



OAD MANUAL, 2025

INDIAN AUDIT & ACCOUNTS DEPARTMENT
Office of The Director General of Audit (Central), Kolkata
Govt. of India Press Buildings (East Wing),
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(for internal use only)

PREFACE

The last edition of OAD Manual was published in the year 2011. During the last fourteen years, several important changes have taken place in the field of audit right from the updation of Performance Audit Guidelines & Compliance Audit Guidelines, introduction of new Risk Assessment Model for planning audits, introduction of online preparation & submission of Draft Inspection Reports through OIOS modules, Changes in format of IRs, changes in format of ranking/grading of IRs, Changes in format of certification of CABs in the form of SAR etc.

Audit procedures and practices also need to be updated accordingly to keep pace with these changes. Keeping this in view, these changes have been incorporated in this new version of OAD Manual. Some chapters of previous version of OAD Manual have been reoriented and new chapters are included.

The instructions contained in this manual are supplementary to Codes and Manuals issued from time to time by the office of Comptroller and Auditor General (C&AG) of India and other authorities. Relevant chapters also contain salient features of Compliance Auditing Guidelines, Performance Auditing Guidelines, AQMF etc.

It should be noted that instructions contained in this manual are not exhaustive nor should the inspecting staff follow them as a matter of mere routine. Reference should be made from original sources in case of any conflict.

The Assistant Audit Officer (Coordination), OAD Section of this office will be responsible for keeping the Manual up to-date and for ensuring that all orders of the DGA(C) and instructions of the C & AG of India requiring incorporation in this Manual are embodied in it with as soon as possible by issue of correction slips.

Suggestions for improvement are welcome and will receive careful consideration.

Sd-

Kolkata

Dated: 11 November 2025

Director General of Audit:

Central, Kolkata

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CHAPTER I

CONSTITUTION AND FUNCTION OF OAD WING

1.1 Introduction

Outside Audit Department (OAD) Wing is entrusted with the duty of mainly three types of Audits viz. Financial Audit, Compliance Audit and Performance Audit in respect of following audited entities:

- (a) Central Government offices/Institutions.
- (b) Non-commercial Autonomous Bodies.
- (c) Central Armed Police Forces.
- (d) Kendriya Vidyalaya, Jawahar Navodaya Vidyalaya, Nehru Yuva Kendra etc.
- (e) Public Sector Banks in relation to pension payment disbursement (located within area of Kolkata Municipal Corporation)¹
- (f) Office of PAOs and DDOs.
- (g) Bhutan based Hydroelectric Power Projects (Joint Audit)

1.1.1 Audit jurisdiction of OAD Wing

The audit jurisdiction of OAD Wing encompasses West Bengal, Assam, Union Territory of Andaman & Nicobar Islands and North-Eastern Region (NER). Upon re-distribution of CABs and other Central Expenditure units located in the NER as well as inclusion of new Secretariats in the Andaman & Nicobar Islands, there are 756, 215 and 399 auditee entities under the jurisdiction of Main Office, Kolkata, BO, Guwahati and BO, ANI respectively. There are 57² Autonomous Bodies (Main Office-39, BO, Guwahati-15 and BO, ANI-3) respect of which Separate Audit Reports (SARs) are issued.

1.2 Branch Offices of OAD Wing

1.2.1 Branch Office at Assam: After restructuring, in 2012 a new Branch Office at Guwahati came into existence with effect from 7 September 2012 for auditing of central receipts in North-Eastern Region and expenditure of all Central Government units (including Autonomous Bodies) located in Assam. The Branch Office is headed by a

¹ Letter dated 23.02.2016 from the Office of the C&AG of India, New Delhi

² New 23 CABs located in the NER have been distributed among Main office (17) and Branch Office, Guwahati (6) – authority DGAC Kolkata approval dated 01.09.2025 and letter to BO GHY vide letter No. OAD/HQ/AAP/2025-26/284 dated 01.09.2025. Further, LGBRIMH, Tezpur to be included as SAR from the AAP 2026-27

Director/ Deputy Director. Branch Office is manned through transfer of staff from Main Office Kolkata.

1.2.2 Branch Office at Andaman and Nicobar Islands (ANI): The Branch Office located at ANI is headed by a Director/ Deputy Director. The nature of audit of this office is Expenditure Audit. Branch Office is manned through transfer of staff from Main Office Kolkata.

1.2.3 Processing of DPs and PAs from Branch Offices

All Performance Audit Reports, Thematic Audit/ Theme Based Audit Reports, Potential Draft Paras, Draft Paras, Action Taken Notes etc. from Andaman and Nicobar Branch Office, which are to be submitted to Director General of Audit, are routed through the ANI Cell and the Sr. AO/OA-Report (holding additional charge of SAO/ANI Cell).

(Office Order (Admn. Series) No. 34, dated 25.04.2023)

1.3 Composition of OAD Wing

The OAD wing is functioning under the supervisory charge of Director/Dy. Director (Inspection), an officer of the Indian Audit and Accounts Service, also termed as Group Officer (Inspection). Group Officer is assisted by three Sr. Audit Officers (Sr.A.Os) at the Headquarters, termed as Branch Officers, in attending the work relating to administration, processing of Inspection Reports and other routine matters. In the supervision of the field work, the Group Officer is assisted by Sr.A.Os termed as Supervising Officers (as sanctioned by the C&AG from time to time). The subordinate staff of the Wing consists of:

- (a) OAD Headquarters Staff; and
- (b) Field Inspection Party Staff.

1.3.1 Composition of OAD (Headquarters)

OAD (HQs) Section is the controlling Section and exercise control over the working of the Field Inspection Parties and Headquarters.

The OAD (HQs) comprises of the following three Sections: -

- (i) Sr.AO/OAD, Coordination, Programme and SAR
- (ii) Sr.AO/OAD-IR (Civil, AB and Bank Pension)
- (iii) Sr.AO / OAD – Report

Each section is headed by one Sr.A.O. The function of each Section is as follows: -

Charge of Sr. AOs at OAD – HQ	Brief description of charges	AAOs linked with the SAO
Sr.AO/OAD Coordination, Programme and SAR	a) All matters related to OAD – Coordination b) Tour Programmes c) Vetting, issue and any other report/return related to SAR d) All Complaint cases and RTI matters e) Files related to Risk Analysis	a) AAO/OAD - Coordination b) AAO/Programme c) AAO/AB – SAR – 1 d) AAO/AB – SAR – 2
Sr.AO/OAD-IR (Civil, AB and Bank Pension)	a) Vetting and issue of Inspection Reports related to AB, Civil and Bank Pension. b) Review of replies received from audited entities and persuasion of the same. c) All reports/returns except Complaint case and RTI matters. d) Matters related to ACM of Civil, AB and Bank Pension	a) AAO/OA – Civil & Bank Pension b) AAO/AB – IR – 1 c) AAO/AB – IR – 2
Sr. AO/OA (Report & ANI Cell) Section	Dealing with the examination and processing of the reports related materials of Main Office and materials received from Branch Office, ANI for inclusion in the CAG's Audit Report.	a) AAO/ DP b) AAO/PA c) AAO/ANI Cell

(No. OAD-HQ/06/Circular/41, date: 25-04-2025)

1.3.2 Composition of Field Inspection Parties

Major parties consisting of two AAOs and one Sr. Auditor/Auditor may be allowed for the Inspection of Departments of Government. Additional manpower can be approved by the D.G.A(C) with reference to the administrative set up and allocation of functions. Minor parties consisting of one AAO and two Sr. Auditors /Auditors may be allowed for inspection of subordinate offices. In offices which are short of qualified AAOs, the major parties may be converted to minor parties of one AAO and two Sr. Auditors/Auditors in order to cope with the Annual Inspection Program. In the case of audit under section (u/s) 13, 14, 19, and 20 of CAG's Duties, Powers and Conditions of Services (DPCs) Act 1971(the Act), the parties may consist of two AAOs and one Sr. Auditor/Auditor.

(CAG's Circular No. 46-TAI/80 issued vide letter no. 842 TAI/120/80 dt. 23.08.1980)

1.3.3 Norm of Gazetted supervision

A minimum of seven days in a month by the Group Officer for supervision of field audit parties. A quarterly report indicating the time spent on supervision of field parties by the GOs is to be sent to the ADAIs/DAIs by the HoD with appropriate explanations for significant variations.

(C&AG's Circular No. 01-PPG/2013 circulated vide letter No. III/P/5-300-PPG/30-2013 dt. 25.09.2013)

1.3.4 Determination of strength of OAD Wing

The strength of the OAD Wing would be determined according to the following scales fixed by the CAG:

a) Two Auditors for every three parties in the field and one auditor for preparation of programs and other miscellaneous work. Where the number of field parties is more than 20, another auditor may be given in addition to the preparation of programs etc.

(CAG's letter No.1644-Admn.III/268-80 dt. 12.08.1960)

(b) For every seven auditors in the headquarters there shall be one AAO and one Clerk.

(CAG's letter No.1876-BRS/304-78-1 dt. 04.05.1979)

(c) The posts of relieving AAOs should be provided at 5% of the total number of Inspection parties subject to availability of AAOs. The existing sanctioned strength & relieving AAOs was computed at 10 per cent of the total number of Inspection Parties as

per C&AG's circular No. 47-TAI/80 issued under No. 844-TAI/102-80 dt. 23.08.1980, which had been revised under C&AG's letter No. 39 TAI/81 issued under No. 1186-TAI/102-80 dt.29.09.1981.

1.3.5 Sanctioned Strength of OAD Wing

Sanctioned Strength of the OAD wing at Main office, Kolkata as on 01.03.2025 is mentioned below: -

	Designation	Sanctioned strength		
		HQ	Field	Total
1.	Sr. A. O	4	15	19
2.	A.A.O/Supervisor	11	39	50
3.	Asst. Supervisor	3	9	12
4.	Sr. Auditor/ Auditor	29	35	64
5.	Clerk/Typist	7	0	7
6.	DEO Grade A & B	10	0	10
7.	MTS	12	0	12
8.	Stenographer	4	0	4
	Total	80	98	178

(OAD-HQ/E-Office /Misc./14, dated 08-04-2025)

1.4 Total No. of Audited Entities

The number of Audited Entities under the audit jurisdiction of Main Office prior to re-distribution of units of NER in July 2025 was 486.

In addition to the above-mentioned 486 units, the OAD wing of the Office of the Director General of Audit, Central, Kolkata has been entrusted with the financial audit of 29 CABs and other 400 central expenditure units **(Refer: AB wing letter No. 553/AB/RC units in NER/04-43/2025 dated 30.07.2025).**

Thereafter, under approval of the HQtrs office vide email dated 14.08.2025, this office has been exempted from the audit of 6 CABs and other 89 Central Expenditure units located in Manipur.

Further, in consonance with the re-distribution of the central government units under eleven³ different Ministries from this office to the Office of the DG (Coal), Kolkata and Office of the DG (Mines), Kolkata, vide letter No. CA-IV/25-2019/KW (circulated vide email dated 09.05.2022), nineteen more units do not fall under the jurisdiction of this office. Similarly, other transferred out units have also been excluded from the list.

Now, under approval of the DGAC, Kolkata and on mutual consultation among members from Main office and Branch Office, Guwahati, audit of six CABs located in the NER have been transferred to the Branch Office, Guwahati.

1.5 Functions of OAD Wing

The OAD Wing is constituted for the purpose of conducting inspections and local audits falling under the following categories:

- i) Inspection and local audit of transactions of the offices and institutions of the Government of India for which the C&AG is statutorily responsible under Section 13 of C&AG's Act 1971(the Act). The Departmental receipts of these offices are also examined.
- ii) Local audit of trading, manufacturing, P&L accounts and Balance Sheets and other subsidiary accounts kept in any department except those being done by Commercial Wing.
- iii) Local audit of all receipts and expenditures of bodies and authorities which are substantially financed by grants of loans from the Consolidated Fund of India subject to the provisions of any law for the time being in force applicable to the body or authorities under Section 14 of the Act.

Notes: When the said grant or loan to a body or authority in a financial year is not less than Rs.25 lakh and the amount of such grant or loan is not less than 75% 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.

³ Ministry of Housing and Urban Affairs to O/o the DG (Coal) and Ministry of Civil Aviation, Ministry of Corporate Affairs, Ministry of Textiles, Ministry of Commerce & Industries, Ministry of Ports, Shipping & Waterways, Ministry of Power, Ministry of Tourism, Ministry of Mines, Ministry of MSME and MoRTH to O/o the DG (Mines)

iv) Scrutiny by local inspection of the procedure by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which any grant or loans is given for any specific purpose from the Consolidated Fund of India. For this purpose, audit shall have right of access, after giving reasonable previous notice to the books and accounts of that authority or body subject to such conditions/limitations detailed in the section of the Act.

v) Local audit of the accounts of such corporations established by the law made by the parliament and where the president in the public interest requests the CAG to audit the accounts of those corporations subject to such limitations and conditions detailed in the section.

vi) The audit of Institutions falling u/s 14, 19, 20 and scrutiny of records of the offices of the sanctioning authorities are conducted with reference to provisions of the Manual of Instructions for Audit of Autonomous Bodies (2010).

vii) Local audit of accounts of bodies or authorities u/s 20 of the Act subject of such limitations and conditions detailed in the section.

(CAG's DPC Act 1971, C&AG's letter No. 959 TAI/14G-80 dated 22.09.1980)

1.6. Special Audit

1.6.1. Existing instructions on Special Audit

i) The responsibility for initial investigation of losses due to fraud negligence, financial irregularities etc. rests primarily with the departmental authorities concerned and the Government. No request for special audit may therefore be entertained until the case presents special features and requires expert scrutiny by the staff of the IA&AD. Special Audit is undertaken only at the request of the Government and requires sanction of the D.G.A (C). Such an audit usually requires more time than an ordinary test audit as a more thorough check has to be exercised in such cases.

(C&AG's letter No. 3629 Admn I/462-60 dated 22.11.1960)

ii) In cases where Special Audit of A/cs of grantee Institution are proposed by the Government on A/c of suspected irregularities the audit should be undertaken with least possible delay irrespective of whether the A/c are complete or not. An Audit of even imperfect records would establish prima facie preliminary scrutiny of A/cs the Institutions may be permitted to complete audit may be undertaken.

(C&AG's letter No. 2197Admn II/14-60 dated 29.11.1960)

iii) When a special audit for special reasons i.e. suspected misappropriation or other serious financial irregularities is undertaken at the request of the government it will be in pursuance of the statutory functions of the C&AG and the cost thereof falls on the Audit Budget. The question of recovery of cost of audit will arise when the audit is not the statutory functions of the C&AG and undertaken on a consent basis.

(C&AG's letter No. 1615Admn III/232-60 dated 11.08.1960)

1.6.2 Requests for Special Audit

(i) The C&AG or any officer so authorized shall give due consideration to a request for special audit of a programme, project or organization within the audit jurisdiction provided that every such request:

- a) is made with the approval of the Secretary to Government of the concerned department.
- b) shall state the justification and reasons that necessitate a special audit, including the results of any preliminary inquiry, investigation or study that may have already been conducted; and
- c) specify the period to be covered in the special audit.

(ii) The decision of the C&AG or any officer so authorized in regard to the special audit shall be final.

[Para 13 of Regulations on Audit and Accounts, 2020]

1.6.3 Reporting the results of Special Audit

(i) The D.G.A(C) shall report the results of the special audit to the Secretary to Government of the concerned department.

(ii) The C&AG reserves the right to communicate the results of any special audit to the Ministry of Finance, Government of India and to include them in the Audit Report.

[Para 14 of Regulations on Audit and Accounts, 2020]

1.6.4 Other conditions for Special Audit

(i) Since the Regulations do not cover requests for Special Audit by Courts of Law, the field office receiving such requests should insist that these are received with the approval

of the concerned Secretary to the Government. The field office should thereafter send the request, with recommendations, to the functional wing concerned in HQ, who will thereafter forward the requests, along with their views, to PPG Wing for taking a final decision in the matter in consultation with Legal Cell.

(ii) All other requests for Special Audit shall be examined by the field audit offices as per extant instructions and then forward, along with their views, to the concerned functional wings in HQ, who shall take a final decision under intimation to PPG.

(iii) Requests for Special Audit of entities not within CAG's audit jurisdiction should be examined in a similar manner as the cases of entrustment of audit.

(iv) For maintaining year wise database of requests for Special Audit received and finally accepted /rejected, a centralized platform would be maintained by the Headquarters, wherein the field offices would be permitted to fill the details as warranted.

(CAG's Circular No. 198-PPG/49-2012 dated 01.10.2019)

1.7 Incidence of the cost of the department

Audit of the accounts of the expenditure and receipts of the Government and of the stores and stocks in the possession of an officer or of a department of a Government by the IA&AD under section 13, 16, & 17 the Act is a Central subject. The cost of local audit and Inspection Government Departments, Offices and Institutions is therefore a charge on the Union Government debitable to Central Revenues under the Head 2016-Audit.

The rules regulating the incidence of expenditure involved in audit of accounts of bodies and authorities conducted by the IA&AD have been laid down in section VIII of Appendix 3 of Accounts Code Vol.-I. Consequent upon promulgation of the Act, present rules of incidence 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 the Act is concerned. Accordingly, the cost of audits of bodies and authorities including corporations will be recoverable in which audit is taken by the CAG or any officer under him as the sole auditor. In cases in which the audit of accounts of the body or authority is conducted by another agency and by the C&AG or an officer under him represents second or superimposed audit under sections 14, 15 & 19, the cost of such second or superimposed audit need not be recovered from the body or the authority concerned. As regards section 20, the same is required to be undertaken on such terms and conditions as may be agreed upon between the C&AG and the Government. One of

the terms to be settled in this regard would relate to the recovery of the cost of audit of the body or authority to be entrusted under section 20 of 1971 Act. The recovery if the cost of audit in these cases will, therefore, be regulated by the agreement that will be arrived at in each case. In respect of smaller institutions which are not involved in manufacturing or trading activities, however recovery of cost of audit, where C&AG is the sole auditor need not be affected if the amount is less than ₹10,000/- per annum in each case. Subject to standard terms and conditions as specified in manual of Instructions for Audit of Autonomous Bodies (2010), audit may be undertaken under section 19(3) or 20(1). No reference to Headquarters' Office is necessary.

(CAG's DO No.649-Admn.II/143-85 dt. 28.04.1985)

1.7.1 Audit Fee

For the audit of non-Government accounts such as local bodies etc. undertaken u/s 14,15,19 & 20 of the Act, Audit Fee is charged (in cases where it is chargeable) according to the scale to be approved by the C&AG of India. The amount of audit fee shall be calculated according to the instructions of C&AG.

1.7.2 Audit Fee Register

The realisation of Audit Fee is watched through the Register of Audit Fees maintained in form SY 338 by OA(AB) section. The Audit Fee assessed, claimed and realised are entered in the register in relevant columns. When the audit relating to the instruction from which the fee recoverable is received, when the intimation of credit is received from the PAO the fact is also noted in the Register in the remaining columns. A report of the amount of Audit fees outstanding at the end of each month should be prepared on the 5th of each month and submitted to the Branch Officer. The Register should be submitted to the Group Officer on the 15th of April, July, October and January. A Quarterly Report regarding recovery of Audit Fee should be submitted to Hqrs Office letter No. 218 O&M/12-75 dated 20.06.1986, No. 510 TAI(RGL)/8-81 dt.17.05.1983 and No.283-CA-II/23/81 dt.03.07.1984.

1.8 Sphere of duty of the Inspection Parties

The Inspection parties for audit of civil offices have their sphere of duty throughout the state of West Bengal and North East India in respect of Central expenditure units/departments/directorates and Central Armed Police Forces like BSF, SSB, CISF, ITBP, Assam Rifles etc.

1.9 Selection of Staff to be deputed for Inspection Work

- i) Specially trained, competent and intelligent staff should be engaged who would examine the accounts intelligently and pay due regard to the principles of efficiency audit.
- ii) Experienced Sr.A.Os should preferably be employed on inspection duty.
- iii) AAOs with special aptitude for the work and sufficient experience in the Departmental Audit Sections are selected for local audit.
- iv) Preference should be given to Auditors/Sr. Auditors/Asst. Supervisors who have about three years' experience of Inspection Work.

1.10 One IAAD One System (OIOS)

C&AG began digitization of audit process with 'One IAAD One System' (OIOS) in November 2020. OIOS is a comprehensive IT system for audit process automation and knowledge management. It is a workflow-based IT application where all the audit activities are carried out end-to-end in real-time within the application itself. The OIOS has the capabilities to handle all the critical areas of audit such as audit planning, drawing up of audit teams and programs, issue of requisitions, enquiries, audit observations, consolidation of observations into DIR based on materiality, draft and issue of IR as well as Statement of Facts, Draft Paras, Audit Reports and other audit products to various authorities and the same has been indicated in the relevant parts of this manual as well. Switching over/ operationalization of the entire audit process from manual system to OIOS has been done from 1st April 2023 onwards and now the complete audit process (from audit planning to audit reporting) is done and documented through OIOS on real time basis.

Preparation of Annual Audit Plan through OIOS was launched during March 2025. In the new scenario, Annual Audit Plan for the ensuing year is to be prepared in OIOS by incorporating necessary information in the Tables available in OIOS. New Audit Plan can only be created by the wing only after approval of the Annual Audit Plan (OIOS term – “AUP”) by the HoD.

CHAPTER II

DUTIES & POWERS

2.1 Introduction

This Chapter deals with duties & powers of Director (Inspection) / Group Officer, Senior Audit Officers (HQs), Supervising Senior Audit Officers (Field Parties) of Field Inspection Parties and OAD HQs).

2.2 Duties and Powers of the Director/Group Officer (Inspection)

2.2.1 Duties: The main duties of the Group Officer (Inspection) are

a) General administration and overall supervision of the OAD wing; Group Officers should devote a minimum of seven days in a month for supervision of field audit parties. A quarterly return indicating the time spent on supervision of field audit parties by Group officers may be sent by head of department to their ADAIs/DAs giving appropriate explanations for significant variations, if any.

(PPG circular no. 01/PPG 2013 issued under letter no. III/P/5-300-PPG/3O-2013 dated 25/9/2013)

b) Allotment of duties to Sr.A.Os, AAOs and other sub-ordinate staff.

c) Scrutiny and approval of the Annual Audit Programmes.

d) Scrutiny and approval of annual forecast for staff requirements, revised/budget estimates relating to OAD wing before submission to the D.G.A(C);

e) Approval of the Quarterly Inspection Programs and subsequent deviations if any, thereto in respect of Field Inspection Parties.

f) Approval of the monthly programs for supervision of local inspection by the Sr. AOs and subsequent deviation if any, thereto.

g) Scrutiny and approval of all reports on inspections supervised by the Sr.A.Os;

h) Forwarding of the Inspection Reports to the concerned audited entities.

i) Selection of the paragraphs of Inspection Reports for inclusion in PDP Register and review of the register once a month before it is submitted to the D.G.A (C);

j) Scrutiny and approval of all notes on review of paragraphs outstanding in respect of previous Inspection Reports.

- k) Disposal of important paragraph of the Broad Sheets on Inspection Reports as may be submitted to the Group Officer by the Sr. AOs at headquarters.
- l) Disposal of letters and U.O. reference from Government or the C&AG and other important correspondence relating to rules and procedures of audit etc. as well as any references from the inspecting parties or the Supervising Officers.
- m) Scrutiny and approval of the Monthly Diaries of the Supervising Officers.
- n) Group Officer may supervise audit 7 days in a month. Group Officer should not leave the headquarters without the permission of the D.G.A (C) and before starting on tour Group Officer should submit his/her tour program for the D.G.A(C)'s approval during the last week of the month preceding the month to which it relates.

[CAG'S letter No.171-TA. II/120-82 dtd.16-2-83]

Note:

- (i) Average minimum of 7 days mentioned in the above paragraphs would not be mandatory and could be relaxed by the D.G.A (C) in respect of supervising officers who held dual or extra charge or are working under abnormal conditions.

{CAG'S letter No.171-TA. II/120-82 dtd.16-2-83}

- ii) Group Officer should supervise the audit teams conducting the Performance Audit selected for incorporation in the Audit Reports and such other items considered important and typical by him.

[CAG'S D.O.No.734-Rep/73-78-III dtd.28/5/79]

- o) Scrutiny and approval of Draft Paragraphs processed and proposed by the OAD (HQs) for inclusion in the Audit Report before submission to the D.G.A (C) for final approval.
- p) Scrutiny and approval of annotations prepared by the OAD (HQs) against the comments and suggestions of the C&AG on the proposed Draft Paragraphs before submission to the D.G.A (C) for final approval.
- q) When an inspection reveals embezzlement, or serious financial irregularities, Group Officer should bring it to the notice of the D.G.A (C) and may visit the station personally to inspect the accounts and render necessary guidance to the party concerned in the matter of further investigation.

In case it is not possible to visit the station for any reason, Group Officer may, if considered necessary, instruct the party about the line of further investigation into the matter in writing or verbally. If necessary, Group Officer may also give aid to the inspecting staff by increasing its strength or allowing additional time.

r) Controlling of the T.A. grant of the OAD wing by watching the progress of expenditure under the head “Traveling allowance” by means of the T.A. Register that gives an estimate of T.A. grant to be provided for in the budget.

s) Scrutiny and review of Progress Register of Inspection Reports once a month to see that proper action has been taken for the issue and disposal of Inspection Reports.

t) Review of the monthly state of work in OAD Wing in detail so that the existence of arrears of all kinds may come to notice and take appropriate steps to clear the arrears. Number of IRs to be issued, which are more than 30 days old to be included in the Monthly State of Work Report in following format:

Month / Year	No. of outstanding IRs at the end of month	No. of outstanding paras at the end of month	Increase (+)/ Decrease (-)		No. of IRs due to be issued Which are more than 30 days
			IRs	Paras	

(No. Central-Actg/MR/March-20 I 0/275-278 dated 25.03.11)

u) Controlling Officer for Sr.A.O.s. **(Office Order No. 805 dated 23.01.2012)**

v) In respect of SAR/DP/Review/IR etc. Group Officer should furnish a certificate to the effect that all documents marked as KDs are personally seen and checked by him/her. Such certificate should be placed in each folder of SAR/DP/Review/IR etc. before its submission to DGA(C), Kolkata for approval.

(No. DGA(C)'s Sectt./Misc./2017-18/78-84, 01.09.2017)

w) Whenever the Group Officer is relieved either temporarily or permanently of the charge of his/her office, he/she will draw up a memorandum showing the general state of work of wing arrears if any and the remedies suggested for any deficiencies or arrears. Group Officer should also detail the important cases requiring immediate attention or action. The memorandum should be handed over to the relieving officer and copy should

be submitted simultaneously to the D.G.A (C). It will be the duty of the relieving officer to make a preliminary examination at the time of relief and within the space of three months to satisfy him/her about the state of work of the wing.

x) In addition, following work is carried out by the Group Officer in OIOS and e-office /e-file: ⁴

OIOS	E-office/e-file
a) Submission of Annual Audit Plan. b) Submission of Quarterly Audit Plan. c) Approval of the tour programmes. d) Approval of Audit Design Matrix (ADM). e) Processing/approval of Toolkits. f) QA/QC of the completed Field Visits. g) Approval and further submission of Finance and Appropriation Accounts. h) Approval/Processing of Audit Products (IR, FS, PA, PDP). i) Any other directions related to Civil Audit.	a) Approval of various returns and reports. b) Approval of various PUCs. c) Approvals of vetting remarks/replies on the IR. d) Verification of Complaints/ RTI. e) Approval of general correspondences with Ministries/Departments under the audit jurisdiction of the wing. f) Approval of the Desk Review. g) Approval of the Audit Assignment Notes. h) Vetting of ATN/ATR for onward submission. i) Any other directions related to Civil Audit. (section orders/circulars)

2.2.2 Powers: The powers of the Group Officer (Inspection) are mainly as follows:

a) Sanction of Casual Leave to Sr.A.Os up to 7.

(Office Procedure Manual Fourth Edition, Note 1 below para 12.1(6))

b) Sanction of Restricted Holidays to the Sr.A.Os;

c) Sanction of regular leave (inclusive of extension) up to 6 months to Sr.A.Os and other staff.

d) Sanction of leave (other than regular leave) i.e. half pay leave, commuted leave, extraordinary leave, leave not due etc. in respect of Gazetted staff. Leave cases need to

⁴ Para 3(x) of Civil Audit Manul issued by Pr. DA(Infrastructure).

be guided as per instructions laid down in Office Order (Admn. Series) No. Admn. I/C/447/1666 dated 22/9/88.

- e) Allow extension in the time allotments for local inspection, if found justified.
- f) Depute any subordinate staff to collect any information as may be required for the purpose of Audit Report from any office which is under its audit control.
- g) Sanction of advance T.A. as per existing rules and orders to Gazetted officers and members of the Inspection parties going on tour.

2.2.3 Powers to waive recoveries

Group Officer can waive audit objections related to recoveries of irregular expenditure, personal claims and other cases having monetary value up to the limits and subject to fulfillment of conditions as laid down in Para 7.1.16 to 7.1.18 of CAG's M.S.O.(Audit) Second Edition,2002.

2.3 Duties and Powers of the Sr.AOs (HQs)

2.3.1 Duties: The main duties of the Sr. AOs (HQs) are as follows:

- a) Assisting Group Officer in performance of his/her normal duties.
- b) Undertaking such other items of work as may be entrusted to him by D.G.A (C).
- c) General routine supervision of the work done in OAD (HQs).
- d) Keeping watch over the timely submission of all registers, returns due for submission to the Group Officer or D.G.A(C) or to himself including calendar of returns.
- e) Scrutiny and approval of the reports on inspection not supervised by Sr.AOs. When the number of such Inspection Reports is large and to get the work done quickly, he may distribute these among the inspecting Gazetted Officers attending headquarters as per approved program.
- f) Forward the Inspection Reports to the related audited entity and to other authorities as per requirement.
- g) Controlling Officer for other Gazetted and non-Gazetted staff under their control. Certifying all T.A. Bills of other Gazetted and non-Gazetted staffs that the details of journeys agree with the program and diaries.

(Office Order No. 805 dated 23.01.2012)

h) Entrusting the AAOs (Vetting) to verify the fact, figure and other allied matter and appearing in paragraphs or the unsupervised Inspection Reports including proper editing of those paragraphs which he and other Gazetted Officers have approved and considered important for inclusion in the Register of Financial Irregularities with the approval of the Group Officer.

i) Scrutiny of the Draft Paragraphs/Performance Audit processed and prepared at HQs before submission to the higher authorities, if not otherwise instructed.

j) Verification and initialing of 5% of entries in the calendar of returns.

k) Bringing to the notice of the D.G.A(C) such matters relating to administration of the Department and field inspections which he considers most important and urgent.

l) Allotment of duties to MTS attached to the OAD wing.

m) Scrutiny and approval of weekly diaries of members of Inspection Parties if the work was not supervised by the inspecting Sr.A.O;

n) All correspondence including disposal of Broadsheet replies on Inspection Reports received from audited entities. All-important paras of such Broadsheets should be submitted to Group Officer (Inspection) with notes or drafts for final approval.

o) Watching the issue of reminders wherever necessary.

p) Monthly review of the Register showing the progress of check of leave accounts and the progress of nominal audit.

2.3.2 Powers: The powers of the Sr.A.Os (HQs) are mainly as follows:

a) Sanction Casual Leave of 6 days at a time to AAOs and other non-Gazetted staff working at headquarters section.

(Office Procedure Manual Fourth Edition, Note-1, below Para 12.1 (6))

b) Sanction regular leave up to 30 days to other non-Gazetted staff attached to headquarters section, if no substitute is required.

c) Recommend leave (regular leave, commuted leave, half pay leave, extra ordinary leave, leave not dues etc.) in excess of 15/30 days in respect of AAOs, other non-Gazetted staff of the OAD Wing for sanction of the Group Officer.

d) Grant of regular leave will be guided in terms of Office Order (Admn. Series) No. Admn. I/C/4471666 dated 22-9-88.

2.3.3 Powers of waiving recoveries by the Sr. AOs (HQs)

The Sr.AO (HQs) can waive audit objections related to recoveries of irregular expenditure, personal claims and other cases having monetary value up to the limits and subject to fulfillment of conditions as laid down in Para 7.1.16 to 7.1.18 of CAG's M.S.O.(Audit) Second Edition,2002.

