in current account without earning any revenue? Analyse investments to see whether loans/grants given for achieving declared objectives through productive activity are transferred to fixed deposits etc. indicating lack of organizational activity.
3. What is the procedure adopted for payment of claims? Does the system reveal any inherent defects?
4. Are the cash needs assessed from time to time?
5. Where borrowings are resorted to, are the borrowings justified and terms normal? Are the borrowing utilized for the objective for which they were resorted to ?
6. Is there an effective system of accounting? Do the heads of accounts operated reveal the activities of the organization in adequate detail? In particular, is allocation between capital and revenue properly done?
7. Do the forms of accounts need any major notification to enable a proper presentation of the affairs?
8. Is the objective of government assistance in the form of loan and grant achieved by utilizing the funds for the specified purposes? How far are conditions of assistance fulfilled? Were the preliminaries necessary for utilizing government grant/loan duly compiled with before assistance was granted?

9. Was government assistance necessary, excessive, inadequate, too early or too late?
10. What are the prospects of repayment of commitments to government and others? Are the terms of various financial agreements duly honored?
11. Are there heavy outstanding from outside parties? Have adequate steps been taken to realize them?
12. Are there legal disputes effecting adversely the financial results of the organizations? Have they been taken note in estimating the financial position?
13. Is there a proper system of maintenance of accounts, records, compilation and finalization of accounts? Have accounts of each year been duly finalized and approved?
14. What is the role of Internal audit in proper maintenance of accounts?
15. Have a approved accounts been audited and certified by any agency? Analyse the accounts of the period under review to ascertain the state of compilation, finalization and certification of account.

APPENDIX 7

Questionnaire relating to Works

1. Is there an operative engineering division with qualified hands or is the existing arrangement to hire outsiders on contract considered adequate?
2. Are the works undertaken after proper estimation of need and cost of construction?
3. Does the plan reveal the requirement adequately keeping in view the important factor of economy?
4. Critically examine the procedure for giving out contracts, with reference to its accuracy, adequacy, economy etc.
5. Are the terms of contract well defined and items of work clearly specified to avoid ambiguity?
6. Is the contract time bound and is the time capable of being observed?
7. Are there conditions for supply of any material by the organization and if so, are they procured upto optimum needs in time and supplied in time?

8. Is there adequate supervision over the work of construction and is any periodical report presented to management?
9. Are materials under control procured at controlled prices?
10. How does progressive cost compare with actual? Are there heavy excesses under some items and savings under other items? Were they justified? Were the items saved got done through other sources and if so, at what cost? How far have such variations affected the cost of the construction?
11. Are there changes in designs and specifications during execution and if so, are they essential at all? How far have the changes affected the time schedule and cost?
12. Are there extra items for justifiable reasons and can these be derived from accepted items? Is the analysis of rates for extra items in order?
13. Has the construction involved procurement of certain plants and machinery and if so, how were they procured and later disposed of?
14. How does final cost compare with estimates and are the variations duly analysed?
15. Is any material consumption account prepared and how does consumption compare with supply, estimation etc.? Is excess supply taken back or appropriate cost recovered?
16. Is the work certified as complete by qualified personnel and deficiencies, if any, set right?
17. What is the extent of expenditure on maintenance, special repairs, additions and alterations? Do these reveal any inherent defect in original planning and/or execution?

16.05 Audit under Section 15

Section 15 of the C.A.G. (DPC) Act, 1971 reads as under:

1 (1) 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 organization, the Comptroller and Auditor General shall scrutinize the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given and shall for this purpose have right of access, after giving reasonable previous notice, to the books and accounts of that authority or body:

Provided that the President, the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly as the case may be, may, where he is of opinion that it is necessary so to do in the public interest, by order, relieve the Comptroller and Auditor General, after consultation with him, from making any such scrutiny in respect of any body or authority receiving such grant or loan.

(2) Except where he is authorized so to do by the President the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, the Comptroller and Auditor General shall not have, while exercising the powers conferred on him by sub-section (1) right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in sub-section (1) is given if the law by or under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the Comptroller and Auditor General.

Provided that no such authorization shall be made except after consultation with the Comptroller and Auditor General and except after giving the concerned Corporation a reasonable opportunity of making representations with regard to the proposal to give to the Comptroller and Auditor General right to access to its books and accounts.

2. This section has two parts. The first part imposes a statutory responsibility on the Audit Department to scrutinize the procedures by which the authority sanctioning a grant or loan for any specific purpose to any authority or body from the Consolidated Fund satisfied itself as to the fulfillment of the conditions subject to which such grants or loans are given. The second part gives the C.A.G the right of access to the books and accounts of authority or body in receipt of such grants or loans, subject to certain restrictions. The restrictions in the relevant section are:

- (i) the authority or body is not a foreign State or international organization.
- (ii) the President/Governor/Administrator concerned can, if he is of the opinion in Public interest, by order, relieve the C.A.G after consultation with him from making any such scrutiny in respect of any body or authority.
- (iii) except with the authority of the President/Governor/Administrator concerned, right of access to the books and accounts of any corporation is not available, if the law by or under which the corporation is established provides for audit by an agency other than the C.A.G.

3. According to the provisions mentioned above, the examination of the records of the sanctioning authorities for purposes of examining the procedure adopted is an obligatory or statutory function, whereas it is not obligatory that the books of all authorities and bodies the accounts and books of which are open to audit by the Audit Department, must necessarily be scrutinized.

4. Further the examination relates to grant or loan given for specific purpose but does not cover grants for general purposes without any conditions. Grants given for maintenance, purchase/procurement of specific items like land, building, equipments etc., grants given subject to fulfillment of certain condition, grants given subject to cover deficit etc. are all to be treated as specific purpose grants. If doubt arises in any case as to whether a grant or loan is for specific purposes, Government/Department files leading to the issue of relevant sanction should be consulted.

5. As observed earlier in cases in which the law by or under which the corporation is established provides for audit by an agency other than the C.A.G access to its records is not available to the C.A.G unless the President/Governor/Administrator authorizes him so to do under sub-section (2) of section 15. This authority can, however, be issued only after prior consultation with the C.A.G and after giving the concerned corporations a reasonable opportunity of making representation with regard to the proposal. The initiative for making any such request normally lies with the Government concerned. The term 'Law' used in sub-section (2) of section 15 has a wider connotation than an Act and will include rules and regulations framed under the Act. Similarly the words, " Provides for" used in the section have also a wide connotation, hence, even if a law concerning a body or authority empowers Government or any other authority to appoint auditors and Government or any such authority appoints any one other than the C.A.G as auditors, such cases will also be covered by section 15 (2) and there by access of C.A.G to records of such corporations as well would be barred. For example, Co-operative Societies, the audit of which is provided for in the Act governing them and the register is mentioned as the authority to conduct or to direct the audit, will be covered by this provision.

6. To enable audit under this section, to be arranged a record should be maintained in each office to record the sanctions issued for payments of loans & grants for specific purposes & actual payments made against them. It is likely that subordinate authorities of Government are also empowered to sanction grants or loans to different bodies and authorities and if so, copies of

sanctions accorded by them may not be received in audit office. There may be cases where mere counter signature in bills would signify sanction of payment of grant or loan. In such cases where copies of sanctions are not furnished to audit the amounts sanctioned could ordinarily, be for comparatively small amounts and it may perhaps be impracticable to keep a complete record. In such cases where local audit is conducted of the records of the sanctioning authorities, the supervisory officers will have to make a report to the main office on such grants/loans with adequate particular and recommendations in regard to the need or otherwise for examination of the books of the accounts of the recipient body or authority.

7. Based on the information available to audit, the sanctioning authorities whose records are decided to be examined should be given due notice before audit is arranged. The scrutiny under this section should begin with a scrutiny of the sanctions issued by the competent authorities. It has to be seen that they are competent to sanction the loans or grants and whether the financial rules and regulations governing the grant or loan have been duly followed. It has to be examined whether the grant or loan has been utilized for the purpose for which the loan or grant was sanctioned. Normally the financial rules of the Governments would make the sanctioning authorities responsible for satisfying themselves about the fulfillment of conditions attaching to the grant or loan and for furnishing to the audit/accounts officers certificates of utilization within a prescribed period. In exercising the first part of check under this section, it is necessary for audit to study the procedure prescribed for the sanctioning authorities to satisfy themselves regarding utilization of loans or grants and to check up whether the procedures themselves are not deficient in any respect and whether they are duly followed. Factors like extent of grant/loan, regularity of periodical payments, existence of prescribed procedural instructions, existence of efficient internal audit and administrative inspection systems in the department for an effective control over the proper utilization of grants or loans are to be looked into this connection. It has to be ensured that the body/authority has an effective accounting and audit arrangements and the audit has been conducted and the auditor's report does not reveal any serious deficiencies.

8. The second part of the audit consists of the scrutiny of the books of account of the body or authority. As a matter of prudence, it would be preferable to defer examination of books and accounts of bodies and authorities whose accounts had not been audited at all. The absence of a deficiency in such arrangements and the consequent delay in audit scrutiny by us can be considered for comment in the Audit Report. During audit, it has to be ensured that the body/authority has actually complied with the prescribed procedure for reporting utilization, that

the grants or loans had actually been fully and properly utilized and that conditions governing the grant had been duly observed. Observance of normal cannons of, financial property can also be looked into for such comments as may be called for.

9. Some of the points that can be gone into during audit under section 15 are detailed below:

(1) Had the sanctioning authority prescribed clear cut procedure for satisfying itself that the grants and loans sanctioned are being utilized for the purpose for which they have been given? Are all the conditions of such grants and loans being fulfilled?

Such procedure may provide for:

(i) Submission of periodical progress reports.

(ii) Submission of audited statement of accounts.

(iii) Inspection of the grantee institutions.

(2) Are the reports reviewed when received and by whom and what action is taken thereon?

(3) Was any irregularity noticed during inspection? What action is taken on such irregularities?

(4) A register of grants-in-aid is to be maintained to watch the receipt of utilization certificates. Is the register being maintained correctly and is it being reviewed and at what level?

(5) Is a register of assets created out of grants equipment and buildings) being maintained? How is it ensured that these assets are being put to intended use? Are there any instances of diversion or sale of assets? If so, what action has been taken in such cases?

(6) What action, if any, is being taken regard to obtaining utilization certificates not received? Is the grant recovered in cash or by adjustment from other grants?

(7) Has any legal action been taken against the defaulting grantees? Are subsequent grants also being paid despite such defaults?

(8) In regards to loans what is the position regarding repayment? Is there any arrangement by which it could be ensured that even after repayment of the loans the asset is utilized for the purpose for which it is given?

(9) Are all conditions stipulated in the sanction to grant-in-aid fulfilled? How is it being ascertained that the general objective of a scheme of grant-in-aid is being fulfilled. For instance,

a scheme of grant-in-aid may be intended to promote adult literacy or Sanskrit? Is there any report or assessment by which the authorities review from time to time the actual achievements? Is such an achievement reasonably proportionate to the effort and expenditure involved?

(10) Such a review could be usefully made over a period of year; for instance, if a scheme of grants-in-aid for promotion of ports has operated for 10 years at the end of which there has been very little achievements, this could be commented upon though it may not exclusively be related to procedure.

(11) There may also be defects in the sanction or in the scheme itself which may militate against an effective procedure to check the purposes for which the grant is utilized. Such deficiencies in the sanction or the scheme should also be examined.

It may be noted that these instructions are not exhaustive by themselves and each case would need examination with reference to conditions, purpose etc. governing the grant or loan.

(12) Unlike section 14, section 15 does not specifically provide for reporting the results of audit of loans/grants for specific purposes in the Audit Report. Since expenditure out of the consolidated fund is involved reporting thereon will be automatically within the purview of section 13 of the Act. Important irregularities noticed during the scrutiny of the procedures in the offices of the sanctioning authorities and/or scrutiny of records of the recipient bodies or authorities can be featured distinctly and separately in the chapter relating to financial assistance to bodies/authorities.

(13) In respect of certain institutions (like Government companies, statutory corporations, several autonomous bodies) for which C.A.G Acts (also) as auditor, the audit of the accounts of the sanctioning authorities is often conducted by audit offices who are not themselves the audit office conducting audit of the institutions. In such cases and also in cases of institutions functioning in other States/access for which is not banned under section 15 (2), the audit of the records of the sanctioning authorities may be conducted by the A.G. concerned. In case he considers necessary that certain points would need scrutiny with reference to records of the institutions, he can communicate with the concerned Audit Offices, obtain results of examination and include the same in his report of audit under section 15 (1). The Audit Office of the institutions can also, as a result of their regular audit, intimate of their own accord, to the audit office of the sanctioning authority any point which they consider necessary to be reported to the

Audit Officer of the sanctioning authority. It is thereafter for the latter to coordinate the matter and take appropriate action.

(14) Audit under section 15 being primarily of the records of the sanctioning authority, results of audit of the books and Accounts of institutions receiving specific purpose grants should be pursued with the sanctioning authorities and/or their superior officers and Government as the case may be and the objections need not be communicated to the institutions directly. The facts however, can be got verified by the institutions.

16.06 Audit of bodies/authorities under Section 19

General- A reference is invited to Section 19 of the Act reproduced in section 19 (ii) deals with the duties and powers of the C.A.G in relation to the audit of the accounts of the corporation (not being companies) established by or under law made by Parliament. The audit of the accounts of such corporations comes within the purview of audit under section 19 (ii) and should be conducted in accordance with the provisions of law made by parliament by or under which the corporation has been established and such corporation will not come within the purview of audit under section 14 of the Act. Under section 19 (3) of the act provision has been made about audit by the C.A.G of the accounts of corporation established by law (directly enacted in the statute) made by legislative assembly of a State. In cases of such corporation where section 19 (3) of the Act has not been invoked it has to be examined whether these could be brought under purview of Section 14.

(CAG letter No. 149-TA.I/50-69 Vol. II dated 2.3.74).

16.07 The expression 'respective legislation' in 19 (2) of the CAG act has reference to the Statute or law made by the Parliament under which a corporation is established and not to any rules or regulations framed thereunder either by the Central Government or the corporation. It has been opined by the Government of India that C.A.G can be invested with the powers and duties in relation to audit of corporation if it is so provided by the parent Act.

(C.A.G's letter No. 378-TA./137-74 dated 12.5.75).

16.08 The State Government may if it is necessary to do so in the public interest, request the C.A.G to audit the accounts of a corporation established by law made by the legislature of a State.

16.09 Audit of bodies/authorities under section 20 (1)

Where the audit of the accounts of any body or authority has not been entrusted to C.A.G by or under any law made by Parliament including C.A.G's (D.P. & C) Act 1971 CAG may be requested by the Union or State Government to undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and he will for the purpose of such audit have right of access to the books and account of that body/authority. No such request is however, to be made except after the consultation with C.A.G.

16.10 C.A.G may propose to the President or the Governor of the State that he may be authorized to undertake the audit of the accounts of any body or authority the audit of the accounts 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 is invested in or advanced to such/body/authority by the Central or the State Government and on such request the audit may be entrusted to him.

16.11 The audit referred to in the sub section 20 (1) or sub section (2) shall not be entrusted to C.A.G except where the president or Governor is satisfied that it is expedient to do so in public interest and except after giving a reasonable opportunity to the concerned body or authority to make representation with regard to the proposals for such audit.

16.12 Reporting of results of audit

It is the duty of the C.A.G to report the results of audit undertaken under section 14 and 15 of the Act in the Audit Reports. The following two points arise in this connection:-

- (a) Where more than one Government are rendering financial assistance to a body in whose report will the material be included?
- (b) In respect of bodies financed by the Central Government and audit conducted by the State A.G. will the State A.G directly process the material with the Central Government or will it be done by the A.G. C.R./A.G.C.W. & M.?

It has been decided by the C.A.G that the general principle guiding us for reporting is that those who vote the moneys should know how the moneys that have been voted has been spent. Accordingly our comments should appear in the reports of the Government which finance a body. However, the A.G. auditing the accounts of the body should exercise his best judgement to decide, with due regard to the magnitude of grants and loans given by various Govts. Object of

such assistance, control exercised by the respective Government nature of objections raised in relation to the assistance given by various Govt. etc., the reports in which the material should appear and process the case further for sending copies of reports to the concerned A. G. for further processing in their respective reports. If the body is, however, located in one state and financed both by the State and Central Government, normally the para will appear in the State Report.

If, however the A.G. feels that the matter is worth mentioning in the Central Report also there is no objection for the State A.G. finalizing the para in consultation with the Government (State and Central) and forwarding the same to the A.G.C.R./A.G.C.W. & M for inclusion in the Audit Report.

(C.A.G's letter No. 1102-TA. 149-73 dt. 25.11.1975).

Important irregularities noticed during the scrutiny of procedures in the office of sanctioning authorities and/or scrutiny of records of recipient bodies or authorities under Section 14 and 15 (i) should be featured in the Audit Report distinctly and separately in a chapter or 'grants/loans given by Govt. In this chapter the No. of bodies/authorities accounts of which have been audited will be mentioned. The more important irregularities noticed will be mentioned individually in addition to general types of irregularities. In regard to grants loans to bodies or authorities not coming under scope of section 14 and also not under section 15 (i) due to non-mention of any specific purpose in the sanctions such items should be listed out and mentioned distinctly in a separate para of the chapter so as to bring to notice of legislature the number of such cases and quantum of money involved that remain unaudited by I.A. & A.D.

CHAPTER 17

AUDIT OF THE ACCOUNTS OF EMPLOYEES STATE INSURANCE CORPORATION

17.01 Preamble

The Employees States Insurance Corporation was set up in October 1948, under section (3) of the E.S.I.C. Act, 1948 for providing benefits to employees of factories and establishments covered under the Act in cases of sickness, maternity and employment injury and for making provisions of other matter in relation thereto. Besides its normal receipts which comprise of contribution from the employers and employees the Corporation is authorized to accept grants, donations and gifts for all or nay of the purposes of the Act. Section 34 (I) of this Act provides for the appointment of Auditors to be made by Government of India and under section 36 ibid the audited accounts and the Report thereon are to be placed before Parliament.

The audit of the accounts of Regional and Local Office of the Employees State Insurance Corporation has been decentralized with effect from the accounts of 1959-60 and each State Accountant General in his respective State acts as sub-Audit Officer to the Director General, Central expenditure, New Delhi in this regard the latter being responsible to submit a consolidated Audit Report to the Corporation.

17.02 After the reports are discussed with the local heads of offices, the Audit Reports should be sent to the local heads of offices and to the office of the Director-General, New Delhi, for pursuance of audit objections and settlement thereon. The Audit Reports to be sent to the Accountant General, Central Revenues should include only important settled or unsettled objections which may be considered by the State Accountant General to be fit for inclusion in the Consolidated Audit Report of the former, after taking into account the comments or replies of the Regional Offices. In order to overcome instances of delay in the despatch of material to the Accountant General, Central Revenues, in this behalf, for want of prompt replies from the local offices, the Accountant General, Central Revenues, has prescribed the following procedure.

17.03 While issuing the Inspection Report in the normal course, such paragraphs therein as are considered important enough for the Consolidated Audit Report may be converted into draft paras for the audit report simultaneously and sent through a D.O letter to the Regional Directors of the Corporation, a copy thereof being endorsed to the Director General of the Corporation, New Delhi, who shall furnish comments/replies within a period of six weeks of receipt of such communication from the Audit Office. If the comments/replies are received within this

prescribed period, they may be taken into accounts and the draft Audit Paras finalized and sent to the Accountant General, Central Revenues by the due date prescribed in the succeeding para. If, on the other hand, no comments/replies are received within the prescribed period even to the D.O. letters the draft paras may even then be finalized, with reference to the data available and forwarded to the Accountant General, Central Revenues, making a clear mention of the fact that comments were not received.

17.04 The Comptroller and Auditor General has fixed 1st December each year as the date for the submission of Consolidated Audit Report on the accounts of Employees State Insurance Corporation. In order to enable him to observe the above target date, the Accountant General, Central Revenues has fixed the following time schedule for the conduct of audit of Regional Offices by the various State Accountants General:

- (i) Date by which accounts should be made available by the Regional offices- 15th May.
- (ii) Date by which the audit of Regional and Local Offices may be completed by the State Accountants General-15th July.
- (iii) Date by which the material for the Audit Report is to be sent to the Accountant General, Central revenues by State Accountants General (after taking into account the replies of Director General, Regional offices)-1st October.

17.05 Audit Fees

The audit fees has to be recovered from the Employees State Insurance Corporation. The amount of audit fees recoverable from the Corporation is to be calculated on the basis of daily rates fixed and the same is to be intimated to the Accountant General, Central Revenues while sending the audit reports to his office. The Accountant General, Central Revenues will watch recovery of audit fees from the Corporation.

17.06 Quantum and Extent of audit

The extent of Audit of various transactions prescribed by the C.A.G. are contained in (Annexure) A.G.'s secret Memo of Instruction.

17.07 Process of Audit of Regional Office

Cash Book of Employees' Contribution

- (a) Check amounts directly credited into the Bank by the employers with challans.

- (b) Check the amounts received in cash (if any) with receipt books.
- (c) Check with the statement received from the Bank.

17.08 Cash Book of Employers' Special Contribution

Same as above

17.09 Consolidated Cash Book of Account No. I

- (a) Check receipt side with the daily total of the cash of Employees' and Employers' Contribution.
- (b) Check the payment side with H.Q.'s letters authorizing transfers to account No. II and other relevant records.
- (c) See that the balance is reconciled with the statements received from the Bank and discrepancies, if any, are set right.

17.10 Cash Book Account No. II

- (a) Check withdrawals with counterfoils of cheque books.
- (b) Check payments with vouchers.
- (c) Check totals.
- (d) Audit the vouchers.
- (e) Check credit into Bank with challans.
- (f) Check with Bank Statements.

17.11 Statement of contribution stamps tendered by the State Bank

Check the monthly statement of stamps of various denominations sold during the selected months received from the State Bank with reference to challans etc., check the bills paid to the bank (for Commission).

17.12 Employees' Contribution Ledger

- (a) Check the postings of challans for stamps/franks purchased by the employers and check the progressive total.

- (b) Verify the postings of stamps utilized by the employers from the return of contribution cards received from the employer and check progressive totals. Review the returns of contribution cards generally.
- (c) Check the correctness of the balance of contribution stamps with the employers in the relevant column of the ledger.
- (d) See that the discrepancies brought to light by the Inspectors' Reports are adjusted in the ledger and suitable action is taken for recovery of arrears were necessary.
- (e) See that the monthly statements of franking impression given to the various employers are received from the local offices and checked with the entries posted in the ledger from challans.
- (f) See that the waivers, if any, are supported by orders of competent authority.

17.13 Employer's Contribution Ledger

- (a) See that the contribution shown in the returns of the employers are posted correctly in the ledger.
- (b) See that the contributions as worked out by the employers is correct with reference to the wages of the employees.
- (c) See that the postings from challans (in respect of contribution paid) are made correctly.
- (d) See whether there are any arrears of recovery. If so comment on the arrears and see that the arrears are carried forward from year to year in the columns provided for the purpose.
- (e) See that any waivers of contributions recoverable are supported by orders of competent authority.
- (f) Scrutinise the inspectors reports and see that the discrepancies, if any, pointed out by the inspectors are indicated in the ledgers and set right.

17.14 Broad Sheet of Employers' special contribution

Scrutinise the Broad Sheet of Employer's special contribution and see that monthly recoveries posted from the Employers ledger are reconciled with the recoveries as posted in the classified abstract.

17.15 Classified Abstract of receipts and payments

- (a) Check with the cash books, vouchers challan etc;

- (b) Check the totals.

17.16 Quarterly statement of defaulters in respect of the contribution

Scrutinise the quarterly defaulters statements in respect of Employer's and Employees' contributions and ascertain whether legal and other suitable action is taken where necessary.

17.17 Stock Account of Identity Cards

- (i) Check receipt with vouchers or in forwarding letters of Head Office, Press etc.
- (ii) Check issues with acknowledgements of insured persons for original issues and acknowledgement of local officer for duplicate cards.
- (iii) Check total and balances.
- (iv) See that physical verification is done periodically.
- (v) See that statement showing stock position in respect of duplicate identity cards are received from the local offices and consolidated. Test check the statements.

17.18 Inspection of Factories

See that each factory is inspected at prescribed intervals and comments on arrears of contribution, if any, offered and necessary action taken for the recovery of the same.

17.19 Coverage of Factories

See that suitable action is taken to decide on coverage of the factories brought to notice by the periodical statements sent by the Chief Inspector of Factories or those selected by the Inspectors from time to time or otherwise brought to light so that the dues are recovered in time.

17.20 Register of Lands and Buildings

- (i) See the sanctions for payment of rent;
- (ii) Verify the certificates regarding reasonableness of rent etc.
- (iii) See that the payments of rents are posted in the register.

17.21 Register of Lands and Buildings

See that full particulars of buildings and lands owned by the Corporations are noted in the Register specifying the title to ownership. Review the Register generally. See that no properties

are omitted from the register. In respect of newly required properties see the title deeds, vouchers etc.

17.22 E.S.I.C. 38- Register under regulation 103-A

See that the employees for whom the contribution cards are not received or the cards in respect of whom do not bear the prescribed number of stamps are disentitled to the benefits of the scheme for the appropriate benefit period. Review the monthly statements under Regulations 103-A sent to Headquarters.

17.23 Register of Dependents and Permanent Disability Benefit

- (i) Check with the headquarters sanctions.
- (ii) Scrutinise the relevant files with a view to checking the admissibility of claims.
- (iii) In the case of P.D. Benefit see the Medical Board's reports.
- (iv) Check the correctness of the rate with reference to relevant rules and orders.
- (v) Review the Registers and comments where necessary.

17.24 Register of Advances Deposits etc.

Review of Registers and comment on the outstandings.

17.25 Register of Dead Stock Articles and Equipment

- (i) Check purchases with vouchers.
- (ii) Check writes off with sanction and see that written off in old registers.
- (iii) Check writes off with sanction and see that written off articles are accounted for in Register of unserviceable articles.
- (iv) Check transfers to local offices with acknowledgement.
- (v) Review the control register maintained in respect of articles in local offices.

17.26 At the local Offices

Benefit payments of the types indicated below are made at the local office.

- (a) Sickness Benefit.
- (b) Maternity Benefit.

- (c) Temporary Disablement Benefit.
- (d) Permanent Disablement Benefit.
- (e) Dependant's Benefit.
- (f) Funeral Benefit.

It should be seen during local audit:

- (i) That payments of benefits do not exceed that scales laid down for each benefit and are restricted to the prescribed period.
- (ii) The rate of Benefit is correctly worked out (this should be checked with reference to the stamps affixed to the contribution cards).
- (iii) That the rules governing each of the benefits are observed and reference to Medical references of the Board are made where necessary.
- (iv) The periods for which medical benefits are paid tally with the dates indicated in certificates of I.M.Ps. Hospitals, employers etc.
- (v) That all payments of benefits are posted in the benefit files and payments of T.D.B., P.D.B. and D.B are also posted in separate registers maintained for the purpose.
- (vi) Each payment of D.B. is duly authorized.

17.27 Register of Permanent Disability and Dependents

- (i) Sanction and authority for payment of the benefits and the correctness of rate of benefit should be verified.
- (ii) It should be seen that the benefit is not paid beyond the date noted in the register.
- (iii) It should be seen that all cases are reviewed by competent authority where necessary at prescribed intervals.
- (iv) It should be seen that all payments are noted in the register under proper attestation.
- (v) The register should be reviewed generally.

ANNEXURE

(Referred to in Para 17.06)

Copy of letter No. 3637-TA.I/13-66 dated 20th Nov. 1967 from the Comptroller and Auditor General of India, New Delhi addressed to the All State Accountants General etc.

Subject: Scope and extent of audit of autonomous bodies.

Sir,

I am to invite a reference to this office circular letter No. 319-Tech. Admn I/13-66 dated 5.2.66 on the above subject and to state that the proposals received from the various Accountants General regarding the quantum of audit to be adopted for the Employees State Insurance Corporation, have been examined. Since most of the Regional Officers of the Corporations have now introduced a system of internal check it has been decided to reduce the number of months selected for detailed check to one month from two under the existing orders. The quantum of audit to be adopted for various other transactions of the corporation has also been revised as indicated in the statement enclosed and these revised quantum may be adopted in future savings in terms of party days as a result of the revised quantum may please be worked out and intimated to this office. Where a system of internal check has not been introduced, the Accountants General may prescribe enhanced quantum of audit (under intimation to this office for records) taking into account the irregularities noticed in their working.

Sd/-

Dy. Director (Tech. Admn.)

Statement showing the Extent of Audit of various Transactions relating to the Employees Insurance Corporation

S.No.	Item of work	Existing quantum of audit	Quantum of Audit proposed
1	2	3	4
1.	Cash Book and stock Register Books, Bank Statements etc.	Checked in detail for the selected months for the selected local offices and the Regional office and reviewed generally	Detail check of one month's transactions and a general review.
2.	Exit Cards	Checked in detail in respect of Cards Issued during selected months and reviewed generally	100 % for one selected month and general review
3.	Employees contribution	Registers to be reviewed to ensure that contributions are regularly realized.	Registers to be reviewed with a detailed test check of 10 % of the items to ensure that the contributions are regularly realized.
4.	Pay TA contingencies and other misc. vouchers in respect of Gazetted Officer's deductions of P.F. etc. House rent and other Deductions and Advances etc.	The vouchers alongwith the relevant registers etc. to be checked in detail for the selected months and reviewed generally.	To be checked in detail for selected month and reviewed generally.
5.	Service book and Leave Accounts	5 to 10 % of the Service Books and leave accounts in respect of non-gazette staff.	5 % of the Service Books and leave accounts of non-gazetted Staff.
6.	Register of Land and Buildings classified Abstract of Expenditure Receipts, annual statement thereof, Register of transfer entries, T.Es etc.	To be checked in detail for the selected months and reviewed generally	No change except that there will be one selected month instead of 2.
7.	Special Records maintained in the Headquarters office. (i) P.F. ledger & Broad Sheets & connected Records. (ii) Annual Accounts (iii) Security Register and securities (iv) Register of Capital Assets. (v) Register of Transfer Entries and Register of Remittances. (vi) Stationery and Forms Register. (vii) Posting account.	To be checked in detail for the selected months and reviewed generally except Security Register and the investment Register which should be checked cent percent.	(i) General review with detailed check for one selected month. (ii) To be checked fully. (iii) Do. (iv) Do. (v) Do. (vi) General review with detailed check for one selected month. (vii) Do.
8.	Audit of rules and regulations regarding conditions of service of Staff,	General Review	No change (New rules and amendments during the year should be scrutinized).

P.F. Regulations etc.

S.No.	Item of work	Existing quantum of audit	Quantum of Audit proposed
1	2	3	4
9.	Scrutiny of delegation of financial powers.	Do	No change (Fresh delegations of powers to be scrutinized.
10.	Scrutiny of report regarding valuation of assets and liabilities made by valuer.	Do	No change.
11.	A close scrutiny of the operation of regulation 103-A of the general regulation regarding the issues of Exit Cards.	Do	No change.
12.	Sickness benefits payment	5 % of the total number of payments for one month. Two days in each of the selected months are selected and all Payments made on those days are checked. 2 months are selected. Half the number of local offices taken every year and 5 % of the total number of sickness benefits checked every year.	All payments made on 2 days in all the local offices and the regional office in the selected month may be checked.
13.	Maternity Benefit payments	100 % of selected months.	50 % of the payments made in Selected month may be checked. (All payments over Rs. 500 in the Selected months are to be included in the items checked.)
14.	Temporary disablement benefit payments	10 % of cases during selected months. All payments made in 3 selected days in each of the selected months are checked.	All payments made in 2 days in the selected month.
15.	Permanent disablement benefits	100 % of the cases during months.	50 % of the payments in the Selected month which should Include all payments over Rs 500 In the selected months.
16.	Dependent Benefit payments	Do	Do
17.	Audit of benefit vouchers and receipt schedules.	All benefits vouchers during the selected months of selected local offices may be checked for the completion of vouchers and traced in the schedules and the arithmetical accuracy of these schedules may also be checked.	The checks prescribed in the previous columns for the selected month.
18.	Audit of P.L.A of the Insurance Court.	Ledger account for the whole period under audit to be scrutinized. Security limited to deposits and withdrawal in lump sum.	Existing quantum to continue.
19.	Statement of contribution stamps rendered by the State	Statement to be checked in detail for the selected months.	As in column 3 selected months will be one instead of two.

Bank of India.

S.No.	Item of work	Existing quantum of audit	Quantum of Audit proposed
1	2	3	4
20.	Payments of Corporation share of medical benefits to the State Government.	To see that payments are made on the basis of audited figures sent by the State Accountant general concerned. To see that advances payments are authorised by the competent authority and advances are adjusted are adjusted promptly.	No change existing quantum to continue.
21.	Contribution Cards and Connected records.	To be checked alongwith benefits payments in respect of such payments.	No change
22.	Inspection Offices.	Imprest cash book and stock registers etc. of half the total number of inspection offices in a region as in the case of local Office.	Transactions in the imprest cash book and stock register for one month in respect of half the total number of Inspection Offices to be checked in detail, besides a general review.

CHAPTER 18

AUDIT OF THE ACCOUNTS OF THE EMPLOYEES PROVIDENT FUND SCHEME

18.01 (i) General

The Employees Provident Fund Scheme 1952 was framed by the Government of India by notification of the Ministry of Labour, dated the 2nd September 1952 in exercise of the powers vested in them under Section 5 of the Employees Provident Fund Act, 1952.

(ii) Administrative and accounting set up – (a) Administration – The fund is administered centrally by a Board of Trustees nominated by the Central Government under the provisions of Para 3 (1) of the Scheme. At the State Level, provision has been made in Para 3 (2) of the Scheme for the setting up of a State Board of Trustees, nominated by the Central Government in consultation with the State Government. Pending the constitution of a State Board, the Regional Committee, constituted under para 4 of the Scheme advises the Central Board.

The Executive Charge of the fund is held by the Central Commissioner in the case of the Central Board and by the Regional Commissioner (until the appointment of a State Commissioner), in the case of the State Boards, under the provisions of paras 19 (1) and 20 of the Scheme.

(b) Finances- The fund is financed by the contributions made by the employers in accordance with the rules and regulations of the Scheme, and by transfer of the accumulations from the Provident Funds existing at the time of introduction of the Scheme (vide para 28 to 30 of the Scheme).

According to the provisions in para 58 of the scheme, the budget of the Board should be sanctioned by the Government concerned who may make such modifications in the budget as are considered desirable before sanctioning it. Further, under the provisions of para 53 of the scheme, the Fund shall not, except with the previous sanction of the Central Government, be expended for any purpose other than the payment of sums standing at the credit of individual members of the fund or to their nominees, heirs or legal representatives.

(c) **Accounts-** All moneys paid under the scheme are deposited into the State Bank of India. Five Accounts are maintained as shown below, the first three in the regional Branches, the fourth in the New Delhi Branch and the fifth in the Bombay Branch.

(1) **Account No. 1 (Provident Fund Account)-** Provident contributions received from the employers (factories) are deposited in this account by the Regional Commissioner. The accumulations in this account are transferred weekly by the State Bank of India to account No. 5 (Investment Account) maintained at its Bombay Branch and no authority other than the Central Provident Fund Commissioner can withdraw or transfer any amount from this account.

(2) **Account No. 2 (State Administration Account)-** Deposits on account of administrative charges payable by employers (factories) are credited to this account and the establishment charges of the Regional Offices are met from this account.

(3) **Account No. 3 (Refund account of Provident Fund)-** This is fed by transfers from Account No. 1 Payments to members from their Fund Accounts towards advances for financing life insurance policies of final settlement of account are met from this account.