2.3.4 The distribution of charges in absence of Sr.AOs and AAOs posted in OAD HQ at Main Office is as follows:

(A) Senior Audit Officers:

Sl. No.	Charge	In the absence of Sr. AO mentioned in Column B, charge would be held by	In the absence of both Sr. AOs mentioned in Column B & C, charge would be held by
A	B	C	D
1.	Sr. AO/OAD – Coordination, Program and SAR	Sr. Audit Officer / OAD – Report	Sr. AO/OAD – IR (Civil, AB and Bank Pension)
2.	Sr. AO/OAD – IR (Civil, AB and Bank Pension)	Sr. AO/OAD – Coordination, Program and SAR	Sr. Audit Officer / OAD – Report
3.	Sr. Audit Officer / OAD – Report	Sr. AO/OAD – IR (Civil, AB and Bank Pension)	Sr. AO/OAD – Coordination, Program and SAR

(B) Assistant Audit Officers:

Sl. No.	Charge	In the absence of AAO mentioned in Column B, charge would be held by	In the absence of both AAOs mentioned in Column B & C, charge would be held by
A	B	C	D
1.	AAO/OAD – Coordination	AAO/OAD – Program	AAO/AB- SAR – 1

2.	AAO/OAD – Program	AAO/OAD – Coordination	AAO/AB- SAR – 2
3.	AAO/AB – SAR – 1	AAO/AB – SAR – 2	AAO/OAD – Coordination
4.	AAO/AB – SAR – 2	AAO/AB – SAR – 1	AAO/OAD – Program
5.	AAO/AB – IR – 1	AAO/AB – IR – 2	AAO/OA – Civil & Bank Pension
6.	AAO/AB – IR – 2	AAO/AB – IR – 1	AAO/OA – Civil & Bank Pension
7	AAO/OA – Civil & Bank Pension	AAO/AB – IR – 2	AAO/AB – IR – 1
8	AAO/OA – DP	AAO/ANI Cell	AAO/OA – Performance Audit
9	AAO/OA – Performance Audit	AAO/OA – DP	AAO/ANI Cell
10	AAO/ANI Cell	AAO/OA – Performance Audit	AAO/OA – DP

(No. OAD-HQ/06/Circular/66, dated 13.05.2025)

2.4 Duties of OAD (HQs) Section

OAD (HQs) Section is responsible for the following items of work: -

- a) Keeping an up-to-date list of offices to be locally audited;
- b) Preparation of Quarterly Inspection Programs of field parties and;
- c) Preparation of Monthly Programs of supervision by Sr.A.Os for submission to the Group Officers.
- d) Preparation of Budget Estimate relating to OAD Wing.
- e) Oversee that all the local audit work is being done punctually and regularly.
- f) Preparation and maintenance of Duty List of Sr.A.Os, AAOs and other staff working in the headquarters.
- g) All other miscellaneous and policy matters relating to OAD Wing.
- h) Maintenance of prescribed registers.
- i) Processing and preparation of Draft Review and Draft Paragraphs for inclusion in the Report of the C&AG.
- j) Selection of scheme for D.G.A(C)'s/CAG's approval for undertaking Performance / Thematic Audit for inclusion in the Audit Report.

- k) Maintenance of a register showing cases of defalcation, fraud, misappropriation etc. detected in audit.
- l) Scrutiny of replies to inspection reports, issue of further remarks of audit or taking further action of the same until all the points raised in the report are finally settled.
- m) Maintenance of Broad Sheet Register indicating receipt and disposal of replies to audit observations of the Inspection Reports.
- n) Maintenance of Objection Books and six-monthly check objection book and issue of reminders in this connection. Watching of Note Books of assistants and their submission to Branch Officers.
- o) Maintenance of a register showing cases where lowest tenders were not accepted. Preparation of synoptic Draft Paragraphs on outstanding inspection reports.
- p) Maintenance of records and registers in connection with audit inspection of offices under sec. 14, 15, 19 & 20 of the Act.
- q) Issue of Demand letters for the realization of audit fee and watching their credits.
- r) Vetting and scrutiny of Draft Inspection Reports and such other reports as may be entrusted by the Group Officer/Sr.AO (HQs);
- s) Press clippings may be sent to HQs Office by all heads of office in respect of items relevant to their work and function and which are of sufficient interest/importance.

(HQs. D.O No.53 O&M/66-87 dt. 08.09.1988)

2.5 Duties & Powers of Supervising Sr.A.Os of Field Inspection Party

2.5.1 Duties: The main duties of the Supervising Sr.A.Os of field inspection parties are as follows:

- a) To supervise the work of the AAOs and other subordinate staff of Inspecting Parties.
- b) To guide his staff, to do a certain amount of original work himself and examine personally with reference to the initial documents, all the serious and important points raised by the field staff.
- c) To make an intelligent probe into the initial records to see whether the defective maintenance or the non-maintenance of records is a camouflage to conceal fraud or misappropriation.

- d) To devote personal attention to important matters, e.g. to review the manner in which (i) the contracts are initially negotiated and later executed and (ii) plans and programmes of various schemes and projects undertaken by the government are implemented by the local office. The review should be conducted to ascertain how far “wisdom, faithfulness and economy” are observed.
- e) To personally scrutinize the state of accounts of the office inspected, especially the cash account and to conduct general reviews of all the books of accounts and connected files and check all important items and some other items at random.
- f) To advise the authorities of audited entities in matters affecting accounts, budget, or financial regularity of the transactions.
- g) To exercise all the checks prescribed for the AAOs if he is not available or absent due to leave or otherwise. The check of cash book in such circumstances should not be left solely to the Asst. Supervisors/Senior Auditors/Auditors and should extend proper help to them.
- h) To report immediately to the Group Officer anything really serious or really important that comes to light during inspection without waiting to include it in the Inspection Report.
- i) To get necessary briefing wherever required from the OAD (HQs) well in time with regard to any special points to be examined during important local audits. Likewise, in case of special audits to ensure that necessary guidelines on which special audit is to be conducted are obtained from the OAD (HQs) and the periods for which the records are to be examined in detail are also ascertained.
- j) To keep a Diary of the inspections and other work done by him/her. The Diary should indicate briefly the particulars of work done during the inspection supervised by him/her.

2.5.2 Powers:

The powers of the inspecting Sr.A.Os in respect of staff of Inspection Parties under their supervision shall be same as those of a Sr.AO (HQs) in respect of staffs of OAD Headquarter.

2.5.3 Work carried out in OIOS by the supervising Sr.AO⁵

- a) Preparation and submission of Desk Review.
- b) Initiation of field visit.
- c) Preparation and submission of Audit Design Matrix.
- d) Review, preparation and issuance of Audit Requisitions, Enquiries and Audit Observations.
- e) Perusal and approval of Audit Enquiries and Audit Observations submitted by AAOs of the LAP.
- f) Preparation and submission of DIR and DSAR.
- g) Initiation of 'Deviation Info' (Cancellation, Deferral, Extension, Pre-closure and Others) in OIOS portal and sent to Group Officer for approval.
- h) Closing field visit and submission of field visit for QA/QC.

⁵ Para 5 of Civil Audit Manual issued by PDA(Infrastructure).

CHAPTER III

GENERAL RULES AND PROCEDURE

3.1 Introduction (Modified)

This Chapter deals with general rules and procedures followed in the OAD Wing in relation to maintenance of Records, Registers, Guard Files, and Preparation of Audit Programs etc.

3.2 Registers to be maintained at OAD (HQs)

The OAD (HQs) Section should maintain the registers mentioned below for efficiently carrying out its duties and proper administration of OAD Wing. These registers should be periodically examined by A.A.O and Sr. A. O of OAD (HQs) Section.

3.2.1 List of Registers to be maintained at OAD (HQs)

- i. Register of local audit
- ii. Register of points for investigation during local audit
- iii. Register for watching receipt of Draft IR and issue of IRs
- iv. Progress Register of Inspection Reports
- v. Outward Diary Register of Inspection Reports
- vi. Register of check of leave account
- vii. Attendance Register
- viii. Casual leave Register
- ix. Inward Diary Register of letters
 - a) Ordinary
 - b) D.O letters addressed to Director (Inspection)
 - c) D.O letters Addressed to D.G.A(C)
 - d) Other D.O. letters
 - e) Letters from C&AG
- x. Inward Diary Register of Express Letter & Fax
- xi. Outward Diary Register of Letters
- xii. Register of un-official cases from (a) C&AG and (b) others.

- xiii. Register of pending cases
- xiv. Reminder Receipt Register
- xv. Docket Book- a) Program b) Others
- xvi. Advance T.A. Register
- xvii. Register for watching disposal of Advance T.A. Bills
- xviii. Adjustment T.A. Register
- xix. Files of weekly diaries of Inspection Parties
- xx. Check register of weekly diaries
- xxi. Register of leave
- xxii. Register for collection of suitable statistics to serve as Fair Index of the volume of
work done in audit office
- xxiii. Order Book of posting
- xxiv. Staff Register
- xxv. Register of serious financial irregularities
- xxvi. Register of defalcations, misappropriations etc.
- xxvii. Register of draft paragraphs
- xxviii. Register for watching progress of audit
- xxix. Objection Book, Adjustment Register and check Objection Book
- xxx. Register for watching settlement of outstanding paras of Inspection Reports, Broad
Sheet Registers and Para Settlement Register
- xxxi. Progress Register of local audits under Section 14 of the Act
- xxxii. Register of local audits undertaken under section 15, 19 & 20 of the Act,
- xxxiii. Register for watching recovery of Audit Fees
- xxxiv. File Index Register
- xxxv. Duty List Register
- xxxvi. Index Records of Inspection Reports

xxxvii. Register containing index of all Guard Files opened/maintained

3.2.2 E-Office

Staff of the wing may strictly adhere to the Headquarters' instruction under reference and compulsorily use e-office for all officials work including processing of all Report and Return files/registers etc. No Physical registers should be put up to Group Officer/HOD and the same may be placed in prescribed format in e-office for approval at appropriate level except in cases where specific exemption has been obtained from the competent authority.

(Circular (Admn Series) No.23, dated 24.04.2025)

3.3 Register of Local Audit

a) The register contains Ministry/Department wise complete list of local audits done by the Inspection Wing with their periodicity and party days allotted. Whenever under orders of the competent authority, any audit or its periodicity is altered or party days are increased / decreased or any new audit is taken up, the necessary correction or additions should be made immediately in the Register. The list should be reviewed every year to be kept up to date.

b) As subsidiary to the register of local audits, a Program Index Register (SY-336) should be maintained to show

- i. Name of the organisation
- ii. location with full postal addresses,
- iii. periodicity of audit,
- iv. party-days allotted,
- v. date of last audit with periods of accounts audited and the number of the party doing the audit,
- vi. when due next,
- vii. Remarks,

Separate volumes may be opened for the register for each category of audit, i.e. Annual, Biennial and Triennial.

c) The column (v) of the register should be filled in against each item of audit recorded in it as soon as any event occurs relating to such audit. Thus, when the audit is included in the program of inspection, the date fixed for inspection should be entered in pencil in

this column, in order that it may be amended in case of a subsequent change, and when the date expires and inspection has been carried out, the date should be inked over. When the Inspection Report is submitted to HQs, the later part i.e. the period of accounts audited, and the number of the party entrusted for this audit, should be filled in, from the information given in the Inspection Report. Again, if an audit is postponed for a future date as suggested by the local audit, the facts should be noted in the register in pencil for future guidance. By maintaining the register in this way it will provide up to date information about the audit done and those remaining to be done during the year and it will then be materially helpful in drawing up the program of audit of the inspection parties.

3.4 Preparation of Audit Programme

a) As per directions received from the HQtrs Office for preparation of the AAP for the next year, a list of audits to be undertaken during the next financial year which come in turn according to their periodicity of audit should be prepared and the approval of the D.G.A(C) should be obtained. The same should be reported to the functional wing of the HQtrs Office.

b) In preparing the annual program it should be ensured that all deletions and additions in the list of offices to be locally audited have been taken into account, the existing audits have been intensified where found essential and the existing party days for local audit have been increased or reduced whenever necessary so that the time and staff available are utilized to the best advantage.

c) The local audit program may be organized in such a way that audit of all bodies and authorities selected under sections 14 and 15, corporations, audit of which is entrusted under section 19 of the Act and other institutions the audit of which devolves on the C&AG under any law made by parliament is completed according to the prescribed schedule. Performance audit selected should also be completed with the existing staff. It is necessary to review the existing frequency and duration of inspection of office coming under the usual local audit program of this wing about the importance of the audit and analyzing risk of particular office/institution. For example, the institution, the expenditure of which relates mainly to salary and allowances and audit of which is unlikely to throw up important points for inclusion in the audit report need be given only comparatively low priority in such program. The intention is that while all institutions

should be covered in the local audit program over a period of time, it is not necessary to fixed schedules of annual or triennial local audit in respect of institutions, the financial transactions of which are more or less of a routine nature and which do not generally deal with development program. All institutions should, however, be covered in local audit over a period of time.

[CAG's letter No. 1062-BRS/192-74 dated 23.4.75 & 380- codes-I/41-74/Gr. V dated 5.8.75]

d) Annual Audit Plan with target and achievement needs to be prepared in terms of C&AG's circular No.1-Audit Plg./97 dated 24/1/97 and circular No.1-Audit Plg./98 No.78 Audit (Audit Plg.)/93-94 dated 6/2/98.

3.5 Preparation of Quarterly Audit Programme of Inspection Parties.

a) On the basis of the Annual Audit Program approved by the D.G.A(C) the detailed audit programs of Inspection Parties are drawn up for each quarter, the year being divided into four quarters for administrative convenience, viz, April to June, July to Sept., October to December and January to March.

b) The audit programs of Inspection parties should indicate the following particulars-
(i) Names of Sr.A.O, AAOs/Supervisor, Assistant Supervisor /Sr. Auditors/Auditors of the party (ii) Names and locations of the offices to be locally audited (iii) particulars regarding periodicity and last audit, (iv) duration of audit (v) date of commencement and termination of audit (vi) particulars regarding transit dates if any, for period of transit from one station to another.

c) In drawing up the quarterly programs of audit the following principles should invariably be observed –

i) Care should be taken to avoid the particular season of the year during which the localities to be visited by the Inspection parties become unsuitable for communication.

ii) Where in any office, the store accounts, the Proforma or commercial accounts are to be audited, its inspection should not be taken up before the middle of July or beginning of August, as such accounts are not generally made ready before that time. Wherever possible a previous enquiry should be made as to the respective offices, when the store accounts or Proforma accounts of an office are to be audited, it should be indicated against the name of the office in the program.

iii) It should be guarded against that the same districts are not visited by a number of Audit Parties during different parts of the year and one party may not visit the same station more than once in a particular quarter, where these are unavoidable for some reasons, the position should be specially explained to the Group Officer while putting up the program for the quarter.

iv) To ensure maximum output as also economy of time, transit day for field parties and Inspecting Officers should be allowed on Sundays and non-prominent holidays where feasible [Letter No.14(4)-E(Co-ord.)1/67 dated 21.7.67 from G.I.M.F, Deptt. of Expenditure]

v) Care should be taken to ensure that inspection parties are not ordinarily required to stay at particular station in excess of 30 days.

vi) No Inspection Party should remain away from Headquarters for more than three months.

vii) The same Party may not inspect an office on two successive occasions.

viii) The office of the Controlling Officer should first be taken up for local audit, when several of his subordinate offices are also to be visited, unless it involves extra expenditure on T.A.

ix) Periodicity of local audit of GPF accounts of previous Group “D” employees should synchronize with local audit of the offices concerned, i.e. at the time the office are taken up for normal audit.

x) The Quarterly Inspection Program of each Audit Party should be prepared not later than 15th of the last month of the previous quarter and got approved by the Director (Inspection). Deviations which are inevitable due to non-existence or abolition of offices, requests by local officers for deferment of audit on reasonable ground and other minor unforeseen reasons are approved by Sr.A.O (HQs). A consolidated list of such deviations with reasons therefore is submitted to the Director (Inspection) for his/her ex post facto approval. Deviations involving policy decisions etc. are however submitted to him/her forthwith and his/her orders obtained.

xi) A copy of the approved program should be provided to the respective inspecting A.A.Os and the supervising Sr.A.Os.

3.6 Preparation of Monthly Supervision Programs of Sr.A.Os

a) Immediately on drawing up the audit program of the Inspection Parties, the monthly supervision programs of Sr.A.Os should be prepared in advance. Such programs should indicate the audit to be supervised by each officer with number of days allotted for supervision and the party days allowed to the Inspection Parties to carry out each audit.

b) While preparing the supervising programs the following considerations should be borne in mind.

i) Supervision should be provided in all cases where it is obligatory and for all other important audits.

ii) All new items of audit taken up by the Inspection Parties (except the minor and unimportant ones) should be supervised as far as possible.

iii) All important items of audit should be supervised adequately either in one or more spells.

iv) The supervision should be arranged as far as practicable towards the close of audit to enable the Inspecting Sr.A.O to discuss and settle at the spot, the observations made during present as well as previous local audits to the extent possible and to discuss the Draft Inspection Report with the Head of the office.

v) Supervision should be so arranged that the Inspecting Sr.A.O may be able to supervise all the important audits at a particular station in a single visit in each month.

vi) The Supervision Programs of the Inspecting Sr.A.Os are required to be approved by the Group Officer (Inspection) and copies of the approved programs should be supplied to them.

3.7 Supervision by the Group Officer (Inspection):

Group Officer's monthly or fortnightly (if that is convenient) supervision programs for local audit need to be prepared and got approved by the D.G.A(C). Any deviation in the program should be brought to the notice of the D.G.A(C) at the end of the month. If any extensive change in the programs is necessary, it should be approved by the D.G.A(C) when the occasion arises.

3.8 Filing of Audit Programs:

The Quarterly Programs of Field Inspection Parties are kept in the respective file opened for the year after these are approved by the Group Officer (Inspection). The monthly programs of the Inspecting Officers are kept in one file opened for the year. The copies of the programs of all the Inspection parties for each quarter and of the programs of all the Inspecting Officers for each month are to be placed in separate files and made over to Group Officer for his reference. The AAO (OAD/HQs) Section should see that Group Officer's copies of programs are kept up to date by correcting the programs which have undergone subsequently.

3.9 Duration of Audit

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

[CAG's letter no.380-Admn.III/517-61 dated: 5.3.62]

3.10 Intimation of Audit:

An intimation of audit during each month notifying the date on which the audit will take place in the printed form should be sent from OAD (HQs) on or before the 15th of the preceding month to all officers concerned.

When the local audits are relating to audits of receipts and expenditures under section 14,15 or 20(i) of the Act, the particular section under which the local audit is to be carried out, the period of accounts be checked should be indicated on the letter of intimation. A sentence should be inserted in the intimation memo requesting that these accounts should be kept ready for submission to the Inspection Party. The intimation should indicate the composition of audit team(s), duration and schedule of audit and should solicit the requirements from and co-operation of the executive for the smooth conduct of audit. While sending the intimation of audit, the Head of the office may be specially requested to be present at his headquarters during the course of local audit.

(Based on Chapter 4 para 4.22 of Compliance Audit Guidelines, 2016)

3.11 Register of important points for local investigation:

a) Necessary points requiring special investigation locally (with all relevant papers together with the statements of outstanding objection which are required to be settled locally separately in respect of each office to be inspected), on receipt of such points and statements of objections, the AAO should enter those in a register to be maintained at headquarters section for the purpose and arrange sending those to the parties concerned to take appropriate action on the points and objections when visiting the offices for local inspection. The notes of the Inspection parties on those points and objections after local investigation are sent to HQs for further necessary action.

The register should be submitted to the Group Officer on the, 25th of every month with a certificate that all the points and objections received have been entered in the register. Press clipping to be sent by field office in terms of HQs. D.O. No.53/O&M/86-87 dated 4/11/76.

b) Another Register for including cases and points arising from various other sources, viz. request from Government, Heads of the local offices, complaints about irregularities in accounts etc. which have been decided to be investigated locally under orders of the D.G.A(C) or Group Officer (Inspection) should be maintained at headquarters for watching progress of investigation in the following form:

Sl. No.	Subject matter of investigation in brief	Source	Date of orders of Pr.D.A(C)/ D.G.A(C)/ Group Officer for investigation	Date of dispatch of the points to the party	No. of the party to which sent with name of the AAO	Date of receipt of the notes from the party about investigation.	Further action taken
1	2	3	4	5	6	7	8

This register should be submitted to the Group Officer (Inspection) on the 25th of every month with the certificate that all points decided to be investigated locally under the orders of the D.G.A(C)/Group Officers have been entered in the register.

3.12 Supply of important orders to Inspecting AAOs

The AAO, OAD (HQs) will see that copies on short summaries of all important orders that have been marked by the Group Officer (Inspection) for noting or circulation to all Inspecting AAOs are promptly supplied to them before those are filed.

3.13 Progress Reports or Diaries of staff of Inspection Parties

a) The weekly progress reports or diaries in form SY 324 should be submitted to the OAD (HQs) by each member of the Inspection parties excluding the MTS attached to the party indicating therein the following particulars:

- i. Number of the party
- ii. Name and designation in full
- iii. Date of the week ending day
- iv. Hours of attendance in the local office on each working day.
- v. Name of the office/offices inspected.
- vi. Sunday, Gazetted and local holidays (with occasion) falling in the week.
- vii. Transit day, if any, during the week.
- viii. Casual leave or regular leave taken during the week with application of such leave.
- ix. Work done on each working day in sufficient details so that for any future reference the person who had a particular item/item of work can be definitely located.
- x. Certificate regarding spending of holidays and Sundays in camp.

b) The AAO in charge of the party should before dispatching the Diaries of all the members of the party to OAD (HQs) examine the diaries of each member of his party and to see that all the above particulars have been correctly shown and attest the statement showing the work done by each of the members of his party with reference to work allotted to them.

c) The AAO in-charge of the party should dispatch the weekly diaries of all the members of his party including that of himself on Monday of the following week.

d) In case no Sr.A.O supervises the party, the diaries should be dispatched on Monday of the following week to the Sr.A.O in-charge of the headquarters.

e) The AAO in-charge of the party should furnish a certificate in his own diary to the effect that the M.T.S attached (if any) to the party attended the local office during the week. In case the M.T.S was absent on any working day of the week for any reason, that should also be recorded and the application for the leave of his absence should be attached with his diaries.

f) The AAO in-charge of the party should furnish on the reverse of his own diary over his signature a detailed account of service postage stamp taken by him from Record Section indicating the opening balance on the beginning of the week, utilization during the week and closing balance on the last day of the week.

g) If any member of the Inspection party applies for leave during the course of inspection for sudden and unforeseen reasons, approval to the grant of leave should be obtained from the headquarters telegraphically or by FAX on the date the leave is applied for.

[CAG's letter no. 766-T.A./137-80 dtd. 10.08.80]

h) In order to see that the diaries indicating the details of work done by the members of the Inspection party have been received from all Inspecting AAOs, a register in the following form should be maintained at headquarters for scrutinizing them. The Register should be submitted to the Group Officer on the 15th of each month with a certificate to the effect that the diaries relating to the previous month as far approved program of the parties have been received and reminders have been issued to the concerned AAO from whom the diaries have not been received.

CHECK REGISTER OF WEEKLY DIARIES

MONTH

Diary week ending.....

No. of party	Date on which due	Date on which received	Date of scrutiny
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1	2	3	4

In case of any omissions noticed in the diaries received and where any AAO fails to submit the diaries by due date, the AAO concerned should be reminded to rectify the omissions or to submit the diaries as the case may be.

- i) The diaries should be carefully filled for each month serially according to the number of the parties and preserved for the prescribed period for reference.

3.14 Register for watching the check of leave accounts

a) A register is maintained at OAD (HQs) showing the progress of the check of leave account. It is posted from the data regarding check of leave account given by the Inspecting AAOs in the Title Sheets enclosed with the Draft Inspection Reports. The following columns are opened in the register:-

- i) Name of the party and the AAO, Supervisor and Asst. Supervisor/Sr. Auditors/Auditors.
- ii) Names of offices in which leave accounts have been checked and the period of accounts checked.
- iii) The total strength of establishment in each office and the number corresponding to 25% of the total strength.
- iv) Number of leave accounts actually checked in each office corresponding to the prescribed 25%.
- v) Number pertaining to men who are likely to retire before the next inspection.
- vi) Number of leave accounts checked out of the number shown in column (v) in addition to the number.
- vii) Date of receipt of the last Inspection Report.

The above register should be submitted to the Group Officer (Inspection) for review on the 7th of every month.

- b) Attendance Position in respect of Sr. A.O, AAO on first working day of January and July should be sent to the Administrative section for the purpose of releasing Annual increment.

(HQ office letter No. 119 staff(JCM)/20-2020 dated 27.05.2020)

3.15 Distribution of work below AAO level in OAD (HQs)

The detailed distribution of duties among the Auditors/Sr.Auditors/Asst. Supervisors, Clerks and Multi-Tasking Staffs of OAD (HQs) Section will be made by the Sr.A.O (HQs) with the approval of the Group Officer (Inspection). The allocation of work should

be recorded in register of duty list and formally communicated to each person concerned. Whenever any change in the distribution of work is made with the approval of the Group Officer, such change should be recorded in the register also and communicated to the Auditors/Sr. Auditors/Asst. Supervisors, Clerks and Multi-Tasking Staffs concerned and their initials are taken in the register of duty list.

3.16 Receipt of letters and their disposal at OAD (HQs).

a) Letters intended for OAD Wing are usually received in the Record Section of the office, who sends those letters through Transit Register to OAD (HQs). The AAO (HQ) immediately on receipt of the Transit Register should check the total number of letters and the number of enclosures with the entries made by the Record section in the Transit Register. He should then go through the letter and mark the respective letters which should be dealt with by different Asst. Supervisors/Sr. Auditors/Auditors over his dated initial. While marking the letters if he considers any letter very important calling for immediate action, it should indicate on such letters the appropriate action required to be taken by the Sr. Auditors/Auditors concerned. The letter which do not relate to OAD Wing should be returned along with the Transit Register of Record Section and the other letters which relate to this Wing should be acknowledged in the Transit Register over the dated initial of AAO. All letters received direct in this Wing as well as those through the Transit Register of Record Section should then be diarized by the Clerk in the Inward Diary Register (SY-318A). The Departmental diary number allotted serially in the Inward Diary is noted on each letter. The letters including those received directly should then be submitted to the Sr. A.O (HQs) for perusal and return to the clerk for distribution to the concerned persons. The Sr. A.O (HQs) may if he considers it necessary, show the important letters/cases to the Director (Inspection) for his/her perusal and information.

The clerk should distribute the letters promptly to the persons concerned and obtain dated initial.

b) Every A.A.O, Supervisor and Asst. Supervisor/ Sr. Auditors/Auditors at OAD (HQs) should, before leaving office, read the correspondences received by him during the day for disposal, attend to urgent and important cases and take steps to transfer any letters which he considers to have been wrongly sent to this Wing.

c) When a query is made by the D.G.A(C) on a reminder, the AAO, OAD (HQs) shall see that it is submitted to him with a note within 48 hours of its receipt in the Section. If

necessary, he should take the reminder personally to the Sr. A.O (HQs) and ensure that it reached the D.G.A(C) within the prescribed time.

3.17 Miscellaneous Procedures

The procedure for submission of cases, maintenance of routine registers e.g. Attendance Register, Casual Leave Register, Inward and Outward Register, maintenance of the Register of pending cases, disposal of unofficial cases, issue of correspondences over the signature of D.G.A(C), Group Officer and the Branch Officers, issue of reminders, maintenance of Reminder Registers, filling of letters, Submission of weekly report of outstanding letters etc. as laid down in the relevant paragraph of the office procedure manual are to be followed except in cases where the D.G.A(C)/Group Officer (Inspection) gives any additional or special instruction.

A large part of the correspondence emanating from IA&AD relates to audit and account products which are routine in nature and are addressed at all levels of administration in the Government/ Management in the Union/ State Government and other entities. Chapter II of Regulations on Audit and Accounts 2020 envisages the various communication between IA&AD and audited entity in the context of audit jurisdiction. audit planning, implementation and reporting. These interalia include intimation of audit, audit requisitions, audit memos/ observations, inspection reports, statement of facts, management letters, draft paragraphs, draft performance audit reports, rebuttals to replies of departments/ ministries, correspondence relating to entrustments, etc. and are addressed to various levels in the hierarchy at the Ministry/ Department. Such communication may continue to be dealt with by the Field Offices/ Functional Wings as per extant instructions and precedence.

(HQ's 98/14-PPG/2020 dated 15.07.2022)

3.17.1 The manner of communication with Headquarters

(a) Letters from field offices to HQs are to be sent over signature of DAG/Sr.AO/AO with the approval of PAG/DG/AG/PD. The copies of correspondence made with other entities should not be endorsed to Headquarters in a routine manner, without furnishing any reasons for bringing the matter to the Headquarters. The following instructions in respect of communication with Headquarters are, therefore, being reiterated for strict compliance

- i) Provisions contained. in para 2.17.4 MSO (Admn.) Vol. I (Third Edition) with reference to communication with Headquarters office should be followed Scrupulously, wherein It is clearly provided that any communication with Headquarters should ordinarily be signed by PAG/DG/AG/PD. In the alternative, the letter should indicate that it is being issued under the directions of PAG/DG/AG/PD
- ii) No endorsements of copies of letters written to other entities should be made to Headquarters. If such letters are to be brought to the notice of Headquarters, it should be done so by writing a separate letter, duly following provisions contained in para 2.17.4 MSO (Admn.) Vol. I (Third Edition), alongwith reasons thereof.

(Circular No.5-Staff Entt.II/2019 No.07-Staff Entitlement-II/47-201, dated 30.01.2019)

(b) As per 'Guidelines for Administration and Usage of e-mail Accounts in IA&AD issued by the IS Wing on 25.04.2019. three types of e-mail ids are created in IA&AD:

- (i) Designation-based e-mail ids (issued to IA&AS officers of the rank of AAG and above, and to other staff on need basis), (ii) name based e-mail ids (issued to all personnel of IA&AD), and (iii) generic e-mail ids (issued to sections/wing of an office).

Besides instructions issued from time to time, Para 2.17.4.2 of MSO (Admn) Vol.1 also provides the manner of communication to be adopted in respect of correspondence with Headquarters. Single correspondence with Headquarters should not be sent through multiple modes viz. FAX, Postal, E-mail as it results in repetition of efforts and resources.

To mitigate paper work and to ensure timely examination and disposal of various letters, the following instructions may be scrupulously followed while sending e-mail to Headquarters,

- E-mails originating from HoDs and addressed to concerned DAI/ADAI, may be sent on name-based e-mail ID of the DA1/ADAI/DG/PD concerned, depending upon the nature of the correspondence. The personal name-based e-mail id should be used only for Demi-Official communication.
- E-mails, containing scanned copies of correspondence approved by the HoD and addressed to DAI/ADAI concerned, as attachments and being forwarded by the Group

Officers of the field offices. may be sent on the designation based official email IDs of the DG/PD of the concerned wing.

- E-mails containing scanned copies of correspondence addressed to DAI/ADAI concerned, as attachments and being forwarded by the PS/SPS/SAO of the field offices, should be sent only on the official designation based/generic e-mail IDs of the concerned SAO/Desk Officer/Wing at Headquarters.
- Correspondence (except for Demi - Official letters may be sent on the personal e-mail IDs of Officers. Group Officers/Secretary to HOD shall not send mails directly to ADAI/DAI, on behalf of their HoDs.
- In case, a D.O. letter is proposed to be sent, it may specifically be sent from the personal e-mail ID of the officer (addressor) to personal e-mail ID of the officer to whom it has been addressed (addressee).
- Correspondence of routine nature which involves submission of periodical reports, all return, seeking clarifications on service and other administrative matters, leave of IA&AS officers and similar correspondence may be sent to Headquarters through e-mail mode, only. Repetition through FAX and by Postal mode is to be avoided. Printouts of 'sent e-mails' may be kept on record in the office. for submission as and when called for.
- Correspondence for matters involving financial sanctions, DPC proceedings, matters involving referral to Ministries of Gol, material for Audit Reports and other matters of important nature, disciplinary cases 'may be sent by email mode however, the correspondence which requires counter-signature may be submitted through Postal mode.
- Specifically with reference to administrative matters, hard copies of letters along with necessary documents may be sent in those cases which require detailed examination such as disciplinary cases, cases which require reference to be made to the Ministry/UPSC etc.
- Correspondences with Government of India (Gol). relating to policy issues, audit mandate, organisational relationship/stand, transparency, etc; where the Department needs to take a uniform stand and /or where the matter has to be taken up a sufficiently high level in the Gol, especially at the level of Secretary to Gol, shall be only after the approval of the CAG of India.

(Circular No. 19-Staff Entt.II/2021 No 75-StaffEntt.II/47-2021 dated 13.05.2021)

3.18 Issue of documents in original

The following documents which are issued in original are numbered in Docket Book in Form No.532 and sent for issue to the Dispatcher of the Record Section who initials in the book on receiving them for dispatch.

- i) Memo of intimation about the local inspection of an office.
- ii) Papers sent to the Inspecting AAOs.
- iii) Any other miscellaneous documents usually issued in original.

3.19 System of Maintaining Records in E-office

a) All the intra office correspondence that was done in physical files format is now being done through e-office/e-file. The files are created (subject and name of the file) by the co-ordination sections and all the notes/ drafts for approval etc., are submitted and approved through e-files to ensure timely submission of files and prompt action thereof. In addition, circulation of relevant orders to officials is done through official email channel from the co-ordination wings.

b) A register of files is maintained in form SY 255 in which are entered the serial numbers and the subject of each case. The case files of each year are numbered in a fresh series in the Register with an indication of the year to which they relate.

c) Individual letters on which there is no subsequent correspondence to from a case but meant for permanent records should be kept in a separate file append for the purpose.

3.20 Files of Important rules and orders

Three separate files are maintained for the following three classes of records, and new files on them are started each year:

- i) Spare copies made of important letters from the Government or the Comptroller and Auditor General of India.
- ii) Office orders issued by the D.G.A(C), Group Officer (Admn.) concerning the office as a whole.
- iii) Sectional orders issued by the Group Officer (Inspection).

3.21 Order Book of Posting

A book for obtaining formal orders of the Group Officer (Inspection) in connection with the posting of officials in the Inspection Parties, Review Parties and in the Headquarters Section should be maintained by AAO, OAD (HQs).

The posting of the Multi Tasking Staff in the parties in case of emergency and the OAD (HQs) Section shall be made by the Sr.A.O, OAD (HQs) and the orders for such postings may also be obtained through this book.

3.22 Register of Leave Posting

A Register to watch the regular leave taken by personnel of this OAD wing should be maintained at OAD (HQs) Section by AAO. In this register the period of leave applied for, date of submission of leave application, date of sanction of leave by the Group Officer (Inspection) / SrAO, date of sending the approved leave application to Admn. Section, date of joining, date of sending the joining report to Administration Section should be recorded under the initial of the Sr.A.O, OAD (HQs). Separate pages should be kept for different cadres of staff.

3.23 Returns due from the Department

The due dates and names of the returns issued from the department and the authorities to whom they should be sent are noted in the Calendar of Returns which is submitted to the Group Officer (Inspection) on the 4th working day of each week.

3.24 Monthly Report on the state of work

A monthly report on the state of work of OAD Wing should be submitted to the Group Officer (Inspection) on the 1st of the following month in the prescribed form. The monthly report should contain the information about the comparative monthly IR/Para position and

- i) Number of cases pending in the Sectional Pending Register.
- ii) Number of U.O cases, C&AG's letters, G.I. letters, Telegrams, D.O. letters received during the month but not disposed of during the month.
- iii) Number of outstanding misc. letters.

[C&AG's letter no. 679-T.A.II./137-67 dtd. 23.03.68]

3.25 Monthly Cut List

By the 21st of each month a consolidated Cut List showing leave taken by the members of the staff below the rank of Audit Officer of the OAD wing should be furnished to the Administration Section.

3.26 Supply of Books and Correction

Books which are supplied to the AAO/OAD (HQs), Inspecting AAOs and other staffs of the wing under paragraph 2.8.1 of MSO (Admn.) Vol. -I (Third edition) are personal copies. Other books are not personal and should not be removed from the wing. Correction of books may be obtained from the OAD (HQs) and it is the duty of the recipients to keep the books up to date with them.

3.27 Summoning of records for evidence and officials for obtaining statements by the Police/Vigilance Authorities:

(a) Audit Reports are treated as confidential documents till they are presented to Parliament/Slate/UT Legislature. Accordingly, it was instructed vide circular dated 30.10.2003 that all materials relating to the Audit Reports will have to be treated as strictly confidential right from the stage of issue of preliminary Draft Paragraphs to Government/Departments till the final stage of presentation to the Parliament/Legislature. Adequate care should be taken at every stage to see that the Audit Report materials are secured against use by outsiders till they are presented to the Legislature. The Draft Paras/Draft Performance Audit which are also considered as confidential should be marked invariably as confidential in order to maintain secrecy while sending them to the Headquarters office for approval or to the Government of India, Departmental Offices etc., for verification of facts or calling for comments.

(HQs letter No. 155-Audit (AP)/8-2003, dated 30.10.2003)

(b) The Audit Report of the C&AG of India presented to the President of India, duly laid before the House(s) of the Parliament of India as per Article 151 of the Constitution of India is the final and published document and can be made available to the Police and the other investigating authorities if so required by them. While making available the Audit Report it may, however, be made clear that findings recorded therein are based on scrutiny of records/documents made available to the audit and may not be conclusive

proof of acts of omission and commission of various individual functionaries of the audited entities.

(c) In the finalization of the Audit Report, the IA&AD relies on varied records, documents, vouchers, correspondence of the audited entities etc., generally called as 'Key Documents'. Since IA&AD is not the originator of such records, documents etc. their supply by any official of IA&AD and his testimony thereon is inadmissible under the relevant provisions of Indian Evidence Act, 1872. Therefore, the Police and the other investigating agencies may be advised to obtain such documents relied on in the finalization of the Audit Report from the concerned authorities of the audited entities in case these are requisitioned by them from our Department. However, list of key documents (and not key documents themselves) marked on a copy of the Audit Para that may form the subject of investigation may be provided to the Police and other vigilance authorities on written requests from them so as to facilitate obtaining of the necessary documents from the authorities concerned.

(d) Records/documents such as Audit Memos, Half Margins, Inspections Reports, Local Audit Reports, Statement of Facts, correspondence made between the audit and audited entities, Draft Paragraphs, etc. are subject to change based on the replies of the audited entities, are unpublished official documents and not the final view of the audited entities. Therefore, these records/documents do not fall in the category of 'Original Documents' referred to in para above and the Police and other investigating authorities should be advised not to insist for their production.

(e) If the police or investigative authorities insist a copy of the Inspection Report or Local Audit Report may be given to them, it should be pointed out to them that the original report was already issued to the concerned audited entities. They should also be clearly informed that the Inspection Report or the Local Audit Report has been prepared on the basis of information furnished and made available by the concerned audited entities. The Audit Office and its officers/officials disclaim any responsibility for any misinformation and/or non-information on the part of the audited entities.

(f) Since the Audit Report of the C&AG is the final and the only document reflecting the views of the Department, the Police and other investigating authorities may be advised not to identify any official/officer of the Department performing his official duties at

various stages of finalization of the Audit Report with any particular finding in the Audit Report.

(g) It is necessary that all possible help is provided to the Police and investigating authorities. Such help shall be in the nature of technical assistance in understanding of the observations made in the Audit Report. Officials should be advised to strictly restrict themselves to the final conclusions made in the Audit Report. As far as possible, necessary interaction with the investigating officers should be held within the premises of the concerned Audit Office itself.

(h) The Police or other investigating authorities may be advised to take statements of officers/officials in the Audit Office itself in the presence of an officer nominated by the Accountant General if, in any exceptional case, questioning of such officers/officials is considered necessary by the Police.

(i) In respect of cases of suspected fraud or corruption, the instructions contained in the Standing Order on role of Audit in relation to cases of Fraud and Corruption circulated vide CAG's Office letter No.126/Audit (AP)/2004 dated 6-9-2006 may be kept in view.

The above mentioned instructions are for guidance only and are applicable both to serving as well as former officers/officials. If any matter cannot be resolved under these instructions, the field offices are advised to report such a matter with full details to Director (Legal) in C&AG office,

[CAG's Letter No. 366-Audit (AP)/I-2009 dated 20.08.2009]

3.28 Failure of Audit

The D.G.A(C) should submit to the C&AG a separate report of every serious case of failure of audit as soon as it comes to the light [including those pointed out by the Director (Inspection), if any] irrespective of any report which may be required for other purpose. The report should explain the manner in which the failure occurred and should mention the names of the officials responsible and disciplinary action should be taken or recommended.

[Para 1.23 of C&AG's MSO (Admn.) Vol.-I (Third Edition)]

3.29 Letters of Complaints

The letters addressed to the D.G.A(C)/Group Officer (Inspection)/Sr.A.O (HQs) alleging prevalence of some kind of irregularities in any Government Office/institution or authority and received in the OAD (HQs) Section shall be dealt with properly and disposed of with the knowledge of Group Officer (Inspection).

i) Anonymous complaints are such complaints which do not carry both, name and address of the complaint. No action would be taken on anonymous complaints, and such complaints should be filed.

ii) The complaints other than anonymous complaints which contain vague allegations need to be dealt with in terms of para 3 (ii) of the DOP&T O.M. dated 18.10.13.

iii) All complaints (received through dak/email) are centrally diarised by the Central Accounting Section and complaints related to OAD are forwarded to OAD by Central Accounting Section. Upon receipt of the complaint the action taken on the complaint (whether interim or final) based on the decision taken by competent authority has to be intimated to Central Accounting Section within one month of the date of forwarding of the complaint by Central Accounting Section.

However, both the branch offices may diarise the complaint at their own end including issuing of acknowledgement and issuing the final response except in HQtrs referred complaint cases. The draft response to be issued to the HQtrs should be forwarded to Central Accounting Section for final submission to HQtrs after approval of DGAC.⁶

(DOPT's OM No. 104/76/2011-AVD.I dtd.18.10.13 & 18.6.2014, Circular of Central Vigilance Commission dated 24.09.20)

3.30 Correction to the OAD Manual

Introduction and decisions of a permanent nature relating to OAD should be incorporated in the manual of OAD with reference to the number and date of the letter etc.

Draft correction slip, if it involves more incorporation of orders issued by the Government, CAG and D.G.A(C), will be finally approved by the Director (Inspection), while in other cases the draft correction slip shall be submitted to the D.G.A (C) for approval. After approval each correction slip duly typed should be posted in a separate

⁶ Circular No. Central-Actg/complaint redressal/2024-25/01 dated 14.11.2024

register in serial order of issue. Full reference to the file, date of approval and issue of each correction slip so posted in this register should be maintained.

The AAO/OAD (Coordination) shall be responsible for maintaining the manual updated. The register of correction slips should be submitted to the Sr.AO/OAD (HQs) on the 1st working day of each month. The correction slips should be printed annually.

3.31 Maintenance of Guard Files of Circulars/Office Orders

Each Section shall maintain Guard Files separately for Circular and Officer Orders issued during each financial year. Guard Files are required to be maintained for each distinct aspect of the subject in all Headquarters and Coordinating/functional Sections. A register containing index of all Guard Files opened/maintained along with the name of Auditor/Sr. Auditor/Asst. Supervisor should be maintained in each section by the official responsible for submission of Calendar of Returns. The Guard Files shall be maintained in two parts. Part I should have an index of subject matters and Part II shall contain all orders in original or an attested copy thereof. Guard Files shall be submitted to the Branch Officer for review once a month. Hence, monthly submission of Guard Files should be included in the duty lists of concerned Auditor/Sr. Auditor/Asst. Supervisor. The submission of Guard Files is required to be watched through Calendar of Returns of the Section concerned.

(Para 3.65 of OPM, 2023, Office Order No. 252 dated 02.02.2015)

To be maintained by	Subject of the Guard File
Sr. AO/OAD – Coordination, Programme and SAR	• Delegation of powers on financial, technical and administrative matters. • Guidelines/instructions on Audit Plan, and Issues related to inclusion and exclusion of audited entities • Orders regarding Reports/Returns • Guidelines and instructions issued to the field parties • Issues related to In-house and RTI Training • Guidelines/orders/instructions related to Compliance Audit and certification of Externally Aided Projects etc.

	• Instructions/Orders/Directives relating to maintenance of Accounts and other guidelines in respect of ABs.
Sr. AO/OAD –IR (Civil, AB and Bank Pension)	• Settlement of outstanding IRs/ Paras • Orders regarding Reports/Returns
Sr. A.O (OAD-Report)	• Instructions/Orders/Directives relating to the field. • Guidelines/Directives/Orders related to DPs • Issues related to ATN and PAC • Issues related to Finance & Appropriation Accounts • Orders regarding Reports/Returns

No. OAD-HQ/06/Circular/41 Date: 25-04-2025

3.32 Preservation and destruction of old Records

The General instructions for preservation and destruction of records are contained in Chapter XII of the C&AG's MSO (Admn.) Vol.-I (Third Edition) Following records are due for destruction on the expiry of the period noted against each.

Sl. No.	Description of Records	Period of preservation expressed in complete Account year
1.	Reports of Inspection of Treasuries and Public Works Office	5 years after all the Paras are settled
2.	Resolutions and Circular of Government and general letters of C & AG on Audit Questions	5 years, if they are fully codified or fully manualized otherwise 15 years.
3.	Reference to the C & AG for decision on Audit question, and the decisions thereon, if fully manualized or so codified.	20 years on till they are superseded or cancelled by letter orders at an early date at the discretion of the office.
4.	Reports and records on defalcation cases	5 years after final action has been taken on the report.
5.	Internal Test Audit Report	2 years after the closure of the report and settlement of all paras.

6.	Correspondence on the Director of Inspection's Report	1 year after the closure of the report or until the next inspection whichever is later.
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[CAG's letter No. 1069 – TA II/170-70 dated. 26-06-73]

Further, the period of preservation of records, the life of which has not been prescribed by the C & AG shall be prescribed by the D.G.A (C). So long as an objection is outstanding and the supporting documents should not be destroyed even through the period of preservation has expired. Files of rough working sheets relating to Inspection Report of which all objections have been finally settled may be destroyed.

3.33 Travelling Allowance

a) The members of the OAD Wing who are posted in the field inspection parties or deputed specially under orders of the Group Officer (Inspection) for undertaking any journey for the purpose of collecting any information or doing other work in connection with local audit are paid TA for journeys and halts in accordance with the Govt. of India Supplementary Rules and Other orders issued in this respect from time to time.

b) The members of the Inspection Civil Wing undertaking journeys either for local audit or for other work under the orders of the Group Officer are entitled to advance of TA on tour up to 30 days at a time according to their approved program of journeys to be undertaken in the next 30 days in terms of Rule 48 of G.F.R. (Compendium of Rules on Advances).

c) A second advance of TA on tour to the members of the Inspection parties, Group B Gazetted officers is admissible pending receipt of the adjustment bills for the first advance.

[CAG's letter No. 58TA.II/357/75 dt. 24.03.1976]

d) Audit units located at a distance of up to 100 kilometers from Headquarters⁷ will be treated as local and the office will not be in position to reimburse claims for boarding/lodging for the period of audit.

e) Audit parties entrusted for the audit units stationed at more than 100 kilometers from Headquarters will be treated as outstation and the officials posted may claim for

⁷ DGAC Kolkata offices at Kolkata, Guwahati and ANI

boarding/lodging for the period of audit. However,⁸ in cases where both Saturday and Sunday are holidays in the auditee unit, the audit parties stationed at a distance of up to 150 kilometers from the Headquarters (Kolkata) should return to the Headquarters every weekend. The period of return to the Headquarters would also include other Compulsory Holidays (if any) which may precede the Saturday or follow the Sunday. The requirement to return to the Headquarters should be clearly indicated in the tour programmes. The return to Headquarters would not be essential in cases where boarding and lodging of audit teams is in Circuit Houses, Government Guest Houses, Inspection Bungalows, Messes etc.

⁸ Office Order (Admn Series) No. 201 dated 23.10.2019

CHAPTER IV

COMPLIANCE AUDIT PLANNING

4.1 Introduction

Compliance with rules and regulations is the primary and the most important requirement for ensuring accountability of the public executive. Hence, Compliance audits are required to be planned to achieve adequate coverage at an acceptably low level of audit risk, audit processes are to be carried out in an economic, efficient and effective manner and to result in a high-quality audit report. However, given the size of Government and its implementing arms and the limited audit resources it is impracticable to plan for audit coverage of all audit units in the audit universe-as defined at present. Proper planning and prioritization of compliance audits based on an appropriate risk assessment, is therefore paramount.

4.2 Preparation of Audit Universe

OAD (HQs) shall prepare Audit Universe by defining (a) Apex Auditable Entity (b) Audit Units and (c) Implementing Units. It involves preparation of organization chart of the Departments (Apex Auditable Entities) to identify the Audit Units and Implementing Units. This list of Audit Units and Implementing Units is required to be maintained by the OAD (HQs) which would form the basis of planning compliance audits.

The Audit Universe containing the list of Apex Auditable Entity, Audit Units and Implementing Units is required to be updated regularly as and when the need arises to do so. This should be done at least once a year.

The Categorization of units as Apex Units, Audit Units and Implementing Units shall be done in accordance with the criteria suggested in the Compliance Auditing Guidelines, 2016.

4.3 Risk Profiling

Risk profiling of the Apex Auditable Entities, Audit Units and Implementing Units shall be done by OAD (HQs) considering their structures, roles they are expected to perform and compliance requirements. OAD (HQs) shall apply the risk assessment methodology by evaluating high risk areas/activities of these entities relating to:

- Administration and/ or enforcement of laws, rules and regulations etc.,
- Compliance with applicable laws, rules and other authorities.

- Responsibility for government receipts and expenditure.
- Safeguarding of assets and liabilities.
- Prevention of losses and wastage, frauds, leakage of revenue.
- Promoting transparency, prudence and probity; and
- Internal control environment

The risk assessment methodology should include a review of the following:

- Latest socio-economic survey of the Centre/ State;
- Current Budget & Demands for Grant;
- Outcome budgets
- Five year plans and Working Group reports/ Annual plans
- Finance Commission Report
- Annual/ Performance/ Activity Reports of Ministries / Departments/Companies and other information on Government websites
- Major policy announcements/initiatives of Government
- VLC data & Report on State Finances
- Finance & Appropriation Accounts
- Geographical location
- Past audit coverage
- PAC/COPU suggestions
- Court orders
- Audit Advisory Board suggestions
- Reports of Legislative Committees
- Changes in legislation
- Replies to questions given to the Legislature
- Past Audit findings/ Inspection Reports
- Media reports and visibility of topics

Trend of expenditure and /or receipts

4.4 Preparing Annual Compliance Audit Plans

OAD (HQs) shall prioritize Audit Units based on their Risk Profiling as mentioned in Para 4.3 for planning and conduct of compliance audits. The risk profile of the audit units should be considered vis-à-vis the audit capacity of the field office- in terms of availability of resources, and an annual Audit plan of compliance audits to be taken up and completed during the year should be prepared. The Annual Audit Plan would indicate the Apex Auditable entities/Audit Units/Implementing Units for which compliance audits would be conducted. It must be the endeavor to ensure coverage of all Apex Auditable Entities in a reasonable period of time, between three to five years. The risk profile of the audit units would have to be reviewed and updated periodically to assess continued maintenance or to consider revision in the risk profile assigned to the apex auditable entities and audit units based on new intervening developments, changes and increase/decrease in irregularities noticed by various stakeholders, etc.

The formulation of annual Compliance Audit Plan would therefore require:

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

4.5 Components of Annual Compliance Audit Plan

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

4.6 Planning for individual compliance audits

It includes preparing the audit strategy and an audit plan.

a) Preparation of audit strategy for the identified audit entity: It includes

- An understanding of the auditable entity and its internal control environment, including the statutory, regulatory and legal framework applicable to the auditable entity and the applicable rules, regulations, policies, codes, significant contracts or agreements etc.;
- An understanding of relevant principles of sound public sector financial management and expectations regarding the conduct of public sector officials for propriety related issues;
- Identification of the intended users, including responsible party and those charged with governance;
- Consideration of materiality and risk assessment including suspected unlawful acts or fraud;
- Determining the scope of audit with reference to the selected specific subject matter, if selected, as well as proprietary concerns;
- Development of audit objectives for the specific subject matter, if selected;
- Identification of audit criteria for specific subject matter;
- Sampling considerations, specifically for implementing units below the selected audit units; and
- Considerations related to direction, supervision and review of the audit team(s).

b) Preparation of Audit Plan includes

- Description of selected audit units;
- Sample selection of implementing units under the selected audit units;
- Extent of audit in each selected unit;
- Timing of audit;

- Formation of audit team/s (in case more than one audit team is needed for the auditable entity);
- Assignment plan detailing the duties of the audit team members;
- Planned audit procedures; and
- Potential audit evidence to be collected during the audit.

Both the overall audit strategy and the audit plan should be documented in the audit file. Planning for individual compliance audits is a continual and iterative process. The overall audit strategy and plan are therefore required to be updated as necessary throughout the audit.

4.7 Team composition⁹

OAD (HQs) shall constitute Audit teams with an appropriate team composition for conducting individual audit programme. The audit team should collectively possess the knowledge, skills and expertise necessary to successfully complete the audit. This includes an understanding and practical experience of the type of audit being undertaken, familiarity with the applicable standards and authorities, an understanding of the auditable entity's operations and the ability and experience to exercise professional judgement. The work allocation for each member of the audit team should be clearly delineated, and it must be ensured that each member understands his/her role in the audit team. Appropriate arrangements should be ensured for providing direction, supervision and review of audit teams. In case of large entities, it may become necessary to constitute multiple teams for audit of the apex auditable entity and its selected audit units.

4.8 Preparation of Annual and Quarterly Audit Program

Supervision Program of Inspecting Sr.A.Os and Group Officer (Inspection) shall further be guided by Para 3.3 to 3.10 of Chapter 3 (General Rules & Procedures) of this Manual. (Based on Chapter 3 on Compliance Audit Plan of Compliance Audit Guidelines, 2016)

⁹ Para 4.21 of Compliance Auditing Guidelines

CHAPTER V

FINANCIAL AUDIT PLANNING

5.1 Introduction

Planning for Financial Attest Audits helps to develop an audit approach which will ensure that sufficient appropriate evidence is gathered to support the audit opinion in the most cost-effective manner. The Auditing Standards of C&AG require that the audit should be planned in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

Annual and Individual Financial Audit Planning will be done in accordance with Chapter 3 of Financial Attest Audit Manual, 2009 of C&AG of India.

5.2 Preparation of Annual Audit Plan for Financial Attest Audit

OAD (HQs) shall prepare the detailed annual program for Financial Attest Audits of various audited entities to be undertaken during the ensuing financial year, as and when asked by the functional wing of the Headquarters Office. The plan should be approved by the DGA(C). In addition to the units selected for audit, copies of this program should also be sent to the Administrative Departments, Heads of the Departments and Chief Executives of the audited entities concerned.

In case of shortage of audit resources, the Financial Attest Audits which are mandatory to be carried out in compliance with the provisions of the Constitution, Legislation (including Rules or Orders prescribed there under) and entrustment to C&AG should receive priority over other non-mandatory audits. If required, audit resources may be diverted from other non-mandatory audits for carrying mandatory financial attest audits.

5.2.1 Importance of understanding the audited entity and its operation

The audit planning process should be founded on a thorough understanding of the audited entity and its operations. This understanding is used for :

- i) determining the materiality for the audit
- ii) identifying those factors which lead to an increased risk of material misstatement or irregularity;
- iii) preparing an audit approach which focuses testing on the specific risk factors while providing an acceptable level of assurance across the financial statements as a whole.

5.3 Planning process

The process of audit planning for financial attest audit is summarized in the following exhibit.

Planning Process

Steps	Purpose
Understanding the entity • Operations and organizations • Financial reporting requirements • Regularity and legal framework • Parliamentary and legislative interest • Public interest • Accounting processes and formations (including DDOs, PAOs, Treasuries, work and forest division in case of Govt. accounts) • Computer involvement • Control environment • Analytical review • Account areas	To obtain sufficient understanding to inform Determination of materiality, risk and audit approach
Materiality • Materiality by value • Materiality by nature • Concerns of users of audit certificate	To determine the tolerable level of error or irregularity
Risk Assessment • Entity risks • Account area risks • Mitigating controls including controls in IT systems	To identify those factors which lead to an increased risk of misstatement or irregularity and controls which mitigate those risks
Plan Finalization • Audit approach to specific risk areas and specific risk factors • Audit approach to other areas	To prepare an approach which focuses on specific risk factors while providing an acceptable level of assurance across the financial statements as a whole

5.4 Risk assessment

5.4.1 Factors affecting the risk

Regarding the factors affecting the risk, while it may not be possible to give across the broad guidelines for entities in view of the fact that there are variety of Government operations in different sectors, e.g., oil sector, power sector, aviation, tourism, etc., having sector / entity specific assessment of risk, applicable accounting standards, etc., some of the risk indicators (illustrative) are indicated in the following table.

5.4.2 Risk of fraud

When planning Financial Attest Audits, the risk that fraud may cause the financial statements to contain material misstatements or record material irregular transactions should be assessed. Based on risk assessment, audit procedures should be designed so as to have a reasonable expectation of detecting and evaluating material misstatements and irregularities arising from fraud. A separate Standing Order on the position of Audit in relation to fraud and corruption was issued by the Headquarters Office in August 2006, which should be complied with.

5.5 Number of locations

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

5.6 Creation of Data Bank

A formal Data Bank of the audited entities should be created covering the type of activities the entity is carrying out, the details of new activities undertaken in the recent years, the environment in which the entity functions, the kind of autonomy the entity enjoys, risk assessed in the previous years, the accounting standards applicable for the entity, changes made, if any, in the accounting standards applicable to the entity since last audit, etc. The data should be maintained in a systematic manner which can be easily retrieved as and when required. The data should be kept in electronic format, as much as possible, to facilitate easy sharing and retrieval.

5.7 Planning in the case of other audited entities

Similar procedures will apply when the audited entity falls under the audit jurisdiction of more than one audit office. The audit planning should be carried out in close co-ordination between the primary auditor and sub auditors including the method of sampling, materiality level and audit approach to be adopted, for the purpose of obtaining assurance regarding the portion of the accounts pertaining to their respective audit jurisdiction. (Based on Financial Attest Audit Manual, 2009 of C&AG of India)

CHAPTER VI

RISK BASED AUDIT APPROACH

6.1 Introduction

This chapter deals with Risk Based Audit Approach, Risk Models, Risk Parameters and Proforma for collection of information for Risk Analysis and Audit Planning of Compliance Audit and Financial Audit.

6.2 Risk-based audit approach

It is the policy of C&AG of India to adopt a risk based approach that focuses audit efforts on areas of greatest risk to the proper presentation of financial statements of government entities, while respecting all areas of his audit mandate.

Risk in auditing means that Audit accepts some level of uncertainty in performing the audit. In other words, Audit accepts the risk that the audit conclusion may be wrong and that Audit may have allowed material error to remain undetected in the account. Only a very small degree of audit risk would be acceptable as otherwise the audit process may lose its purpose. Hence, a very high level of assurance (or confidence) is required when expressing the audit opinion. This is one of the most important steps in the planning phase in ensuring that the auditor will gather competent, relevant and reasonable audit evidence at minimum cost.

6.3 Risk model

6.3.1 Components of Audit Risk

According to the risk model, Audit Risk (AR) has three components: inherent risk, control risk and detection risk.

(a) Inherent Risk (IR): It is the susceptibility of an account balance or class of transactions to misstatement that could be material, individually or when aggregated with misstatements in other balances or classes, assuming that there were no related internal controls.

(b) Control Risk (CR): It is the risk that a misstatement that could occur in an account balance or class of transactions and that could be material individually or when aggregated with misstatements in other balances or classes, will not be prevented or detected and corrected on a timely basis by the accounting and internal control systems.

(c) Detection Risk (DR): It is the risk that an auditor's substantive procedures will not detect a misstatement that exists in an account balance or class of transactions that could be material, individually or when aggregated with misstatements in other balances or classes.

6.3.2 DR IR and CR

The risk that audit procedures fail to detect material error (DR) is therefore influenced by the amount of inherent risk (IR) and control risk (CR). For example, the lower the risk of material error occurring in the first place (IR) and of internal controls failing to prevent or detect it (CR), the less audit work is necessary in relation to the detection risk (DR). In other words, the more assurance Audit feels able to take from assessments of IR and CR, the less assurance Audit needs from substantive testing and thus the smaller the sample Audit requires to reasonably examine.

6.3.3 The Risk Model equation

The Risk Model can be expressed by the equation:

$$AR = IR \times CR \times DR$$

where AR=Audit Risk, IR=Inherent Risk, CR= Control Risk & DR=Detection Risk

Example: Assume that the level of assurance required is 95%; the Audit Risk accepted (AR) is 5%. Inherent Risk (IR) was assessed at a level of 40%, i.e., it was felt that 60% assurance could be taken. From the testing of controls, it was felt that 50% assurance could be taken, i.e., Control Risk (CR) is 50%.

Then Detection Risk (DR) = $0.05 / (0.4 \times 0.5) = 25\%$

A detection risk of 25 % would mean that assurance of (a confidence level of) 75% would be required from substantive audit tests.

6.3.4 Assessing Risk

Use of the overall audit risk model enables the auditor to assess risk in order to plan and perform the audit to reduce overall audit risk to an acceptably low level. Though it is possible to give weightage to various risk parameters and arrive at a quantitative assessment of risk, in practice, Audit need not make precise assessment of each risk component or to carry out complicated calculations to arrive at the assurance needed from substantive testing. Instead,

the principles explained above can be built into an assurance guide. Moreover, risk is generally assessed as 'high', 'medium' or 'low' rather than being quantified in percentages.

Audit has to assess whether to take high, medium or low assurance (or indeed any assurance at all) from the 'accounting environment'. In this context, the term 'accounting environment' means anything which has an influence on whether or not an error is likely to occur in the first place. Audit is concerned with material error and inherent risk assessment may be applied to an account area or to the account as a whole.

6.4 Risk Parameters

Risk in auditing means that Audit accepts some level of uncertainty in performing the audit. In other words, Audit accepts the risk that the audit conclusion may be wrong and that Audit may have allowed material error to remain undetected in the account.

6.5 New Risk Assessment Model

New revised Risk Assessment model is based on the following factors with effect from Annual Audit Plan 2019-20.

- i) Applicability/suitability of formats for providing information for Audit Planning
- ii) Control Risk Parameters

[CAG HQs Letter No. 786/102/Audit Plan/Rep(C)/2018 dated 10.12.2018 & CAG's [Letter No. 138/102/Audit Plan/Rep(C)/2018/KW dated 06/03/2019]

6.5.1 Data Collection for Risk Analysis

Analysis of old/current paras and classify them under different heads by the party to identify the risk areas in audit. At headquarters' level unit-wise/ type-wise (CAPF/KVS/ESIC etc.) consolidation of paras and risk analysis is to be made.

(OAD/Circular/2020-21/139 Date: 18.11.2020)

(Based on Chapter 8 Audit Planning and Procedures of AB Manual , 2010)

CHAPTER VII

RULES AND PROCEDURE FOR LOCAL INSPECTION

7.1 Introduction

Generally, the inspection staff is responsible only for carrying out the actual audits/inspections within the time allowed for the purpose, drafting of the Audit/Inspection Reports including Separate Audit Reports where required and also Draft Paragraphs for inclusion in the report of the C&AG and dispatch of such report to the Headquarters immediately on completion of the audits/inspection along with all necessary documents. All the remaining work is to be carried out by the Headquarters.

The inspecting staff should also draw the attention of the HQs through separate notes to the defects in this manual and should scrutinize at each inspection to the relevant portion of the manual to see whether it requires amendments in any respect and suggest amendments where necessary.

7.2 Attendance

All officers and members of the inspection staff while on inspection should attend the office which they inspect during its regular office hours.

The A.A.O of each inspection party is supplied with an attendance register wherein the Supervisor, Asst. Supervisor, Sr. Auditor, Auditors should mark their daily attendance. The register should be submitted to the Supervising Officer when the work of the party is supervised by him.

7.2.1 Holidays

The inspecting staff shall observe the Government holidays and/or holidays as per auditee unit to which the audit was being conducted except otherwise instructed by HQs.