(4) **Account No. 4 (Central Administration Account)-** This account is fed by transfers from Account No. 2 maintained at the various Regional Centres and is intended to meet the expenditure of the office of the Central Commissioner.

(5) **Account No. 5 (Investment Account)-** This account is fed by transfers from Account No. 1 maintained in the offices of the Bank at the various regional centres and investments are made by debit to this account by the Bombay Branch under instruction from the Central Commissioner.

The Central Commissioner operates on Account Nos. 1, 4, 5 and the Regional Commissioners operate on Account Nos. 2 and 3.

(iii) Procedure for payment of contributions and administrative charges- (a) General- Under para 28 of the Scheme, every employer coming under the Scheme has to pay to the fund within 15 days of the close of a month his own contributions as well as the contributions realized from the wages of the employees during the month and also an administrative charge of such percentage of the total employers' and employees' contributions as may be fixed by the Central Government. The administrative charge has been fixed by the Central Government as 3 percent of the total employers' and employees' contribution.

(b) **Rate of contribution-** As per para 29 of the scheme the contribution payable by the employer shall be at the rate of 6-1/4 percent of basic wages and dearness allowance payable to each member who is required or entitled to contribute to the fund. The contribution payable by each member shall be equal to the contribution payable by the employer in respect of such member, and for purposes of recovery, the total wages and dearness allowance shall be rounded off to the nearest rupee and each contribution shall be calculated to the nearest quarter of a rupee, 12.5 NP or more being counted as the next higher quarter of a rupee.

NOTE : Para 29 of the Scheme has been amended to enable a member to contribute as his own share an amount not exceeding 8-1/3 percent of basic wages and dearness allowance (including cash value of any food concessions) payable to him.

(c) **Procedure for payment** – The factories paying the contributions are required to remit the amounts into the branches of the State Bank in the prescribed challans (in quadruplicate) separately for Account Nos. 1 and 2. The original copy of the challan will be retained by the bank and the duplicate will be sent to the Regional Commissioner, while the triplicate copy will be sent by the Factory to the Regional Commissioner along with Form 12 and the quadruplicate copy retained by the factory. The bank will send to the Regional Commissioner daily an advice of all deposits into these accounts, supported by the duplicate copies of the challans. The challans, as and when received in the Regional Office from the Bank are required to be entered in a register (O Form Register) and then taken to the Cash Book concerned. The triplicate challans on receipt from employers along with Form 12 are required to be paired off with the duplicates and then passed on with necessary certificate of pairing off to the Accounts Branch for posting of fund accounts.

(d) **Penalty for belated remittances-** Under Section 14-B of the Act, the factories delaying remittances are liable to pay damages not exceeding 25 percent of the amount of arrears.

(e) **Exempted factories-** Under section 17 of the Act, any employer who is exempt from the provisions of the Scheme should inter alia pay to the Employees' Provident Fund such inspection charges as the Central Government may direct. The Inspection Charges have been fixed at ¾ percent of the contributions and are payable on or before the 15th of the month following that to which such charges relate. Monthly and annual returns are rendered by the exempted factories in the prescribed forms.

18.02 Scope and extent of audit

(i) Arrangements for Audit- The audit of the accounts of the Employees Provident Funds scheme in all regions is entrusted to the Indian Audit and Accounts Department. The Accountant General, Central Revenues New Delhi, acts as the co-ordinating audit authority of the Fund. The other Accountants General submit their reports on the results of their audit to him. The Accountant General, Central Revenues, prepares and submits to the Ministry of Labour one consolidated report together with the certificate on the accounts of the Fund.

(C.A.G's letter No. 1662-Admn.II/88-53 dated 22nd Nov. 1954).

(ii) (a) **Submission of Accounts to the A.G.C.R-** The audit notes should be finally disposed of by the respective Accountants General. Objections relating to important financial irregularities of any matter that may be important enough as to deserve mention in the Audit Report, if any, should be sent to Accountant General Central Revenues as the co-ordinating authority for the preparation of consolidated accounts.

In addition certified copies of Income and Expenditure Account and Balance sheet of the Fund should also be sent annually.

(Letter No. OA.13-28/3419 (6) dated 25th March 1955 and letter No. OA. I/13-38/CII/Other States/65-66/Vol. II/18-30 A dated 10.4.67 from the Accountant General, Central Revenues).

The certified copy of the account referred to above means the Income and Expenditure Account and Balance Sheet in the usual form bearing the certificate of check of audit. The audit certificate may be on the following lines:

“Certified that (subject to the remarks in the audit note), this Balance sheet is, in my opinion, a full and fair Balance Sheet containing all necessary particulars and properly drawn up, and, according to the best of my information and explanation given to me and as shown by the Board, it exhibits a true and correct view of the State of the Boards affairs. Information and explanation required have been furnished by the officers of the Board and have been found satisfactory except to the extent mentioned in the Audit Note”.

Sd/-

Inspecting Officer

(Accountant General, Central Revenues letter No. AO/13-28/1980 dated 19.9.55).

(b) The Central Provident Fund Commissioner introduced w.e.f. 1.4.66 a system of internal audit in the Employees Provident Fund Organisation with Chief Accounts Officer in charge of the wing. A note indicating how far the internal audit system has been effective should be sent confidentially to A.G.C.R every year at the close of the inspection of the accounts of Regional Provident Fund Commissioner.

The internal audit report of the Chief Accounts Officer should be looked into by the local audit party at the time of local audit of the accounts of Regional Provident Fund Commissioner, Indore. Irregularities of serious nature detected by Internal audit staff may also be sent to A.G.C.R along with those mentioned in sub-para (a) above. A clear indication, may however be given in such cases that the irregularities were noticed by internal audit staff of the organization.

(A.G.C.R. letter No. OA. I/13-28/Misc/66-67/239 dated 17.4.65).

(iii) Extent of Check- The quantum and manner of test audit of the accounts of the Employees Provident Funds Organisation shall be as indicated in A.G's Secret memo of instructions:

(a) Audit of the individual Fund Accounts with connected subsidiary documents:

(1) One months' transactions in 8 percent of the total number of accounts covering all the factories with a General scrutiny in respect of other months.

(2) Calculation of employees' subscriptions and the employer's contribution should be confined to one months' transactions in 5 percent of the total number of accounts selected relating to all the factories.

(3) Calculation of interest should be checked for all the previous years since it was last checked in respect of accounts selected as per (2) above.

(4) Scrutiny of sanctions to advances from the accounts selected as per item (1) above.

(5) Check of nomination in respect of accounts selected as per item (i) above.

(6) Final payments-

(i) Below Rs. 1000-5 percent.

(ii) Rs. 1000 and above but below Rs. 5000-10 percent.

(iii) Rs. 5000 and above but below Rs. 10,000-50 percent.

(iv) Rs. 10,000 and above- 100 percent.

(b) Audit of Financial and administrative accounts:

(1) Cash Accounts of contribution etc., i.e., their receipts, investments and refunds and accounts of securities-four months' accounts selected at random with a general review of the rest of accounts as a whole.

(2) Accounts of Administrative expenses (including cash book)- One months' accounts in full with a general scrutiny of the years' accounts as a whole.

(3) Audit of vouchers relating to Pay, T.A. and contingencies-10 percent.

(Comptroller and Auditor General's letter No. 4222-TA.I/13-66 KW (i) dated 28.12.1967).

18.03 Account records

(i) The following are the more important records and registers maintained in the Regional Office:

(a) Cash Books (Account Nos. 1 to 3)

(b) Imprest Cash Accounts.

(c) Contribution Register.

(d) Penal Interest Register.

(e) Register of nominations.

(f) Ledger Accounts of P.F. Scheme.

(g) Register of Assigned Insurance Policy.

(h) Stock Register of Printed forms, stationery accounting machines, library books etc.

(i) Register of exempted factories.

(ii) The following are the more important forms relating to the fund accounts:

Form 1 Application for admission.

Form 2 Declaration and Nomination Form.

Form 3 Contribution card for monthly paid employees.

Form 4 Contribution Card for employees other than monthly paid employees.

Form 5 Return of employees qualifying for membership of the Employees' Provident Fund for the first time.

Form 6 Return of contribution cards sent to the Commissioner.

Form 8 Change of nomination.

Form 9 Return of employees who are required or entitled to become members of the Fund at the commencement of the scheme.

Form 10 Return of members leaving service.

Form 11 Half yearly consolidated list of members of the Fund on the 31st March/30th sept.

Form 12 Statement of contributions for the month.

Form 13 Application form for transfer of account.

Form 14 Application Form for withdrawal from the fund for financing Life Insurance Policy.

Form 15 Form of assignment of policies.

Form of Reassignment of policies.

Form 18 Request for deduction from the account of a member dismissed for serious and willful misconduct.

Form 19 Withdrawal of accumulations.

Form 20 Withdrawal of accumulations after the death of a member by nominee.

Form 21 Subscriber's Ledger Account Card.

Form 22 Subscriber's Annual Statement of Account.

Form 23 Proof Sheet.

Form 24 Balance compilation sheet of subscriber's annual statement of accounts.

Other accounts records and registers maintained are specified in the Accounting Instructions of the Employees Provident Fund Scheme.

18.04 Process of Audit

Audit of Individual Fund Accounts with connected and subsidiary documents – (i) Ledger Accounts (Form 21)- It should be seen that :

(a) there is a ledger card for each member listed in Form 12;

- (b) the names and accounts numbers given in the ledger cards agree with those given in Form 12;
- (c) there are no missing cards;
- (d) the entries in the cards have been properly made with reference to Form No. 9;
- (e) the amount transferred from the Provident Fund of the factory of which the employee was already a member is correct and cash receipts exist in support of such transfer and are traceable in the Cash Book;
- (f) the monthly subscription as intimated in form 12 are correctly noted;
- (g) the closing balance of the previous year has been correctly brought forward as opening balance for the current year;
- (h) the final withdrawals and withdrawals for payment of insurance premia have been correctly posted in the ledger cards.
- (i) the interest allowed and the totals worked out are correct;
- (j) the progressive total shown in the ledger card agrees with Form 24 (Annual statement of Account);
- (k) cards exist in respect of new names; and
- (l) the cards have been closed where final payments have been made.

NOTE: Audit is confined only to the accounts maintained in the regional offices. Check by Audit of the correctness of the returns submitted by the employers with reference to the records maintained in the factories is not necessary.

(C.A.G's letter No. 251-Admn. II/88-53 Pt. II dated 13th February 1956)

(ii) List of employees required or entitled to become members of the fund at the commencement of the Scheme (Form 9)- Every employer is required to sent a consolidated return in Form 9 of the employees required or entitled to become members of the Fund at the commencement of the scheme.

In checking these returns, it should be seen that:

- (a) the form has been signed by the employer;
- (b) the code numbers of State and Factory have been correctly entered;

- (c) the numbers noted in column 2 (Account No.) are in one consecutive series running from 1 onwards and there is no missing or overlapping number;
 - (d) the age given in column 5 is provided by the particulars regarding date of birth shown in Form 2;
 - (e) all the subscribers shown in the form are entitled to join the Fund in accordance with the provisions of the scheme;
 - (f) the names of all individuals shown in the statement of part accumulations' sent by the employers with reference to para 20 of the scheme have been included;
 - (g) the entries in columns 9 and 10 have been made properly;
 - (h) the total of columns 7 and 8 has been correctly noted in column 9;
 - (i) 10 percent of the entries have been test checked by the Superintendent; and
 - (j) additions for fresh admissions and deletions for cessations of membership are supported by entries in Form 5 and 10 respectively and Form 9 is kept up-to-date.
- (iii) List of Fresh Admissions (Form 5)- A list of additions due to fresh admissions of employees qualifying to become members of the Fund for the first time during the preceding month together with nomination forms, is required to be sent by the employer within fifteen days of the close of the month in Form 5.

These forms should be checked to see that:

- (a) the name and address of the factory have been noted;
 - (b) all the columns have been properly filled in;
 - (c) the form has been signed by the employer and dated; and
 - (d) the total of columns 5 and 6 has been correctly noted in column 9.
- (iv) Statement of Members Leaving Service (Form 10)- A list of deletions or cessations from membership in respect of employees leaving service of the employer during the preceding month is required to be sent to the Commissioner in Form 10.

These statements should be checked to see that:

- (a) they have been signed by the employers;

(b) a suitable entry of cessation of membership has been made in the General Index against the names of the subscribers and also in the alphabetical index and the ledger cards concerned, and

(c) in the column 'reason of leaving service', reasons as indicated in the foot note of form 10 have been furnished.

(v) Statement of contributions (Form 12)- The employer is required to send on or before the 25th of the succeeding month a consolidated statement in Form 12 for each month showing recoveries made from the wages of the employees and the amount contributed by him in respect of each such employee. In checking these statements, it should be seen that:

(a) account numbers have been quoted against the names of subscribers in column 2 and they are correct;

(b) the amount shown in column 7 against each member has been correctly calculated in the nearest quarter of a rupee with reference to total wages shown in column 6, and identical amounts have been shown in column 8;

(c) the total columns 7,8 and 10 each for the factory as a whole has been correctly shown in the last page;

(d) where a member whose pay exceeds Rs 500 per month contributes more than Rs. 500 of his pay per month, he has been allowed to do so on the joint request in writing of the subscriber and of his employer;

(e) all refunds due have been correctly realized as verified from the demand register;

(f) the total of columns 7 and 10 for the factory as a whole agree with the amount credited by the employer to Account No. 1 as per triplicate receipted challan;

(g) the amount of administrative charges credited by the employer to Account No. 2 as per challan correctly represents 3 per cent (or such other rate as may be fixed by the Government of India from time to time) of the aggregate amount of contributions as per columns 7 and 8;

(h) the statements bear evidence of the check exercised by the Supdt. and Accounts Officer.

NOTE: The percentages fixed are 20 percent and 20 percent of the entries for the Supdt. and Accounts Officer respectively.

(i) the encasement noted below have been furnished in the statements:

“Amount of contribution verified.....

Totals of columns 7 and 8 checked

Dues agreed with amount as per challan

Posted in the ledger Account Card and summary sheet; and “

(j) the statements have been signed by the employer.

(vi) Transfer application (Form 13)- A subscriber, who moves to a new State on transfer or is transferred from one factory to another within the State, has to send an application in Form 13 for transfer of his account.

It should be seen that :

(a) Life insurance policies of the subscribers that stand assigned to the Board of Trustees of the old State have been re-assigned to the Board of trustees of the State to which the subscriber has moved; and

(b) the total of the credits shown against the individuals joining the fund agrees with the amount transferred to the fund.

(vii) Subscribers’ Annual Statement of Accounts (Form 23)- The account number of the subscriber, the opening balance, contributions, refund interest, withdrawals and closing balance as shown in the abstract portion of the ledger card are noted in Form 23 sent to the subscriber through the employer for verification of the correctness of the accumulations standing to the credit of the subscriber.

It should be seen that:

(a) objections received from the subscribers have been dealt with promptly; and

(b) discrepancies in accounts have been rectified after verification of facts reported by the subscribers.

(viii) Deductions from the account of members dismissed for serious and willful misconduct (Form 18)- If a member is dismissed by an employer for serious and willful misconduct, the employer may send intimation thereof in form 18. The Board and the Commissions have powers to forfeit the employer’s contribution upon a maximum of the employers’ contribution in the last two complete periods of currency of the contribution cards and in the period of currency of the current contribution card.

In checking these statements, it should be seen that:

- (a) the form has been correctly filled in;
 - (b) it has been signed by the employer;
 - (c) it is supported by the relevant certificate where necessary, according to the instructions given in the form; and
 - (d) forfeiture is effected in accordance with para 71 of the scheme.
- (ix) Employer's Contribution and Interest- The correctness of the calculations of the employers contribution and interest in the previous years in all the cards examined should be checked.
- (x) Withdrawals for financing life Insurance Policies- It should be seen that :
- (a) the amount withdrawn has not exceeded the total contribution of the member up to the date of drawal;
 - (b) the withdrawal is not in excess of the amount required to pay a premium and does not exceed the amount of subscription for 6 months;
 - (c) the withdrawals are not made more than once in 6 months;
 - (d) in the case of withdrawal for the first time, the policy has been assigned to the Board within six months;
 - (e) the recovery is affected with interest, at the rate provided in para 60 of the Scheme, from the emoluments of the member and credited to the Fund in accordance with paras 66 and 67 of the scheme;
 - (f) the premium receipt is delivered by the payee within six months of receiving the advance;
 - (g) the assigned policies have been kept in safe custody;
 - (h) the existence of policies in respect of all amounts financed from the fund has been periodically verified by the Accounts Officer; and
 - (i) a proper stock account of insurance policies is maintained and the policies are physically verified.
- (xi) Declarations and Nomination (Form 2)- Each member shall send a declaration in Form 2, conferring on a member or members of his family the right to receive the amount that may stand

to his credit in the Fund in the event of his death before the amount standing to his credit has become payable or having become payable has not been paid.

In checking the nominations, it should be seen that:

- (a) all columns in the form have been correctly filled in;
- (b) each form bears the code number of the State Factory no. and the number of the subscriber;
- (c) particulars relating to name, sex, age and father's name (or husband's name in the case of married woman) noted in Form 2 agree with those given in Form 9;
- (d) In the case of married employees, nomination has not been made in favour of any one outside the family as defined in para 2 (g) of the scheme in the case of a subscriber who has no family as defined in para 2 (g) of the scheme at the time of making the nomination, a 'no family' certificate in the form furnished below has been obtained from the member on the nomination form or separately.

CERTIFICATE

“Certified that I have no family as defined in the para 2 (g) of the Employees' Provident Fund Scheme, 1952 on this date and that should I here after acquire a family the nomination made hereby will stand automatically cancelled under para 61 (4) of the Scheme.”