7.3 Place of halt and Leave

a) All officers and members of the inspection party must halt at their place of duty for outstation units outside the periphery of 100 Kilometers from HQ and on no account perform daily journeys to the place of duty. The reason that no accommodation was available at their places of duty, even though supported by certificates from the local offices concerned, would not be accepted unless specific permission of the Group Officer to perform daily journeys were obtained beforehand. Within the agglomerated area of

Kolkata, they may visit the place of the duty from their residence and claim T.A. on the basis of the daily journeys performed by them.

b) In cases where both Saturday and Sunday are holidays in the audited unit, i) the audit parties stationed at a distance of up to 150 kilometres from the Headquarters (Kolkata) should return to the Headquarters every weekend. (ii) The period of such return to the Headquarters would also include other Compulsory Holidays (if any) which may precede the Saturday or follow the Sunday. (iii) The requirement of returning to the Headquarters [as mentioned at point numbers (i) and (ii) above] should be clearly indicated in the tour programs. (iv) The return to Headquarters would not be essential in cases where boarding/lodging of audit teams is in Circuit Houses, Government Guest Houses, Inspection Bungalows, Messes, etc.

(Office Order (Admn series) No. 201 dated 23.10.2019)

c) All the officials of the OAD Section are advised to strictly adhere to the following instructions while on tour: -

(i) Official must submit his/her application for any kind of leave through e-HRMS well in advance. Application for post-facto sanction for any kind of leave will not be entertained, except in case of any emergency with sufficient justification and supporting documents, subject to the discretion of the competent authority. In case of any emergency, an intimation on absence from duty should be sent to the official email id of OAD – HQ i.e. oadhq.kol.dgac@cag.gov.in. Any other mode of communication will not be accepted. The officials must, immediately after receiving sanction order of the leave applied (as generated through eHRMS), send the sanction copy to the OAD-HQ accordingly through email. All officials must update the details of their Reporting/Reviewing Officer on e-HRMS accordingly. Delayed submission of application for leave with the reason as delay in/non-updation of the details of their Reporting/Reviewing Officer on e-HRMS will not be entertained. The Reporting authority may avoid keeping the request pending at his/her level in eHRMS to avoid delay in processing of the request. Technical issues in this regard, if any, must immediately be communicated to the concerned Wing-Administrator.

(ii) Whenever, Sr.AO left the place of duty the senior most AAO/Supervisor should take over charges of the party till the concerned Sr. A.O resumes duty or another Sr.A.O is posted. On the same day on which the Senior Audit Officer left the place of duty, the

Senior most AAO/Supervisor concerned should communicate the fact of such departure to OAD Wing in writing (irrespective of the fact that the Sr.A.O has obtained prior permission from the Group Officer).The senior most AAO/Supervisor will be held responsible in the event of any delay in intimating to the OAD Wing.

(iii) Each party should maintain an attendance register and the senior most AAO/Supvr of the party should be the custodian of the attendance register. Attendance of each party member should be recorded on daily basis. Any violation of noncompliance would invite disciplinary proceedings against the Sr. A.O and A.A.O/Supvr concerned.

(iv) Monthly Cut List containing leave details of all the party members must be submitted along with a copy of attendance register on 20th day of every month or preceding working day in case 20th day happens to be a holiday.

(v) Whenever an official upto the rank of AAO leaves from duty station. The station leaving permission approved by the Sr.A.O. of the party should be submitted to the OAD/Hqrs. Well in advance. In the case of Sr.A.O. advance station leaving permission should be obtained from the Group Officer. Leaving the place of duty without prior permission of the Group Officer would be viewed as a serious case of indiscipline.

(No. OAD/Circular/2015-16/4, Date: 9th December 2016 read with Circular No. OAD - HQ/2024 - 25/268 Date: 09-08-2024)

7.4 Conduct of Field Staff

All officers and members of the field staff, while on inspection, should under no circumstance put themselves under obligation to any members of the office, the accounts of which they inspect and should not ask for or obtain any supply or service free of cost and should strictly adhere to the values and principles contained in the conduct rules for Government servants and act accordingly.

Further a declaration as per para 3.24 of Code of Ethics for the IA&AD in the prescribed format is required to be furnished, duly signed and acknowledged by the Head of the audited unit, by all members of the audit party including the Supervising Officer, prior to commencement of an auditing assignment.

(No. OAD/Circular/2015-16/01, Dated: 16/04/2015)

7.5 Auditors should not use their official position for private purposes

- i. As per the provision mentioned in para 3.25 of the Code *ibid*, “Auditors should avoid such relationships with managers and staff in the audited entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently.”
- ii. Further, as per the provision mentioned in para 3.26 of the *ibid*, “Auditors should not use their official position for private purposes and should avoid relationships which involve the risk of corruption, or which may raise doubts about their objectivity and independence.”
- iii. Instances of non-observance of the above provisions have come to the notice of C&AG office.
- iv. In view of the above, the Competent Authority has directed that the above provisions are again brought to the notice of the employees of the office and strict adherence of such provisions is insisted upon.

(HQs Circular No. 046/ Staff Disc-III/ 15-2022 Date 22-03-2023)

7.6 Attitude of field staff

a) The inspecting staff should be very careful to avoid any misunderstanding or controversy with the local officials with whom they come in contact. Their attitude should be as of one who has come to assist the local office in carrying out the work not merely to criticize. If they avoid frivolous objections and convince the officers indicating clearly the manner in which they should go about their work and create the impression that they are not there to complicate the procedure but to simplify it, they are likely to receive full co-operation. They should bear in mind that unnecessary meticulous and badly expressed objections not only bring discredit to audit and cause annoyance to the local officials but also complicate the work at both ends. The inspecting staff should therefore, maintain a strictly detached, dispassionate and technical attitude in day-to-day conduct of their work. Nothing should be done to hamper the evolution of the complementary role of Audit and Administration, either by the use of extravagant language or by the attitude that Audit alone is the keeper of nation’s financial conscience.

[CAG’s D.O. letter No. PS-588/56 dtd. 23.10.56]

b) The field staff should always be ready to take up the question of simplification of initial accounts and point out to the Government the scope for simplification in particular

cases. They should assist the local officers with advice on matters affecting accounts, budget etc. or the financial regularity of transactions. They may even offer suggestions regarding the economy of public money and are expected to do so in all cases of superfluous clerical work in connection with accounts and audit. They may show by means of practical examples, if necessary, how account registers should be posted and how a proper check is exercised in order that there may be no possibility of a mistake or omission due to ignorance on the part of the local officials. Such proposals, if recorded in writing, should not ordinarily be embodied in inspection reports but submitted to the D.G.A(C) through the Group Officer (Inspection).

If, however, in any case the Head of an office desires special help from the inspecting staff, for elucidation and explanation of audit and accounts rules and procedure and if it is anticipated that the rendering of such help on the sale demanded by local officers is likely to dislocate the program, the matters should be referred to the Group Officer (Inspection) for orders.

7.7 Meeting with Officer in charge of the auditable entity at the commencement of audit

The audit team leader/supervisory officer shall hold a meeting with the Officer in charge as soon as the work of audit commences. In the meeting, the audit objectives and criteria, general state of internal controls and areas of focus, concern or high risk identified by Audit may be discussed. A written record of the proceedings of the meeting duly signed by both the parties may be kept. In case a meeting cannot be held, the same shall be recorded.

[Para 132 of Regulations on Audit and Accounts, 2020]

7.8 Power to make independent queries

While auditing the accounts of the Government institutions and offices the inspection staff should not make any enquiries from the taxpayers or the general public, because such action amount 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 2.17 of CAG's MSO (Audit), 2002]. The inspection staff should not also while auditing the accounts of a public or quasi- public body make independent enquiries of tax- payers or of the public at large, unless such a procedure is

expressed by authorized statutory regulations or executive Orders. If there are suspicious circumstances in the accounts the inspecting Sr.AO or the AAO should report the fact to the Director (Inspection).

7.9 Conduct of Audit

a) As the object of accounts is to present a true financial picture, intelligent and proper audit requires visualizing of all financial transactions in their proper perspective as a whole and not merely the examination of the details of the transactions which work to final result. The inspecting staff before taking up the audit of any particular institution should make themselves conversant with accounts books prescribed, the budget, the relevant codes and manuals, departmental or otherwise and the administration report or any other publication, in order to make their audit both intelligent and useful, instead of allowing it to become merely a routine process of checking registers in disconnected and mechanical way.

[C&AG's letter no.57-Admn.I/145-34 dt.28-1-35]

b) The inspecting officer in charge of inspections should acquaint himself with the system of finances of any institution, and the accounts of which he is inspecting what makes its receipts and how its money is expended. He must then make up his mind roughly what system of accounts is necessary for those receipts and expenditures, what registers are necessary for internal check purposes and how far the existing system conforms to this standard. This is the elementary and primary responsibility of the inspecting officer. The inspecting officer at the time of carrying out audit of receipts, should make it his duty to correlate all the accounts documents and check that all money due is received and all money received is brought to accounts.

An inspecting officer who does not follow these principles fails to appreciate the first responsibility of audit.

[CAG's letter No.T-962-Admn/74-40 dtd.25-9-40]

c) In conducting the audit, the inspection staff should examine all matters on accounts, books, papers and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which duties of audit extends [vide section 18(b) of the Act]. The points which come under principles of audit, but which cannot be provided for

in advance by formal audit rules, as also cases of infringement of the standard of financial propriety, should be investigated. Apart from the above, the inspection staff should attempt review on the selected developmental and social security schemes showing how far and to what extent the declared objectives and programs have actually been executed by the office under local audit for which it was responsible. But the inspecting staff must be careful not to interfere in executive matters not to take up the questions of administration which have nothing to do with audit and accounts, or which are otherwise outside the province of legitimate enquiry of audit.

d) When the inspection party proposes to raise a higher audit question on a subject which is predominantly administrative or technical in character they should make sure that they have been able to ascertain and properly grasp the facts and the principle or principles behind them and that the raising of the question or its pursuit is legitimate duty of audit and likely also to serve some practical purpose. It is desirable to consult the inspecting Audit Officer on the spot or the group officer as the case may be, before taking up or pursuing questions which are likely to take an awkward turn.

e) The value of audit depends largely on the intelligence and thoroughness which is brought to bear on it. Sometimes routine and formal objections, if pursued properly, lead to the detection of serious irregularities or of a defect of system liable to lead to fraud. The inspecting staff should always be alive to this and never exercise the prescribed routine checks perfunctorily. When a member of a inspection party feels that he has touched on a matter which may repay on investigation, he should go into it with an exhaustiveness which will leave no details undiscovered, and he must take nothing for granted during such an investigation.

f) It is most undesirable that in local inspections the check of important initial records should be neglected in favour of material which may provide cases for “higher audit”. In the case of embezzlement of money by a clerk of an office, it was found on investigation that a comparison of the entries in the cash book with the counter foils of receipts granted and the treasury remittances book would have enabled the audit inspection to detect the fraud. The C&AG has emphasized the fact that the primary duty of the Indian Audit Department is to secure the correctness of accounts and not criticism of the executive work of the department. **[AG’s letter No. 31-Admn-I/205-36 dtd.15-1-37]**

g) In auditing payment vouchers the members of the inspection parties should not apply merely mechanical checks e.g. seeing that there is proper acquaintance in support of payments, that amounts charged are arithmetically correct and that the rates are in accordance with the schedule of rates. In the interest of thorough audit it is necessary to see that the charges in the bills are not extravagant and if a doubt arises, the prevailing market rates may be scrutinized through the district officer. Cases of different rates paid for the same articles observed in auditing the accounts of two or more offices should be investigated and the inspection party should find out carefully the causes of such differences.

h) In auditing accounts, all entries checked should be ticked or cross-ticked by members of inspection parties and all vouchers or challans examined should be examined by them. For this purpose special brown pencils called audit pencils are used. Audit pencils must be carefully kept in the personal custody of the auditors. The tick marks indicate that the particular entries so marked have been checked by the members of the Inspection parties. While comparing an entry in an original account or voucher with an account register, if a member of the inspection staff finds that the latter does not agree he should mark it with a cross or encircle with his audit pencil. When the objection is removed, the entry should be ticked off.

i) No members of the inspection staff should make notes, corrections or remarks in any of registers of any document of the office which they are auditing.

7.10 Matters dealt with by inspection parties to be kept confidential

All members of audit parties should carefully note that matters which they have to deal with during the course of their professional duty are kept confidential. The audit is intended for the assistance of local offices and Government, and the Audit Department is not justified in permitting their shortcoming to become public.

7.11 Distribution of work on inspection

a) Before commencement of the audit a complete list of accounts and records related to cash, other transactions and statements showing the details of movable and immovable properties in respect of all the units under its control, held by the office which is going to be inspected should be obtained from the head of the office.

b) The Sr. Auditors/Auditors should work under the supervision of the AAO/Supervisor and carry out the duties allotted to them meticulously and intelligently. They should never

think that they are meant for doing mechanical checks only. The AAO/Supervisor will however, be responsible for the whole and for seeing the working day of the auditors is fully utilized.

c) The Supervising Officers, if he is present, on the opening day should distribute the work between AAO and Sr. Auditors/Auditors and also indicate the items of works that would be done by him personally. If he is not present on that day, the AAO/Supervisor if the party comprises one AAO/Supervisor or by the senior one if the party consists of two AAO should distribute the work amongst themselves and the Sr. Auditors/Auditors. In the latter case, the distribution of work should be got approved by the supervising officer immediately on his arrival. The Sr. Auditors/Auditors and the AAO's/Supervisors should record a certificate to the effect that they have completed the work assigned to them individually. The Inspecting Officer /Supervisor should ensure that all items of work have been duly checked. Full particulars of work allocated to each member should be included in the IR file so that the responsibility for failure of audit can be fixed at a subsequent date, if necessary.

[C&AG letter no.3010/Admn. I/436-60 dtd.2-11-62]

Proforma showing work allotted and done by each member of the field party:

Sl.No.	Name & designation	Duties allotted and done	Signature with date
1	2	3	4

Place:

Date:

Signature of Supervising Audit Officer

7.12 Demarcation of duties

There should be clear demarcation of duties of the personnel in the audit parties. A broad outline of responsibilities and duties of various categories of personnel in the inspection parties conducting local audit of Civil Offices is contained in the Annexure 'F' to this Chapter. The Sr.A.O being the Supervising Officer of the inspection party is, however, not precluded from making changes in the distribution, to be indicated by him in writing, keeping in view the suitability of the individual official for performing the duties proposed to be entrusted or other relevant factors such as the absence of any of the members of the Audit Party. The inspection personnel should be involved in clearly

defined areas of work so that their contribution in terms of quality and quantum of audit results can be identified and their accountability ensured. Normally, auditors should issue inspection memos (Audit Queries) and put up notes. Separate notes/Audit queries, in the form of material for inclusion in the IR should be submitted by them to the A.A.O/Supervisor of the party and by the A.A.O/Supervisor to the Supervising Officer, if attached to the inspecting party. The Supervising Officer will remain responsible for the efficiency of the inspection as a whole, though some items of work may, in accordance with the local instructions or local usage, be entrusted to the subordinate staff. He must guide the members of the party in their work and determine the extent of independent action to be allowed to each of its members with reference to their experience, qualities and capacity to act independently. Based on such a judgment, the Inspecting Officer may permit individual members of the party to issue audit memos themselves and see them in due course after issue. In cases where it is considered appropriate, he should stipulate that the memos be issued only with his approval. The Supervising Officer should always keep himself aware of the progress of audit and the observations that have been communicated to the office inspected.

7.13 Calling of files and records for checking and production of such files and records thereof.

a) The inspection staff should call, in writing, for all registers and accounts of the officers inspected required for audit purposes. If any of the records cannot be produced, the reasons for non-production thereof should be ascertained in writing and such records should be insisted upon during the following audit.

b) In regard to production of documents to audit by the offices, the instructions of the government of India are, inter alia as follows:

“Files required by audit officers should be readily made available to them without any apprehension that objections may be taken in audit. If the contents of the files or any part of it are Secret or a top Secret the files may be sent personally to the D.G.A(C) specifying this fact, who will then deal with it in accordance with the standing instructions for the handling and custody of such documents.”

The Inspection parties shall while calling for documents bear these instructions in mind.

[G. I. Min of Finance Department of Economic Affairs No. F.I(43)-8/78 dated 23-9-78]

c) In case of delay in the production of records etc. to audit, the Principal Audit Officer concerned will take up the matter with the Secretary of the Ministry/Department concerned. They are requested thereupon to ensure expeditious action on the request.

[G. I. Min of Finance, Department of Economic Affairs Memo No. F.I(23)-B(R)/90(iv) dated 25-02-91]

7.14 Consulting Acts, Codes, Manuals etc. and the Process of Audit

For intelligent and efficient local test audit, it is necessary that the member of the inspection parties should have a thorough knowledge of the Acts, Codes Manuals and administrative orders or rules relating to the Department under audit. The A.A.O should get the same from the office inspected.

7.15 Process of audit to be supplemented with regard to omissions

The outline of the general principles and process of audit given in this manual should be taken only as a guide to an intelligent audit. The process should not be followed mechanically and as a mere matter of routine work and should never be considered limiting the inspection staff's duties. It should, wherever necessary, be supplemented with regard to omission in them. The inspecting staff should, therefore, see that all the checks as appear from the books of accounts to be necessary for an intelligent audit have been carried out and no checks, which on the face of the accounts require investigation, have been left out. Further, the fact that in test audit a scrutiny of the accounts of the whole period under audit is necessary.

It should be borne in mind that the local audits and inspections should be complete and thorough in respect of the transactions covered by them. There have been cases in which local audits by out staff failed to bring to light serious irregularities and even defalcations, which were later discovered by other agencies. It is needless to point out that even a single instance of this kind brings the whole Audit Department into disrepute.

[CAG's D.O. No. 1307/Admn. I/388-55 dated 20-4-55]

7.16 Period covered by local audit

a) As far as practicable, every local audit or inspection should cover the transactions from the date up to which the account was last audited to the month proceeding the month in which inspection takes place. The cash books should, however, be checked up-to-date.

b) In case of accounts in respect of which an Audit Certificate is required to be issued by this office and in case of audits under sections 14, 19 and 20 of C&AG's DPC Act, 1971 period of audit would be up to the end of the financial year of the institutions.

7.17 Reports of Embezzlement or Fraud

a) All cases of defalcation or other type of serious financial irregularities, embezzlement or fraud noticed or suspected during local inspections should be promptly reported confidentially by the head of the inspection party to the Group Officer (Inspection) and also to the head of the office concerned or to his next higher authority if it is suspected that the head of the office himself was a party to the irregularity. The report should also indicate whether any assistance, viz. the personal intervention of Group Officer or additional hands and records necessary for full and complete investigation is required. The progress of investigation should be reported weekly through interim reports. When fraud or embezzlements have been fully investigated, by the Inspection Party, a complete report on the case should be submitted to the Group Officer explaining clearly how the fraud was committed and whether there is any reason to suspect that a detailed examination of the accounts would bring to light further cases of fraud by the same or other persons. It should be stated whether fraud was discovered during or prior to the inspection. Local inspections in such cases must not be closed without specific approval of the Group Officer.

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

i) The dates and period of occurrence and the date of detection of the case by the Department/Local authority/Audit.

ii) The circumstances which led to the defalcation, misappropriation/loss

iii) The defects in the system on non-compliance with the rules which rendered the misappropriation/defalcation/loss possible.

iv) Whether the case was referred to the Finance Ministry and to this office immediately on detection by the Department Ministry.

v) Whether recourse to judicial proceedings is considered necessary by the Department and if so, action taken by the Department.

vi) Action taken to recover, or to obtain Government sanction for writing off the loss.

vii) Steps taken to prevent recurrence of similar case.

viii) Disciplinary action taken against the officials held responsible.

ix) Whether findings of the party during the course of local inspection in respect of the amounts misappropriated/defalcated/lost have been verified with reference to the facts reported to the audit office and found correct. If not, a comparative statement should be furnished with reasons for the differences.

7.18 Issue of Audit Enquiry and Audit Observation through OIOS

The following procedures are to be adopted/maintained immediately.

i. Inspection Reports (IRs) and Separate Audit Reports (SARs) should be issued only through OIOS.

ii. Vetting of IRs and SARs should be done through OIOS.

iii. Field parties should mandatorily submit duly completed and Key Document (KD) linked field visit case in OIOS along with physical IR /SAR file to OAD HQ in case of compliance audit / to OAD AB in case of Financial Audit. The date of receipt of IR /SAR will be considered on the basis of date of receipt of field visit case in OIOS and date of receipt of physical IR / SAR whichever is later.

iv. In case of receipt of incomplete field visit case in OIOS, the same may be returned back to the field party concerned. In that case the later date on which the field visit case will be resubmitted by the field party' will be considered as date of receipt of IR / SAR file.

v. There should not be any deviation from the copy of IR / SAR uploaded in OIOS by the Field Party in comparison to the physical copy submitted in the physical IR / SAR file. The copy of IR / SAR uploaded in OIOS by the Field Party will be treated as final submission from the field party.

vi. Drafting of observation in OIOS while financial audit should be invariably made in the line of Draft SAR with appropriate head of accounts so that linking of field visit case and observation can be done while issuance of SAR to Audited Entity as well as to Headquarters Office through OIOS.

vii. Every Official of field party should mandatorily complete their field visit case in OIOS before getting released from existing posting in consultation with team leader.

7.19 Extension in the allotment of time

The man-days allowed for each audit, have been carefully fixed taking into consideration the volume of work involved, if any, as well as the past experience in conducting the local audit of the same. The number of working days allowed for audit of each unit should not, therefore, be exceeded except with the previous sanction of the Group Officer. The supervising officers and the field parties are expected to adhere strictly to this aspect. However, in case of any unforeseen and unavoidable circumstances, a request for extension of time should be made to the headquarters duly recommended by the supervising officer if the inspection is a supervised one so that it reaches before half of the time allotted for the inspection has run out. Extension requests to be made in OIOS as a form of deviation note and to forward the same to OAD-HQ in OIOS for approval of the G.O. In no case should an extension be availed of before it is actually granted.

While submitting a request for extension of time, full particulars of the additional work involved, amount of expenditure involved and other information concerning the accounts necessitating such an extension should invariably be given to justify the request for extension of time allotted.

It should be borne in mind by the A.A.O that in case of items supervised by an officer, the prayer for extension of time will not be entertained unless it is recommended by the latter. No item of work should be left unchecked on the ground that extension of time prayed for was not granted.

7.20 Variation from prescribed program

No variation is allowed from the prescribed program with the previous permission of the Group Officer.

7.21 Submission of report of work

Every inspecting A.A.O should submit through supervising officer a weekly diary in the Form SY-324 during his tour- showing separately the details of work of each day done by him and each of the Sr. Auditor/Auditor. Absence on account of casual leave as well as holidays is required to be entered into in these diaries. Weekly diaries of Asst. Supervisor/Sr. Auditor/Auditor should be countersigned by the A.A.O who will also furnish certificate regarding attendance of MTS attached to the party during the week.

Weekly diaries should be forwarded to the headquarters on the last working day of the week or on the morning of the next working day.

Where duration of local audit exceeds seven working days, weekly diary reports forwarded by the Inspecting Officer should be scrutinized by the Branch Officer (HQ) and put up to the Group Officer. The other weekly diaries should be finalized by the Sr. A.O (HQs).

[CAG'S letter No. 1730-IM/12-751 dated 24-9-75]

7.22 Review of work done by Asst. Supervisor/Sr. Auditors/Auditors

The A.A.O in charge of the party should conduct a test check of the work done by the Asst. Supervisor/Sr. Auditor/Auditors including the checks of the totals expected to be made by the latter. While recording a certificate of the general review he should also specify the items test checked by him. The quantum of test check in this regard has been fixed to the extent of 25% of the work done by Sr. Auditors/Auditors.

[CAG's letter No. 48-TA-I/2-79 dated 17-1-79]

7.23 Cases sent from Headquarters

Whenever any case/file is sent from Headquarters to the inspecting party under the written orders of the Group Officer for investigation and collection of information, such case/files should be returned to Headquarters at the earliest on doing the needful.

7.24 Papers to be taken by field parties

a) The inspecting AAO/Supervisor should always take or ask for the following documents relating to the office which is going to be inspected by him:

- i) The previous inspection reports.
 - ii) Points, if any, furnished by the headquarters section for local investigation.
 - iii) Statement of outstanding objections for on-the-spot settlement.
 - iv) The store accounts submitted for the Audit Report of the C&AG by the offices which were not inspected during the year to which the store accounts relate, and any comments made by the public Accounts committee on such store accounts.
 - v) The Proforma Accounts submitted for the Audit Report of the C&AG by the offices which are required under orders of the Government to prepare the same.
- b) These documents should be dealt with in the following manner:

i) Any point in the previous inspection reports which have been marked for the next audit should be investigated. If the point has been settled since the last inspection, this should be recorded by the Inspecting AAO on the broad sheet of the inspection report over his dated initials, otherwise the irregularities incorporated in the current Inspection Report.

ii) The Inspecting AAO will investigate each point noted in the statements and submit his notes thereon to the Group Officer along with the Inspection Report. The Group Officer in turn forwards the notes with his comments, if any, to the concerned section.

iii) Inspection Reports, Files and other documents etc. shall not under any circumstances be kept in the custody of the local office during the period of inspection.

7.25 Settlement of outstanding objection during local inspection

Settlement of outstanding paras of the earlier inspection reports is one of the important duties of the supervising officer if the inspection is a supervised one or of the AAO in case of unsupervised item and should be given adequate attention.

Settlement of outstanding objections/paras ultimately depends on the merits of each case and should be dealt with extreme care and caution. However, the following guidelines may be kept in view for settlement of objections/paras which are outstanding in previous reports;

i) The inspecting Officer before treating the objections/paras in the previous Inspection Reports as settled should ensure that the office concerned has furnished written reply is placed on records. Based on replies/discussions with the authorities, he should also brief justification for dropping the objection in the original Inspection report. In no case an outstanding objection/para should be treated as settled merely by recording “discussed and dropped”.

ii) Paras which are instructive in nature may be dropped provided the instructions are noted in writing by the Department concerned.

iii) Paras on non-completion of minor records may be dropped if their completion has been made and got verified in audit.

iv) Paras on procedural matters like non-maintenance of a record non-obtaining of a certificate relating to personal matters, non-attestation of some entries etc. may be settled when complied with. When such types of procedural objections/paras are outstanding in

one more previous Inspection Report, and the irregularity has continued during current audit, the outstanding objections/paras in the previous reports may be dropped and a paras included in the current report where in it may be specifically mentioned that the irregularity was pointed out in earlier Inspection Report.

v) Paras which are more administrative in nature may be dropped subject to the noting of the correct procedure by the Department authorities.

vi) Recoveries of petty amounts falling within the powers of the waiver may be waived by the Inspecting Officer or proposed for waiver by the Director (Inspection) /D.G. A (C) after issuing suitable instructions to the officers concerned.

vii) **Any drop/ Settlement of paras to be done with the approval of the G.O the inspecting filed party is not authorized to settle/drop any para without express approval of the G.O.**

7.26 Revision of defects pointed out in previous IR

It is an important part of the duties of the field staff to see that the defects pointed out in previous I.R.s have been remedied, and outstanding objections are settled after review. All field officers are directed to take up this item of work with all seriousness immediately on reaching the office to be inspected. The head of the office should be requested to prepare annotated replies to the previous objection, if not already done. Special attention should be paid to settle the maximum number of old objections by obtaining information on the spot. It may also be possible to develop certain points into draft paras, if their latest position is ascertained and incorporated in the IRs.

7.27 Review of objections pending for more than 18 months

It has been decided by the C&AG that the objections remaining outstanding for more than 18 months from the date of issue, may be reviewed and a joint meeting of the concerned department officers, with the AAOs may be arranged for linking of records/papers sent by the former for discussion and settlement. The objections remaining outstanding even thereafter may be taken up at the Group Officer's level and those which are really important may be proposed for inclusion in the Audit Reports.

7.28 Proforma for review

The results of review of outstanding paras should be incorporated in the following proforma prescribed by the C&AG. All the Inspecting Officers should incorporate the

latest position of the outstanding paras including the reasons as to why there are outstanding and their recommendations as a result of the discussions which they had with the departmental officer.

Proforma

Sl.No.	Period of inspection report and its no.	Paras No.	List of Paras	Latest position on the date of present audit	Recommendation of the Inspecting Officer	Order of the Group Officer/ D.G.A (C)
1	2	3	4	5	6	7

ANNEXURE –F

Demarcation of duties of the personnel of Inspection Parties

I. Civil Audit Party consisting of one Sr.A.O, one A.A.O/Supervisor and two Asst. Supervisor/Sr. Auditors/Auditors

(A) Sr. Audit Officer

Besides performing the coordinating functions to achieve overall efficiency in performance and seeing that necessary processes of audit of the various documents have been carried out by the staff under him, the audit officer will also do a certain amount of original work and examine personally with reference to original documents all the important points raised by the staff. He should personally review all tenders and agreements, particularly those of high value, and also see whether the state of accounts in the office inspected is satisfactory. He should himself draft the Inspection Report and discuss it with the head of the office inspected, whenever he is present at the close of the inspection.

The Sr.AO should ensure that physical verification of cash as per the records is done by the Drawing and Disbursing Officer in his presence and include comments, if any, arising from such verification in the Inspection Report.

(B) AAO/Supervisor

- i) Audit of the accounts of receipts.
- ii) Audit of the accounts of stores.
- iii) Examination of the Cash Book.

Note:

a) When the party is unsupervised, the AAO should ensure that physical verification of cash as per the records is verified by the DDO in his presence and include comments, if any, arising from such verification in the Inspection Report.

b) In cases where close supervision of the Asst. Supervisor's/Sr. Auditor's/Auditor's work in regard to issue of audit memos and check of disposal of previous Inspection reports are required, the assistance of the Sr. Auditors may be availed of for the routine checking of receipts and payments under this item of work, subject, of course to the overall responsibility and supervision resting with the AAO.

iv) Examination of the vouchers for the months selected for test check which were submitted to Central Audit.

v) Audit of all vouchers not submitted to Central Audit.

vi) Verification of drawals from and deposits into treasury with reference to treasury records.

Note: The instructions in Note (b) below item (iii) are applicable to this item of work also.

vii) Examination of the points marked by Central Audit for special investigation.

viii) Audit of works expenditure.

ix) Scrutiny of accounts of accounts of stores, equipment etc. received under various foreign aid programs.

x) Examination of Departmental inspection reports.

(C) Asst. Supervisor & Senior of the two Sr. Auditors/Auditors

i) Examination of service books, service rolls, broadsheets and ledgers in respect of Provident Fund accounts of Group D staff.

ii) Study of files containing important rules/orders issued by Government in respect of the institution under local audit and matters dealt with by it and of the Dictionary of References.

iii) Check of disposal of previous inspection reports.

iv) Triennial audit of takavi accounts.

- v) Audit of expenditure incurred by State Government in connection with large gatherings of political organizations.
- vi) Scrutiny of establishment pay bills.
- vii) Audit of traveling allowance bills.
- viii) Examination of register of undisbursed pay and allowances.
- ix) Scrutiny of register of advances.
- x) Examination of accounts of immovable properties like land, buildings and other assets.

(D) Junior of the two Senior Auditors/Auditors

- i) Scrutiny of Dead Stock Register.
- ii) Examination of Register of Empties.
- iii) Examination of Stamp Accounts.
- iv) Scrutiny of Register of Deposits.
- v) Examination of Logbooks and diaries of Government vehicles.
- vi) Scrutiny of Register of Stationery.
- vii) Examination of Register of Uniforms.
- viii) Scrutiny of Register of Books and Periodicals.
- ix) Scrutiny of Provident Fund accounts of Group D employees.

II. Civil Audit Parties consisting of one Sr.A.O, two A.A.O/ Supervisor and one Asst. Supervisor/Sr. Auditor/Auditor.

(A) Sr.AO

Same as those detailed in (I) (A) above.

(B) Assistant Audit Officer

Sl. Nos. (ii), (iii), (iv), (vi) and (ix) in (I) (B) &

Sl. Nos. (i), (iii), (iv), (v), (ix) and (x) in (I) (C) above.

(C) Supervisor

Sl. Nos. (i), (v), (vii), (viii) and (x) in (I) (B) &

Sl. Nos. (ii), (vi),(vii),(viii) in (I) (C) above.

(D) Asst. Supervisor/Sr. Auditor/Auditor

Same as those detailed in (I) (D) above.

7.29 Records to be sent to Audit Party

Following records should be made available to field audit parties by the concerned section of OAD (HQ) before commencement of local audit of an office/institution:

- a) File containing Inspection Reports for previous years in respect of which objections are still outstanding.
- b) Extract from the register of important points.
- c) List of objections treated as settled subject to verification during next audit.
- d) Audit Notebook.
- e) List of Grants-in-aid and loans sanctioned by the Office/Department audited.
- f) Guard files containing inter alia the Act, regularities governing constitution powers and organization system of accounts etc. relating to the office/institution concerned, Ministry/Department wise sanctions received.