- (e) each nomination has been duly signed and dated by the subscriber as well as by the Manager or other authorized agent of the factory and the dates agree;
 - (f) any modification in the nomination is supported by a declaration in Form 8 and has been approved by the Accounts Officer;
 - (g) each nomination has been accepted by the Accounts Officer of the Fund and bears evidence to that effect; and
 - (h) 25 percent of the nominations have been test-checked by the superintendent and the nomination bear evidence of such check.
- (xii) Modifications in Nominations (Form 8)- A nomination may, at any time, be modified by a member after giving a written notice of his intention for doing so in Form 8. It should be seen that in form 8 that:

- (a) the five columns have been properly filled in;

- (b) it has been signed by the employee and the employer and dated; and
 - (c) the revised nominations have been accepted by the Accounts Office.
- (xiii) Final payment cases- The accumulations in the fund are finally paid to the subscriber or the nominee after receipt of application in form 19 or form 20, as the case may be, in accordance with the provisions of paras 69 to 72 of the Scheme. All final payment cases should be checked to see that:
- (a) in the case of payments made after receipt of form 19, the checks indicated for Form 19 vide sub-para (xiv) below, have been applied;
 - (b) in regard to payment made after receipt of Form 20, the checks indicated for Form 20, vide sub-para (xv) below have been applied;
 - (c) the postings regarding contributions in the ledger card have been brought up to date and compared and found to agree with the postings in Form 3 and 4 maintained by the employer.
 - (d) the postings and calculation of interest from the month of the subscriber' joining the fund are correct and interest for each year has been calculated on the opening balance for the year.
 - (e) in respect of cases in which the amounts have become payable, interest for the current period of account has been calculated from the beginning of the current period upto the end of the month preceding the date of tender of payment or upto the end of the sixth month from that in which the amount has become payable whichever is earlier, and in all other cases, interest has been allowed up to the end of the month preceding the date of final payment and added to the account.
 - (f) interest so calculated and added has been rounded off to the nearest quarter rupee;
 - (g) the amount has been authorized by the Accounts Officer and paid by the Regional Commissioner and agrees with the amount in the card.
 - (h) forfeiture has been effected, wherever necessary in accordance with paras 69 (3) and 71 of the scheme;
 - (i) demands noted in the Demand Register have been refunded to the Fund by the subscriber.
 - (j) the money order commission is borne by the fund with effect from 1st April 1955;
 - (k) all remittances by money order have been entered serially in Appendix 'M' (Money Order Register).

(l) the postal acknowledgements have been posted against the items concerned in Appendix 'M' (Money Order Register).

(m) in the case of undelivered money orders necessary entries have been made in the Money Order Register and the amounts have been brought to account in the Cash Book of Account No. 3.

(xiv) Application for withdrawal of Accumulation in the Fund after death of a subscriber (Form 20)- On the receipt the amount which becomes payable should send an application to the Commissioner in Form 19 requesting payment. The amount can be sent at the option of the person either (a) by postal money order, or (b) by deposit in the payees postal savings Bank account, if any.

In checking these forms, it should be seen that:

(a) the forms have been correctly filled in and signed by the subscriber and the employer; and

(b) they are supported by the relevant certificate where necessary according to the instructions given in the form.

(xv) Application for withdrawal of Accumulation in the Fund after death of subscriber (Form 20)- On the receipt a report of death of a subscriber, the account is closed and notice is given in writing to person to whom the amount is payable, specifying the amount and the tendering the payment thereof. The person will then claim payment in Form 20.

In checking these applications, it should be seen that:

(a) they have been correctly filled in;

(b) each application has been signed by the nominee and;

(c) each application is supported by the relevant certificates, where necessary, according to the instructions given in the form.

(xiv) Transfer of accumulations of Employees Provident Funds- It should be seen that:

(a) there is a statement duly signed by the Trustees of the Provident Funds, showing the amount to be transferred to the Employees Provident Fund and details of the amount due in respect of each member of the fund;

(b) the notional interest credited to the members accounts has been correctly worked out;

(c) the amounts of securities and cash transferred by the Trustees agree with the total amounts as per the statement and the securities have been valued on the basis of their purchase price for this purpose.

(d) all the securities transferred by the Trustees have been entered in the Register of valuables and have been forwarded to the Central Provident Fund Commissioner and his acknowledgement obtained.

(e) all cash transfers are traceable in the cash book and;

(f) interest amounts due to other Employees Provident Fund but realized by the Trustees have also been remitted by the Trustees to employees provident Fund.

(xvii) Register of Exempted Factories- It should be seen that:

(a) all items have been carried forward from the previous years' register;

(b) exemptions granted during the year have been entered in the register;

(c) the inspection charges at $\frac{3}{4}$ percent on the contributions have been correctly worked out in Form C and the amounts shown in Form C have been collected from all the exempted factories.

(d) damages have been collected in all cases of belated remittances unless waived by Government and;

(e) the moneys of the Provident Funds of the exempted factories have been shown in the Annual Returns rendered by the Trustees and invested in approved securities.

(xviii) Audit Financial and Administrative Accounts- Cash accounts of contributions etc- The accounts should be checked fully with reference to the initial records, challans and receipts, it should be seen that:-

(a) all money transactions are entered in the Cash Book as soon as they occur and are arrested by the Officer operating on the account with his dated initials.

(b) remittances of fund moneys into the Bank are supported by receipted challans and such transactions are correctly posted in the Cash Book concerned under the appropriate column.

(c) all erasures and over-writings made in Cash Book are duly authenticated by the Officer operating on the account under his dated initials;

(d) all payments entered in the Cash Book are supported by proper vouchers and the particulars of cheques noted in regard to transactions relating to Account numbers 2 and 3 agrees with those of the counterfoils of the cheques concerned;

(e) the officer operating on the account has certified the totaling of the Cash Book or has got this done by a responsible subordinate other than the writer of the Cash Book and initialed it as correct: and;

(f) at the end of each month, the officer operating on the account has closed the Cash Book and reconciled the Cash balances with the Bank balances as per the Ledger folio extracts rendered by the Local Head office of the State Bank of India, Monthly to Regional Provident Fund Commissioner.

(xix) Cash accounts of administrative expenses- Besides as general scrutiny of the accounts for the year as a whole, the entries for one selected month should be checked with the corresponding bills and vouchers. It should be seen that all entries are supported by proper vouchers, that the totals are correct and that there are no erasures, over-writings or unattested corrections.

(xx) Vouchers relating to pay, T.A. and contingencies- Ten percent of the transactions under these items should be checked. Apart from the usual treasury checks, it should be seen that the claims are covered by proper sanctions and the rates at which they have been claimed are correct. The T.A. Bills should be checked with the Tour Journeys.

18.05 Pension-cum-Gratuity Scheme

Pension-cum-gratuity scheme has been introduced, in the E.P.F organization from 1.4.60. The P.P.Os which are the basis of future payments should be checked 50 % in audit along with the gratuity claims besides general review of the maintenance of records and accounting procedure. The subsequent monthly pension payments may be checked with reference to P.P.Os to the extent laid down in the Secret memo.

(C.A.G's letter No. 1098-TA.I/34-72 dated 5.12.75).

18.06 Additional Emoluments (Compulsory Deposits) Scheme

It has been extended to E.P.F. Organisation and factory workers. Regional Provident Fund Commissioner is the nominated authority for implementation of the Scheme in respect of factory workers. The checks to be exercised in the audit of accounts of the transactions are laid down in Chapter 4.

18.07 Audit Report and Audit Fees

The Audit Report and the Audit note should be sent to the Regional Provident Fund Commissioner, Indore, the Accountant General, Central Revenues, New Delhi and the Central Provident Fund Commissioner, New Delhi.

The audit fee is recoverable from the R.P. Fund and the amount due should be intimated to the organization, when forwarding the Audit Report with a request to remit the fee under the head of Account “065-Government Administrative Services-C-Other Administrative Services-Fees for Government Audit”.

(C.A.G’s circular letter no. 13-TA I/28-73 dated 9.1.1975).

CHAPTER 19

AUDIT OF PUBLIC SECTOR BANKS INCLUDING STATE BANK OF INDIA AND ITS SUBSIDIARIES

19.01 Introductory

(a) The Public Sector Banks including State Bank of India and its subsidiaries deal on behalf of the Reserve Bank of India with the following transactions in relation to the Central/State Government, autonomous bodies etc.:

- (i) Transactions connected with Government business including that of D.D.Os/P.A.Os.
- (ii) Disbursement of Pensions to retired Central/State Government, Defence and Railway employees.
- (iii) Receipt of Indirect and Direct Taxes.
- (iv) Transactions relating to Public Provident Fund Scheme.
- (v) Transactions relating to National Defence Fund.
- (vi) Transactions relating to Special Deposit Scheme.

(b) The local audit will be conducted by a Local Audit Party headed by a Assistant Audit Officer who, for the purpose of identification should take with him his specimen signature duly attested by the Sr. Deputy Accountant General/Deputy Accountant General (concerned wing) and countersigned by the Agent of Raipur Branch of the State Bank of India so that he is allowed access to the records of the Bank.

NOTE : The OAD section will keep the letter of introduction ready and hand over before the date of commencement of audit.

19.02 The salient features of the individual transactions in the Public Sector Banks including the State Bank of India and its subsidiaries and the scope and extent of Audit thereof are contained in the subsequent paragraphs of this chapter.

19.03 Transactions connected with Government Business including D.D.Os/P.A.Os.

The Comptroller and Auditor General of India has laid down the following procedure for the audit of the transactions of Public Sector Banks including State Bank of India and its

subsidiaries handling receipts and payments on behalf of various Ministries, Departments under the scheme for departmentalization of Union Ministries accounts:-

(i) The Banks will no doubt be audited by their own auditors who are expected to cover also the transactions on Government account. The scheme does not provide for an internal audit by the organization of the Controller General of Civil Accounts, who has also informed that no decision has been taken in this matter so far. The scope of our scrutiny should, therefore, take into account these factors.

(ii) Since the branches of the Public Sector Banks are discharging more or less the treasury functions the inspection should be on the lines of Treasury inspection in accordance with the general principles contained in Section VI B of M.S.O (T) Vol. I and Section V-C of the Comptroller and Auditor General's Secret Memorandum of Instructions regarding the extent of Audit.

(iii) All Public Sector Banks conducting Government business should be inspected annually by the Civil Inspection Parties. The primary object of inspection by the Audit Department is to assist the Banks/Government in establishing a system of sound working strictly in accordance with the prescribed rules. It is thus intended to supplement and not to replace the auditing or inspecting arrangements already in existence in these Banks. The audit inspection can do no more than to check generally that the rules prescribed by the Government are observed, apart from any other special enquiries which the Government may desire to be made.

(iv) It will, thus, be ensured during local audit that :

(a) the procedure observed by the Public Sector Banks transacting Government business meets all requirements of audit and that the accounts are properly maintained;

(b) the scrolls and challans are being dispatched in time and credits are being afforded to the concerned Ministry, Department or office of Government without delays;

(c) the specimen signatures of all drawing officers are properly recorded and are referred to by the Bank officials before they make the payments;

(d) the procedure for dealing with cheques, the encashment of which is subject to the limitation of assignments, letters of credit, etc. should be examined to ensure that the rules are compiled with.

(C.A.G's Circular letter No. 34-9-TA.I/222-78 dated 22.4.79).

19.04 Disbursement of Pensions through Public Sector Banks

The Government of India have introduced a scheme for payment of Pensions to Central Government Civil Pensioners by Public Sector Banks vide Ministry of Finance O.M. No. 10 (23)- B (TR) 76 dated 11.6.76. This scheme has also been adopted in the State of Madhya Pradesh with effect from August 1977 vide MPFD Memo No. E/4/28/ नि – 5/चार dated 14/6/1977).

19.05 Scope and Extent of Audit

The Accounts, records and Registers maintained in the Branches of the Public Sector Banks making pension payments in respect of Civil (Central and State) Defence and Railway pensions should be checked by the same Local Audit Party according to the prescribed periodicity. The records etc. of the link branches relating to the claim for reimbursement from the Reserve Bank of India may, however, be checked once in a year with a detailed test audit of scrolls to the extent prescribed. During audit the following checks will be exercised by Local Audit Parties as prescribed in Note (2) below para 64 of Secret Memo of instructions. It should be ensured that the provisions of the scheme are strictly followed by the Public Sector Banks. This will inter alia include that :

- (a) Income tax is deducted at source wherever required and certificate of tax deduction is issued in April each year.
- (b) Payment is made only upto the date of death of the Pensioner and any overpayment made has been recovered and refunded to Government.
- (c) Payment of life time arrears of pension has been made only to the heir of the Pensioner.
- (d) When a pension ceases to be payable, the P.P.O is refunded by the paying branch to the Treasury Officer through the link branch, after making necessary entries in the P.P.O. as well as in the records of the bank.

2. In addition to the above checks with reference to the provisions of the scheme, the following checks may also, inter alia be applied:

- (a) No amendment or change is made in the P.P.O by the bank itself.
- (b) The correct amount of pension has been credited to the Pensioner's account on the basis of the P.P.O issued by the A.G. and received through the treasury under proper authorization.

(c) The amount claimed by the link branch of the Public Sector Bank from government on account of Pension payments agrees with the total amount credited to the account of Pensioners.

(CAG's letter No. 2795-TA.II/186-76 dated 24.12.76, 2604-TA.II/242-76 dated 4.11.78 and 252-TA.II/34-78, dated 3.3.80, 1453-TA.II/93-80, 26-11-80 and O.O. No. OAD (M) AG.I/Gr. IV-196/810 dated 16.2.80).

19.06 Receipt of Indirect Taxes at the Branches of the State Bank of India, its subsidiaries and other Banks in the Public Sector.

With effect from 1.4.77 the Government of India introduced a scheme for receipt of Central Excise and other indirect taxes by nominated Public Sector Banks in addition to the Reserve Bank of India/State Bank of India. A Memorandum of Instructions issued by the Reserve Bank of India in this regard was received under HQs' circular letter No. 2588-TA.II/194-78 dated 27.12.1978. The State Bank of India, Central Bank of India and the Bank of India have been nominated for collection of Central Excise Customs and other dues and payment of Refunds etc. in Madhya Pradesh. As per para 40 of the Reserve Bank of India's Memorandum of Instructions the records of the Link Branch of the Public Sector Banks will be subjected to scrutiny by the Officers of the Central Board of Excise and Customs and the C.A.G. of India. A complete list showing the names of the Central Excise units and the connected link Branches of the Public Sector Banks in Madhya Pradesh was supplied by the Collectorate, Central Excise Indore in their circular letter No. C. No. III (20)9/77/Rev I dated 21.2.1978.

19.07 Extent and Scope of Audit

The following procedure may be followed for the audit of these transactions in the Link Branch of the Public Sector Banks.

(i) The Revenues Audit Parties which audit the central excise and customs receipts and refunds in the central Excise Collectorates etc. will continue to conduct the Test check of collection of revenues and classifications of taxes etc. in accordance with the instructions issued from time to time. The L.A.P will conduct a test check records maintained by the designated main branches of the banks mentioned in para 40 of the Memorandum of the Instructions issued by the Reserve Bank of India to ensure that the indirect taxes received by the banks have, according to the scrolls maintained in the designated main branches, been actually remitted to Reserve Bank for credit to Government of India account. It has not been found necessary to subject to audit the records of the receiving branches of the banks, but if any suspicion arises in

any particular case, the credits may be traced in the records by a reference to R.B.I/S.B of India concerned.

(ii) Transactions for each month to the extent prescribed of the transactions for each month may be checked during test audit of the designated branch of the Public Sector Banks.

(C.A.G's circular letter No. 2588-TA.II/194-78 dated 27.12.78).

19.08 Receipt of Income Tax and other Direct Taxes at the branches of the State Bank of India, its subsidiaries and other Banks in the Public Sector.

With effect from 1.4.1976 the Government of India introduced a scheme for receipt of income tax and other taxes by nominated public sector Banks in addition to the Reserve Bank of India/State Bank of India. The scheme was initially introduced with effect from 1.4.76 in the eight metropolitan cities, which was extended to 66 other cities including the cities of Bhopal, Raipur, Indore and Jabalpur in Madhya Pradesh w.e.f. 15.11.76 and to the remaining cities w.e.f. 1.4.77. The scheme would be available for study and reference in the Banks subjected to audit by the L.A.Ps.

19.09 Extent and Scope of Audit

The audit procedure applicable to the receipts of Indirect Taxes as mentioned in para 19.06 would be followed for the audit of these transactions also in the link branch of the Public Sector Banks.

(CAG's Circular letter No. 2039-TA/73-76 dated 4.1.1978).

19.10 Public Provident Fund Scheme

Audit will be conducted with reference to general rules prescribed for the audit of General Provident Fund Transactions in M.S.O. (T) Vol. I. During Local Audit, in addition to the check of relevant records right from the application for admission to the fund till the stage of final refund of the amount maintained in the branches of the State Bank of India, the individual transactions should be test checked with reference to the statements already received in the audit offices. This check should be conducted to the extent prescribed of the number of accounts in each branch. Local audit will be specifically directed to verification of :

(i) the correctness of the amount of interest allowed with reference to the rate prescribed for the purpose; and

(ii) the signature of the officer of the Bank who authorized the payment.

(C.A.G's No. 2015-TA.I/325-68 dated 10.11.1970).

19.11 National Defence Fund

The receipts of the Fund at the State Head Quarters will be collected through the following agencies:

- (a) Branches of the State Bank or its subsidiaries conducting Government business.
- (b) Specified commercial banks and their branches and branches of the State Bank and its subsidiaries not conducting Government business.
- (c) Cooperative Banks.
- (d) Reserve Bank of India or State Bank of India, as the case may be, at the State Bank Head Quarters. (Designate Office)
- (e) Post Offices.
- (f) The local Accountants General, Pay and Accounts Officer, Railway, Post and Telegraphs, Defence Accounts Offices and Civil Accounts Offices where Pre-audit system prevails, in respect of deduction from pay bills etc.

19.12 Branches of the State Bank or its subsidiaries conducting Government business

The transactions relating to the National Defence Fund in these banks will be subjected to local audit at the time when audit of these institutions is undertaken in connection with the work done by them on behalf of the State Government as Agent of the Reserve Bank. The accounts of the National Defence Fund will, however, be locally audited annually.

At least 5 % of the branches of the State Bank of India in the State should be subjected to local audit in connection with the transactions of the National Defence Fund. If the number of branches conducting Government business subjected to local audit in normal course in a year falls short of 5 % of the branches of the State Bank in the State, additional branches of the bank should be selected to bring up the number to 5 %.

The quantum of check should be 12 percent of each month's entries. It has been ascertained that these banks maintain a separate receipt scroll in which the collections on this account are entered daily (by individuals paying the amount to the bank). The totals of collections made are struck every day in this scroll and taken to the ledger folio of the collections

account and the total of the collections made every week as reflected in the Collections Accounts is remitted to the Reserve Bank of India or the State Bank of India at the Head Quarters (Designated Office) as the case may be, for credit to “National Defence Fund” (..... State) Account ‘A’.

It has also been ascertained that the receipts given to the payers are being filed separately and form the vouchers in support of the entries in the scroll. During local audit, the audit parties should go through the daily scroll forms for each month exercise check to the prescribed extent for detailed check with the receipts given to the donors filed separately by the Bank authorities. One month’s entries in a year should also be selected for tracing from the daily scroll into the ledger folio of the Collections Accounts. Besides the above detailed checks, a general review of the records should also be made. The weekly remittances to the Head Quarters Office of the Bank as shown in the ledger folio should be checked with the acknowledgement given by the Head Quarters Bank, which are reported to be kept in separate files by the Branches.

(CAG’s letter No. 355 Tech-Admn/688/dated 21.2.1969).

19.13 National Defence Fund Accounts- Preservation of Records

In accordance with the Government of India, Ministry of Finance O.M. No. F. 14 (57)-B/75 dated 7.5.76, addressed to all State Governments read with the Reserve Bank of India circular letter No. 847/69-77/78 dated 26.9.77, the counterfoils of the used receipt Books are to be preserved for a period of three years or one year after the completion of audit, whichever is later. The counterfoils of the receipt books on which some objection has been raised by audit have to be preserved for one year after the objection is settled to the satisfaction of Audit Department.

The unused money receipt books, where there is no reasonable chance of their being used, should be cancelled by stamping the word “cancelled” prominently across each receipt from the counterfoils without signature of the authorized officer and thereafter returned to the authority who had originally issued these receipt books, who shall destroy them after keeping a note of the fact in the relevant records under proper attestation.

(CAG’s letter No. 1880-TA.II/168-72-II dated 7.11.77)

19.14 Special Deposit Scheme for the benefit of non-Government Provident Fund, Superannuation and Gratuity Fund

The Government of India have introduced with effect from 1.7.1975, a special Deposit Scheme for the benefit of non-Government Provident, Superannuation and Gratuity funds in the State Bank of India and other Nationalised banks vide Ministry of Finance (Department of Economic Affairs) Notification No. F. 16 (1)-PD/75 dated 30.6.75.

19.15 Scope and Extent of Audit

It should be ensured during local audit that:

- (i) The repayment/refund of deposit does not exceed the original credit.
- (ii) The repayment/refund has been made in accordance with the provisions of the scheme.
- (iii) Where refund of deposit is made before the due date, it has been made under the circumstances mentioned in clause 9 of the Notification dated 30.6.75.
- (iv) The amount of deposit has been refunded in five equal annual installments vide clause 11 of the said Notification, after it has become due for repayment on termination of the scheme.
- (v) The payment of interest on the Deposit, which would be a charge on the consolidated fund of India, has been correctly worked out with reference to the rate of interest prescribed under the scheme. Calculation of interest should be checked in respect of 10 percent of the total number of accounts maintained in a receiving office.
- (vi) General review of the records maintained in this connection in the Bank is conducted.
- (vii) Each item of deposit received should be verified with reference to the entry in the ledger maintained by the Deposit office and the receipt issued to the Depositor in form 'B'.

(O.O No. OAD (M)/A.G.I/II/123-A/31 dated 10.2.1978).

In case the receipt in Form B is not available in the Bank (as a result of Departmentalisation of accounts w.e.f October 1976) the entries in the ledger may be verified with reference to the third copy of the scroll acknowledged by the Office of the Bank conducting Government business.

(CAG's endt. No. 384-TA/1/9-81 dated 30.8.81).

19.16 Result of Audit-Forwarding of Inspection Reports

After completion of audit an Inspection Report will be prepared separately for each category of transactions in the Public Sector Bank inspected and sent to the Headquarter section after having discussed the same with the head of the Public Sector Bank.

After editing at the Head Quarters a copy of the Inspection Report will be issued to the Public Sector Bank inspected, with a copy to the Head Office/Link Office of the Branch inspected. In cases where a Bank is having transactions with the Department/Offices of various Ministries, instead of sending a copy of the report to the Administrative Ministry, a copy may be sent to the Ministry of Finance (Banking Division) in terms of instructions contained in para 803 of the C.A.G's M.S.O (T) Vol. I. Half yearly lists of outstanding paras of the Inspection Reports may also be furnished to the Ministry of Finance as per instructions issued from time to time.

Separate Inspection Reports will be prepared for the following categories of transactions and sent to the concerned authorities mentioned below:

I- Pensions

- (i) Central Civil Pensioner- Controller General of Civil Accounts New Delhi.
- (ii) Defence Pensioner- Controller of Defence Accounts (Pensions), Meerut.
- (iii) Railway Pensioner- Deputy Director Finance (Accounts) Ministry of Railways, Railway Boar, New Delhi.

(O.O No. OAD (M)/Gr. II/138/12 dated 11.12.80 based on CAG's letter No. 590-TA II/93-80 dated 22.5.80 and 1470-TA.II/93-80 dated 15.11.80).

II- Public Provident Fund Accounts and Special Deposit Schemes

Separate reports for each category of transactions will be prepared and sent to the Controller of Accounts, Ministry of Finance, New Delhi in addition to copies being sent to concerned branch of the Bank.

III- Reconciliation with Public Sector Bank/R.B.I.

Concerned Controller of Accounts and Pay and Accounts Officers with a copy to the Reserve Bank Deposit Group of Controller General of Accounts.

IV- Receipts relating to Income Tax and other Direct Taxes

Chief Controller of Accounts, Central Board of Direct Taxes, New Delhi.

V- Receipts relating to Central Excise and other Indirect Taxes

Chief Controller of Accounts Central Board of Excise and Customs, New Delhi

(O.O No. OAD (M)/Gr. II/138, 138-A/OO/14 dated 1.4.1981 based on CAG's No. 210-TA.I/235-79 dated 27.2.1981 and 233-TA.II/27-81 dated 23.2.1981).

19.17 Certificate to be furnished by L.A.Ps

The L.A.P conducting audit of the Bank will furnish certificates in forms I and II given below and append the same to the draft Inspection Report.

FORM I

“Certified that there were no transactions during the period from to in Bank relating to the following categories:

- (a) Government business including D.D.Os./P.A.Os.
- (b) Payment of pensions (State/Central)/Defence Railways).
- (c) Direct/Indirect Taxes.
- (d) Public Provident Funds.
- (e) National Defence Funds.
- (f) Compulsory Deposit Schemes.
- (g) Special Deposit Schemes.

Asstt. Audit Officer

FORM II

“Certified that the transactions under the following schemes etc. for the period from to Occurring at the Bank were checked to the prescribed extent and no discrepancy noticed/discrepancies noticed commented in the Inspection Report.

- (a) Government business including D.D.Os/P.A.Os.
- (b) Payment of Pensions (State/Central/Defence/Railways).
- (c) Direct/Indirect Taxes.
- (d) Public Provident Funds.
- (e) National Defence Fund.
- (f) Compulsory Deposit Schemes.

(g) Special Deposit Schemes.

Asstt. Audit Officer”

Note : Delete what is inapplicable.

A.A.O./Manual

A.O./O.A.D. (M)

Sr. D.A.G. (I-C)

CHAPTER 20

AUDIT OF PAY AND ACCOUNTS OFFICERS AND DRAWING AND DISBURSING OFFICERS UNDER THE DEPARTMENTALISATION OF ACCOUNTS OF THE MINISTRIES AND DEPARTMENTS OF THE GOVERNMENT OF INDIA

20.01 Introductory

As per Government of India, Ministry of Finance, Department of Economic Affairs, order No. F. 1 (15)-B/(A/cs)/76, dated 8.9.76, the Comptroller and Auditor General of India has been relieved, with effect from 1.10.1976, from the responsibility of compiling the accounts of the Ministries and Departments of the Government of India with certain exceptions viz.

Accounts of Pensions, Indian Audit and Accounts Department, Union Territories, Pensions to Freedom Fighters.

Consequently the Government of India have introduced a scheme for the decentralization and departmentalization of the accounts of individual Ministries transferring the responsibility for the maintenance of accounts at all stages from the Accountants General to the integrated Financial Advisor of the Ministries. Detailed instructions on the subject are contained in the “Hand Book of Accounting Instructions under the Departmentalised System of Accounting” issued by the Ministry of Finance. Supplementary instructions have also been issued by the individual ministries. The Reserve Bank of India has also issued a memorandum of Instructions to the Public Sector Banks (including S.B.I) outlining the banking and accounting arrangements in this regard as circulated in the Ministry of Finance, Department of Expenditure (Special Cell) No. F.2(27)/76-SC-Pt/1122 dated 22.7.1976. The Inspecting Officers and the Local Audit Parties auditing the Accounts of P.A.Os/D.D.Os should study all these instructions thoroughly before commencing audit.

20.02 Audit Jurisdiction

The audit of Central Government offices and P.A.Os/D.D.Os with cheque drawing powers located within the state of Chhattisgarh is to be conducted by the office of the Accountant General Chhattisgarh except in the following cases:

- (i) Where the Comptroller and Auditor General has specifically nominated another audit officer for this purpose.

(ii) In the case of Ministries/Departments whose audit was centralized with one Accountant General prior to departmentalization of accounts, the local audit of the units of such Ministries/Departments and also their P.A.Os/D.D.Os (with cheque drawing powers) will continue to be done by the same Accountant General, even if the unit is located within the audit jurisdiction of this office.

(iii) The audit of P.A.Os (Audit) set up under the scheme of departmentalization of accounts of I.A. & A.D. in respect of which their audit Officers have been specifically nominated.

(C.A.G's Office D.O letter No. 642-TA.I/75-76-IV dated 25.7.77 addressed to A.G.M.P. read with CAG's Circular letter No. 532-TA.I-75/76 (KW-VI) dated 7.7.77).

20.03 The local audit of the accounts of the Enforcement Directorate (Department of Personnel and Administrative Reforms) will be done by the O.A.D Social/General Sector Parties and a gist of important/ interesting points noticed may be furnished to the Revenue Sector. The audit of these accounts may be conducted annually.

(CAG's circular No. 70-TA.I/80 dated 18.11.80 received with Endt. No. 1446-TA.I/238-80 dated 21.11.80).

20.04 Scope of Audit

The following important points should be looked into by the Local Audit Parties while auditing the accounts of the P.A.Os/D.D.Os.

A. In the office of the P.A.Os- (1) That the system of issuing 'tokens' at the Bill counter or some other procedure as may have been prescribed by the Integrated Financial Advisor is followed. In the case of 'Token System', whether daily/monthly census of tokens is carried out and a Register of Tokens has been maintained.

(2) That after the Bills are checked by the "Pre-check Section" and passed by the Gazetted Officer, they are sent to "Cheque Section" in locked Boxes' along with the Bill Transit Register.

(3) That the cheque is prepared for the net amount and an entry is made in the "Register of Cheques Drawn" before the cheque is submitted to the Pay and Accounts Officer for signature.

(4) That the Cheques are superscribed as "Negotiable" in regard to personal claims of Gazetted Officers payments made to contractors/Suppliers. Cheques meant for pay, allowances and contingencies of office Establishment are drawn by official Designation and superscribed as

“Not Negotiable”. Cheques which are to be credited to Government Account are marked “Not-Negotiable” and “not payable in cash.”

(5) That a “Register of cheques Delivered” is maintained in the prescribed form and entry in this Register is made as soon as the cheque is delivered.

(6) That Payment Scrolls along with paid cheques are regularly received on the next day from paying Banks in duplicate and checks envisaged in Para 5.2 of Chapter I of the “Hand Book of Accounting Instructions under the Departmentalised accounting System” are exercised. Similarly, in respect of accounts drawn by the Drawing and Disbursing Officers at outstations, weekly payment scrolls are received and checked.

(7) That a Register known as “Accounts Officers Check Register” is maintained personally by the Accounts Officer showing an account of cheques issued encashed and unpaid cheques daily.

(8) That Payment at outstations is made by Bank Drafts and a ‘Register of Bank/Demand Drafts’ in the prescribed form is maintained.

(9) That Receipt Scrolls in respect of amounts credited on Government account are received from the concerned Bank at prescribed intervals and checked in P.A.Os office with reference to statements received from Drawing and Disbursing Officers.

(10) That the accounts are properly compiled in the “Accounting Section” as per paras 3 to 13 of Chapter II of the ‘Hand Book’.

(11) That a “Register of valuables” is maintained in which all Bank drafts or cheques received in P.A.O are entered.

B. In the Office of the Drawing and Disbursing Officers with Cheque drawing Powers- (1) That Bills relating to the pay and allowances, T.A., Medical claims, advances out of Provident Fund, Short term advances and Loans to Government Servants and office contingencies are only drawn by cheques. Bills for other kinds of payments are presented to the Pay and Accounts Office for pre-check and payment through Bank drafts.

(2) In case the Drawing Disbursing Officer is permitted to make payment on account of pay and allowance etc., of one or more offices in addition to his own, it should be seen that he has been duly authorized to do so.

- (3) That the Bills relating to D.D.O's office are got checked independently by a person other than the one responsible for the preparation of the Bills.
- (4) That the bills received for payment are verified to make sure that they do not fall in the category of Bills which require pre-check in P.A.Os office and thereafter entered in the "Register of Bills Received".
- (5) That after a Bill is checked and passed by the cheque drawing officer, a cheque is drawn for the net amount and the same is appropriately superscribed.
- (6) That the cheques are entered in the "Register of cheques issued" attested by the cheque Drawing Officer at the time of signing each cheque. The entries in the register are subjected to check by another officer (preferably a Gazetted Officer) against the relevant passed documents and Register is closed daily.
- (7) That the cheques drawn by official designation and marked 'Not Transferable', for disbursement of salary of office establishment etc. are entered in the cash Book on the same day on which they are received.
- (8) That the payment scrolls from paying Branch are received weekly and checked with reference to "Register of Cheques Issued". A weekly Bank Reconciliation Statement is drawn up and discrepancies noticed in the scrolls are taken up with the Banks.
- (9) That Weekly "List of Payments" accompanied by paid vouchers along with the Bank Reconciliation statement is sent to the P.A.O on the prescribed dates.
- (10) That instructions regarding custody and precautions for cheque books has given in the G.O.I, Ministry of Finance, Department of Expenditure (Special Cell's O.M. No. F.2 (27)-76 SC. Dated 14.5.76, are observed.
- (11) That a stock Register of cheque Books/forms is maintained to keep an account of receipts issues and balance of cheque Books in form I referred to in the Ministry of Finance O.M. dated 14.5.76.
- (12) That an account of cheque forms used daily is maintained in Form II, referred to in Ministry of Finance O.M. dated 14.5.76 and submitted to the officer-in-charge at the time of closing of accounts daily.

NOTE: The specimen of forms I and II are given in Annexure I to this chapter.

(13) That in the case of Provident Fund Advances a monthly statement showing the amounts paid with other details is sent to the P.A.O.

(14) That payment at outstations is made by Bank drafts and a Register of Demand Drafts in the prescribed form is maintained.

(15) That weekly statements of amount realized and remitted by them with duplicate copy of challans are sent to the P.A.O.

(16) That a register of valuables is maintained in which all cheques or Bank drafts received from outside authorities/parties are entered.

(17) That necessary reconciliation with the treasury in regard to accounts maintained under compulsory Deposit Scheme (Additional Emoluments) is carried out by the D.D.O. before the balances are transferred to the P.A.O. by the treasury, if not so far done.

(O.O No. OAD (M)/AG.I/O.O.17 dated 4.4.1977)

20.05 Extent of Audit

(1) Detailed Scrutiny to the extent prescribed may be conducted by LAPs visiting P.A.Os and D.D.Os with cheque drawing powers. Besides, all checks that are to be applied viz; vouching of selected months, receipt tracing, computation of Cash Book, checking of service Books etc., it should be ensured that the accounts are being maintained in accordance with the prescribed rules and procedure.

(2) In the case of audit of P.A.Os besides the normal checks as stated in sub-para (1) above the accounts compiled by them should also be subjected to scrutiny and defects/omissions commented in the Audit Inspection Report.

(O.O No. OAD (M)/AG.I/O.O.17 dated 4.4.1977).

In addition, a thorough check of the claims Register should be made to see that there is no case of double payment and the transactions are genuine and covered by general rules and orders on the subject.

(CAG's letter No. 1008/AG/28-76 dated 5.7.1978).

(3) A test check of the correctness of the final payments including payments of residual balances in the Provident Fund Accounts may be conducted to the extent prescribed. In case the test check reveal alarming trends the Ministries will have to be advised about the deficiencies

and the ineffectiveness of internal check/audit and a request made for recheck of the payments in the Light of the observations made as a result of the test check conducted by L.A.Ps.

A certificate as follows in regard to the Provident Fund transactions and other transactions may be appended with the draft audit Inspection Reports of Central Government Departments.

“Certified that the audit checks prescribed as shown in the annexure _____ have been carried out”.

Assistant Audit Officer, L.A.P. _____

Inspecting Officer, OA _____

NOTE : The prescribed procedure is given in annexure II to this Chapter.

(O.O A.G.I/OAD (M)/Gr. II/191/495/OO/5/ dated 3.8.1979).