CHAPTER VIII

AUDIT OF EXPENDITURE

8.1 Introduction

Audit of all expenditure incurred from the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly is conducted under the provisions of Section 13 of the CAG's (DPC) Act, 1971.

8.2 Primary Audit Objectives

Primary objectives of audit of expenditure are to check whether:

- a) funds have been authorized by the competent authority prescribing the limits within which expenditure can be incurred.
- b) the expenditure conforms to the relevant provisions of the Act and the Constitution and of the laws made thereunder and is also in accordance with the financial rules and regulations framed by the competent authority.
- c) either a special or general sanction of the competent authority authorizing the expenditure is available; and
- d) all financial transactions have been correctly recorded in the accounts under examination and have been allocated to the appropriate heads of account.

8.3 Audit of expenditure: -

- (i) Audit against Provision of Funds.
- (ii) Audit against Regularity.
- (iii) Audit against Sanctions to Expenditure.
- (iv) Audit against Propriety.

8.4 Audit against Provision of Funds

No moneys out of the Consolidated Fund of India shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution under Article 266(3). Audit against provision of funds should be directed primarily towards ascertaining that the money expended have been applied to the services and purposes, for which the Grants and Appropriation Act was passed, were intended and that the expenditure against each Grant or Appropriation does not exceed the amount included in the Schedule.

8.4.1 Focus of audit scrutiny

Audit scrutiny would be specially focused on the following aspects:

- (i) Existence of proper and adequate systems for budgetary control with duly defined accountability centres for securing the preparation of realistic estimates of both receipts and expenditure.
- (ii) Availability with the Union, State and Union Territory Governments of a Budget Manual describing the rules and regulations governing budget formulation and the processes relating to preparation of receipts and expenditure estimates, their examination by the heads of departments and the controlling officers and provision of all relevant and of essential information and explanations.
- (iii) Adherence to all procedures prescribed in the Budget Manuals of the respective governments.
- (iv) Extent of association and involvement of functionaries at all levels from the drawing and disbursing officers to the heads of the ministries and departments with the formulation of budget estimates.
- (v) Adequacy of monitoring mechanism to safeguard against excesses over allotments to drawing and disbursing officers and over the overall grants and appropriations.

8.5 Audit against Rules and Orders (Audit against regularity)

Audit against regularity consists in verifying that the expenditure conforms to the relevant provisions of the Constitution and of the laws and rules made thereunder and is also in accordance with the financial rules, regulations and orders issued by a competent authority either in pursuance of any provisions of the Constitution or by virtue of powers formally delegated to it by a higher authority. The rules, regulations and orders against which audit is conducted mainly fall under the following categories:

- (i) rules and orders regulating the powers to incur and sanction expenditure as well as delegation of powers to incur and sanction expenditure from the Consolidated Fund and Contingency Fund of India or of a State or of a Union Territory having a Legislative Assembly;
- (ii) rules and orders dealing with the mode of presentation of claims against Government, withdrawing money from the Consolidated Funds, Contingency Funds and Public

Accounts and in general the financial rules prescribing the detailed procedure to be followed by Government servants in dealing with Government transactions; and

(iii) rules and orders regulating the conditions of service and pay and allowances and pensions of Government servants.

8.5.1 Quasi-judicial character of regularity audit

Audit in relation to regularity of expenditure is of a quasi-judicial character. It involves interpretation of the Constitution, Statutes, rules and orders with reference to the case law of previous decisions and precedents. The C&AG has not, however, save in the case of rules made by himself, the final power of interpretation; this resides in the authority specified in the Constitution or the Authority which is the author of the rule or order so long as the interpretation is not against the orders of a superior authority or contrary to any established financial principle or rule. Interpretation by Audit should be based on the plain meaning of the Article of the Constitution, Section of the Statute, rule or order, except where this is inconsistent with another Article, Section, rule or order; in such a case the inconsistency should be referred to the competent authority for resolution or removal.

8.5.2 Scrutiny of Rules and Orders

In relation to audit of expenditure against regularity, it is the duty of Audit to examine all financial rules and orders issued by the Executive authorities affecting expenditure and other transactions subjected to audit to see that the rules and orders are themselves intra vires and to ensure that the transactions to which they relate may be effectively audited.

8.6 Audit against Sanctions to Expenditure

Power to sanction expenditure from the Consolidated Funds and the Contingency Funds of India and of the Union Territories, including power to dispose of property and stores pertaining to the Union Government and Union Territory Governments is vested in the President and Administrator respectively as per Article 77(3) of the Constitution and Section 46 of the Government of Union Territories Act, 1963, whose sanction, given directly or by persons to whom the necessary powers have been delegated, is necessary to all expenditure from those Funds.

8.6.1 Points to be checked by audit

One of the most important functions of audit is to check whether each item of expenditure is covered by the sanction of the competent authority. While doing so, Audit has not only to see that the expenditure is covered by a sanction, either general or special, but it has also to satisfy itself that:

- (i) the authority sanctioning it is competent to do so by virtue of the powers vested in it by the provisions of the Constitution and of the laws, rules or orders made thereunder or by the rules governing delegation of financial powers framed by a competent authority; and
- (ii) the sanction is definite and therefore needs no reference either to the sanctioning authority itself or to any higher authority.

8.7 Audit against Propriety

It is an essential and inherent function of Audit to bring to light matters involving improper expenditure or wastage of public money or stores even though the accounts themselves may be in order and no obvious irregularity has been committed. Such audit, often called Propriety Audit, extends beyond the formality of the expenditure to its wisdom, faithfulness and economy. It is thus not sufficient to see that sundry rules or orders of a competent authority have been observed. **Points to be checked by audit**

8.7.1 Points to be checked by audit

No precise rules can, however, be laid down for regulating the course of audit against propriety. Its objective is to support a reasonably high standard of public financial morality and sound financial administration and devotion to Government's financial interests. In any case, Sr.AOs in the performance of their duties should apply the following general principles that have long been recognized as standards of financial propriety:

- (i) The expenditure should not prima facie be more than what the occasion demands. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- (ii) No authority should exercise its powers of sanctioning expenditure to pass an order that will be, directly or indirectly, to its own advantage.

(iii) Public money should not be utilized for the benefit of a particular individual or section of the community unless:

- (a) the expenditure involved is insignificant; or
- (b) a claim for the amount could be enforced in a court of law; or
- (c) the expenditure is in pursuance of a recognized policy or custom.

(d) the amount of allowances, such as travelling allowances granted to meet expenditure of a particular type, should be so regulated that the allowances are not, on the whole, sources of profit to the recipients.

[Source: Chapter 2 (Audit of Expenditure) of MSO (Audit) Vol.2, 2002]

CHAPTER IX

INSPECTION REPORT

9.1 Introduction

The results of Compliance Audit Reports conducted by the Field Inspection Parties i.e. Draft Inspection are communicated through OIOS, which are further vetted by respective Vetting Sections at OAD (HQs). These vetted Draft Inspection reports are issued to the concerned Audited Entities through OIOS as Inspection Reports within 30 days of completion of audit with a copy to the corresponding next higher level in the organizational hierarchy and a copy to the concerned controlling officer of the ministry. A period of four weeks is allowed to the Audit Units to provide responses to the audit findings contained in the Inspection Report.

9.2 Format of Draft Inspection Report/Inspection Report

The Draft Inspection Report/Inspection Report should be drawn up in the following Format based on Compliance Auditing Guidelines, 2016 of the C&AG :-

Index

Inspection Report on the accounts of thefor the period from to.....

Part-I: Introduction

- 1.1 Brief description/overview of the unit, functional/geographical jurisdiction, significance of the unit in the overall hierarchy of the organisation/department/Ministry and Administration
- 1.2 Budget and expenditure for the years covered under audit
- 1.3 Audit objectives
- 1.4 Audit sample, Scope of audit and audit methodology
- 1.5 Audit criteria

Part-II: Audit findings

Part-IIA

- 2.1 XXX
- 2.2 YYY

Part-II-B

2.3 ZZZ

2.4 XYZ

Part-III: Follow up on findings outstanding from previous reports

3.1 AAA

Part IV: Best practices

4.1 BBB

Part V – Acknowledgement

Disclaimer

Sd/-

Deputy Director (Inspection)**Sample Inspection Report**

Inspection Report on the accounts of the National Library, India, Kolkata for the period from to

Part-I: Introduction

1.1 Overview

The National Library, India is the largest library in the country. It is an institution of national importance under the Ministry of Culture, Government of India. The library is designated to collect, disseminate and preserve the printed material produced in the country. The library is situated on a 30 acres Belvedere Estate in Kolkata

The Aims of the National Library, India are: (i) acquisition and conservation of all significant national production of printed material and foreign material required by the country (ii) collection of printed material concerning the country (iii) acting as a referral centre purveying full and accurate knowledge.

1.2 Budget and Expenditure

The budget and expenditure for the period covered under audit is given below:

Year	Plan		Non-Plan	
	Allotment	Expenditure	Allotment	Expenditure

(Where no plan/non-plan segregation, please insert capital grant for Plan and Revenue Grant for Non-Plan)

1.3 Audit objectives

The objectives of the audit were to ascertain whether:

- i) acquisition and conservation of all significant national production of printed material and foreign material were done as per applicable norms
- ii) the purchases, maintenance and utilization of assets, equipment, consumables, etc. were done as per applicable norms
- iii) the sanction and payment of pay and allowances, TA/LTC claims etc. were in conformity with the GOI rules/orders

1.4 Audit sample, Scope of audit and audit methodology

Audit test check *** number of vouchers/registers/contracts etc. during the period covered in audit.

Audit on the accounts of thefor the period from-----to----- was conducted by an audit team of the Office of the Director General of Audit (Central), Kolkata under Section *** of the Comptroller and Auditor General of India's (Duties, Powers & Conditions of Service) Act, 1971 during..... The audit commenced with an Entry Conference with the officials on ----- where the audit objectives, scope and methodology were explained. The audit team scrutinized the records produced to audit. Audit queries/memos were issued to theduring the course of audit. Exit Conference with the was held on ---- wherein audit findings and other issues were discussed. Replies received from theand deliberations during the exit conference have been considered and suitably incorporated.

1.5 Audit criteria

Audit criteria were derived from the following sources:

- (i) General Financial Rules
- (ii) R&P Rules
- (iii) FR&SR, etc....

Part-II: Audit findings

Presentation of audit findings shall conform to the Auditing Standards and other reporting principles and clearly bring out the applied criteria, the results of evaluation of the subject matter against the criteria highlighting the cause and effect relationship. Audit findings

may also appropriately indicate the extent of non-compliance and whether they involve systemic issues or represent isolated cases of non-compliance. The audit findings should be organized in decreasing order of materiality and significance, if possible.

Part-IIA

2.1 Systematic deficiencies/weaknesses/deviations where the materiality is quantifiable quantitatively and/qualitatively. Individual cases of deviations/ violation and aberrations that relate to operational, functional and financial matters subject to materiality. All cases of fraud and misappropriation, presumptive fraud and leakage of revenue

2.2 –do-

Part-II-B

2.3 Procedural deviations that do not significantly impair processes, outputs and outcomes. Individual cases of deviations/ violation and aberrations that relate to establishment, personnel, administrative and other miscellaneous matters. Cases that can be classified as trivial need not be reported.

2.4 -do-

Part-III: Follow up on audit paras outstanding from previous Inspection Reports

3.1 There were **** no. of audit paras outstanding due to non-submission of replies/pending of necessary actions by the audited entity. Based on replies/discussion/review of the cases during the present audit, the present status of the paras is given below: -

IR No and Year	Period of audit	Para no. and Title	Reply of the unit in brief	Present status
				Based on reply and documents furnished, the para was treated as dropped.
				The matter has been updated and incorporated in the present report as para no....
				The para has been retained for further action by the unit.

Part IV: Best practices

4.1 Any good practices or innovations, if noticed, during the course of audit may be mentioned.

Part V – Acknowledgement

The following officer(s) held the charge of the Head of the Office during the audit period.

Sl. No.	Name & Designation	Period	
		From	To
1.			

The following officer(s) held the charge of the Drawing & Disbursing Officer during the audit period.

Sl. No.	Name & Designation	Period	
		From	To
1.			

We acknowledge the cooperation extended by the aforementioned authorities and other officials ofduring the course of the audit.

Disclaimer

The Inspection Report has been prepared on the basis of the information furnished and made available by the The Office of the Director General of Audit (C), Kolkata disclaims any responsibility on any non/mis-information on the part of the audited entity.

Sd/-

Director (Inspection)

[Authority: CAG's Guidance Note vide letter no. 226-09-PPG/2017 dated 23.08.2017 & Circular No. OAD/HQ/Revision of IR Format/ 2018-19/43 dated 10.04.2018]

9.3 Annexures to Draft Inspection Report/Inspection Report

Following annexures should be incorporated in the Draft Inspection Report with effect from 01.04.2018: -

- i. Planning Audit Procedures in Annexure-I
- ii. Title Sheet in Annexure-II
- iii. Minutes/Record of Discussions at the conclusion of audit in Annexure-A
- iv. Duty list of each member of the Audit team in Annexure-B
- v. Follow up of supervision by Group Officer in Annexure-C
- vi. Certification at the conclusion of audit in Annexure-D
- vii. Daily Diary of each member of the audit team in Annexure-E
- viii. Certificate regarding appropriate evidence and compliance with Audit Quality Framework and Code of Ethics in Annexure-F
- ix. Top Sheet in Annexure-III

[Authority: Circular No. OAD/HQ/Revision of IR Format/ 2018-19/43 dated 10.04.2018]

9.4 Drafting of Inspection Reports (IRs)

Inspection Reports should be clear and as concise as possible and should avoid exaggeration or repetition of the same. To make it reader friendly short sentences in active voice should be used keeping the essentials. Those should be a detached and dispassionate financial criticism of the transactions couched in courteous and in-offensive language. When statistics are given up to date, a figure should be given in addition to the figures for the year of account which is audited. Use of abbreviations in writing technical terms should be scrupulously avoided.

Report should not contain objections of more than three years old. Paper clipping/complaint etc. should be investigated thoroughly and findings should be incorporated in the IR replies to audit queries, if received should be taken into accounts while drafting IR. Regarding Complaint cases separate investigation/ review report is also to be submitted.

9.5 Meeting with officer in charge of auditable entity at the close of audit

The audit team leader/supervisory officer and the officer in charge shall discuss the audit observations at the close of audit. The officer in charge shall confirm the facts and figures

included in the audit observations. Any point of disagreement may be brought out and discussed during the meeting with a view to resolve the same. The officer in charge shall also offer his observations on the audit conclusions and recommendations, if not already done in response to the audit observations. The same shall be recorded and included as response of the auditable entity to the audit observations. Where necessary and appropriate, the audit team may make recommendations for remedying systemic deficiencies and improving control. A written record of the proceedings of the meeting duly signed by both the parties shall be kept. In case a meeting cannot be held, the same shall be recorded.

[Para 135 of the Regulation on Audit and Accounts 2020]

9.6 Submission of Draft IR to the Headquarters.

The Draft IRs as per format should be submitted to OAD (HQs) within 7 days¹⁰ from the date of completion of audit along with following documents: -

- i) Forwarding Memo filled in with full address of the offices to which the IR is to be issued.
- ii) Title sheet
- iii) Minutes of discussion with the Head of the audited entity and results of review of outstanding paragraphs of previous IRs.
- iv) Duty list/work done by each member.
- v) List of drawals and remittances.
- vi) List of Service Books checked.
- vii) Two spare copies of accounts along with the ticked copy and audit certificate duly signed by the supervising officer.

9.7 Arranging KDs and keeping documents in Draft IR

The following directions to be followed by the filed parties:

- i. Draft IR/SAR alongwith title sheet, top sheet etc. should be kept in a separate file.
- ii. KDs marked in the Draft IR/SAR should be kept in the second file.

¹⁰ PPG Guidance Note No.402-PPG/11-2013 Dated.05.10.2016

- iii. KDs which are not directly related to the observation taken during the course of Audit and other working sheets should be kept separately for future reference.
- iv. Relevant portion in the KD may be highlighted by using pen. Page or pages (not a range of pages like P/1-100) of KD should be marked in against para.
- v. Individual contribution should be shown clearly on the top sheet and in the margin of the Draft IR

Draft IR will be returned to the audit party if the above instructions are not compiled with in future.

[No. OAD/Circular/2018-19/473, Date: - 16.11.2018]

9.8 Material for Audit Report: -

Material for Audit Report is required to forward to Principal Auditor. Information is required to be collected on physical verification of Assets/inventories, adequacy of Internal Audit and Internal Control, Assurance Memo, and Audit Certificate in respect of units preparing Balance Sheet of Accounts are required to be submitted by the field audit party during submission of Draft Inspection Report pertaining to audit of Multi Unit Autonomous Bodies (viz. KVs, EPFOs, NYKs and others), for smooth submission of MAR.

[OAD/Circular 2022 -23 | 577 dated 08.12.2022]

A weekly Report on the status of the audit and issue of MARs for the sub-units selected for the audit during that financial year is to be forwarded to the Principal Auditor during June – December of that calendar year. AAO/OA-AB-IR will be responsible for collection of the report from both the Branch Offices and consolidation of the same with report of Main Office, Kolkata and for onward transmission of the entire report after taking necessary approval from the competent authority.

9.9 Vetting of IRs

a) In the case of local audits/inspections supervised by Gazetted Officers, the inspection Reports are drafted and vetted by the Supervising officer themselves.

Sr.AO/OAD (HQs) should be entrusted with the work of vetting the reports of local audits/inspections and finalizing and issuing at their levels unless there are important points to be brought to the notice of the Group Officer.

[CAG's letter No. 76-Tech-Admn.I/387-67 dtd. 14.1.66]

b) As per codal provisions drafting of Reports are the responsibility of Inspection Officers and as per the reporting standards audit reports should be based on the principles of completeness, objectivity, timeliness and a contradictory process. The principle of completeness requires the auditor to consider all relevant audit evidence before issuing a report. Therefore, it is imperative for every Inspecting Officers to submit properly drafted reports of all kinds in complete shape after duly linking with audit evidence/key documents, within stipulated time for further course of action at Headquarter.

(No. OAD/Circular I 2020 -21 / 120 Date: 14.10.2020)

c) In order to effect distinct improvement in the quality and promptness of the issue of the Inspection Reports, the CAG has desired that these reports should be subjected to a systematic scrutiny by experienced AAOs. They should be entrusted with the responsibilities of going through all Inspection Reports received in the Headquarters. From the field parties, examine the correctness and completeness of the objection raised and suggesting whether any further materials should be collected in the matter. The scrutiny should particularly be done in case of paras in Inspection Reports. These AAOs should also be entrusted with the responsibility of briefing the Inspection parties on the important points in the previous Inspection Reports which need further scrutiny.

[CAG's letter D. O. No. 273-TA-1/41-78 dtd. 13.4.78]

9.10 Issuing Inspection Reports.

The IR should be issued within 30 days from the date of completion of audit through OIOS. The IR should be sent simultaneously to the head of the office inspected next superior officer(s) and to the head of the department through OIOS.

The passed Inspection Report is numbered before issue in the Outward Diary Register of Inspection Report and issued from the copying branch. A watch over of the Inspection Report is carried out by register (Form-II) meant for the purpose.

9.11 Audit Notebook

Asst. Supervisor/Sr. Auditor/Auditor should maintain a notebook in which he should keep a record of the points he has to watch but which are not required to be noted in any one of the prescribed registers. All the pages of the notebook should be numbered and there should be an index. It need not contain notes of orders which are incorporated in

the manual. The name of the person maintaining the note book and the designation of his post or particulars of his duties should be shown prominently on the over side of the cover, while on the inner side columns should be opened for the dated initials of AAO/Supervisor and the Branch Officer who will review the note book on the first working day of each month and each quarter respectively, whenever there is a change of incumbency, the note book will be surrendered to the AAO/Supervisor who will make it over to the successor.

9.12 Register for watching the receipt and issue of Draft IRs and Progress Register of settlement of IRs

The OAD (HQs) Section maintains registers in Form-I & II of Appendix-III of this manual to watch the progress of each inspection (i) from taking up the local test check to the issue of the approved Inspection Report and (ii) from the issue of each Inspection Report to its final disposal respectively.

These registers shall be submitted to the Group Officer (Inspection) on the first working day of every month for his/her review. A summary of overdue report showing the state at which the delay is occurring and steps taken to overtake the delays should be submitted along with the Quarterly Work Reports of the wing for perusal of D.G.A(C). One statement in Form III of Appendix should be drawn up on the working day of every month showing the Inspection Reports which were not issued in respect of audits completed on or before the last working day of previous month. This statement should be submitted to the Group Officer on the first day of each month for his scrutiny and orders and to the D.G.A(C) with Monthly Progress Report. Another statement showing the Inspection Reports which were not received at headquarters in respect of audits completed on or before the last working day of the previous month.

Note: The stages of disposal of 1st replies should be indicated in the following Form:-

- i) Pending in this office for more than 1 month with brief reasons for delay.
- ii) Pending in this office for one month or less.
- iii) Pending in the executive offices for more than 6 months for which D.O. reminders have been issued to the heads of Department every month.
- iv) Pending in the Executive offices for one month or more.

9.13 Maintenance of Objection Books and Adjustment Registers in OAD (HQs)

As required under Para 7.2.2 of the CAG's MSO (Audit) Second edition, 2002 all objections arising out of local audit as embodied in the Inspection Report should be registered in the Objection Book. Necessary action to note the objections in the Objection Books should be taken after the Draft Audit Reports have been approved by the Group Officer. The number and month of the item of the Objection Books should be noted against each item of the Inspection Reports. The inspecting AAO and Supervising Gazetted Officer while conducting audit should take particular care to work out the money value of objections raised with due confirmation from the local offices and fill the column "Money value of the objection raised in the Title Sheet".

Separate Objection Books and Adjustment Registers should be opened for each department and there should be three monthly and six-monthly check Objection Books in the headquarters.

The following categories of money value of audit observations should be registered in the Objection Book:

- i) Outstanding dues to Government on account of credit sales made by department and other outstanding dues in respect of which accounts are kept by the department for the purpose of effecting recoveries provided they are pending for over two years from the date of expiry of the period allowed for payment.
 - ii) Recoverable amounts which have been omitted to be included in the departmental records for watching recoveries as well as under assessment of amounts due.
 - iii) Advances including loans made by departmental agencies not debited to a debt deposit or advances head of account provided they are pending over one year after the last installment fell due for payment.
 - iv) Specific cases of shortages in departmental balance of stock for which responsibility was not fixed and action for recovery was not taken.
- b) The audit of autonomous bodies entrusted to the C&AG under the relevant Acts or other setting up these bodies is conducted in accordance with same general principles and rules as are prescribed to regulate the audit of government accounts. Hence, the recording of observations in the objection book would be necessary in respect of

observations arising out of the audit of such bodies not coming within the purview of commercial audit.

c) The objection books and the adjustment registers should be maintained by the OAD (HQs) section in Form 10 MSO (Audit-10) and Form 11 MSO (Audit-11) respectively.

d) The objection books and adjustment register after closing should be submitted to the Group Officer through the Branch Officer on the 7th of each month. The check of objection book should be submitted to the Audit Officer (Headquarters) of the 27th of each month and to the Group Officer on the 2nd week of January, April, July and October.

[CAG's Letter No. Admn. I 684-74 dated 10.1.77 and 1070-TA.I/686-64 dated 7.4.67, 692-TAI/637-66 dated 13.3.67]

e) The C&AG attaches great importance to the pursuance of objections raised during local audit and desires that a very close attention may be paid to the objection books to see that no objection required to be noted in them are omitted, that prompt and vigorous action to settle finally the outstanding items of objection and objection statement is taken at the appropriate level and that all relevant rules and orders for the maintenance of objection books and pursuit of objection are followed thoroughly and carefully.

[CAG's letter No. 1839-Admn.369.70 dated 31-8-70]

9.14 Pendency of Inspection Reports and Paras

All outstanding paragraphs in the Inspection Reports pertaining to the period more than five years may be reviewed and except for cases where recoveries are involved, cases which are under discussion by the PAC/COPU and paras which are still valid (for instance, projects which may have been taken up a decade back, but are not yet complete despite significant expenditure due to lack of approvals or poor design etc.) may be forwarded to the respective departmental Secretaries/ Chief Secretary with a request for necessary follow up action in each case.

Paras relating to recoveries may be reviewed separately. Cases where the amount involved is significant, say over Rs 50,000, the paras should be discussed by the Pr.AG/AG with the Finance Secretary. Audit Committee mechanism may be revived/strengthened for taking appropriate action in a time bound manner to pursue and settle the paras for recovery of the amounts.

Inspection Reports/ paras [relating to 2003-04 and onwards] may be analyzed department-wise and grouped based on the nature of audit findings like instances of taking up projects without approvals, time and cost overrun, diversion of funds, infructuous expenditure etc. These may be discussed by the Pr. AG / AG with the Secretary of the department concerned for specific corrective action having regard to the nature of the findings.

Only such paras should be included in Part-II A of Inspection Report, which can be developed further for Audit Report of the same year or within the next 2-3 years. The monetary limit of paras in Part-II A should be the same as the monetary limit for the DPs. For findings involving serious systemic issues, monetary limit should not apply.

Appropriate mechanism should be put in place to hold the officers accountable for the quality of work produced by the office during reporting period. All cases where 'Nil' reports are given by the field parties consistently, or cases where mortality of the paras in Part II-A is high, need to be monitored closely and viewed seriously by the DGA(C).

(No. 137/RSCS/Coordn. /Aud.Pin./2008/279 dtd. 04.02.2009)

9.15 Audit conducted on behalf of other AG's

a) In the case of local audit of Government Department conducted by Audit Officers acting as agents on behalf of other AG's (Main Audit Officers) the Audit Officer acting as agent conducting the local audit entrusted to him, should forward the audit report and audit comments etc. to the Main Audit Officers and the latter will issue the report and pursue the same finally. This procedure would not be applicable in cases where a different procedure has been specifically authorized.

[CAG's letter No. 1936-Admn.I/Admn-III-138-62 dated 28-7-62]

b) Copies of the Inspection Reports/Preliminary objection memos in respect of offices/units which are inspected by this office on behalf of other AG's may invariably be retained in this office.

[CAG's letter No. 1463-TA I/149-80 dated 4-12-80]

c) A register should be maintained for the purpose for keeping a record of the list of office of the Governments and the progress of audit of such offices. The register should be submitted on 1st April and 1st October to the Group Officer.

9.16 Reply to the Inspection Report in Broadsheet Form

- a) Within 3 weeks of receipt of an Inspection Report the Head of the office concerned will as directed in the memorandum forwarding the Inspection report, furnish his replies etc. in broadsheet form in duplicate through his superior officer (if any) to the Head of the department. The head of the department will transmit such replies with his own comments or orders in the duplicate broadsheets to this office within two months from the date of receipt of the local officers' explanations in the broadsheet forms.
- b) unusual delay should be taken up by the Asst. Supervisors/Sr. Auditors/Auditors maintaining Progress Registers and brought to the notice of the next higher authorities.
- c) Comments of the head of the department on various points raised in an Inspection Report of his own office should likewise, for the sake of quick disposals, be sent to this office for further remarks.

9.17 Procedure for preparing replies in Broadsheet Forms.

Replies and comments in the Broadsheet form should be furnished according to the procedure explained below: -

Each paragraph or sub-paragraph on an item of an Inspection Report should be pasted at the top of a separate sheet of full-scale paper. The officers should then record there under their replies and remarks seriatim attaching as many sheets as may be necessary to dispose of each paragraph or subparagraph or item thereof. Such remarks below each paragraph will follow in the order and under the headings shown below:

- i) Replies of the head of the office
- ii) Remarks of superior officer (if any)
- iii) Orders of the Head of the Department
- iv) D.G. A's final remarks
- v) Orders of the Government on those paragraphs only which are reported to Government.

9.18 Disposal of replies to the Inspection Report

- a) On receipt of the replies from the Head of the office to the Inspection Report and the comments of the Head of the Head of the Department, the HQs office will dispose of points not requiring the attention of the Government and return one copy to the Head of

the Department with Group Officer's further remarks. In the letter with which the Broadsheet is returned to the Head of the Department, the particulars paragraph of the Inspection Reports, which could not be finally settled in the light of local offices replies in the Broadsheet form and on which further explanation or action is called for in this office remarks in the Broadsheet, should be indicated. Copy of such letter should also be forwarded to the Administrative Department of the Government. The office copy of the Broadsheet should be filed with the Inspection Report.

b) Any item of important financial irregularities noticed during the course of disposal of the Inspection Report should at once be noted in the register of financial irregularities under order of the Group Officer so that the same may be considered for being developed to the stage of draft Para for the report of the C&AG.

c) The item limit for disposing the replies to an Inspection Report in three weeks from the time of receipt of the broadsheet in this office.

d) The subsequent procedure for the final disposal of the Inspection Report, with regards to the outstanding paragraphs which could not be settled from the replies in the broadsheet is to settle them through correspondence.

e) In the matter of disposal of the Inspection Reports, it sometimes happens that the replies of the departmental officers to some of the paragraphs cannot be accepted forthwith but have to be kept pending until further examination with reference to the local records. While dealing with such cases in headquarters the dealing Auditor should under the orders of the Group Officer note against the relevant paragraphs the remarks "Next Audit to see" and should invariably enter them in the Audit Note Book so that they may not escape notice at the time of subsequent inspection, Action by the Inspection Party on the paras marked for next audit would be taken.

9.19 Scrutiny of orders of Government to forego recovery

All orders issued by the Government or any lower authority foregoing recovery of amounts or writing off losses or deficiencies in cash or stores noticed in inspection reports with the remarks of this wing should be scrutinized in the light of the rules and powers delegated etc. and such orders should be accepted in audit. For orders which cannot be accepted owing to certain information being not forthcoming or which require further correspondence, the Audit section should prepare the draft of the reference and submit it along with relevant noting and papers, if any to the group officers through the Branch

Officer. The latter will be issued from this wing after it has been approved by the Group Officer.

9.20 Filing of Inspection Reports

Inspection Reports should be preserved according to the following scales: -

Reports of offices, the inspection of which is

Annual	7 Years
Others	10 Years

When finally disposed of, those reports should therefore be marked for destruction accordingly.

9.21 Reminder of Inspection Reports

a) The following procedure should be adopted for issuing reminders in the case of non-receipt of Broadsheet replies to the Inspection Reports.

i) First reminder after three months from the date of issue of the Inspection Reports.

ii) Second reminder after four months from the date of issue of the Inspection Reports with a copy to the head of the department.

iii) Third reminder Demi Officially after five months from the date of issue of the inspection Reports to the head of the department with a copy to the higher authority. Thereafter demi official reminders at intervals of one month.

iv) Delays over 6 months should be reported to the Government demi officially.

b) The following procedure should be adopted for issuing reminders in the case of non-receipt of replies to further comment of audit: -

i) First reminder after one month from the date of issue of further comments.

ii) Second reminder after two months from the date of issue of further remarks.

iii) Third reminder demi officially after four months from the date of issue of further remarks to the head of the department.

iv) Demi official reminder should be issued at intervals of one month. Delays over six months should be reported to the Government demi-official.

9.22 Settlement of old objections

i) The inspecting officer should take up the work relating to discussion of outstanding paras of previous Inspection Reports with the head of the office and other concerned authorities soon after the audit commences and follow up the discussions for this actual settlement of objections on the spot. Any difficulty in this respect should be promptly brought to the notice of the Group Officer.

ii) When an objection of a procedural nature is outstanding in one or more previous Inspection Reports and the irregularity has continued during current audit also. The outstanding objections in the previous reports may be removed and a para included in the current report, mentioning that it was pointed out in earlier Inspection reports. Occasion may however arise when an outstanding paragraph in a previous report may have been examined at the time of current inspection and the original incorporated in a separate paragraph in part-II of the current report as a result of spot inspection and discussion. It may be permissible to treat the outstanding objection appearing in the original report in such cases as settled but such a procedure should be adopted only in exceptional cases where outstanding paragraphs in a report are very few.

[CAG's letter No. 2742-TA.I-71 dated 16-11-71]

iii) Where, on receipt of a satisfactory reply from the office objections pointing out over payments, short/non-realization of stores equipment and machinery irregular purchase and other serious irregularities are treated as settled by OAD Headquarters, "Subject to verification at the time of next audit" and are instructed on separate sheet for verification of compliance by the Inspecting Officer during local audit the inspecting officer should verify compliance and record his remark against each item in that sheet. In case compliance stated to have been made is not in order, the objection should be included in the current inspection report.

iv) The objection which cannot be waived under paragraph 7.1.9 of MSO (Audit) should not be embodied in the Inspection Report but should be put up to the Inspecting Officer for orders.

v) The Inspecting Officer, before treating objections in the previous Inspection Reports as settled should ensure that the office concerned has furnished written reply/explanation for each objection so settled and their reply is placed on record. Justification for dropping the objection should be recorded in the original Inspection Reports.

vi) The main function of local audit staff is a close review of old outstanding inspection reports to settle the paras and to bring important points to a head for further detailed investigations.

vii) Where a large number of paras regarding non-production of records pertaining to previous local audits are shown as outstanding in Part-I of the current inspection report, all these cases should also be again listed in para in part-II of the current inspection reports regarding non-production of vouchers/documents so as to bring out the position prominently in a consolidated way including records not produced during current audit.

viii) Objections in the Test Audit Notes of the previous years, if not disposed of by the department and if the points raised there in continue from year to year should be included in part-I of the Inspection report under the heading “Outstanding Test Audit Note Objections from the previous reports” and should be brought to the notice of the higher authorities.

9.23 Grading of Inspection Reports

The existing format of ranking/grading of Inspection Report has been revised in accordance with the Guidance Note on the subject ‘Improving the quality of Inspection Reports’ from office of the CAG of India Professional Practices Group vide letter No. 226-09-PPG/2017 dated 23.08.2017. The scoring methodology as detailed in Annexure-IV of the Guidance Note should be strictly adhered to while grading of Inspection Report. Matrix for Grading Inspection Reports is given in **Appendix- 3**.

[Circular No. OAD/HQ/Revision of IR Format/2018-19/281 dated 09.08.2018]

9.24 Follow up of Inspection Report in OIOS

A Follow up module in the OIOS has been rolled out to process the replies received from the auditee w.r.t the outstanding IRs and Paras (termed as OBS and Audit Product in OIOS). The replies received from the auditee for outstanding IRs and Paras, both legacy audits and audits conducted in OIOS, must be incorporated in OIOS by creating a receipt followed by a follow up for the diary receipt.

[Circular No. OAD-HQ/167/OIOS/2025-26/111 dated 17-06-2025 and RCB&KI Kolkata letter No. RCB&KI/KOL/OIOS/2024-25/1008 dated 26/07/2024]

CHAPTER X

FINANCIAL ATTEST AUDIT

10.1 Procedure to be adopted

Financial Attest Audit is primarily concerned with expression of audit opinion on a set of financial statements. It includes:

- Examination and evaluation of financial records and expression on financial statements.
- Audit of financial system and transactions including an evaluation of compliance with applicable statutes and regulations which affects the accuracy and completeness of accounting records; and
- Audit of internal control and internal audit functions that assist in safeguarding assets and resources and assure the accuracy and completeness of accounting records.

Financial Attestation Audit is required to be carried out to reduce the possibility of the material misstatement in a financial statement and thereby provide credibility to such a statement. The Financial Attest Audit Manual 2009 (FAAM) of IA&AD lays down the framework for the process of Financial Attest Audit within the Indian Audit and Accounts Department.

The audit of Bodies and Authorities is governed by the provisions of section 19(2), 19(3) and 20 of the Act. In addition, Sec 143(5) of the Companies Act 2013 provides the authority for the audit of CPSEs and Statutory Corporations.

- i) All understatements and overstatements need to be checked for correctness before submission.
- ii) For Balance Sheet, items liability side and assets side both effects are to be identified along with supporting KDs.
- iii) Audit criteria like MHRD Format, Common Format, Accounting Standards/Best practices etc. need to be mentioned in draft SAR, not necessarily the whole text, but a reference or brief mention would suffice along with key documents invariably with the DSAR.
- iv) All derived figures calculation sheet needs to be attached with DSAR and properly KD marked.

- v) In case any reply is furnished by the unit, the same may not be mentioned in DSAR, instead rebuttal, if any, need to be furnished separately along with DSAR.
- vi) Drafting style as per style guide is to be followed and rounding off of rupees in lakh/crore also as per style guide is to be done.
- vii) Grants and utilisation of non MHRD working sheet showing break-up of expenditure may be submitted along with properly marked with key documents.
- viii) Internal Control needs to be properly marked with key documents.

(No. OAD/Circular/2020-21/139, Date: 18.11.2020)

10.2 Instructions on Financial Audit

While conducting financial audit of the Central Autonomous Bodies (CABs), all the field audit parties may follow the instructions as below:

- i) Linking of the supporting documents/ KDs: The audit observations should be linked with proper supporting documents. The linking should be to the point and connected to the journals, ledgers, vouchers and to the schedules of the annual accounts.

All the figures derived from the accounts and detailed KDs should be supported by the separate calculation sheets/annexures where each individual figure should be properly marked with specific KDs. In this regard, it may be noted that KDs marked with ranges of pages will not be accepted.

- ii) Proper identification of heads of accounts & calculation of Net Effect:

- a) Balance Sheet observations and Income and Expenditure Accounts observations, i.e, the main observations based on which Net Effect would be calculated, should be properly identified with exact heads/ sub-heads of the accounts. For example, if the observation is concluded with "understatement of both the Current Liabilities and Provisions and Current Assets, Loans and Advances" or "overstatement of the Capital Works in Progress and understatement of the Fixed Assets", then the field party should substantiate the heads of the accounts with proper supporting documents/ KDs.

- b) All the field parties should ensure that only one-sided effect of the main paras, like "understatement of the Current Liabilities and Provisions", "overstatement of Fixed Assets" or "understatement/ overstatement of Balance Sheet", will not be accepted. The field party should identify the exact heads of both sides, in case the comments are related

to Balance Sheet. If the comment is related to the Income and Expenditure Accounts, the party should identify the correct head of either Income or Expenditure side, whichever is applicable.

iii) Internal Control Questionnaire: Full ICQ containing 33 pages, as circulated by the Hqtrs' Office, is required to be submitted. Further, all field parties must verify the replies furnished by the audited entity in the ICQ, so that lacunae in internal control can be highlighted properly.

iv) Signature on the Annual Accounts: All the field parties should ascertain that the annual accounts are signed both by the Head of the Organizations and Head of the Finance and Accounts Section of the Organization mandatorily on each page of the annual accounts. They should collect the PDF copy of the annual accounts signed by both the above officials and submit the same to the OAD-AB Section through OIOS along with one spare hard copy of the annual accounts signed by both the above officials. In addition, one ticked copy of the annual accounts signed by both the officials is also to be kept in the hard copy of the draft SAR file.

v) Disposal of Persistent Irregularities: The persistent irregularities pointed out through SAR year after year should be covered. A discussion note to be made on persistent irregularities with the audited entity in depth and find out the way to overcome the irregularities. A detailed reply in this regard should be obtained from the audited entity. Suitable comment may be made in the current year draft SAR, if persistent irregularities continue to occur.

Moreover, all the field audit parties should submit a certificate to the effect that the field party had checked all the previous comments issued through final SAR and had incorporated comments on persistent irregularities in the present draft SAR for the current financial year.

vi) Obtaining replies in regard to the Audit Observations issued: All the field parties should obtain replies to the Audit Observations issued during audit of the SAR and link the same to the draft report. On the basis of reply, if needed, the observation may be suitably modified/ proposed for deletion from draft SAR. If, the audited entity don't furnish the replies, then proper persuasion should be made with the audited entity, in this regard.

vii) Obtaining replies to the Audit Observation on Physical Verification of Fixed Assets and Inventories and Audit Observation on Statutory Dues:

a) All the field parties should obtain the replies on the Physical Verification of Fixed Assets and Inventories, i.e., whether it is done or not. If not done, then since when it was not conducted, should be mentioned.

b) Further, the field parties should submit the status of the Statutory Dues for the financial year concerned, outstanding as on the date of audit and not outstanding as on 31st March of the concerned financial year.

viii) All the field parties may check whether the CAB has created actuarial provisions on the retirement benefits of its eligible employees in compliance to the AS 15. In case of non-compliance, the same should be commented upon in the draft report.

ix) Grant Utilisation in SAR: In case of New Format of Accounts issued by the MoE (erstwhile MHRD), Schedule 10, Schedule 3C and Schedule I should be matched with grant utilisation. Regarding the CABs which follow Uniform Format of Accounts, the grant utilisation should be derived as per the process Circulated through Circular No. OAII (AB)/ Genl. Inst./ Vol.-V/14-15/112 dated 29.05.2014.

x) Obtaining of Utilisation Certificates submitted to the Ministry by the concerned CAB and the copies of the Grants-in-Aid received during the financial year:

All the field parties should obtain the Utilisation Certificates (UCs) submitted by the CAB to its apex Ministry and also to clarify the reason behind the difference, if any, between the Grant/ Utilisation calculated by the audited entity in the UCs and the same calculated by the audit, into the draft report.

Further, all the copies of the Grants-in-Aid received by the CAB, during the financial year and UCs submitted to the Ministry should be obtained. This should be tallied with the annual accounts.

xi) The figures and statements of the General Checklist, Statement of Ranking and Notes on Evaluation of Internal Control should be linked properly with suitable supporting documents/ page-specific KDs. Without proper linking the field visit will not be treated as submitted and will be returned back for the needful. Further, in the General Checklist, para reference number should be given mandatorily.

xii) The details of the Accounts Officer as Circulated through Circular No. OAII (AB)/ Genl. Inst./ Vol.-VI/2021-22/346 dated 11.11.2021. The information should be submitted to the OAD-AB Section.

xiii) All the field parties are requested to fill in the 'Internal Checklist' properly and submit the same as a token of compliance. One member from the field party (either Sr.AO or AAO) would be nominated as the person responsible to comply with the above instructions and submitting the filled up Internal Checklist to the OAD-AB Section

(Circular No.: OA-II (AB)/Genl. Instr./Vol.-VI/2023-24/ 119, Date: 05.06.2023)

xiv) The audit of accounts u/s 19(2) and 20(1) of the Act, is essentially for the purpose of certification of annual accounts and the SARs contain comments on accounts along with the audit certificate on the accounts. C&AG is the sole auditor of CABs and the responsibility entrusted is immense and professional expertise of accounts is required. In this connection, it is observed that field parties are not performing substantial audit checks to ensure completeness of comments and instead making general remarks. To improve the quality of SARs and to ensure effectiveness in the achievement of objectives assigned to C&AG, Manual of Instructions for Audit of Autonomous Bodies (2010) prescribe detail audit checks for different heads of the annual accounts in Chapter 8 and Appendix 8.6.

To ensure that the CABs report their financial position accurately and appropriately, audit parties may carry out audit checks as enumerated above and results thereon may suitably be included in the SAR.

(HQ's No:228/AB/Misc. Corres. /04-03/2022, dated 21.03.2024)

10.3 Format of utilization of Grants-in-Aid (prepared on basis of board heads only):

Receipt	Payment
Opening Balance - Cash in hand - Cash at Bank -	Administrative Expenditure - (This head is generally of Non Plan nature and occasionally plan nature and may include the discharges of liability of previous year)
Internal Revenue of the Institute -	Establishment Expenditure - (This head is generally of Non Plan nature and

	occasionally plan nature and may include the discharges of liability of previous year)
Grants - Plan (actual + receivable of previous year receipt in Current year) Non-Plan - (Do) -	Purchase of Fixed Assets - (Plan nature of expenditure)
Recovery of Pay & Allowances (if recovered from the Pay & Allowances from the Current year)	Work-in-Progress - (Payment to construction agency through RA bills)
Recovery of advances (if recovered against the advance paid during the year)	Other Expenditure - (if paid as Plan Recurring nature):

* The following cases need to be kept in mind while calculating utilisation of Grants-in-aid:-

- i) Opening Balance of Cash in hand & Cash at bank and internal revenue will not be taken into account for calculation of utilisation
- ii) In respect of Pay & Allowances under Establishment expenditure net Pay & Allowance (i.e. Gross Pay & Allowances minus Recovery of Pay & Allowances if any) will be taken in utilization.
- iii) Deposits, Advances paid to CPWD or any other Party /Firm for construction or purchase of Assets out of Plan Fund & Advances paid to staff during the year not adjusted (out of Non plan Fund) will not be taken as utilisation against grants.
- iv) Any provisions made during the year will not be taken in calculation of utilization.
- v) Deposit of statutory dues viz Income Tax, GPF/CPF, P.Tax, GST etc. will not be taken into account as those dues are the recovered amount either from the gross Pay & Allowances or from the gross payment of the party. (if, already taken in total of Administrative Expenditure, Establishment Expenditure or Capital nature Expenditure.) For this purpose actual advances paid during the year and actual advances remaining unadjusted during the year should be calculated and party should take up matter with the Audited Entity.

Note: - On the basis of such calculation the unspent balances both under Plan and Non-Plan heads may arise excess or short. If excess, we may add footnote that the excess unspent balance arises due to out-flow of cash paid as advances remained unadjusted and non-consideration of outstanding liabilities & provisions for the current year. If short, audit team may comment that the excess expenditure was incurred out of the unspent balance of previous year or internal revenue of the Institute. Hence, in respect of both the cases audit team have to calculate the figure to match the unspent balance with the audited entity.

(No. OAI(AB)/Genl. Inst./Vol-V/14-15/112, Date: 21.05.2014)

Further, in case of MHRD Format, Schedule 10, Schedule -3C and Schedule -I should be matched for Grant Utilization. And for non-MHRD it should be derived in the following manner: (Unspent grant of Previous Year + New Grant) - (Utilisation on the basis of I&E + previous year Advance Utilised in the Current Year): Unspent Grant of the Current Year. [Where Unspent grant of Previous Year is not available in accounts, then it should be taken from approved SAR of last year].

(Minutes of the Monthly Meeting of OAD wing for the month of August 2019 held on 30.08.2019)

[Further reference: Financial Attest Audit Manual 2009, Practice Note. No: 310 16/PPG-II/2017. Date: 25.10.2017, Subject: Financial Attest Audit of Autonomous Bodies

The format of the Certificate of Separate Audit Report (SAR) of the Comptroller and Auditor General of India on the accounts has been revised vide reference ABs 447/AB/Format Certificate of CABs/04-35/2025, dated 24.06.2025. Henceforth, all Separate Audit Reports of the Comptroller and Auditor General of India on the accounts of Autonomous Bodies (ABs), issued from the date of this notification, shall be prepared and released in the revised format.

CHAPTER XI

PROCESSING OF DRAFT PARAGRAPH

11.1 Introduction

This Chapter deals with the examination, processing and finalization of Draft Paras pertaining to OAD Wing. The OA (Report) Section of OAD HQs is entrusted with the responsibility of processing of Draft Paras for inclusion in the CAG's Audit Report and further action.

11.2 Cases for incorporation in Audit Report

Reports are the principal means by which IA&AD meets its primary objective of providing Parliament and State Legislatures with independent information and assurance. It is difficult to lay down any hard and fast rule in regard to the nature of cases for inclusion in the Audit Report. However, following guidelines/principles in selection of the cases for incorporation in the Audit Report may be taken into consideration.

11.3 Cases that may be considered for inclusion in the report

The following are the illustrative list of irregularities that would generally merit inclusion in the Audit Report:

- a) Any negligence or manipulation in accounts and fraud in a monetary transaction or in the disposal of stores, etc.
- b) Any appreciable loss of Government money or property.
- c) Any serious irregularity connected with a contract or heavy purchase.
- d) Any extraordinarily infructuous or apparently unnecessary expenditure such as payments made as act or grace, unnecessary payment of demurrage, rent or compensation consequent upon some executive failure, payments of heavy amounts due to failure to enforce contractual terms and agreement, irrecoverable advance etc.
- e) Unsatisfactory working of a Government Scheme.
- f) Absence of administrative regulation or procedure to secure a proper and effective check upon monetary transactions.
- g) Any irregularity connected with grant-in-aid, such as, neglect by the sanctioning authority of the conditions precedent to the grant and by the grantee of the conditions attached to the grant by the sanctioning authority.
- h) Any important irregularity in the realization of revenue.

- i) Sanction to write-off of an item of avoidable expenditure.
- j) Uneconomical/wasteful expenditure attributable to (a) execution of a scheme without investigation of its utility/feasibility, (b) Unsatisfactory execution of work without any plan estimate, requirement and by the agency lacking required infrastructure.
- k) Any irregularity in connection with the withdrawal and disbursement of money designed to bring about a closure accord between expenditure and allotment.
- l) Inadequacy of rules or absence of administrative regulations sufficient to secure a proper and effective check-up on monetary transactions.
- m) Instances where equipment/machinery was purchased without proper planning or coordination and in utter disregard of the codal formalities, resulting in considerable delay in operationalization of the projects. Cases where the projects have not so far been commissioned, despite incurring huge expenditure. The lack of proper planning and monitoring mechanism has led to wasteful expenditure, thereby defeating the purpose for which the project was envisaged. Over a period of time, the non-commissioned machinery/ equipment becomes obsolete, and its benefits fail to reach the beneficiaries.

(GOI, MHA's DO No U-15029/10/2015-ANL, dated 11.02.2015)

11.4 Cases that may not be considered for inclusion in the Audit Report

The following types of cases may not be considered for inclusion in the Audit Report: -

- i) Very old cases. When it is naturally very difficult to take any effective action or even to reconstruct the facts and circumstances in which the alleged irregularities took place.
- ii) Cases in respect of which Government is taking or has promised to take remedial measures including suitable disciplinary action, where necessary, to prevent recurrence of such irregularities in future.
- iii) Minor cases where mala fide or deliberate intentions to circumvent procedure are not involved.
- iv) Cases which are subjudice or have been referred to arbitration should not be mentioned in such a way as to prejudice the claim or their defense in the court of law or arbitrator. No useful purpose is served normally by the inclusion of such cases in the report.

11.5 Methods of drafting Draft Paragraph

In drafting a Draft paragraph for inclusion in the Audit Report of C&AG, the following principles should be observed:

- i) The drafting of report should be well, lucid, accurate and brief without compromising essential details. The language used should be capable of being easily understood and use of parentheses should, generally, be avoided.
- ii) It is essential that a detached, dispassionate and objective attitude is maintained and that expressions suggestive of a political opinion or bias are avoided.
- iii) It should be ensured that the facts are mentioned in the report after careful verification.
- iv) Audit paragraphs should clearly focus on wrong decisions taken by Government officials leading to loss to the Government.
- v) As the Audit Reports are intended for parliamentarians, Legislators, the press and the people, the language used should be intelligible to an ordinary citizen, so that a person not versed in the intricacies of accounts and audit may be able to understand the financial implications easily.
- vi) Accuracy, brevity, clarity and purposeful focus should be indicated in the reports. The Audit findings should be balanced, fair and constructive. To give readers a comfortable ride, verbs should be used actively, short sentences should be used keeping the essentials. Foreign phrases, scientific and jargon words and inclusion of information extraneous to the comments should be avoided.
- vii) If a table is included in a draft paragraph, it should be followed by a clear analysis of the information contained therein.
- viii) Technical expressions, clichés and slang should be avoided; if, however, their use is unavoidable, they should be adequately explained. Dates should be mentioned when necessary for a clear presentation of the case and where the time sequence is relevant to the effectiveness of audit comments.
- ix) In dealing with cases of irregular, excessive or wasteful expenditure and losses, efforts should be made to quantify their extent.
- x) Draft paragraphs should be supported, where desirable, by graphs, charts, photographs, diagrams, sketches, etc. in order to improve the visual impact. It should,

however, be kept in view that clearances may be necessary from the authorities concerned before maps and other sensitive visuals are printed in the reports.

xi) Draft paragraphs included in reports should clearly bring out defects in systems and procedures that led to irregularity and the remedial or preventive measures, if any, adopted.

xii) Care should be taken to avoid asperity in comments. The use of words such as “fraud” or “embezzlement” that denote criminal intent should be avoided unless the criminal act itself has been conclusively established. It would generally be sufficient to use some ordinary word, such as “loss”, in such cases.

xiii) The names of the departments, organizations and parties concerned with the irregularities, designation of the official(s) and the place of occurrence of the case may be mentioned unless in any case this may not be considered desirable by the Government.

xiv) It may also be desirable to maintain some degree of anonymity in reporting cases of misappropriation or loss when departmental action against officials held responsible is already in progress or criminal proceedings have been or are likely to be instituted.

xv) There is no objection to the names of private firms, including firms of contractors, being mentioned in the Report wherever this is considered desirable to bring out the importance of a case. Such mention will, however, not be made where the facts of the case are, or are likely, to be the subject matter of litigation, arbitration, etc.

The audit observations should be referred to the Ministry/Department concerned and if, no reply is received, that should be indicated along with the number of reminders sent. Instances of receipt of only interim replies should also be suitably mentioned in the respective reviews/paragraphs.

xvi) The audit observations should have been referred to the Ministry/Department concern and if no reply is received, that should be indicated along with the number of reminders sent. Instances of receipt of only interim replies should also be suitably mentioned in the respective draft paragraphs

xvii) The comments in the Draft Paragraph to be supported with key documents and the key documents, wherever possible, should be authenticated by the department concerned.

xviii) Appropriate currency units should be used. Such as, for amounts more than Rs.100 lakh, crore should be used. The words lakh and crore should be used as a unit and not in plural.

xix) The emphasis should be on quality rather than on quantity and on analysis rather than on mere narration. The thrust of the paragraphs should come out clearly.

[PD (RS) Letter no. 387- Rep(S) dt, 31.3.97 & Section 7 of chapter 3 of MSO (Audit), Vol.II, 2002]

xx) In addition to the above stated methods the instructions contained in “Style Guide” issued by the C. & A.G should be followed.

(Letter No. 70-Audit (AP)/6-2003 dated 16-5-2006)

xxi) Regulation 2(8) of CAG’s Regulations on Audit and Accounts, 2007 defines the auditable entity as an office, authority, body, company, corporation or any other entity subject to, audit by the C&AG of India. Hence, C&AG has desired that the expression “auditee” should not be used in Audit Reports and wherever necessary, “audited entity” may be used.

(130-Audit (AP)/PPG/4-2010, dated 12-12-2011)

11.6 Processing of Draft Paragraph

11.6.1 PDP Register

All-important paragraph of the IR relating to financial irregularities or any other matter, if found potential for development into Draft Paragraph either individually or in consolidated form of similar nature of cases depending on money value as prescribed by C&AG from time to time (at present Rs.50.00 lakh for each paragraph (CAG’s UO No. 585/RC/coord/Misc/Guard File-118/2006 Dated 29th December 2011) should be forwarded to the Report Section (DP Cell) by the Supervising Officer or by the inspecting AAO or by the concerned sections of OA(HQ) along with all the supporting key documents with the approval of the Group Officer. On receipt of the IR paragraph, the Report Section should record the same in the “Register of Financial Irregularities” termed as “Potential Draft paragraph (PDP) Register”. All information viz, Period of IR, name of the audited entity, name of the department, subject matter, name and designation of the personnel responsible for such irregularities, money value, the name and designation of the contributing official etc. should be recorded in the Register. The Register should

be reviewed and put up to Group Officer (Inspection) through concerned Branch Officer on 7th of each month.

(HQs' Circular No. 40/Audit Procedure/2004-99 dated 18.10.2002)

11.6.2 Processing of Draft Paragraph

a) The Report (DP Cell) section, on examination of the IR paragraph with the supporting documents, reply of the audited entity, and comment of the department, if found fit for inclusion in the Report, should process the IR paragraph for development into a Draft Paragraph and submit to the Group Officer (Inspection) for approval. On approval by the Group Officer (Inspection) it should forward to the Report section with all the relevant key documents, for further action and obtaining approval of the D.G.A(C), Kolkata and for forwarding the same to the respective department of the Government and C&AG's office as per the procedure indicated in MSO (Audit).

b) The cases which are neither settled nor found matured for developing into a draft paragraph for want of information, Government reply, etc. but considered fit for inclusion in the Report subsequently on further processing, should, with the approval of the Group Officer (Inspection) be retained in the Register indicating there against the latest action taken.

The Supervising Officer should, when it contains important financial irregularities, draw up himself a draft paragraph for inclusion in the Audit Report in accordance with the detailed instructions contained in paragraphs 11.2 of this manual. He will also arrange key documents thereto showing the designation of the persons responsible for the irregularity mentioned in the draft paragraph.

11.7 Assurance Memos for submitting the draft bond copy of Audit Report

Assurance Memo by the Field Audit Office to the Draft Bond Copy of the Audit Report of the Comptroller and Auditor General of India on Financial Audit/ Compliance Audit/ Performance Audit for the year ended _____.

Subject/ Topic: (To be mentioned in case of PA/ SSCA/ TA)

It is Certified that:

- i. Audit Planning, Implementation and Reporting have been carried out in accordance with C&AG's Auditing Standards, and this report is in compliance with the approved Annual Audit Plan for the year

- ii. The selection of units and sampling has been carried out based on risk analysis and risk perception and as prescribed in the Guidelines/ by the Headquarters and the evidence of such exercise is available on record.
- iii. The criteria applied for issues highlighted in the report are relevant, reliable, objective, and are comparable with criteria used in similar audits.
- iv. The audit findings and conclusions are supported by sufficient and appropriate audit evidence and findings are put into perspective and context.
- v. Draft Audit Report follows a logical structure and there is a clear relationship between audit objective, criteria, findings, conclusions and recommendations.
- vi. Replies of the Audited Entity/ Administrative Department/ Ministry wherever received have been appropriately included/ factored into the audit report and rebutted where necessary. All contested evidence have been conclusively handled with reference to the facts at the disposal of audit and assurances have been obtained in regard to corrective measures for arresting potential risks.
- vii. Entry and Exit Conference/ Meetings have been held at the beginning and at the end of the Performance Audit/SSCA. Minutes of the Meetings/ Conference are available on record and have been signed by the Audited Entity/Administrative Ministry (Additional point to be included in case of performance audit report/SSCA).
- viii. The Draft Audit Report has been prepared based on the draft audit reports submitted by the participating Field Audit Offices (Additional point to be added by the Lead/nodal office which is compiling and submitting the draft performance audit report /SSCA to Headquarters).

Signature

Signing Authority: To be signed by the PAG/DG/AG/PD who is submitting the Bond copy to Headquarters.

Compiled Reports: A similar Assurance Memo to be signed and furnished by Field Offices while submitting draft reports to Headquarters/Lead Audit Office/ Nodal Audit Office. Lead Audit Office/ Nodal Audit Offices to provide a single Assurance Memo to Headquarters based on Assurance Memos provided by supporting/ participating/ contributing Field Offices.

Annexure II

Assurance Memo by the Functional Wing to the Draft Bond Copy of the Audit Report of the Comptroller and Auditor General of India on Financial Audit/ Compliance Audit/ Performance Audit for the year ended _____.

Subject/ Topic: (To be mentioned in case of PA/ SSCA/ TA)

It is Certified that:

- i. The criteria applied for issues highlighted in the report are relevant, reliable, objective, and are comparable with criteria used in similar audits.
- ii. All key documents have been checked in the Reports Wing for all observations.
- iii. The audit findings and conclusions are supported by sufficient and appropriate audit evidence and findings are put into perspective and context.
- iv. The Report is logically structured and presents a clear relationship between the audit objectives, criteria, findings, conclusions and recommendations.
- v. Replies of the Audited Entity/ Administrative Department/ Ministry wherever received have been appropriately included/ factored into the audit report and rebutted where necessary. All contested evidences have been conclusively handled with reference to the facts at the disposal of audit.
- vi. The Audit report is accurate, the conclusions are correctly portrayed in accordance with the evidence and the Audit Report is complete in all respects.
- vii. The quality control procedures applied for vetting the report provides reasonable assurance that the report is in accordance with the CAG's Auditing Standards.

Signature

Signing Authority: To be signed by the DG/PD of the Functional Audit Wing in the Headquarters which is submitting the Draft Bond Copy to CAG.

(HQs' No. 213/PPG/19-2021 12.12.2023)

11.8 Procedure to be adopted to streamline the documentation for draft audit report

The following procedure may be adopted to streamline the documentation for draft audit report:

- i. In addition to the referenced copy of audit product submitted through OIOS, physical copy duly marked/referenced with key documents of the draft Audit Report/ para/ chapter should also be submitted.
- ii. For all draft audit reports a list of KDs may be furnished in the format given below:

Para No.	KD folder name	KD No.	Description of KD	Date of KD	Signatory of KD	Page no. of KD

- iii. In addition to the assurance memo prescribed for the field office in the above referenced letter of PPG, a certificate is to be appended below the list of KDs stating 'It is certified that Audit findings and conclusions in draft PA/SSCA/FA/DP/LDP/SAR are supported by listed key documents and these key documents provide sufficient and appropriate audit evidence and have been fully checked'. The list should be signed by Sr. AO (Report), Group officer (I/C of the Report) and the HoD.
- iv. All KDs should be countersigned by the Group officer concerned as a token of check.
- v. No Para may feature in the draft report unless it is an outcome of audit memo/inspection report issued to auditee during audit process.
- vi. All para/sub-para must be properly linked with audit memo/memos which are in turn linked with concerned key document. The process of linking KDs in OIOS may continue. In addition, hard copies of KDs should invariably be submitted along with draft report.
- vii. KDs should not be bunched with complete document but rather specific page/portion should be marked for easy reference. Additional KDs, wherever required may be sent over and above main KD but this exercise needs to be supplemented by highlighting the exact line/para in the KD to support our observation.
- viii. Excel sheets in support of calculation will not be accepted unless verified by audit parties from source documents. Calculation sheet submitted duly signed by the audited entity in response to audit queries will not be accepted unless it is certified by the audit parties

that 'data countersigned by the audited entity/department is authentic and independently verified'.

- ix. Rebuttal to the replies of audited entity/department should also be supported by duly referenced appropriate documents.
- x. A certificate to the effect is also required to be submitted by HoD stating that 'the procedure applied for the report is in accordance with CAG's Auditing Standards.

(HQs' Letter No-68 Rep(C)/2010/155 dated 14.03.2024)

11.9 Standard Operating Procedure for vetting of the Action Taken Notes (ATN)/ Action Taken Reports (ATRs) by Audit

As per the report of the Public Accounts Committee (PAC) (1996-97, Eleventh Lok Sabha, 9th Report) on follow up on Audit Reports, PAC had recommended that remedial/corrective Action Taken Notes (ATNs) on paragraphs of the reports of the C&AG duly vetted by the audit arc to be furnished to them within a period of four months from the date of laying of audit reports. Similarly, the Committee on Public Undertakings (COPU) (1998-99, Twelfth Lok Sabha, 2nd Report) reiterated its recommendation that all ministries should furnish ATNs duly vetted by audit indicating remedial /corrective action taken on audit reports (Commercial) of the C&AG within six months from the date of presentation of the relevant report.

2. The Department of Expenditure. Ministry of Finance' Office Memorandum No. 5/1/ 2004-MC dated 10th June 2004 reiterated that "remedial corrective Action Taken Notes (ATNs) on all paras of the C&AG Reports be submitted to the Lok Sabha Secretariat through Monitoring Cell (for PAC) within stipulated period of four months from the date of laying of Audit Reports on the 'Table of the House'".