(4) Comptroller and Auditor General’s letter No. 2477-AC/Sep/164-76 dated 7.12.76 reproduced in Appendix 17 to the ‘Hand Book of Accounting Instructions’ specifies the type of transactions that could take place in a treasury even after departmentalization of Union Govt. Accounts (Civil) The L.A.Ps inspecting the D.D.Os should ensure that transactions not covered by this circular have not taken place at the State treasuries after departmentalization of Accounts. This is necessary because by following the irregular practice by the D.D.Os the possibilities of frauds and double payments by drawing a bill at the treasury and also drawing a cheque for the same transactions cannot be ruled out. Irregularities noticed in this connection should be prominently brought out in the audit Inspection Report.

(Annexure ‘C’ to O.O No. AGI/5 dated 3.8.1979).

(5) The scope and extent of audit in respect of the central Government Employees Insurance Scheme introduced with effect from 1.7.1977 vide Government of India, Ministry of Finance (Department of Expenditure) O.M. NO. F. 60/14/77-IC dated 23.6.1977, will be as follows:

(a) While checking the pay bills for the selected month/months, the rates of contribution recovered monthly, as prescribed, will be checked in the same manner as subscription/contribution to G.P. Fund/C.P. Fund etc.

(b) The nominations furnished by the employees which are posted in the Service Books of the employees, will be scrutinized during the local audit of the D.D.Os of Central Ministries/Departments.

(c) The audit and review of the paid vouchers in respect of the scheme may be done to the extent prescribed in AGs. S.M.I.

Category of voucher	Quantum of		
	Audit	Review by A.A.O.	Review by A.O.
(i) Voucher for cash payment On relinquishing Govt. service	33-1/3 %	10 %	5 %
(ii) Voucher for lump sum payment to the Nominees of the deceased Govt. Servant	25 %	10 %	5 %

(d) In addition 20 % of the vouchers relating to the drawal and disbursement of insurance money during the period covered by Local audit will also be checked by L.A.Ps as provided in para 5 (d) of the CAG's secret letter No. 102-O & M/145-79. II dated 20.3.80 for increments and fixation of Pay. For this purpose the Local audit Parties should obtain a list of vouchers of insurance payments made during the period covered by audit from departmental authorities.

(CAG's letter No. 490-TA.I/68-81 dated 29.4.81 addressed to A.G.I Bihar and Copy endorsed to all Accountants General read with his Secret letter No. 932-TA.I/168-78 dated 20.9.78).

Note: This Insurance Scheme has been replaced by "Central Government Employees Group Insurance Scheme, 1980" which shall come into effect from the forenoon of 1.1.1982 vide Government of India Ministry of Finance Department of Expenditure O.M. No. F. 15 (3)/78-WIP dated 31.10.80. As per para 20 thereof the existing scheme will continue for those employees who would be in service on 1.11.80, if they opt out of the new scheme, till they cease to be in employment with Central Government on account of retirement, resignation, death etc. As regards other employees the new scheme will replace the existing scheme with effect from 1.1.82 and the amount which would have been due to them under the existing scheme will be credited to their respective G.P. Fund accounts. The last date for opening out of the new scheme was 31.1.81 (as extended).

20.06 Results of Audit-Raising and Pursuance of Audit Objections

Important objections raised in the course of Local Audit of the departmentalized Accounts Offices, Drawing and Disbursing Officers and other units of the Government of India included in the Local Audit Reports, are to be pursued by the Audit Officer through correspondence, and “Less important” objections included in the Test Audit Notes are to be sent to the P.A.O. concerned for pursuance with the drawing officers of the unit inspected by the audit party. The pursuance and clearance of the second category of objections is to be verified during subsequent audits. The criteria for grouping objections under important and ‘Less Important’ categories for the purpose of pursuing them with the P.A.Os/D.D.Os will be as under:

(1) Existing categories of objections in the objection books of O.A.D (HQrs) as well as the items previously shown by erstwhile central Audit Section in the O.B. under the heading ‘Other transactions’ viz. (a) for want of sub-vouchers and payee’s receipts and (b) for want of sanctions, may be treated as ‘Important’ for this purpose.

(2) In accordance with para 774 of M.S.O (T) vol. I the results of inspecting and Local audit should be set forth in Part I,II and Inspection Reports/Test Audit Reports containing part I, II and III should be forwarded to the P.A.O concerned. A copy of Part II of the Report containing important objections which require action on the part of the administrative/executive authority should also be simultaneously sent to the head of office/Department concerned with a covering letter, requesting that the replies to the report may be sent through the P.A.O concerned. The disposal of Part I and II of the Inspection Reports/Test Audit Reports should be pursued by the Audit Officer with the P.A.O concerned. Extracts of paragraphs in the report requiring special or urgent attention of the Govt. should be forwarded to Govt. If, however, paras from bulk of the reports, a copy of the entire report (Part II) may be sent to Government. Special reports on defalcations, losses etc. may be sent to Government in the Administrative Ministry with a copy to the Ministry of Finance/Controller General of Accounts.

(3) Objections found in the course of inspection of the D.D.Os may be initially taken up with the concerned D.D.O direct and/or with the higher executive Departments as may be found necessary. However, if the P.A.O is directly concerned with any such items, copies of the relevant items may be endorsed to the P.A.O requesting the D.D.O to report compliance to audit through the P.A.O Objections in respect of the transactions originating in or relating to, the D.D.O. but noticed during the audit of the P.A.Os should be taken up with the P.A.O concerned,

at the same time endorsing a copy to the D.D.O. The P.A.O will reply to these audit objections after obtaining details, if necessary, from the concerned D.D.O.

(4) All objections of Part I and II of the Inspection Reports outstanding for more than six months should figure in the six monthly lists of objections to be sent to the Ministries concerned in terms of para 8 of the “Standing Guard file” read with C.A.G’s letter NO. 692-TA.I/636-68-III dated 18.8.75. The broad categorization of objections prescribed in C.A.G’s circular letter No. 669-TA.I/71-67-II dated 16.5.69 may continue to be followed.

(5) Objection books maintained by the P.A.Os should be reviewed by Audit Parties to ensure that internal check and audit systems are effective and in particular objections raised by our audit are recorded and pursued.

(CAG’s circular letter No. 1133-TA.I/174-78 dt. 2.12.78).

(6) Local Audit Reports, which include important objections will be pursued by the Audit officer through correspondence. Test Audit Notes which include less important objections and which do not require a reply in detail will be sent to the Pay and Accounts Officer concerned for pursuance with the D.D.O of unit inspected by audit. The clearance of such items will be checked by audit during subsequent audit of the P.A.O.

(G.O.I M.F. CGA OM No. S-12014/1/77-MF-CGA dated 25.3.77 addressed to CAG copy received under CAGs endt. No. 215 O & M/46-76 dated 2.7.77).

20.07 Post audit of vouchers relating to Post and Telegraph Audit Offices

(1) As per para 4 of the Comptroller and Auditor General’s Manual of standing orders vol. I the post audit of vouchers relating to the Post and Telegraph Audit Offices was being done in the central office of the nominated Audit Officer. This position has not been changed even after departmentalization of accounts of the Government of India Ministries/Departments. Now the post audit of vouchers of the P & T Audit offices will be done by the nominated Audit Officer locally by visiting that office in the same manner as was being done in the central audit with suitable modifications.

(CAG’s letter No. 476-codes/I/TA I/50-78 dated 25.5.1979).

(2) As the posts and telegraphs Audit Offices are part and parcel of the IA & AD the instructions laid down in the Hand Book of Accounting Instructions under the Departmentalised Accounting system are required to be followed. Para 10 of chapter IV of these instructions provides that post check of payments made by cheque drawing DDOs without pre-check should be conducted in accordance with para 8 of these instructions. Accordingly the instructions relating to Post and Telegraph Audit Offices are required to be subjected to post check in the same manner as prescribed for pre-check vide para 8 *ibid*, which envisages the maintenance of Establishment Audit Register, special charges Register, Periodical charges register, grant-in-aid payment register etc. with a view to ensure an effective post audit of the transactions relating to Post & Telegraph Audit Offices it has been decided by the Comptroller and Auditor General that the nominated Audit Officers should maintain necessary record prescribed in para 8 of Chapter IV of the Hand Book of Accounting Instructions under the Departmentalised Accounting system for conducting month to month post audit of the vouchers to be collected from the Post and Telegraphs Accounts offices.

(CAG's circular letter No. 325-TA.I/50-codes-I/78 dated 30.3.1981).

APPENDIX I

(Referred to in Note below Para 1.01)

THE COMPTROLLER AND AUDITOR GENERAL'S (DUTIES, POWERS AND CONDITIONS OF SERVICE) ACT, 1971

(As passed by the House of Parliament)

A BILL

to determine the conditions of service of the Comptroller and Auditor General of India and to prescribe his duties and powers and for matters connected therewith or incidental thereto.

Be it enacted by Parliament in the Twenty Second Year of the Republic of India as follows:

CHAPTER I

Preliminary

Short title

1. This Act may be called the Comptroller and Auditor General's (Duties Powers and Conditions of Service) Act, 1977.

Definitions

2. In this Act, unless the context otherwise requires:

(a) "accounts", in relation to commercial undertakings of a Government, includes trading, manufacturing and profit and loss accounts and balance-sheets and other subsidiary accounts.

(b) "appropriation accounts" means accounts which relate the expenditure brought to account during a financial year, to the several items specified in the law made in accordance with the provisions of the Constitution or of the Government of Union Territories Act, 1963 (20 of 1963) for the appropriation of moneys out of Consolidated Fund of India or of a State, or of a Union Territory having Legislative Assembly as the case may be;

- (c) “Comptroller and Auditor-General” means the Comptroller and Auditor General of India appointed under article 148 of the Constitution;
- (d) “State” means a State specified in the First Schedule to the Constitution;
- (e) “Union” includes a Union Territory, whether having a Legislative Assembly or not.

CHAPTER II

Salary and other Conditions of Service of the Comptroller and Auditor General

Salary

3. There shall be paid to the Comptroller and Auditor General a salary which is equal to the salary of the Judge of the Supreme Court;

Provided that if a person who, immediately before the date of assuming office as the Comptroller and Auditor General, was in receipt of, or, being eligible so to do had elected to draw, a pension (other than a disability or wound pension) in respect of any previous service under the Government of the Union or any of its predecessor Governments or under the Government of a State of any of its predecessor Governments, his salary in respect of service as Comptroller and Auditor-General shall be reduced-

- (a) By the amount of the pension; and
- (b) if he had, before assuming office, received, in lieu of a portion of the pension due to him in respect of such previous service, the commuted value thereof, by the amount of that portion of the pension; and
- (c) if he had, before assuming office received, or become eligible for receiving, a retirement gratuity in respect of such previous service, by the pension equivalent of that gratuity.

Tenure

4. The Comptroller and Auditor General shall hold office for a term of six years from the date on which he assumes such office:

Provided that where he attains the age of sixtyfive years before the expiry of the said term of six years, he shall vacate such office on the date on which he attains the said age;

Provided further that he may, at any time, by writing under his hand addressed to the President, resign his office.

Explanation: For the purpose of this section, the term of six years in respect of the Comptroller and Auditor General holding office immediately before the commencement of this act, shall be computed from the date on which he had assumed office.

Leave

5 (1) A person who, immediately before the date of assuming office as the Comptroller and Auditor General, was in the service of Government may be granted during his tenure of office but not thereafter, leave in accordance with the rules for the time being applicable to the Service to which he belonged before such date and he shall be entitled to carry forward the amount of leave standing at his credit on such date, notwithstanding anything contained in Section 6.

(2) Any other person who is appointed as the Comptroller and Auditor General may be granted leave in accordance with such rules as are for the time being applicable to a member of the Indian Administrative service.

(3) The power to grant or refuse leave to the Comptroller and Auditor General, and to revoke or curtail leave granted to him, shall vest in the President.

Pension

6 (1) A person who, immediately before the date of assuming office as the Comptroller and Auditor General was in the service of Government shall be deemed to have retired from service on the date on which he enters upon office as the Comptroller and Auditor General but his service as the Comptroller and Auditor General shall be reckoned as continuing approved service counting for pension in the Service to which he belonged.

(2) Every person who enters upon office as the Comptroller and Auditor General, shall on demitting the said office, be eligible to a pension of a sum of fifteen thousand rupees per annum which sum shall include the aggregate of all pensions payable to him and the commuted portion, if any, of his pension, and the pension equivalent of the retirement gratuity, if any, which may have been admissible to him under the rules for the time being applicable to the Service to which he belonged.

Provided that if such a person is or becomes eligible at any time under the rules for the time being governing the service to which he belonged, to a pension higher than the said sum of fifteen thousand rupees he shall be eligible to draw, as pension the said higher amount.

(3) A person who, immediately before the date of assuming office as the Comptroller and Auditor General was in receipt of, or had become eligible for receiving a pension in respect of any previous service under Government, shall, on demitting office as the Comptroller and Auditor General, be eligible to a pension of fifteen thousand rupees per annum which sum shall include the aggregate of all pension payable to him and the commuted portion, if any, of his pension, and the pension equivalent of the retirement gratuity, if any, which may have been admissible to him under the rules for the time being applicable to the Service to which he belonged;

Provided that if such a person is or becomes eligible, at any time, under the rules for the time being governing the Service to which he belonged to a pension higher than the said sum of fifteen thousand rupees, he shall be eligible to draw, as pension the said higher amount.

Provided that if such a person is or becomes eligible, at any time, under the rules for the time being governing the service to which he belonged to a pension higher than the said sum of fifteen thousand rupees, he shall be eligible to draw, as pension the said higher amount.

(4) Any other person who is appointed as the Comptroller and Auditor General shall, on demitting the said office, be eligible to a pension of fifteen thousand rupees per annum.

(5) The person holding office immediately before the commencement of this Act as the Comptroller and Auditor General shall be eligible to draw, at his option, pension at the rate at which it would be admissible to him if this Act had not come into force or at the rate specified in this section.

(6) A person who demits office as the Comptroller and Auditor General by resignation shall, on such demission, be eligible to a pension at the rate of two thousand rupees per annum for each completed year of his service as the Comptroller and Auditor General:

Provided that in the case of a person referred to in sub-section (1) or sub-section (3), the aggregate amount of pension admissible under this sub-section together with the amount of pension including the commuted portion, if any, of his pension, and the pension equivalent of the retirement gratuity, if any, which may have been admissible to him under the rules of the time

being applicable to the Service to which he belonged immediately before he assumed office as the Comptroller and Auditor General, shall not exceed fifteen thousand rupees per annum or the higher pension referred to in proviso to sub-section (2) or sub-section (3) as the case may be.

(7) If a person who demits office as the Comptroller and Auditor General is not eligible to any person under this section but is eligible to a pension under the rules for the time being applicable to the Service, to which he belonged immediately before he assumed office as the Comptroller and Auditor General, he shall, notwithstanding anything contained in this section, be eligible to draw such pension as is admissible to him under the said rules.

(8) Except where he demits office by resignation, a person holding office of the Comptroller and Auditor General shall be deemed, for the purposes of this Act, to have demitted such office as such, if and only if;

- (a) he has completed the term of office specified in section 4 or
- (b) he has attained the age of sixty-five years, or
- (c) his demission of office is medically certified to be necessitated by ill health.

Commutation of Pension

7. The Civil Pensions (Commutation) Rules for the time being in force, shall with such adaptations as may be made therein by the President, apply to a person who had held office as the Comptroller and Auditor General.

Right to Subscribe to General Provident Fund

8. Every person holding office as the Comptroller and Auditor General shall be entitled to subscribe to the General Provident Fund (Central Services).

Other Conditions of Service

9. Save as otherwise expressly provided in this Act, the other conditions of service of a person holding as the Comptroller and Auditor General including his emoluments during any period of duty out of India and his travelling allowance while travelling on duty shall be determined by the rules for the time being applicable to a member of the India Administrative Service holding the rank of Secretary to the Government of India:

Provided that nothing in this section shall have effect so as to give a person, who immediately before the date of assuming office as the Comptroller and Auditor-General, was in

the service of Government, less favourable terms in respect of any of the matters aforesaid than those to which he would be entitled as a member of the Service to which he belonged, his service as comptroller and Auditor General being treated for the purpose of this proviso as continuing service in the Service to which he belonged.

CHAPTER III

Duties and Powers of the Comptroller and Auditor General

Comptroller & Auditor General to compile a/cs of Union and States

10 (i) The Comptroller and Auditor General shall be responsible:

- (a) for compiling the accounts of the Union and of each state from the initial and subsidiary accounts rendered to the audit and accounts offices under his control by treasuries, offices or Departments responsible for the keeping of such accounts; and
- (b) for keeping such accounts in relation to any of the matters specified in clause (a) as may be necessary:

Provided that the President as respects the accounts of the Union, and the Governor of a State as respects the accounts of that State, may after consultation with the Comptroller and Auditor General, by order, relieve him from the responsibility for compiling the accounts of any particular service or department of the Union or of a State as the case may be :

Provided further that the President may, after consultation with the Comptroller and Auditor General, by order, relieve him from the responsibility for keeping the accounts of any particular class or character.

(2) Where under any arrangement, a person other than the Comptroller and Auditor General has, before the commencement of this act, been responsible:

- (i) for compiling the accounts of any particular service or Department of the Union or of a State, or
- (ii) for keeping the accounts of any particular class or character,

Such arrangement shall, notwithstanding anything contained in sub-section (I), continue to be in force unless, after consultation with the Comptroller and Auditor General, it is revoked in the case referred to in clause (i), by an order of the President or the Governor of the State, as the case may be, and in the case referred to in clause (ii), by an order of the President.

Comptroller & Ar. General to prepare and submit accounts to the President, Governors of States and Administrators of Union Territories, having Legislative Assemblies.