3. At present, the practice of vetting of ATN is not uniform across the different Wings of the Hqrs' Office / Principal Audit Officers. In order to bring about clarity and uniformity in dealing with ATNs. the following procedure is being stipulated:

a) All ATNs pertaining to Reports that are finalised at Hqrs' Office and signed by PD/DG/Dy. CAG at Hqrs' Office viz., Commercial / MABs, Railways, and Revenue shall be vetted at the Hqrs' Office.

b) For ATNs relating to other Reports that are signed by Principal Audit Officers, the procedures or handling of ATNs relating to paras selected by PAC/COPU

for oral discussion evidence and those that are not selected, i.e., are to be responded through written submissions, are as follows:-

(i) For non-selected subjects, Principal Audit Officers may vet the ATNs at their level as per the provision's contained in paragraphs 7.4.12 to 7.4.20 of the CAG's Manual of Standing Orders (Audit) (Chapter 4. Section – VII)

(ii) For selected subjects,

Draft ATNs with vetting comments of the Principal Audit Officers shall be sent to the Hqrs' Office for approval in cases of all paras selected by the PAC/COPU out of the reports of the current year:

In case of carry over reports from the paras selected by the previous PAC/COPU that are included in the list of selected paras by the existing PAC/COPU, draft ATNs with vetting comments of the Principal Audit Officers shall be submitted to the Hqrs. Office for approval in all cases which relate to reports of last two years:

Draft ATNs with vetting comments of the Principal Audit Officers shall be submitted to the Hqrs. Office for approval in all cases where the Committees are continuing oral/ written evidence.

c) In cases where reports of a Principal Audit Officer include paras contributed by another field office. the vetting would be done by the Principal Audit Officer who is signatory to the report with inputs from the contributing office(s);

d) While vetting ATNs. Principal Audit Officers / Hqrs' Office shall exercise utmost diligence and -

i) keep in sight the facts and evidence which were used to finalise the report while examining the ATNS and replies being offered by the ministry/department. No impression should be created that based on the ATNs, the reported paras are being suggested by audit for dropping. Once the reports are placed in Parliament. it is up to the PAC / COPU to take a final view as to the paras and reports:

ii) avoid remarks such as 'no comments' or 'nil comments' or 'audit has no comments to offer'. If remedial / corrective action taken by ministry/department in the ATN is considered adequate. the vetting comments should be "No further Comments";

iii) avoid offering comments that interfere with or could be construed to be interfering with matters under litigation, judicial adjudication or ongoing investigation.

e) In case of continuing difference in opinion with the ministry/department, audit shall forward its vetting comments/remarks stating that the ministry/department should forward the ATNs with remarks of the audit to PAC/COPU for their consideration.

f) In respect of paras on which PA/COPU has already commenced oral evidence / discussion. it would be for PAC / COPU to take a final view and there is no need for further vetting, except for verification of facts, or as may be sought by the Committees.

4. In instances when the ministry department has submitted to audit their response /replies against questions raised by PAC/COPU during their deliberations, vetting comments should normally be restricted to verification of the facts and highlighting contradictions. if any, for bringing to the attention of the Committee.

5. Action Taken Reports (ATRs) on the Reports of PAC/COPU submitted to audit for vetting should be vetted in the same manner as for selected subjects keeping in mind that it is for PAC/COPU to take a final view on the action taken by the ministry / department in response to Committee's recommendations.

(No. 93 /RC/PAC/93/2017-18 (Vol. 11), dated 19 June 2018)

11.10 Format for submission of ATN

In order to streamline the submission of draft ATNs from now onwards the draft ATN may be submitted in the following format to HQrs office along with relevant additional KDs (duly linked) for approval.

First Journey			Second Journey		
Gist of the audit para	Ministry's ATN	Audit Remarks on the ATN	Ministry's revised ATN	Proposed vetting comments on the ATN	

(HQrs' letter No. 609/110/Rep(C)/2013, Date: 27.9.18)

11.11 Revised Timeline for Detailed Activities of life cycle of ATN.

The Public Accounts Committee, para No. 4 of 66th Report (16th Lok Sabha) recommended the following:

"The Committee would therefore like the C&AG to decide, identify and prioritize the paras of its Report which require remedial action by the Ministries and upload them on the portal immediately after its Reports are laid in the Parliament. Further, each para should be uploaded with the date of the Report being laid, the date on which ATN are due etc."

2. In compliance to the recommendation of the PAC, a revised timeline for detailed activities of life cycle of ATN duly vetted by O/o C&AG for submission of ATNs within stipulated time of 120 days from the date of laying of reports in the Parliament is given below:

TIMELINES FOR DETAILED ACTIVITIES FOR LIFE CYCLE OF ATN

S. No.	Activity	Responsible Entity	Action	Duration	Time-frame from start of ATN life cycle
1.	Uploading of Audit para on APMS portal.	CAG	The respective field Audit Offices will upload the paras of concerned Ministries/ Departments on APMS portal after the report is tabled in Parliament.	5 Days	5 Days
2.	Preparation of draft ATN and uploading the same on APMS portal for vetting	Ministries/ Department	Concerned Min./Deptt. Will prepare the draft ATN and upload the same on APMS portal for vetting of CAG.	30 Days	35 Days
3.	Clarification/ further information if required by O/o CAG and uploading the same on APMS portal.	CAG	If clarification/further information required by O/o C&AG to examine the draft ATN, they will seek the same from the concerned Min./Deptt. By uploading the same on APMS portal	30 Days	65 Days
4.	Preparation of Revised/Final ATN and uploading the	Ministries/ Departments	Min./ Deptt. will prepare the replies to clarification/ information sought by O/o CAG	20 Days	85 Days

	same on APMS portal for vetting.		and upload/ send the revised ATN to Audit.		
5.	Vetting of the revised ATN and uploading of vetting comments on APMS portal.	CAG	CAG will vet the revised ATN and upload on APMS portal.	15 Days	100 Days
6.	Final ATN duly signed by JS or above and uploaded on APMS portal.	Ministries/ Departments	Min./ Deptt. will upload the final ATN in single PDF file duly signed by JS or above in both version (Hindi and English) on APMS portal.	10 Days	110 days
7.	Final ATN approved by Audit on APMS.	CAG	CAG will check the final ATN uploaded by the Min./Deptt.	05 Days	115 Days
8.	Forwarding of Final ATN to Lok Sabha Secretariat (PAC Branch)	Monitoring Cell	Online submission of final ATN to Lok Sabha Secretariat (PAC Branch) after reviewing.	05 Days	120 Days

(Government of India, Ministry of Finance, Department of Expenditure's OM No 1/66/2017/MC/17, dated 13.02.2018)

CHAPTER XII

PERFORMANCE AUDIT

12. Elements of Performance Audit

The CAG's Performance Auditing Guidelines 2014 and the Regulations on Audit and Accounts 2007 define Performance Audit as an independent assessment or examination of the extent to which an organization, Program or scheme operates economically, efficiently and effectively. Performance auditing carried out by the Department is an independent, objective and reliable examination of whether government undertakings, programs, systems, activities or organizations are performing in accordance with the principles of economy, efficiency & effectiveness and whether there is room for improvement.

Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement. Performance audits deliver new information, knowledge or value by:

- providing new analytical insights (broader or deeper analysis or new perspectives).
- making existing information more accessible to various stakeholders.
- providing an independent and authoritative view or conclusion based on audit evidence.
- Providing recommendations based on an analysis of audit findings.

Typically, Performance Audits address the issues of economy, efficiency and effectiveness.

Elements of Performance Audit

Public Sector audits have certain basic elements

- i. Three parties in the audit i.e. the auditor, the responsible party, intended user,
- ii. the subject matter information and
- iii. Criteria to assess the subject matter.

The three parties

Public sector audit involves at least three separate parties: the auditor; the responsible party and the intended user.

The auditor: In public sector auditing, the role of auditor is fulfilled by the Department and by the persons delegated with the task of conducting audits. However, clear-cut demarcation of roles and responsibilities of officers and staff for various functions and processes is done through a hierarchical structure. Auditors in performance audits typically work in a team with different and complementing skills.

The responsible party: Responsible party would typically mean audited entity and those charged with governance. The role of responsible party may be shared by a range of individuals or entities, each with responsibility for a different aspect of the subject matter in some cases at different points in time. Some parties may be responsible for actions that have caused problems. Others may be able to initiate changes to address the recommendations resulting from a performance audit. Still others may be responsible for providing the auditor with information or evidence.

Intended users: The intended users are the persons for whom the auditor prepares the performance audit report. The legislature, government agencies and the public can all be intended users. A responsible party is also an intended user.

Subject matter

The subject matter of a performance audit need not be limited to specific programmes, entities or funds but can include activities (with their outputs, outcomes and impacts) or existing situations (including causes and consequences). The subject matter is determined by the objective and formulated in the audit questions.

Audit Criteria

Audit criteria within the context of performance audit are audit specific, reasonable standards of performance against which the economy, efficiency and effectiveness of operations can be evaluated and assessed.

Duration and Mid-Term review

a) As per Para 7.21 of Performance Audit Guidelines 2014 all the performance Audits should ideally be completed within a period of ten months. The audit implementation cycle i.e from the date of entry conference to the finalisation of the audit report by the headquarters should be completed preferably within this period. However as per HQs instruction the completion time for Field Audits should be capped at 4 to 5 months by reducing the number of audit units to be visited so as to adhere to the prescribed timeline.

- b) Audit team should prepare Audit finding Matrix simultaneously during the Field Audits to facilitate the report drafting process.
- c) Two mid-term reviews should be conducted for performance Audits to ensure timely interventions at earlier stages.

[HQs Letter No.241/04-PPG/2021 dated 24.10.2024]

[Further Reference: CAG's Performance Auditing Guidelines 2014 & the Regulations on Audit and Accounts, 2007]

CHAPTER XIII

AUDIT OF CIVIL OFFICES AND INSTITUTIONS

13.1 Introduction

Compliance Audit /Transaction Audit of Central Government Offices and Institutions located in West Bengal is conducted by Oad wing of Main office, Kolkata.

Audit of civil offices and institutions start with understanding the Audited Entity with the help of following:

- i) Briefing by Audited entity
- ii) Study of Act & Regulations
- iii) Annual Reports
- iv) Organizational Chart
- v) Website of the Organization/Ministry concerned.

Thereafter, the areas for audit is identified with the help of Budget File, Expenditure Statement, Bill Register, Reports and Returns, Previous Years' Inspection Reports, Guidelines of Schemes, Guidelines of Projects, Third Party Cheque Register, Register of Valuables and Challan Register.

13.2 Basic records required for audit

Budget Files, Expenditure Statement, Reports and Returns, Bill Register, Cash Book, TR-5 Counter Foils, Register of Valuables, Challan Register, Paid Vouchers, Third Party Check Register, Consumable and Dead Stock Register, Pay Bill Register, Group 'D' G.P.F. Ledger and Broad Sheet, Service Books, Guidelines of Scheme/Project.

13.2.1 Main Documents/Records to be checked in Civil Offices/Institutions are

- i) Checking of Cash Book
- ii) Checking of excess payment and other Irregularity
- iii) Checking of Vouchers (Paid Bills)
- iv) Checking of Service Books
- v) Checking of Stores
- vi) Checking of TA Bills
- vii) Checking of LTC Bills
- viii) Checking of TA/LTC Advance Bills
- ix) Checking of Pay Bill Register

- x) Checking of erstwhile Group D Register
- xi) Checking of GPF Ledger Account

13.3 Checking of Cash Book

13.3.1 Types of irregularities

- All the entries in the Cash Book are not signed by the D.D.O.
- Denomination of the Closing Balance Not Recorded
- Physical Verification of the Cash Balance not carried out by the D.D.O
- Surprise checking of the Cash Balance not carried out by the Head of the office.
- Position of Un-Disbursed Amount not worked out at the end of the month.
- Overwriting of the entry/correction of entry in the Cash Book by using erasing fluid.
- Correction not attested by the D.D.O.
- Stock Register of TR-5 not maintained /improperly maintained.
- In the Case of Cheque Drawing D.D.O Stock Register of Cheque Books not properly maintained.
- Monthly Review of the Bill Register not carried out.
- No system of checking of the totaling in the cash books by a person other than the writer of the Cash Book.
- Bill Register not properly maintained.
- Challan Register not properly maintained.
- Register of Valuables not maintained/improperly maintained.
- Not obtaining Security Deposit from the Cashier (Fidelity Bond)
- Non-maintenance of Un-disbursed Register (UD Register)
- Delay in recording revenue receipt in the cash Book and delay in deposit to the Bank (Collection through Valuable Register/TR-5)
- Incoming Register of Cheque from PAO not maintained/ not properly maintained
- “PAID & CANCELLED” stamp not affixed in the Sub-Vouchers.
- Expenditure not supported with sanction.
- Revenue Stamp not affixed in the case of payment exceeding ₹ 5000/- (except in the case where payment is disbursed through Bank).
- Full signature of the Payee not obtained in the payment voucher (Initial not allowed)
- Payment other than those to be disbursed by the D.D.O recorded in the Cash Book.

- Bill transit register not maintained.
- Pay order of the D.D.O not given
- Head of account not specified in the paid voucher
- Cheque issue register not maintained (in the case of cheque drawing D.D.O.)

13.3.2 Tips for detecting irregularities commonly noticed

Sl. No.	Type of Audit Observation	Records to be checked	Method of Checking
1.	All the entries in the cash book are not signed by the D.D.O	Cash Book (Detailed Month)	Check the entries of the cash book (detailed book)
2.	Denomination of the closing balance not recorded	- do -	See whether the description of the closing balance furnished
3.	Physical Verification of the Cash Balance not carried out by the D.D.O	- do -	Verify for the certificate in this regard.
4.	Surprise checking of the cash balance not carried out by the head of the office.	- do -	- Do -
5.	Un-disbursed Amount not worked out at the end of the month.	Cash Book	See whether the position worked out at the end of the month..
6.	Overwriting of the entry/correction of entry in the Cash Book by using erasing fluid.	Cash Book	Check the entries of the cash book.
7.	Correction not attested by the D.D.O.	Cash Book	Check the entries corrected whether the same has been attested by D.D.O.
8.	Stock Register of TR-5 not maintained/ Improperly maintained.	Stock Register	Check the stock register of tr-5 with the records of tr-5 books received and issue.
9.	In the Case of Cheque Drawing D.D.O Stock Register of Cheque Books not properly maintained.	Stock Register	Check the stock register of cheque book with the records of cheque books received and issued.

10.	No system of checking of the total in the cash books by a person other than the writer of the Cash Book.	Cash Book	Check whether the certificate of checking of totaling is recorded in the cash book.
11.	Monthly Review of the Bill Register not carried out.	Bill Register	Check the bill register
12.	Bill Register not properly maintained.	Bill Register	Check the register
13.	Challan Register not properly maintained.	Challan Register	Cross check the register with the deposits to accredited bank as recorded in the cash book.
14.	Register of Valuables not maintained/improperly maintained.	Register of Valuables.	Cross check the register of valuables with TR-5, cash book and challan register. (in the case of DD/ cheque drawn in favour of PAO cheque with the challan register)
15.	Non-obtaining Security Deposit from the Cashier (Fidelity Bond).	A.Q./ Requisition	Issue requisition/audit query.
16.	Non-maintenance of Un-disbursed Register/Improper Maintenance of the Register (UD Register)	A.Q./ Requisition/ UD Register	Issue requisition
17.	A.) Delay in recording revenue receipt in the cash Book (Collection through Valuable Register/TR-5) B.) Delay in deposit to the bank and resultant loss of interest	Valuable Register/TR-5 Counter Foil & Cash Book;	Cross check the records.
18.	Incoming Register of Cheques from PAO not maintained.	A.Q./ Requisition	Issue requisition/ A.Q
19.	“PAID & CANCELLED” stamp not affixed in the Sub-Vouchers.	Sub-Vouchers (Paid Voucher)	Check the sub-voucher submitted in support of payment.

20.	Expenditure not supported with sanction.	Sanction Order attached with the Paid Voucher	Check for the sanction order for incurring the expenditure.
21.	Revenue Stamp not affixed in the case of payment exceeding Rs.5000.00 (except in the case where payment is disbursed through Bank).	Acquittance	Check the acquittance of the payee in support of the receipt of amount from the D.D.O.
22.	Full signature of the Payee not obtained in the payment voucher (Initial not allowed).	- do-	- do-
23.	Payment other than those to be disbursed by the D.D.O recorded in the cash book.	Cash Book	Check whether any receipt not in favour of the D.D.O or any payment (A&C cheques) are recorded in the cash book.
24.	Cheque issue registers not maintained (in the case of Cheque drawing D.D.O.)	Requisition	Issue requisition/ audit query.

13.4 Excess payments & other irregularities

13.4.1 Types of Irregularities

- a) Closing Balance not correctly carried forward.
- b) Totaling Mistake (Detailed Month).
- c) All the 'B' Cheques are not taken into Cash Book from the Bill Register.
- d) All Revenue Receipts not taken to the Cash Book
- e) Discrepancy between the amount recorded in the Counter Foil of TR-5 and the amount recorded in the Cash Book.
- f) Discrepancy between the amount as per TR-5 Counter Foil and the amount actually Deposited as per original/basic record.
- g) Delay in deposit of the Revenue Receipt into the accredited Bank.
- h) Revenue Receipt not deposited into the Accredited Bank.
- i) Revenue Receipt utilized for Office Expenses.
- j) Payments not supported with Vouchers
- k) Payments not supported with sub-vouchers

- l) Monthly Reconciliation of Expenditure with PAO not conducted.
- m) Payment of Excess Cash Allowance.
- n) Excess holding of Cash.
- o) Shortage of Cash in the Cash Chest.
- p) Corrections made in the Sub-Voucher in respect of expenditure out of Permanent Advance.
- q) Reimbursement of Permanent Advance for less than 2 times in a month.
- r) Monthly Bank Reconciliation not carried out (In the case of Cheque Drawing Disbursing Officer)

13.4.2 Tips for detecting irregularities commonly noticed

Sl. No.	Type of Audit Observation	Records to be checked	Method of Checking		
1.	Daily Closing Balance not correctly carried forward	Cash Book	Tally the Closing Balance with the Opening Balance of the next day. This checking however, does not involve checking the correctness of the closing balance (except in the case of detailed month). But it should be ensured that there is a system of checking the totaling of the Cash Book by a person other than by the writer of the Cash Book.		
			EXAMPLE		
			Closing Balance	Opening Balance	Figure Omitted.
			Rs.81110.00	Rs.8110.00	“1”
			Rs.79000.00	Rs.7900.00	“0”
			Rs.43002.00	Rs.4302.00	“0”
			Rs.34444.00	Rs.3444.00	“4”
2.	Totaling Mistake (Detailed Month)	Cash Book	Check the totaling of receipt side and payment side of the cash book.		

3.	All the 'B' Cheques not taken into Cash Book from the Bill Register	Cash Book	Cross check the cash book (detailed month) with the bill register.
4.	All Revenue Receipts not taken to the Cash Book	Cash Book, TR-5 Counter Foil.	Cross check the TR-5 counter foil with the receipt recorded in the cash book (receipt side).
5.	Discrepancy between the amount recorded in the Counter Foil of TR-5 and the amount recorded in the Cash Book.	Cash Book; TR-5 Counter Foil.	Cross-check the TR-5 Counter Foil with the Receipt recorded in the Cash Book (Receipt side).
6.	Delay in deposit of the Revenue Receipt into the accredited Bank.	Cash Book.	Check the deposit to bank as recorded in the cash book (payment side) with its date of receipt (from the receipt side of the cash book).
7.	Revenue Receipt not deposited into the Accredited Bank.	Cash Book; Challan & Records of the PAO.	Verify the challans (as shown in the cash book) with the records of the PAO.
8.	Payments not supported with Vouchers.	Cash Book & Paid Vouchers.	Check the payments with the paid vouchers.
9.	Payments not supported with sub-vouchers	Cash Book; Paid Voucher.	Check the pay order as recorded in the voucher with the total as per sub-vouchers. (ensure there is no correction made in the sub-voucher).
10.	Monthly Reconciliation of	Monthly statement of	Check the monthly statement of expenditure (statement of cheque drawn) as furnished by

	Expenditure with PAO not conducted.	Expenditure furnished by PAO & D.D.O Expenditure Figure.	the PAO with the monthly expenditure figure of D.D.O
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13.5 Checking of Vouchers

13.5.1 Types of Irregularities

a) Sanction Audit

- Expenditure without sanction of competent authority.
- Expenditure by splitting the sanction Orders.

b) Adequacy of Budget Provision

- Expenditure without budget provision
- Expenditure in excess of budget provision (exception – 10% in the case of inevitable expenditure)

c) Regularity & Proprietary Audit

- Purchase not made through GeM
- Quotations not obtained.
- Acceptance of rate without the approval of tender committee.
- Discrepancy between the rates quoted in the quotation and the rate taken in the comparative statement (Special attention on rebates, inclusion of tax etc.)
- Non-acceptance of lowest rate (without valid reason) leading excess expenditure.
- Re-tendering resulting in avoidable expenditure.
- Split purchase leading to excess expenditure.
- Stock entry/receipt of goods certificate not furnished in the sub-voucher.
- Items purchased were not taken in the stock register.
- Loss/theft/short receipt of stores against supply orders & remedial action.
- Improper maintenance of stock register.
- Recovery of income tax not made from works bill.
- Non-availing of exemption in taxes (Form 'D' certificates not furnished).
- Double payment on the basis of same sub-vouchers.
- Excess payment of AMC charges due to coverage during guarantee period/on condemned machines.
- GST not recovered on auction sales of condemned items.

- Govt. Duty paid on electricity bills.
- Non-utilization of items purchased.
- Wasteful expenditure.
- Delay in execution of a project.
- Purchase without requirement.
- Expenditure towards hiring of vehicle without valid document.
- Expenditure in excess of norms laid down by the govt./competent authority.
- Payment of sales tax/service tax without furnishing valid documents.
- Hiring of accommodation without ascertain market rate from CPWD.
- Rent payment to owner without collection document relating to payment of municipal & other statutory taxes.
- Holding of surplus land/building resulting in excess payment.
- Non-settlement of departmental/contingent advances.
- Discount not availed due to delay in payment of telephone & electricity bill
- Non-settlement of advance paid to firms/suppliers.
- Purchase of medicines without sufficient life period (*)
- Purchase of proprietary drugs in excess of ceiling price (DPCO) (*).
- Purchase HSD oil not taken in the log book.
- Inadmissible payment of scholarships.
- PSR wanting.

13.5.2 Tips for detecting irregularities commonly noticed

Sl. No.	Type of Audit Observation	Records to be checked	Method of Checking
1	Quotations not obtained.	Paid Voucher; A.Q./Requisition.	In the case of purchase vouchers, ask for quotations wherever required.
			Up to Rs. 25 lakh Limited Tender
			Rs.25 lakh and above Open Tender/ Advertised Tender
2	Purchase not made GeM	Paid Voucher,	Check GeM related records.

3	Non-acceptance of lowest rate (without valid reason) leading excess expenditure	Paid Voucher, Comparative Statement, Quotation etc.	Check the comparative statement; quotations & approval to verify whether the lowest rate was accepted and wherever the same is not accepted necessary justification exist.
4	Re-tendering resulting in avoidable expenditure	Quotations invited for purchase of same items; Note Sheet & correspondence File.	Compare the rate at which the purchase was made with the rate quoted at the time of first tendering.
5	Split purchase leading to excess expenditure	Dead Stock Register; Tender File.	From the dead stock register frequent purchases at higher rate may be identified and the respective tender document may be checked. Analyze the reason.
6	Stock entry/receipt of goods certificate not furnished in the sub-voucher.	Sub-Voucher.	Check the sub-voucher.
7	Items purchased were not taken in the stock register.	Sub-Voucher; Stock Register.	Cross check the sub-voucher with the respective stock registers.
8	Loss/theft/short receipt of stores against supply orders & remedial action.		Stock Register/Corresponding file/Reply to specific query issued in this regard.
9	Improper maintenance of stock register.	Stock Register.	Check the stock register is in proper form and posting is done in accordance with the rule.
10	Recovery of income tax not made from works bill.	Paid Voucher.	Check the gross amount claimed and the amount paid. It @ 2.24 per cent is required to be recovered from payment made to

			contractors/firms towards execution of works/security & conservancy/printing etc.
11	Non-utilization of items purchased. Purchase without requirement	Stock Register. Paid Vouchers.	Check the stock balance, which are lying in the store for quite long period. Assess the utilization/consumption for the previous years and see whether there is any case of excess purchase leading to non-utilization/accumulation in the store.
12	Non-availing of exemption in taxes (form 'D' certificates not furnished).	Checking of Vouchers.	Check the percentage of tax paid and ascertain whether form 'D' was submitted. Check the offer made by the firm.
13	Excess payment of AMC charges due to coverage during guarantee period/on condemned machines.	Check the AMC document, Vouchers, Dead stock Register & Purchase documents of machineries/equipment covered under AMC.	Check the AMC document with the quantity of the machineries/equipments covered under the AMC their date of purchase and the purchase documents to ascertain the period of guarantee.
14	Sales tax not recovered on auction sales of condemned items.	Document of Auction Sale and the collection of sale proceeds.	Check the document relating to auction sale and the deposit of sale proceeds.
15	Wasteful expenditure	Correspondence file; stock register.	Check the records of this type of expenditure.
16	Delay in execution of a project.	- do -	Check the correspondence files of major expenditure/project.
17	Payment of sales tax/service tax	See the Quotation/	Whenever the tax is paid check whether the tender document

	without furnishing valid documents.	Tender Document and the Payment Vouchers.	stipulates that the rate should include the sales tax/'vat and service tax.
18	Expenditure towards hiring of vehicle without valid document.	Sub-vouchers	Cross check the sub-vouchers with the indent/log book signed by the competent authority.
19	Expenditure in excess of norms laid down by the govt./competent authority.	- do -	Check for the norms laid down by the Govt. /Department. Eg: - norms laid down by Govt. For consumption of HSD oil for departmental vehicle.
20	Non-settlement of departmental/contingent advances.	Vouchers of Advance Payment and Advance Register.	Check the voucher and the advance register.
21	Govt. Duty paid on Electricity Bills.	Voucher.	Check the vouchers pertaining to payment of electricity charges. (electricity duty is not payable by central govt. Offices)
22	Rent payment to owner without collection document relating to payment of Municipal & other statutory Taxes.	Agreement for Hiring of Building.	Check the agreement for hiring of building and ascertain whether the rent includes municipal & other taxes. If so, check whether the department has obtained proof of payment of taxes by the owner of the building.
23	PSR wanting.	Cash book, paid voucher	Check that the payments are supported with paid stamp receipt of the payee concerned. (PSR)
24	Holding of Surplus Land/Building	Rent Payment Voucher, Agreement of Hiring of Building.	Ascertain the requirement of area for office/accommodation from office documents and verify the office keeps

	resulting in excess payment.		any excess area without its surrender in time.
25	Discount not availed due to delay in payment of telephone & electricity bill	Voucher.	Check whether the bills were paid in time and availed the discount.
26	Non-settlement of Advance paid to Firms/suppliers.	Advance payment voucher & advance register.	Check the vouchers for payment of vouchers, the advance register to ascertain whether the advances were settled in time.
27	Purchase of medicines without sufficient life period	Stock Register of Medicine.	Stock register of medicine should mention the date of expiry of medicine & batch no. Check from the stock register whether the medicines were issued before expiry date.
28	Purchase of proprietary drugs in excess of ceiling price (dpco) (*).	Vouchers, Ceiling Price Fixed by Govt.	Check the contract document/ payment vouchers for purchase of proprietary drugs with the ceiling price fixed by the govt. of India (ministry of chemical). The ceiling price fixed under drug price control order is available in the internet (based on composition of the drug).
29	Purchase of Petrol/ HSD oil not taken in the Log Book	Voucher & log book.	Cross check the log book and the paid vouchers for purchase of HSD oil/petrol.
30	Inadmissible Payment of Scholarships.	Vouchers and Guidelines/ Orders.	Check the vouchers with reference to the guidelines/orders for regulating the payment of scholarship.

13.6 Checking of Service Book

13.6.1 Types of Irregularities

Sl. No.	Type of Audit Observation	Records to be checked	Method of Checking
1.	Continuation in service even after the date of superannuation is over.	Service book.	Ascertain the date of birth from the service book and work out the age as on the date of audit. (This checking is compulsory)
2.	Pay fixation-irregularities	Service book.	Check the pay fixation with reference to rule.
3.	'ACP' before completing the required service.	Service book.	Check the ACP/MACP cases with reference to the rule
4.	Nominations not furnished.	Service book.	Check whether nomination for DCRG, GPF etc. is available/pasted in the service book.
5.	Declaration not furnished.	Service Book.	Check whether Family Declaration, Home Town Declaration is furnished and available in service book.
6.	Annual Service Verification not carried out.		Check whether the Govt. has put his signature in the Service Book in support of the Annual Service Verification.
7.	Mistake in the posting of Leave Account.		Check from the noting in the Service Book and the Personal File whether all the leave availed were debited properly in the leave account.
8.	Excess credit of leave.		Check whether increment falls due within the period of leave is drawn only from the date on which he resumes duty.

9.	In admissible payment of Pay & Allowance.		(1) For the period of Extraordinary Leave, Half Pay Leave, the pay and allowance paid may be checked. (2) Identify the cases where the Govt. Servant was on leave for a period exceeding 30 days from the 1st of a month. Check whether Transport Allowance is paid during the period. (3) If increment date falls within the period of leave, the increment is drawn only from the date on which the official resumes duty.
10.	Leave Accounts not maintained properly/up to date.		Check from the leave account in the Service Book.
11.	Service Particulars not recorded in the Service Book.		Cross check with personal file e.g Check that the annual Increment granted, Leave Availed, LTC Availed, Sanction of House Building Advance etc. are recorded.

13.7 Checking Stores

13.7.1 Types of Irregularities

- Store register (consumable & dead stock) not maintained properly.
- Stores purchased not taken to stock.
- Issue of stores without supporting indent and authority.
- Purchase of items without requirement/excess holding of stores.
- Non-conducting of annual physical verification.
- Non-disposal of un-serviceable/obsolete stores.
- Loss/shortage of stores.
- Split purchase of stores.
- Purchase of stores/machines without adequate manpower for utilization/building for installation.
- Excess consumption of stores beyond laid down norms.
- Consumption of HSD oil without supporting log book/in excess of norms.

- Purchase of stores without indent.
- DGS&D rate contract items purchased at higher rate
- Purchase of stores not as per required specification

13.7.2 Additional points for major stores

- Absence of stores manual.
- Non-maintenance goods receipt sheet (grs) and bin-cards.
- Slow moving and fast moving stores not identified.
- Non-adoption of first-in & first-out (FIFO) policy resulting in wastage.
- Purchase without assessing the average yearly consumption leading to excess holding of stores.
- Excess purchase and consumption of stores beyond laid down norms.
- Excess purchase despite adequate stock balance leading to excess holding.
- Non-enlist of firms for stores.
- Non-preparation of stores account.
- Transit loss in excess of prescribed limit.
- Inadequate/insufficient storing space.
- Improper storing of items.
- Delay in purchase.
- Delay in issue.
- Issue of stores not acknowledgement.
- Unsettled value of stores issued.
- Inadequate security of stores.

13.7.3 Tips for detecting irregularities commonly noticed

Sl. No.	Type of Audit Observation	Records to be checked	Method of Checking
1.	Store register (consumable & dead stock) not maintained properly.	Stock Register	Check whether the Stock Register is in Proper Format. Is indexed on basis of type of Store. Separate Ledger Folios are allotted for Each Type of Store Items.
2.	Stores purchased not taken to stock.	Stock Register, Paid Voucher	Cross check the paid vouchers for purchase of stores with the Stock Register.

3.	Issue of stores without supporting indent and authority.	Stock Register	Check the issue of stores is supported with indent signed by Competent Authority.
4.	Purchase of items without requirement/excess holding of stores.	Stock Register	Select those stores, which are accumulated in the store for a long period. Conduct whether these were justified for the purchase.
5.	Non-conducting of annual physical verification.	Physical Verification Report/ Requisition for the Report	Issue Requisition for the Physical Verification Report. Ascertain the position.
6.	Non-disposal of un-serviceable/obsolete stores.	Issue Requisition	Collect data pertaining to unserviceable stores lying in the stores.
7.	Loss/shortage of stores.	Check the Physical Verification Report/ Issue Requisition.	Collect the date either from the Physical Verification Report or by issue of Requisition.
8.	Split purchase of stores.	Stock Register, Vouchers.	Check the Ledge Folio of Stock Register. Select those stores, which were purchased on the same date or short duration. Identify the Vouchers.
9.	Purchase of stores/machines without adequate manpower for utilization/building for installation.	Stock Register.	Identify the Main Machineries and Equipments. Verify the position of utilization. Ascertain the reason if not being utilized.

10.	Purchase & consumption of petrol/HSD oil without supporting logbook/ consumption of petrol in excess of norms.	Logbook and Paid Vouchers.	Check the paid voucher for purchase of Petrol/HSD with the Logbooks Check the Norms for purchase of Petrol/Diesel for Vehicles/Generator etc.
11.	Purchase of stores without indent resulting in non-utilization.	Check the Stock Register.	Identify the cases of accumulation of stores from the Stock Register. Check whether there was any indent/justification for purchase.
12.	DGS&D rate contract items purchased at higher rate	Rate Contract, Paid Vouchers, Stock Register	Ascertain the Important purchases made from the Stock Register. Check the Internet to verify whether the DGS&D has concluded any Rate Contract for the items for the period of purchase. Check the cost from the Stock Register/voucher and work out the excess expenditure.
13.	Purchase of stores not as per required specification	Check the Stock Register.	Identify the cases of accumulation of stores from the Stock Register. Check whether there was any indent/justification for purchase. Cross check the specifications mentioned in the supply order and the Challan for supply of items.