11. The Comptroller and Auditor General shall, from the accounts compiled by him or any other person responsible in that behalf, prepare in each year accounts (including in the case of accounts compiled by him, appropriation accounts) showing under the respective heads the annual receipts and disbursements for the purpose of the Union, of each State or each Union territory having Legislative Assembly, and shall submit those accounts to the President or the Governor of a State or Administrator of the Union Territory having a Legislative Assembly, as the case may be, on or before such dates as he may, with the concurrence of the Government concerned, determine.

Comptroller & Ar. General to give Information & render assistance to Union and States

12. The Comptroller & Auditor General shall, in so far as the accounts, for the compilation or keeping of which he is responsible, enable him so to do, give to the Union Government, to the State Governments or to the Governments of Union territories having Legislative Assemblies as the case may be, such information as they may from time to time, require, and render such assistance in the preparation of their annual financial statements as they may reasonably ask for.

General Provision relating to audit

13. It shall be the duty of the Comptroller and Auditor General:

- (a) to audit all expenditure from the consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly and to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to be service or purpose to which they have been applied or changed and whether the expenditure conforms to the authority which governs it;
- (b) to audit all transactions of the Union and of the States relating to Contingency Funds and Public Accounts;
- (c) to audit all trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary accounts kept in any Department of the Union or of a State;

and in each case to report on the expenditure, transactions or accounts so audited by him.

Audit of receipts and expenditure of bodies or authority substantially financed from union State Revenue

14. Where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly, the Comptroller and Auditor General shall, subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body, or authority and to report on the receipt and expenditure audited by him.

Explanation: Where the grant or loan to a body or authority from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly in a financial year is not less than rupees five lakhs and the amount of such grant or loan is not less than seventy five percent of the total expenditure of that body or authority, such body or authority shall be deemed for the purpose of this section to be substantially financed by such grants or loans, as the case may be.

Function of Comptroller & Auditor General in the case of grants or loans given to other authorities or bodies

15 (1) 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 organization, the Comptroller & Auditor General shall scrutinize the procedure by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given and shall for this purpose have right of access after giving reasonable previous notice to the books and accounts of that authority or body:

Provided that the President, the Government of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, may, where he is of the opinion that it is necessary so to do in the Public interest, by order, relieve the Comptroller & Auditor General, after consultation with him, from making any such scrutiny in respect of any body or authority receiving such grant or loan.

(2) Except where he is authorized so to do by the President, the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, the Comptroller and Auditor General shall not have, while exercising the powers confer on him by

sub-section (1), right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in sub-section (1) is given of the law by or under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the Comptroller and Auditor General:

Provided that no such authorization shall be made except after consultation with the Comptroller and Auditor General and except after giving the concerned corporation a reasonable opportunity of making representations with regard to the proposal to give to the Comptroller and Auditor General right to access to its books and accounts.

Audit of receipts of Union of States

16. It shall be duty of the Comptroller and Auditor General to audit all receipts which are payable into the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon.

Audit of Accounts of Stores and Stock

17. The Comptroller and Auditor General shall have authority to audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

Powers of Comptroller & Auditor General in connection with audit of accounts

18 (1) The Comptroller and Auditor General shall in connection with the performance of his duties under this Act have authority:

(a) to inspect any office of accounts under the control of the Union or of a State, including treasuries and such offices responsible for keeping of initial or subsidiary accounts, as submit accounts to him;

(b) to require that any accounts books, papers and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection;

(c) to put such questions or make such observations, as he may consider necessary, to the person in charge of the office and to call for such information's he may require for the preparation of any account or report which is his duty to prepare.

(2) 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, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Audit of Govt. Companies and Corporations

19 (1) The duties and powers of the Comptroller and Auditor General in relation to the audit of the accounts of Government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 1956 (1 of 1956).

(2) The duties and powers of the Comptroller and Auditor General in relation to the audit of the accounts of corporations (not being companies) established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations.

(3) The Governor of a State or the Administrator of a Union Territory having a Legislative Assembly may, where he is of 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 purpose of such audit right of access to the books and accounts of such corporation:

Provided that no such request shall be made except after consultation with the Comptroller and Auditor General and except after giving reasonable opportunity to the corporation to make representations with regard to the proposal for such audit.

Audit of accounts of certain authorities or bodies

20 (i) Save as otherwise provided in section 19, where the audit of the accounts of any body or authority has not been entrusted to the Comptroller and Auditor General by or under any law made by Parliament he shall, if requested so to do 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

undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purpose of such audit, right of access to the books and accounts of that body or authority:

Provided that no such request shall be made except after consultation with the Comptroller and Auditor General.

(2) The Comptroller and Auditor General may propose to the President or the Governor of a State or the Administrator of a Union Territory having Legislative Assembly, as the case may be, that he may be authorized to undertake the audit of the accounts of any body or authority, the audit of the accounts of which has not been entrusted to him by law, if he is of opinion that such audit is necessary because a substantial amount has been invested in, or advanced to, such body or authority by the Central or State Government or by the Government of a Union territory having a Legislative Assembly, and on such request being made, the President or the Governor or the Administrator, as the case may be, may empower the Comptroller and Auditor General to undertake the audit of the accounts of such body or authority.

(3) The audit referred to in sub-section (1) or sub section (2) shall not be entrusted to the Comptroller and Auditor General except where the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, is satisfied that it is expedient so to do in the public interest and except after giving a reasonable opportunity to the concerned body or authority to make representation with regard to the proposal for such audit.

CHAPTER IV

Miscellaneous

Delegation of power of Comptroller and Auditor General

21. Any 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:

Provided that except during the absence of the Comptroller and Auditor General on leave or otherwise, no officer shall be authorized to submit to behalf of the Comptroller and Auditor General any report which the Comptroller and Auditor General is required by the Constitution or

the Government of Union Territories Act, 1963 (20 of 1963) to submit 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.

Power to make rule

22 (1) The Central Government may, after consultation with the Comptroller and Auditor General by notification in the official Gazette, make rules for carrying out the provisions of this act in so far as they relate to the maintenance of accounts.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters namely:

(a) the manner in which initial and subsidiary accounts shall be kept by the treasuries, offices and departments rendering accounts to audit and accounts offices;

(b) the manner in which the accounts of any particular service or department or of any particular class or character, in respect of which the Comptroller and Auditor General has been relieved from the responsibility of compiling or keeping the accounts, shall be compiled or kept;

(c) the manner in which the accounts of stores and stock shall be kept in any office or department of the Union or of a State, as the case may be;

(d) any other matter which is required to be or may be, prescribed by rules.

(3) Every rule made under this section, shall be laid, as soon as, may be after it is made, before each house of Parliament, while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Power to make regulations

23. The Comptroller and Auditor General is hereby authorized to make regulations for carrying into effect the provisions of this Act in so far as they relate to the scope and extent of audit, including lying down for the guidance of the Government Departments the general

principles of Government accounting and the broad principles in regard to audit of receipts and expenditure.

Power to dispense with detailed audit

24. The Comptroller and Auditor General is hereby authorized to dispense with, when circumstances so warrant, any part of detailed audit of any accounts or class of transactions and to apply such limited check in relation to such accounts of transactions as he may determined.

Repeal

25. The Comptroller and Auditor General (Conditions of Service) Act, 1953 (21 of 1953) is hereby repealed.

Removal of Doubts

26. For the removal of doubts, it is hereby declared that on the commencement of this Act the Government of India (Audit and Accounts) order 1936, as adapted by the India (Provisional Constitution) Order 1947, shall cease to be in force except as respect, anything done any action taken thereunder.

K.K. SUNDERAM

Secretary, Govt. of India

APPENDIX II

(Referred to in Para 2.02)

CALENDAR OF RETURNS

S.No.	Name of Return	To whom due	When due	Authority
1	2	3	4	5
A. Weekly				
1	Calendar of Return	B.O.	Every Monday	O.O 88 dated 11.7.72
2	Diary of CAG's letters	B.O.	"	O.O TM/38 dated 20.5.59
3	Diary of complain	B.O.	"	--

4	Hindi Diary	B.O.	"	Sr. DAG's orders dated 8.4.74
5	Weekly report of Sectional	Sr. DAG	Every Thursday	Sr. DAG order No. 163 dt 13.11.72
B Fortnightly				
6	Register of removal of defects pointed out by Director of Inspection C. Monthly	B.O.	1 st 15 th	O.O IAD/2 dt. 27.4.72
7	Consolidated Arrear Report	TM	10 th	TM 4/XI dt. 31.5.66
8	Record of work & state Local Audit Party	B.O./Sr. DAG	20 th	Sr. DAG (I-C) orders
9	Sanctioned Strength of staff as on 1 st of each month	Admn II	3 rd	Sr. DAG (Admn) OE/ TR-474 dt. 2.12.75
10	Progress Register	B.O/Sr. DAG	5 th	OAD (M) OO 104 dt.31.3.71
11	Check Register	B.O/Sr. DAG	5 th	OAD (M) OO 104 dt 31.3.71
12	Control Register	B.O/Sr. DAG	5 th	"
13	Disposal of Priliminary memos/ Inspection reports by IAD Submission of progress report of outstanding paras .	A.G.	20 th	IAD/13 dt. 30.11.71

1	2	3	4	5
14	Consolidated Registers for watching supply of original documents requisitioned by Police S.P.E. Courts etc.	B.O.	5 th	TM.I/V/5/7 dt.6.6.71
15	Material for monthly D.O. letter From AG to CAG	Secy to A.G.	1 st	--
16	Report regarding AO's working in each group.	OE I	5 th	OE I/6-0-10-OO/569 dt. 3.2.75
17	Register of drawals and remittances untraced during local audit.	Sr. DAG (I-C)	7 th	OAD (M) 125 73-74 dt. 1.9.73

18	Register of losses D- Quarterly	B.O.	5 th	OAD (M)/72-73 dt.26.5.72
19	Consolidated Register showing supply of documents Requisitioned by Police Courts S.P.E.	AG	1 st Jan, April, July, October	TM I/V/5/7 dt 6.6.71
20	Register of pending cases	Sr. DAG	16 th March 16 th June 16 th sept. 16 th Dec.	Para 366 of MOP & Sr. DAG's orders dt. 9.8.74
21	Review of arrears of expenditure audit and audited by CAW/RA wing E- Half Yearly	Sr. DAG (I-C)	15 th April 15 th July 15 th Oct. 15 th Jan.	Sr. DAG (I-C) orders dated 13.2.74
22	Statement showing drawing officerwise and department-wise outstanding objections	Administrative Deptt.	15 th June 15 th Dec.	TA.I/363-68.II
23	Dictionary of References	AO	15 th Feb	Para 54 of MOP
24	Statement showing loans grants sanctioned to bodies/authorities situated within audit jurisdiction of the AG's Annual	CAG	June December	--
25	Statement of audits undertaken Under section 14,19 & 20 of CAG's Act during the preceding Financial Year.	CAG	30 th April	CAG's letter No. 801/TA-14 7-74 dated 23.9.74
26	Confidential Reports of Assts.	OE.I (confidential cell)	1 st May	OO 10 dt. 21.5.49 & OE II 272 dt. 19.9.75

1	2	3	4	5
27	Arrears on account of Inspection due but not conducted	TM I	10 th April	CAG's letter No. 368 CAW 1/39-72-Vol. I dt. 25.6.73
28	Revision of rates of Audit fee due to revision of scale	AG/CAG	As and when necessary	CAG letter NO. 64 Tech 33-65/Vol. II of 4.1.69
29	Annual Forecast	AG	January 1 st week	AG's orders dt. 4.7.62
30	Temporary staff to be sanctioned by CAG for succeeding year	Admn	10 th July	OO Admn. 10.6.63 OO dt. 20.6.79
31	Audit falling under section 14 in	CAG	31 st Oct.	149 TA I 50-69 Vol II

one year but not falling under
that section in subsequent years.

dt. 2.3.74

32 Material for Audit Report (Central) A.G.C.R

15th Sept.

DA CR's DO letter No.
R 7-2/75-76/186 dt.
6.6.1975.

FORM OAD I
(Referred to in para 1.05 based on O.O. No. IAD I/6/68-69/25 dated 29.5.69)
Office of the Accountant General (Audit) Chhattisgarh, Raipur
(Outside Audit Department)

No. OAD I/M

Dated RAIPUR, the 20

The

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Subject : Local Audit Intimation Slip

Sir,

1. I am to inform you that a local audit party of this office will visit your office on or about _____ and succeeding days; and test audit the accounts for the period _____.
2. I shall be grateful if action on the following lines is taken:
 - (i) Such steps as you may consider necessary be taken to ensure that all necessary records for the periods indicated above including those of all subordinate units/centres whose transactions form part of this establishment are kept ready for local audit. For your guidance, data and records required to be collected is indicated in the Annexure. The list is not exhaustive. The requests to the party for further information and records may also kindly be met promptly.
 - (ii) The preliminary observation memoranda issued by the party should be returned to them with replies not later than 24 hours after their issue.
 - (iii) You may kindly arrange to be present at the Headquarters at least towards the close of the Local audit so that any points of importance may be discussed with you. The draft audit Inspection Report and the Test Audit Note may also be discussed with the Audit Party.
 - (iv) The audit party may be afforded necessary facilities in carrying out its work; such as provisions of suitable, separate and secure office accommodations in proximity to the units having the records; provision of stationery and typing facilities; necessary office furniture for use during audit etc. We shall be grateful for any assistance that the audit party may need in securing residential accommodation.
3. Extracts from State Government circular dated 24th April 1961 and dated 5th July 1967 concerning local audit by this office are also enclosed for your information.

4. The receipt of this letter may please be acknowledged.

Your faithfully

Audit Officer (OAD Hqrs)

Extract of para 4 from letter NO. 1484-514 /I (iv), dated 24th April, 1961 from General Administration Department, Government of Madhya Pradesh.

“In view of the importance and the utility of audit, the Government desire that the Head of Office should see that at the time of audit of account of his office, particularly at the time of any special audit arranged at the request of the Government, the Audit party gets an opportunity of meeting him and has the fullest benefit of personal discussions with him. He should also ensure that all relevant accounts records are produced before the party during audit of accounts”.

Extract of para 5 form Letter No. 4092/CR/471/IV/I/I 66, dated 5th July, 1967 from Finance Department, Government of Madhya Pradesh.

“During the course of local inspection, the Audit staff will be issuing ‘Memos’ calling for information onwards points. It should be ensured that the particulars given in reply to such memos are correct with reference to the records so that, at a later stage, the accuracy of the figures and statements of facts contained in the Inspection Reports should not be called to question. To ensure, this, the head of the office should make necessary arrangements to see that the replies to audit memos are furnished only after approval by him. These audit memoranda should be attended _____ thoroughness. Further, before finalizing the Inspection Reports the audit officer generally discusses the irregularities noticed during the course of audit with the head of the office. This opportunity should be taken full advantage, of by the head of the office to see whether all the relevant materials have been made available to audit to enable them to bring out the full facts of each case in the Inspection Report _____”.

**GENERAL INDICATION OF DATA AND RECORDS TO BE KEPT READY FOR
LOCAL AUDIT PARTY**

1. General literature about set up and activities
 - (i) Brief note and literatures about set up of the office and its activities. Latest annual report or any other reports about progress of work and activities of the establishment.

- (ii) Statutory provisions/rules and regulations/departmental Manual and other instructions regulating the activities/receipts/expenditure, rules/Regulations/Orders regarding grants-in-aid and Loans.
- (iii) Any Manual and instructions regarding accounts records.
- (iv) Orders regarding delegation of powers.
- (v) Particulars of pay centres/subordinate units whose records are required to be brought to the office during local audit for check; indicating their location and nature of activities and authority for setting up of the same (in Form I of the Annexure).
- (vi) Names of officials who held charge of the office since the date of last audit (in Form II of the Annexure).

2. Data of Accounts Records and Volume of Transactions

- (i) A list of account records (In form III of the Annexure) maintained in the office and in each subordinate unit whose records are required to be produced during the proposed audit; together with all such records for the period of audit. The list should clearly indicate the number of cash books maintained and the nature of transactions entered in each cash book.
- (ii) (a) Data of actual/budgeted receipts and expenditure in Form IV of the Annexure. Data may be annexed separately for each major head where drawals are made under a number of heads.
- (b) Allotment letters of funds for the current year and past 3 years; and office copies of monthly statement of expenditure for this period sent to higher authorities.
- (iii) A list of any development schemes operated by the establishment during last 3 years; together with data of receipt and expenditure in respect thereof during last 3 years and data of allotment for the current year and ensuring year.

3. Other Information about the Transactions

- (i) Particulars of (a) any personal ledger accounts (b) Revenue Deposits in the Treasury and (c) any Bank accounts (in Form V of the Annexure).
- (ii) (a) Particulars of any activities of commercial/quasi commercial nature undertaken (involving production or purchase and sale of any commodities or services giving and taking of credits, maintenance of stock accounts) not necessarily from profit motives. Any Proforma Accounts in respect of them prepared and instructions relating to preparation of such accounts.

- (b) Any stores and stock accounts maintained.
- (iii) A list of purchase orders placed and/or other contracts entered into by Officer-in-Charge of office inspected during last 3 years.

(b) A list of purchase orders placed and/or contracts entered into by superior or other authorities during past 3 years against which transactions of receipts and payments and/or receipt or despatch of supplies are incurred by the office (in Form VI of the Annexure).

4. Position of pending Audit Inspection Reports and Departmental Instruction and Internal Audit

(i) (a) Pending Audit Inspection Reports/Test Audit Notes with all correspondence and upto date position.

(b) List of records not maintained and/or not produced to audit as reported in previous audits and their present position.

(ii) Latest list of pending objections (Such as wanting D.O. Bills, etc.) received from central audit sections concerned of the office of the Accountant General, Madhya Pradesh Gwalior.

(iii) Dates of last 3 internal audits; together with internal audit reports and subsequent correspondence.

(iv) Dates of last 3 inspection by superior authorities (with their names and designations); and disposal of inspection reports.

5. Data relating to Records of Personnel

(i) A list of officials (name and designations) whose service books/leave accounts are maintained, in two parts those who are due to retire within 5 years and others; together with their service books and leave accounts. In case of those who are due to retire within 5 years, the date of retirement may be indicated.

(ii) Records relating to personal advances and recoveries in respect thereof ; whose detailed accounts are kept by the drawing officer.

(iii) A list of officials (with name and designations) whose provident Fund accounts are required to be maintained by the establishment, together with such accounts.

6. Data about Losses/Enquiries

- (i) A list of cases of embezzlements/misappropriations/ thefts, shortages and of cash or stores etc. and losses on any account; together with case files.
- (ii) A list of officials (names and designations) under suspension; together with case files.
- (iii) A list of departmental enquiries and of complaints registered with the Police on any accounts.

ANNEXURE

FORM I

Statement of Centres/Units whose records are required to be brought to the audit office

Sl. No.	Designation of the unit and location	Nature of activities	Authority for setting upto the unit
(1)	(2)	(3)	(4)

FORM II

Incombents on the post of the drawing officer since Last audit

Sl. No.	Name of the officer	Duration From	To
(1)	(2)	(3)	(4)

FORM III

List of Records available

Sl. No.	Name of the Record	Nature of transactions	Period for which available
(1)	(2)	(3)	(4)

FORM IV

Date of actual/budgeted receipts/expenditure

Heads	Actuals for 3 previous years			Allotment for current year	Bud. Estimated/ Allotment for ensuring year
	Allotment	Allotment	Allotment		
	Expenditure	Expenditure	Expenditure		
(1)	(2)	(3)	(4)	(5)	(6)

Receipts Heads:

- (i)
- (ii)
- (iii)

Total receipts

Expenditure Heads:

- (i) Pay & allocs.
- (ii) Contingencies
- (iii) Loans
- (iv) Grants
- (v) Works
- (vi) Other items

Total expenditure

FORM V

**Particulars of personal Ledger Accounts Revenue Deposits in the
Treasury Bank Accounts**

Name of Account	Type of a/c	Purpose of a/c	Name of Bank/ Treasury	Date of opening	Sanc- tioning authority & Refer- ence of Authority	Value of transactions during previous year	
						Opening Balance	Closing Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<hr/>							
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FORM VI

List of purchase orders/contracts

Sl. No.	Date of contract/ Order	By whom placed	Subject matter of the contract	Approximate financial implications in receipt/ expenditure
(1)	(2)	(3)	(4)	(5)
<hr/>				
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FORM OAD 2

(Referred to in Para 1.24 (i))

Duty Register of Local Audit Party - _____

Auth : OO No. AGI/OAD (M) II-115-Vol. II O.O./6 dt. 28.11.75

Date	Date	Hour of	Locality	Assistant Audit Officer		Auditor Shri.....		Auditor	Shri	
	Remarks	atten-	and office	Details	Initials	Details	Initials			
		dance		of work		of work				
				done		done				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)

FORM OAD 3 (a)

(Referred to in Para 1.24 (ii))

ANNEXURE II

LAP NO.

Record of movement of the party for the month of

Sl. No.	Name of the official & designation	Period		No. of working days	Name of units audited with stations invol- ved particular of transit from one place to other	Name of I.O. and dates of supervision in case of supervised audit	Remarks
		From	To				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

CERTIFICATE : Certified that stamp account for the month of _____ as detailed below tallies with the stamp register maintained by the party and an account has been sent to G.S. Despatch vide No. _____ dated _____ .

1. Opening Balance : _____

2. Add : Receipts vide : _____

No. _____

Dated _____

Total

3. Less Total upto date expenditure from _____ to _____

4. Closing Balance _____

FORM OAD 3 (b)

(Referred to in Para 1.24 (ii) and Para 1.28 (vii))

**EVENT REPORT OF _____ Section for the Period _____ to _____ of Staff of
A.G.C.G. , Raipur**

1. Persons present in the section on 21st of the Month

Sl. No.	Name	Designation & Permanent No.	Sl. No.	Name	Designation & Permanent No.
	S/Shri			S/Shri	
1			13		
2			14		
3			15		
4			16		
5			17		
6			18		
7			19		
8			20		
9			21		
10			22		
11			23		
12			24		

2. Persons on leave on 21st of the Mont

Sl. No.	Name	Designation & Permanent No.	Date of Relief	Name of section to which transferred
1				
2				

3
4
5
6
7

Persons transferred from the Section to other Sections during the period of Report

Sl. No.	Name	Designation & Permanent No.	Date of Relief	Name of section to which transferred
1				
2				
3				
4				
5				
6				
7				

3. **Persons who joined the section on transfer from other section during the period of Report**

Sl. No. to	Name	Designation & Permanent No.	Date of joining	Name of previous section
1				
2				
3				
4				
5				
6				
7				

Asst. Audit Officer/

(OO No. OE III/Event/AGI/33 dated 16.9.75)

FORM OAD 4

(Para 1.24 Note (i) and Para 2.04 (ii))

Register of watching monthly progress of receipt of movement report from LAPs

S.No.	Name of LAP	Name of the Assistant Audit Officer	Month upto which Report is received	No. of Month in arrears	Reference of reminders issued/explanation called
(1)	(2)	(3)	(4)	(5)	(6)

INNER COLUMNS

LAP

Month	Name and Designation of each member of LAP	Period	Particulars of movement stay & transit	Name of Supervisory Officer	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

FORM OAD 5

(Referred to in Para 1.25 (e))

FORWARDING MEMO

(For use by the Inspecting Officer/SAS Assistant Audit Officer while submitting Draft Audit Inspection Reports and other documents to OAD Headquarters-Civil)

BY REGISTERED POST

To,

Shri

Asstt. Audit Officer/OAD.III/IV

Office of the Accountant General-I

Madhya Pradesh, (Moti Mahal)

Gwalior.

Memo

No. LAP/

(Station) _____ Dated :

1. Name of office Inspected _____

2. (a) Date of Actual audit _____

(b) Total No. of working days (excluding Holidays) From _____ to _____

NOTE : These dates should be reconciled with the daily progress report of work done by Audit Party.

3. Name of Assistant Audit Officer/Auditors (1) _____

(2) _____

(3) _____

4. Was the Audit Supervised Yes/ No

5. Name of Supervisory Officer Shri _____

6 (a) Dates of Supervision _____

(b) Total No. of working days (excluding Holidays) _____

7. Period covered during audit From _____ to _____

8. Documents forwarded :

(a) Draft Audit Inspection Report Pages _____ to _____

(b) Test Audit Note Pages _____ to _____

NOTE : 1. No draft Inspection Report should be submitted unless and until it has been discussed and got seen by the head of office or by the next supervisory officer looking after his charge.

2. In case of supervised audit, Test Audit Note is to be signed by the Audit Officer after review as Test Audit Note is part of draft Inspection Report as per para 791 of M.S.O. Tech. Vol. I.

(c) Memo containing acknowledgement of objections Memo issued Pages _____ to _____

(d) Objection memos (Rough sheets) Pages _____ to _____

(e) Other Misc. papers collected from Office inspected. Pages _____ to _____

(f) Statement of settlement of paras of old Audit Inspection Reports. In addition to statement of settlement of paras of old Audit Inspection Report a specific mention should be made as to whether the old inspection Report or files were received from the HQrs. This should be recorded on the top of the statement (No. of actual statement alongwith the key documents sent, separate file for each facts statements to be sent).

(g) Certified list of drawals. In case the list of payments is received from the D.A. section a specific certificate should be recorded stating that the list of payment received from the D.A. section was verified. In other words against this item it should be mentioned in a separate statement whether list of drawals was received and verified or a list of payment was prepared by a member of the party from the original records of the Treasury and verified into the cash Book, and Bill Register by the Assistant Audit Officer. It has been noticed in many cases that the List of Drawals and list of remittances have been prepared/verified by the Treasury Officer instead by a member of LAP. It is brought to notice that these lists have to be prepared/verified only by a member of the LAP and not by the Treasury Officer. The member of the party should also record his dated signature (in full) at the bottom of the list on a certificate stating that he has prepared/verified that the list from the original records of the Treasury. The preparation of list of remittances from the Cash Book should however, be done, by the Assistant Audit Officer himself.

Pages _____ to _____

- (h) Certified list of remittances Pages _____ to _____
- (i) Results of scrutiny of points marked by central Audit/OAD etc. Pages _____ to _____
- (j) Statement of record of each member of the LAP

The individual members daily diary should be quoted against this item. The distribution of work among the member of the party should however be placed at the top of the rough sheet, so that the actual work done be verified with that distribution of work originally made.

- (k) Certificates regarding checking of
- (i) Reference to para of the draft AIR indicating result of audit of establishment, service books and leave accounts. A certificate should be furnished by the LAP to the effect that the checks prescribed in para 4.15 of chapter 4 and chapter 5 of the OAD Manual (2nd edition) in respect of nominal audit, audit of increment certificates, pay fixation on promotion/reversion, service books and leave accounts office copies of establishment bills and acquittance rolls have been carried out. The following data should be furnished:

Total No.	No. Produced	No. Checked.
(a) Service books		
(b) Leave Accounts		
(c) Cases of increments		
(d) Cases of pay fixation on Promotion/reversion		

(CAG's letter No. 102-0 & M/145-79 II dt. 20.3.80).

- (ii) Departmental provident Fund Pages _____ to _____
- (iii) Deduction under Additional Emoluments (compulsory Deposit) Act 1974 Pages _____ to _____
- 1 (i) Whether admissibility of grant in aid has been checked and certified under Rule 31, 32, 33 of Unified grants-in-aid Rules 1960. Pages _____ to _____
- (ii) 3 copies of the statement audited accounts by Chartered accountant are enclosed. In case these

accounts are not enclosed complete reasons may please be recorded and facts of non-preparation of audited accounts along with reason for non-audit by Chartered Accountants included in Draft Audit Inspection Report

Pages _____ to _____

- (m) (i) Is the office maintaining the G.P.F accounts of all classes IV employees other Temp. govt. servants Pages _____ to _____
- (ii) Whether the accounts so maintained are checked in accordance with the instructions issued. Pages _____ to _____
- (a) No. of accounts maintained
- (b) No. of accounts checked.
- (c) No. of accounts not produced.

(See office order No. OAD (M)/00/GPF/23, dated 24.5.69)

9. Details of cases where capital expenditure was charged to revenue and vice versa. Pages _____ to _____

- 10 (i) Months selected for detailed audit:

The months selected for detailed audit should be specifically mentioned in a separate sheet of paper. It should be filed with the rough sheets and ref. to that page should be quoted against this item. In this statement it should also be specifically, mentioned whether all the documents are received from the DA section. If not, the details of the documents received and not received should be furnished.

Pages _____ to _____

- (ii) Whether the months were selected on spot or intimated by Central Office. Pages _____ to _____

- 11 Reasons if the report was not discussed with the Head of Office.

- 12 Reasons if any, for delay in Despatch of Inspection Report. Pages _____ to _____

The reports are required to be dispatched within 3 days from the last day of inspection where report is dispatched beyond this period. Reasons for the delay should be indicated against this item.

13. Details of work done regarding tracing money receipts in the Cash Book month wise tracing has been done, the specific months should be indicated. Pages _____ to _____

14. Details of amount to be kept in objection book. Pages _____ to _____

15. Verification of correctness of pay (in circular No.

OAD I/MISC AER/2009/ dated 27.7.1969).

Pages _____ to _____

16. *Statement showing records of central office revealed and not received details of its return.

Pages _____ to _____

Certified that the audit inspection was conducted with reference to rules/orders/circulars on the subject and to the best of my knowledge and belief.

Signature of Asst. Audit Officer
Dated

Signature of Inspecting Officer
dated

* (i)	Name of Section	Name of records received	Used for reference returns
(ii)	Records not received	Name of section	How work was managed

FORM NO. 6

**(Referred to in Para 1.36 (c) and Para 2.02 (3))
Register for watching removal of defects pointed out by the Director of Inspection**

Sl. No.	Defects pointed out by the Director of Inspection	Action taken to remedy the defects and further pursuance	Whether the defects still persist	Reasons for persistence of the defect	Remarks of the Branch Officer	Orders of the Sr. Dy. Accountant General
(1)	(2)	(3)	(4)	(5)	(6)	(7)

FORM NO. 7

**(Referred to in Para 2.04 (i))
Register of Special Audits**

Sl. No.	Name of office	Reasons of undertaking special Audit	At whose instance undertaken	Reference to No. & date of requisitioning letter	Date of Accountant General's orders	Mandays put in by the special Audit Party	Duration of special Audit	Period covered by special audit	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<hr/>									

FORM NO. 8

(Referred to in Para 2.06 (i))

Check Register for watching the receipt and issue of Inspection Reports

Sl. No.	Name of office Inspected	Name of Inspecting officer and staff (LAP No.)	Period of Audit	Date of Audit		Date of Receipt of Draft Report	Date of submission to AO/Sr. DAG	Date of approval
				From	To			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Date on which sent to type	Date of return from type	No. and Date of issue	Reference to progress Register	Remarks
(10)	(11)	(12)	(13)	(14)

FORM NO. 9

**(Referred to in Para 2.06 (2))
Progress Register of settlement of Inspection Reports**

Sl. No.	Name of unit	Date of completion	No. & date	Due date of	No. and Date of	Date of receipt of	Date of issue of
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Further correspondence	Date of closure of Report	Remarks
Date of receipt of further replies	Date of issue of further remarks or reminders	Here in individual No. of paras outstanding after 6 months of the issue of report should be given and circled as and when finally settled
(9)	(10)	(11)
		(12)

FORM NO. 10

(Referred to in Para 2.06 (3))

Control Register of settlement of Audit Inspection Reports

Sl. No.	Name of the office	Period of A.I Report	Year of Issue	Reference to any Departmental Authorities Intimating	Settlement effected		Addition through paras in current AIR		Initials	Remarks
					AIRs	Paras	AIR	Paras		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)

FORM NO. 12

**(Referred to in Para 2.06 (6))
Register Regarding the points to be looked into at the time of next Audit**

Sl. No. Officer	Month of Last Audit	Particulars of Items to be investigated	Auditor	Assistant Audit Officer	Accounts
(1)	(2)	(3)	(4)	(5)	(6)

FORM NO. 13

(Referred to in Para 2.06 (7))

Register for watching receipt and non-receipt of vouchers and other documents from Central Office by Local Audit Parties

Name of office Inspected	Period of Account	Name of Central Audit Section	Whether months selected were intimated to LAP (item of forwarding Documents)	Whether records of selected months sent to LAP (Col. 8 of forwarding Documents)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

FORM NO. 14

**(Referred to in Para 2.06 (10))
Register of drawals remaining untraced during Local Audit**

Sl. No.	Name of the Drawing Officer	Voucher No. & Date	Amount	Name of the concerning DA Section	Extract Inspection Report sent to DA Sec. TR No. & date	Subsequent reminder issued to DA section	Reply received from DA section	Order of the Branch Officer
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

FORM NO. 15

II-FORM OF REGISTER OF SERIOUS FINANCIAL IRREGULARITIES

Sl. No.	Name of the Office	Reference to I/R and year	Amount involved if any	Particulars of the case	Inspection Report issued on	Reported to the Head of Deptt. on	Reported to Govt. on	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

III-FORM OF REGISTER OF DRAFT PARAS

Sl. No.	Particulars of Draft Paras	File No.	Inspection Report	Page No.	When sent to Report Section	Further Development	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Office of the Accountant General (Audit) Chhattisgarh, Raipur

Supervised

Non supervised

EDITION MEMO

1. Name of the office
- 2 (a) Name of Assistant Audit Officer/I/C Audit Party
- (b) Name of the Inspection Officer
3. Date of Audit : From..... To.....
4. Date of Review
5. Date of despatch of the Report
6. Date of receipt of the I.R. in OAD Headquarter
7. Whether the delay, if any, has been satisfactorily explained.
8. Entry in the Check Registers : Page No. /Item No.
9. Date of submission of the Report to the Assistant Audit Officer
10. Reasons for delay in submission by more than 3 weeks
11. Important points to be noted in the register of financial irregularities
12. Important paras to be reported to the Higher authorities in advance.
13. Important points for which draft paras may be prepared.
14. Whether the position of Part I (B) (1) is correct and agrees with the Progress Register and AIR file.
15. Whether the AIR has been seen and discussed with the Head of office
16. Whether note of settlement of paras of old AIR has been prepared by the party in duplicate
17. Whether the drawals for the selected months for all the major heads operated by the Drawing Officer have been traced from the list of payment received from the central office/ prepared by the party with the treasury records in the cash book and bill register and certificate of having done so is recorded on the list of payment

- received/prepared from treasury records.
18. Whether the list of remittances for the selected month was prepared by the Assistant Audit Officer from the cash book and verified from the treasury records and necessary certificate has also been precorded to this effect on the list of remittances
 19. Whether the special points marked by central office were reviewed by the party and findings have been incorporated in the AIR.
 20. Whether the statement of records of work done by each member of the LAP are enclosed and it tallies with the duty list.
 21. Whether prescribed percentage of audit in respect of following items of works have been conducted and a certificate to that effect received in the prescribed proforma :
 - (a) Service books & Leave Accounts
 - (b) D.P.F. Accounts.
 - (c) Additional Emolumnets (C.D.)s
 - (d) Check of correctness of pay.
 22. The selection of months for detailed audit was done on the spot due to non receipt of intimation from Central office & whether a selection memo is enclosed with the AIR
 23. Whether the statement showing records received/not received from central office is enclosed with the AIR and whether the records not received has been entered on page at item no. of the register of records not sent to audit parties.
 24. Whether the receipt tracing has been done to the prescribed extent and a certificate to the effect has been received in prescribed proforma.
 25. That the amount of Rs..... as per para of AIR has been kept in O.B. and noted on page of O.B.
 26. Whether all the objection memos (Rough sheets) issued by the party have been received alongwith the draft Inspection Reports.
 27. Any other commission of the Audit Party.
 28. Remarks of the Assistant Audit Officer with his dated initials.
 29. Remarks/orders of the Accounts Officer/Sr. DAG (IC) with his dated initials.

Dated Initials of Auditor



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