13.8 Checking of Travelling Allowance Bills

13.8.1 Types of irregularities

(a) Payment of excess TA Claim on account of

- Travel by higher class than entitled by the official.
- Travel by car between places connected by train.
- Travel by longer route.
- Travel by air by non-entitled officials.

- Without sanction of head of the office concerned.
- (b) Excess payment on account of
 - Allowing full DA for local journey.
 - Allowing DA at hotel rate without furnishing the registration/licence number of the hotel bill.
 - Irregular payment of air fare where the private airlines ticket is booked through an agency other than Balmer Lorie & Ashok Travels.
 - (a) Irregular payment of rickshaw fare for local journey without prior approval.
 - (b) Irregularities in transfer TA payment occurs when
 - The claim is allowed even if the transfer is not in public interest
 - Composite transfer grant in excess of 'Basic Pay + NPA' is allowed.
 - The claim is allowed even if no change of residence is involved. – SR116, GIO (15).
 - Composite transfer is paid in excess of one third of Basic Pay in respect of transfer involving distance of less than 20 kms. – SR.116, GIO (15)
 - Daily allowance is paid for the journey period
 - Road mileage is allowed for journey between residence and railway station/bus stand. – SR116
 - Claim is allowed in excess of the claim admissible from old to new headquarters (where the family of the claimant moved from a place other than to his new headquarters) –SR.116 (b)
 - Claim in respect of family who performed the journey earlier than one month of the date of relieve or six month after the date of relieve of the govt. Servant is admitted except with the approval of the head of the department – SR116 (b)(iii)
 - Irregular payment of additional to and fro claim
 - The higher rate of road mileage is allowed even if either of the place from where the personal effect is transported or the destination is located outside the limit of A-1, a or B-1 class cities.
 - Higher rate of road mileage is allowed for transportation of personal effects between stations not connected by rail –SR. 116, GIO (1).

13.8.2 Tips for detecting irregularities commonly noticed

Sl. No.	Type of Audit Observation	Records to be checked	Method of Checking
1.	Excess payment of T.A. on account of 'Travel by higher class of Accommodation'	T.A. Bill and T.A. Rule (SR)	Find out the entitled Class (T.A. Rule Book i.e. SR) corresponding to the Basic Pay mentioned in the T.A. Bill and check

			with the class of accommodation admitted for payment. (The claims admitted on the approval by Head of the Department may be excluded)
2.	Excess Payment of T.A. on account of 'Travel by Car in between Places connected by Train'.	T.A. Bill	Check T.A. Bills with Railway "Time Tables". Apart from ascertaining whether train connects the places, the Time Table also helps in working out the train fare in order to quantify the excess payment. (Exception: Approval of the Head of the Department in Public Interest)
3.	Excess Payment of T.A on account of 'Travel by longer Route'	T.A. Bill	Check the T.A. Bill with Railway "Time Tables". (The claims admitted on the approval by Head of the Department in Public Interest may be excluded)
4.	Inadmissible Payment of T.A claim on account of Booking of Air Ticket for Private Airlines from Agency other than Balmer Lawrie & Ashok Travels.	T.A. Bill	Check the Flight Tickets enclosed/ Boarding Pass of the Private Air lines to ascertain the name of the Agency.
5.	Excess Payment of Daily Allowance at higher Rate without valid Hotel Bill	T.A. Bill	Check whether Registration/Licence number of the Hotel is furnished in the Hotel Bills submitted for claiming higher D.A. at Hotel Rate. In Case the Registration number is not mentioned D.A. should be restricted at Ordinary Rate.

6.	Payment towards Taxi Fare despite the journey performed by Govt. Vehicle.	T.A. Bills; Log Book of Govt. Vehicle.	Select the T.A. Bills of Head of the Office/Head of the Department. If Taxi fare has been claimed and paid for journey to Railway Station/ Air-port, then cross check the T.A. Bill with the Log Book of the Official Vehicle for that particular Date.
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13.9 Checking of LTC Bills

13.9.1 Common Types of Irregularities

- (a) Excess payment of LTC claim on account of
 - Travel by higher class than entitled by the official;
 - Travel by car between places connected by train;
 - Travel by longer route other than those specified in the LTC rule;
 - Travel by air by non-entitled officials;
- (b) Excess payment LTC claim due to non-availing 'through railway ticket booking facility' for the destination and back.
- (c) Irregular payment of air fare where the private airlines ticket is booked through an agency other than Balmer Lawrie & Ashok Travels.
- (d) Irregular reimbursement of road mileage by vehicles operated by private operators other than those approved by regional transport authority/state govt. Concerned. (Vehicle operated by public sector/State Transport Corporation, transport services also admissible).
- (e) Reimbursement of LTC claims of those employees who does not have one year of continuous service on the date of journey performed by him. (Unauthorized absence constitute break in service unless condoned by the competent authority)
- (f) Admitting of LTC claims submitted after one month from the date of completion of the return journey despite drawing advance.
- (g) LTC claims allowed without valid documents (other than rail journey ticket/valid document must be submitted).

13.9.2 Tips for detecting irregularities commonly noticed

Sl. No.	Type of Audit Observation	Records to be checked	Method of Checking
1.	Excess payment of LTC claim on account of Travel by higher class of Accommodation	LTC. Bill and LTC Rule	Find out the entitled Class (LT.C. Rule Book) corresponding to the Basic Pay mentioned in the L T.C Bill (or Service Book/PBR) and check with the class of accommodation admitted for payment.
2.	Excess Payment of LTC claim on account of Travel by Car in between Places connected by Train	LTC Bills	Check LTC Bills with Railway “Time Tables”. Apart from ascertaining whether train connects the places, the Time Table also helps in working out the train fare in order to quantify the excess payment. (No reimbursement for travel by car between places connected by train permitted.)
3.	Excess Payment of LTC claim on account of ‘Travel by longer Route’	LTC Bill	Check the LTC. Bill with Railway “Time Tables”. Apart from ascertaining the shortest route between two places, the Time Table also helps in working out the train fare by shortest route in order to quantify the excess payment. (The Longer routes allowed in the LTC Rule may be excluded).
4.	Excess Payment due to admitting air travel claim by non-entitled officers.	LTC Bills	Ascertain the Basic Pay mentioned in the LT.C Bill (or Service Book/PBR) and find out (from LTC Rule Book) whether he is entitled to air travel. If not quantify the difference between the fare allowed and the train fare (Railway Time Table).
5.	Excess payment of LTC claim on account of non-availing of ‘Through Railway	LTC Bills	Check the LTC Bills with the Railway Time Table to ascertain the fare payable for booking through ticket between two places and work out the difference.

	Ticket Booking System’.		Eg: -A Govt. Servant availed LTC from Howrah to Hyderabad. He booked separate ticket for journey from Howrah to Chennai and from Chennai to Hyderabad. He submitted both the tickets and claim was admitted. a) The declared destination is Hyderabad; hence his claim should be regulated by the shortest and cheapest route. b) From Railway Time Table work out the distance (Km.) from Howrah to Hyderabad. c) Work out the Train Fare (From Fare Chart) corresponding to the distance by entitled class. d) Add charges for Superfast, Reservation etc. e) Calculate the difference between the fare worked out and actually admitted.
6.	Irregular Payment of Air Fare where the Private Airlines ticket is booked through an agency other than Balmer Lorie & Ashok Travels	LTC. Bill	Check the Flight Tickets/ Boarding Pass of the Private Air lines (enclosed with the bill) to ascertain the name of the Agency.
7.	Irregular Reimbursement of Road Mileage by vehicles operated by private operators.	LTC Bills	Check the Ticket which must be enclosed for getting the reimbursement of the Road Mileage (i.e. Ticket of the Private Vehicle) No Reimbursement of Road Mileage by vehicles operated by private operators other than those approved by Regional Transport Authority/State Govt. concerned. (Vehicle operated by Public Sector/State Transport

			Corporation, Transport Services also admissible).
8.	Excess payment of LTC to those not entitled for the facility.	LTC Bills	Select the cases from the recordings in the Service Book (i.e recording pertaining to break-in service not condoned and availing of LTC). Check the LTC claims of the selected case to quantify the excess payment. LTC not admissible for those employees who does not have one year of continuous service on the date of journey performed by him. (Unauthorized absence constitute break in service unless condoned by the Competent authority)
9.	Inadmissible payment due to non-forfeiting of LTC claims submitted after due date.	LTC Bills.	Ascertain from the LTC Bill the date of submission of the bill and the date of completion of the return journey. LTC claims must be submitted within one month from the date of completion of the return journey where advances are drawn and three month where no advance is drawn. Claims submitted after the date should be forfeited.
10.	Payment of LTC Claim without valid supporting documents.	LTC Bills	Ascertain from the LTC Bills whether ticket/valid documents are submitted in support of the claim (except rail journey where ticket number is sufficient). LTC Claims allowed without valid documents (Ticket/ Valid Document must be submitted except in the case of Rail Journey)

13.10 Checking of T.A/ L.T.C Advance Bills**13.10.1 Common types of Irregularities**

- Un-adjusted advances.
- Interest not charged on unutilized amount of advance
- Advance register not maintained/not up to date.
- Advances not recorded in the advance register.

13.10.2 Tips for detecting irregularities commonly noticed

Sl. No.	Type of Audit Observation	Records to be checked	Method of Checking
1.	Un-adjusted advances	Advance Register	Check Advance Register and work out the advances remained un-settled for more than 3 months.
2.	Interest not levied on unutilized advance.	Advance Register; TA/LTC Bills	Check the Advance Register and identify the cases where the advances were refunded. Verify the TA/LTC Bills or the record relating to refund of advance to see whether the penal interest was recovered.
3.	Advance register not maintained/ not up to date	Requisition/ Advance Register	Issue Requisition for advance Register. Verify the register, if maintained with reference to Bill Register/Cash Book.
4.	Advances not recorded in the advance register	Bill Register/ Cash Book; Advance Register	Cross Check Bill Register/Cash Book Advance Register.

13.11 Checking of Pay Bill Register**13.11.1 Types of Irregularities**

- Adoption of inadmissible scale of pay resulting in excess payment.
- Wrong fixation of pay resulting in excess payment
- Inadmissible payment of HRA.
- Inadmissible payment of compensatory allowance.
- Inadmissible payment of transport allowance.
- Non-recovery of CGHS contribution.

- Non-recovery of licence fee as per the rate fixed by Govt. of India.
- Non/less recovery of professional tax.
- Non-recovery of short-term and long term advance monthly installments.
- Inadmissible payment of children education allowance.
- Inadmissible payment of bonus.
- Short recovery of income tax.
- Improper maintenance of pay bill register.
- Inadmissible payment of patient care allowance/nursing allowance etc.

13.11.2 Tips for detecting irregularities commonly noticed

Sl. No.	Type of Audit Observation	Records to be checked	Method of checking
1.	Adoption of inadmissible scale of pay resulting in excess payment.	PBR, Approved list of Scale of Pay.	Check the PBR with the approved scale of pay for each category of employees.
2.	Wrong fixation of pay resulting in excess payment.	Service Book	Check the pay fixation from service book. In the case of wrong fixation work out the actual payment from PBR.
3.	Inadmissible payment of HRA.	PBR	Check whether HRA is paid in accordance with the rule.
4.	Inadmissible payment of compensatory allowance.	PBR	-Do-
5.	Inadmissible payment of transport allowance.	PBR, Service Book.	Check the rate of transport allowance with reference to the scale of pay. Select the cases of availing of leave for more than 30 days from the first of the month. Ensure that no transport allowance was paid.
6.	Non-recovery of CGHS contribution.	CGHS Covered Area, PBR.	Check the CGHS covered area from the residence address as recorded in the PBR/personal file.

7.	Non-recovery of licence fee as per the rate fixed by govt. Of India.	PBR, Quarter Allotment Register.	Check the latest rate of licence fee recovered with reference to the area occupied.(last revision in July 2007)
8.	Non/less recovery of professional tax.	PBR, Rate of P. Tax.	Check the rate of P. Tax with reference to the gross salary to ensure that the tax is recovered correctly. Verify its deposit to the govt. Of West Bengal and existence of acknowledgement.
9.	Non-recovery of short-term and long term advance monthly installments.	PBR	Check the position of recovery of short and long term advances (long term advance recovery monitored by PAO. Hence stress may be given to checking of recovery of short term advance).
10.	Inadmissible payment of children education allowance.	PBR	Check the payment with reference to the eligibility criteria.
11.	Inadmissible payment of bonus.	PBR	Check the payment with reference to the eligibility criteria.
12.	Short recovery of income tax.	PBR	Check the calculation of it and its recovery.
13.	Improper maintenance of pay bill register.	PBR	Check whether all the required information is furnished.
14.	Inadmissible payment of patient care allowance/nursing allowance etc.	PBR	Check the payment with reference to the eligibility criteria.

13.12 Checking of NPS transactions

In respect of Audit of NPS Transactions following issues may be examined:

- (i) Whether the DDO has registered the organisation on NPS contribution Accounting Network of NSDL.
- (ii) Whether the amount is being regularly deducted and at the prescribed rate
- (iii) Whether matching contribution amount is included in the Grant-in-Aid sought from the administrative ministry/department.
- (iv) Whether the employees and government contributions are being remitted to the trustee bank regularly.
- (v) Whether the subscriber-wise details are being uploaded to NSDL regularly
- (vi) Whether the detailed ledger account is being maintained by the CAB.

[MoF Gazette Notification No.F.No.5/7/2003-ECB & PR dated 22nd December 2003, MoF CGA No.1(7)/2003/TA/Part File/177 dated 23.6.2008]

CHAPTER XIV

AUDIT OF AUTONOMOUS BODIES

14`Introduction and procedure

The functions of the CAG are derived mainly from the provisions of Articles 149 to 151 of the Constitution of India. Article 149 provides that the CAG shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament. The term, 'by laws' is interpreted to mean provisions in the main Acts framed by the Parliament and the term "under law" refers to the provisions in subordinate legislation having the force of law e.g., rules and regulations framed by Governments under powers vested in them in the parent Acts and declared to have been so framed under such powers. The Parliament pursuant to the provisions of the said Article of the Constitution of India has passed The CAG's (DPC) Act, 1971, as amended in 1976, 1984 and 1987. The said Act has also been referred to in this Manual as 'the Act' hereinafter. Sections 14, 15, 19 and 20 of the Act empower the CAG to conduct audit of bodies/ authorities and to perform such duties and exercise such powers in relation to them as prescribed under the Act. No law of a State Legislature can cast any duties or confer any power on the CAG or his representatives. Likewise, the duties and powers of the CAG prescribed by law made by Parliament cannot be superseded or abridged by or under any law made by any State Legislature.

Meaning of body or authority

The words "body" and "authority", used in Article 149 of the Constitution, have not been defined either in the Constitution or in the CAG's (DPC) Act, 1971, wherein also these words have been used. However, "authority" has been interpreted by the Attorney General of India to mean a person or body exercising power or command vested in it by virtue of provisions in the Constitution or Acts passed by the Parliament or the State Legislatures. "Body" has been interpreted by him to mean an aggregate of persons, whether incorporated or unincorporated.

The following procedures are to be adopted by the field audit parties during Audit of Autonomous Body:

1. While reporting on the nature of major activities in respect of any unit the expenditure of the same need to be classified into Revenue and Capital Expenditure in

the Inspection Report. Activity-wise break up of expenditure in respect of the Projects, Schemes, Software, Equipment are to be recorded separately and progress there-against such as performance, delayed execution, installation, maintenance etc. required to be reported, in the Inspection Report, along with a list of specific area-wise coverage/ checking during audit of their accounts. Areas which could not be checked properly during audit due to shortage of manpower/ mandays are to be specifically mentioned, which will be noted for next audit. Next audit party would submit a list of checking, with the new Inspection Report along with a certificate regarding completion of balance scrutiny of work of the previous audit party.

2. In case of revenue, activity wise break-up of major sources and changes in collection/ generation of revenue need to be mentioned in the Inspection Report and proper accounting of the revenue may be checked with due care and deviation if any may be reported in the Inspection Report.

3. In case, old paras, more than five years old, having continuing irregularities are required to be updated and incorporated in the current IR and deleted from previous IR. In case, updation in the current IR could not be done, the same is to be intimated in the "Review Note" along with reasons. Old paras of similar nature such as i) pay fixation/MACP ii) new appointment, procedural and fixation iii) cash book related observation iv) un-utilised/ short utilised equipment v) Miscellaneous like non maintenance of registers etc. may be clubbed with the new para. In new para, reference of old para and IR, need to be recorded and all key documents are required to be copied from the old inspection report along with the copy of the para. Action/reply of the unit, if any, against the para, may be highlighted in the current Inspection Report.

4. Assets like land, building, store, stock, equipment etc. need to be checked to ascertain loss, misuse, misappropriation, theft, encroachment etc. Asset management could be the theme of Subject Specific Compliance Audit (SSCA) in big organisations like VB, ISI, IIT etc. Software/ system development, automation/ digitisation of office and their usage could also be theme of SSCA, where there is substantial expenditure on software, automation, system development in last few years in organisation like ISI, IIT, IIM, VB etc.

5. Analysis of old/current paras and classify them under different heads by the party to identify the risk areas in audit. At headquarters' level unit-wise/ type-wise (CAPF/KVS/ESIC etc.) consolidation of paras and risk analysis is to be made.

(No. OAD/Circular/2020-21/139, Date: 18.11.2020)

[Further reference: Manual of Instructions on Audit of Autonomous Bodies (2010), Practice Note. No: 310 16/PPG-II/2017. Date: 25 October 2017. Subject: Financial Attest Audit of Autonomous Bodies.]

CHAPTER XV

AUDIT OF CENTRAL ARMED POLICE FORCES

15.1 Introduction:

Central Armed Police Forces (CAPF) was formerly known as Central Para Military Forces (CPMF), Central Police Organisations (CPOs), Para Military Forces (PMF) and Central Police Forces (CPF) interchangeably. In 2011, the Government of India vide OM No. I-45020/2/2011-Pers-II dated 18.03.2011 adopted a uniform nomenclature to change the name of the forces to Central Armed Police Forces under the Ministry of Home Affairs. Initially, only five forces- BSF, CRPF, CISF, ITBP and SSB were covered under the new nomenclature, since Assam Rifles was under the operational control of the Indian Army and NSG personnel were completely deputed from the Indian Army and other CAPFs. Currently, all the seven forces are listed under the CAPF definition by the Ministry.

15.2 CAPF can be classified into three categories:

- (i) Border Guarding Forces: Assam Rifles (AR), Border Security Force (BSF), Indo-Tibetan Border Police (ITBP) and Sashastra Seema Bal (SSB);
- (ii) Forces for Internal Security—Central Industrial Security Force (CISF) and Central Reserve Police Force (CRPF); and
- (iii) Special Task Force—National Security Guard (NSG)

15.3 Audit Jurisdiction:

Audit jurisdiction of the O/o the DGA (C), Kolkata in respect of CAPFs comprises the audit of:

- All the units of BSF located in West Bengal & North –Eastern Region except those located in Manipur
- All the units of SSB located in West Bengal & North –Eastern Region
- CRPF and CISF units located in West Bengal
- All the units of Assam Rifles and ITBP located in Assam
- CRPF and CISF units located in Assam

Out of the above, audit jurisdiction of units mentioned in Sl. No. (iv) & (v) came under the purview of this office through newly created Branch Office located at Guwahati post

restructuring vide CAG's office order No. 344-SMU/PP/Restructuring/5-2011 dated 06.09.2012.

The audited entities under BSF are Battalions, Composite Hospitals, Frontier Head Quarters, Sector Head Quarters, Special DG Head Quarters, Subsidiary Training Centre and Training Centre & School etc. of BSF.

The audited entities under SSB are Battalions, Area Organizer, Composite Hospitals, Frontier Head Quarters, Sector Head Quarters, and Training Centre etc. of SSB.

The audited entities under CISF are units of CISF located at Netaji Subhash International Airport, Haldia Dock Complex, Bhartiya Reserve Bank Note Mudran Private Limited, Durgapur Thermal Power Station, Farakka Barrage Project, Garden Reach Shipbuilders and Engineers Limited, Dibrugarh Airport, Bagdogra Airport, IOC Haldia, Kolkata Port Trust and Sector Head Quarter, Group Head Quarter etc. of CISF.

The audited entities under CRPF are Group Centre, Range Head Quarter Durgapur and Sector Head Quarter of CRPF.

15.4 Office Structure:

Organisation structure, staff pattern and office procedure are almost similar in respect of BSF and CRPF. In case of CISF, though the staff pattern are like BSF/CRPF, office procedure and system of duty are little different which mainly depends on the Industry to which CISF is attached.

15.4.1 Main Sections/Wings

Units of CAPF, especially BSF & CRPF, have the following main sections/ wings:-

- (i) Cash and Accounts section
- (ii) Establishment Branch
- (iii) Quarter Master Branch (Q. Branch)
- (iv) Motor Transport Section (M.T. Pool)
- (v) Communication Centre (Signal)
- (vi) Engineering Branch
- (vii) Medical Inspection Unit (M.I. Unit)

15.5 Guideline/Checklist for audit of Central Armed Police Forces (CAPF)

15.5.1 Records maintained and points to be seen

Records maintained by each branch:

(a) Cash & Accounts

All the records of cash transactions and Accounts matters including Cash Book, Bill Register, Incoming/ Outgoing Bank Draft Register, Un-disbursed money register, Paid up vouchers with Acquittance Rolls or Acknowledgements, all types of advances payment registers, Expenditure Control Register.

Points to be seen

(i) Each and every receipt entry and payment entry pertaining to the selected detail months are to be checked from further basic record like Incoming Draft register/ valuable register and corresponding forwarding letters, TR-5 books etc. in case of receipt entries and paid up vouchers, Acquittance Rolls, Acknowledgement for receipts etc. in case of payment entries.

(ii) Paid up vouchers, FVC bills etc. especially in respect of party payments are to be checked thoroughly with references to the expenditure sanction by competent authority.

(iii) Whether the expenditure sanction is within the financial power of the sanctioning authority should also be checked.

(iv) In BSF/CRPF system of staff salary payment and corresponding entry in Cash Book are different from normal Central Govt. Offices. Here pay bills are drawn centrally at organisation HQs and not at audited entity level. In BSF, entire staff salary is paid centrally by Pay & Accounts Division of DG, BSF HQs, New Delhi through Computerized Pay Bills (CP Bills). For each Battalion a consolidated CP Bill is prepared at PAD and the net amount payable is sent to the DDO of the Battalion through a consolidated Bank Draft. After encashment of the draft, cash section of the Battalion distributes the amounts payable to staff of each 'Company' and hand over the entire amount to the Company Commander for disbursement among staff of that company. When lump sum amount is handed over to the Coy-Commanders along with A/Rolls, a red ink entry is made in the Cash Book as advance payment. After some days when Coy-Commanders returns the paid up A/Rolls along with un-disbursed statement and amount covering the entire amount of advance, another red ink entry is made in Cash Book in

adjustment of previous red ink advance entry. These red ink entries are not to be counted while checking the totaling of the Cash Book. On receipt of paid up A/ Roll and U.D money with statement, the actual amount disbursed are recorded as payment made and the U.D money are noted in U.D register for subsequent payments. These systems need be thoroughly understood and checked properly.

(b) Establishment Branch

Establishment section of a Battalion deals with all service matters. This branch maintains Service Books, Leave Accounts and other connected records.

Points to be seen

(i) In service books, annual service verification entry, annual increment entry, entries regarding various nominations, Home-town entry, family dependency entry, entries regarding leave taken and joining thereafter etc. with reference to Leave-A/c, entries of transfer/posting, entries regarding E.O.L. if any, etc. are to be checked.

(ii) A few cases of pay fixation on promotion or due to M.A.C.P. benefits etc. need to be checked.

(iii) In B.S.F, due to frequent transfer of Jawans and other staff from one Battalion to another, lots of anomalies in pay between seniors/juniors are noticed. Those cases need be checked very carefully.

(iv) Some cases of CEA/Tuition Fee need be checked.

(v) Drawal of HRA may also be checked with reference to family-permission as because those who are not entitled to or not permitted to keep family at duty point are not eligible to draw HRA.

15.5.2 Q. Branch

All records relating to various types of stock & stores are maintained in Q. Branch. Records of residential accommodation, allotment thereof, recovery records on accounts water/electricity consumed in quarters etc. are also maintained in Q. Branch. Payment of Electricity Bills by the Unit as a whole, are also processed in this branch.

Points to be seen:

(i) Registers of clothing store, tentage store, dress-materials consumable & non-consumable misc. store, EPIP-store, training-store etc. are to be checked with reference to receipt & issue vouchers.

(ii) Normally clothing items & tentage items are not purchased by Battalion but received from Provisioning Division of BSF organization. But in case of other miscellaneous items, those are generally purchased by the Unit. Those records are to be checked with reference to proposal, approval, expenditure sanction, budget availability, quotation & comparative statement, purchase order, survey report on receipt of the items, proper stock entry etc.

(iii) Issue of stores to 'Coy's need be checked with reference to indents placed by them along with condemnation report and/or other justification for indents.

(iv) For condemnation of any store and subsequent disposal thereof by auction detail records like Condemnation Board Proceeding (CBP), Auction Board Proceedings, unserviceable registers, entries of condemnation/Auction in stock registers etc. need be checked.

15.5.3 M.T. Pool

All records relating to Motor-vehicles of the Battalion including procurement, maintenance, and consumption of P.O.L. etc. are maintained in M. T. Pool.

Points to be seen:

(i) Log books of vehicles are to be checked carefully. Monthly summary of consumption of P.O.L. and total run and k.m. run per litre etc. to be checked.

(ii) Stock and issue of P.O.L., daily P.O.L. issue register need be checked along with some log books.

(iii) Purchase of spare parts, tyres & tubes etc. and proper stock entry and subsequent issue need be checked with reference to issue vouchers.

(iv) Condemnation/Auction Records need to be checked with reference to Board Proceedings and concerned stock ledgers etc.

15.5.4 Signal Centre

Records relating to entire communication system in a Battalion are maintained in this branch. Machineries, equipment/instruments are procured centrally by BSF HQrs and are distributed to Battalions for use. At unit level only Batteries and some other small spare parts are purchased. Records of such local purchases are to be checked as usual. Stock registers, receipt/issue vouchers, condemnation/auction proceedings etc. are also to be checked as usual.

15.5.5 Engineering Branch

Records relating to acquisition of Land and construction works are maintained in the Ftr. H/Q and /or SHQ level. At Battalion level only very minor construction work at BOPs, repair/maintenance works are done.

Records relating to land acquisition and handing/taking over records and legal possession right etc. are to be checked at Ftr. H/Q/SHQ units. At Battalion level records relating to minor construction, repair/maintenance work done by local contractors need be checked with reference to tender invitation, comparative statements, purchase & supply of building materials etc.

15.5.6 Medical Inspection Unit (M.I.Room)

Every Battalion of BSF has got one small M.I.Room. Minor treatments to patients can only be done here. Records relating to local purchase of medicine and stock /issue thereof can be checked.

15.5.7 Some Special Features of BSF units

Special attention need be given in the following areas while conducting audit of BSF units: -

- (i) Disbursement of salary.
- (ii) Proper maintenance and receipt/issue entries in stock registers maintained in Q. Store, M. T. Pool, Signal Centre.
- (iii) Condemnation/Auction procedures in different sections.
- (iv) Records of P.O.L. in M. T. Pool.
- (v) Proper maintenance of service records, specially in respect of pay fixation, increments, E.O.L. etc.

CHAPTER XVI

AUDIT OF KENDRIYA VIDYALAYAS

16.1 Introduction

The Scheme of Kendriya Vidyalayas (Central Schools) was approved in November 1962 by the Govt. of India on the recommendations of the Second Central Pay Commission. It recommended that the Government should develop a scheme to provide uninterrupted education to the wards of transferable Central Government employees. Consequently, Central School Organization was started as a unit of the Ministry of Education of the Govt. of India. Therefore, the Kendriya Vidyalaya Sangathan was registered as a Society under the Societies Registration Act, 1860 (XXI of 1860) to provide establish, endow, maintain and manage Kendriya Vidyalayas with the object of catering to the education needs of the children of the transferable employees of the Government of India, Government of India Undertaking/ Autonomous bodies, State Government employees, and floating population. Kendriya Vidyalaya Sangathan also runs some Vidyalayas on behalf of the Public Sector Undertakings for the purpose. During the academic year 1963-64, 20 Regimental Schools functioning at places, having large concentration of Defence Personnel were taken over, the number of which have increased to 1248 as on December 2021.

The Sangathan is financed mainly by Grants-in-Aid from the Government of India through Ministry of Education, Department of School Education & Literacy. The Sangathan also receives Grant from other sources for specific activities and from Public Sector Undertakings to run the Kendriya Vidyalayas on their behalf.

The Accounts of the Sangathan are decentralized and maintained at three stages. Primary accounts are prepared at school levels which are consolidated at the Regional Office level and final consolidation is done at Headquarter of the Sangathan in New Delhi.

16.2 Audit Jurisdiction

Audit Jurisdiction of main office of O/o the DGA, Central, Kolkata comprises Regional Office of Kendriya Vidyalaya Sangathan and Kendriya Vidyalaya Schools functioning under its jurisdiction.

16.3 Guideline/Check list for audit of Kendriya Vidyalaya

The Accounts maintained by Kendriya Vidyalayas are broadly maintained under the following headings: -

- (i) School Fund,
- (ii) Vidyalaya Vikas Nidhi,
- (iii) Computer Fund,
- (iv) Hostel Fund, and
- (v) Any other Fund that may be specified.

The accounts relating to each of these funds are to be quite distinct from the other, so that the financial position of each fund is depicted separately.

16.4 Basic records to be checked: -

- Accounts of School Fund (SF) i.e Receipt and Payment account, Income and Expenditure Account and Balance Sheet with the ledger, Journal and Cash Book
- Accounts of Vidyalaya Vikash Nidhi (VVN) i.e Receipt and Payment Account, Income and Expenditure Account and Balance Sheet with the ledger
- Asset Register for School Fund and VVN separately along with physical verification report.
- Forwarding letter for sanction of grant
- Grant-in-Aid register
- Budget file
- Cashbook for School fund and VVN with the voucher (one month is to be selected for one year and two months for the period more than 18 months as detail month)
- Bill register
- Cheque Issue Register
- Fees receipt book
- Stock register of receipt book
- Register of daily collection of fees
- Bank Pass Book/Bank statement.
- Bank reconciliation statement.
- TA/LTC advance register

- Any other departmental advance register
- Quarter allotment register, if any
- Accession register for library books
- Dead stock register (Consumable and Non-consumable items)
- Purchase file
- Pay bill register
- Service books of staff due to be retire within next three years
- Service books of other staffs

16.5 Basic points to be seen in audit:

- Check whether all the figures exhibited in the accounts of School fund and VVN are tallied with the relevant Schedules, ledger head, Journal and Cash Book entry;
- Whether all the grants received by the Vidyalaya had duly been taken in the Cash Books and Grant-in-aid Register properly;
- Analyze Budget estimate, Revised estimate and expenditure major head wise;
- Whether closing balance (bank and cash) of the previous day has been correctly carried forward to the next day in the cash book;
- Check all the entries in the cash book are duly attested by the DDO;
- Check all receipts and payments recorded in the cash book are supported by the vouchers containing pay order duly signed by the DDO;
- Check all the vouchers had been properly classified and marked as 'Paid and Cancelled' and duly signed by DDO;
- Verify whether stock entry certificate in respect of each purchased items has been recorded in the vouchers indicating page number of the relevant Stock Register;
- Whether fees collected by the school has been duly taken in the concerned cash book;
- Check cash book balance and Bank pass book/bank statement balance have been correctly taken in the Bank Reconciliation Statement (BRS). Check the amount of each uncashed cheque as appeared in the BRS has been tallied with the amount shown in the cash book. Whether there are any time barred cheques. Check whether there are any old wrong debit/credit by the bank or by the school authority which has not been cleared;
- Check whether unspent grant, GPF contribution, I.Tax, P.tax, licence fee etc. had been duly remitted to Sangathan Office/Concerned authority;

- Whether any other Departmental advances are lying outstanding for a considerable period, analyze the reason and year-wise position;
- Check whether all the TA/LTC advance has been adjusted in time, if not, whether penal interest@2% above the GPF interest has been imposed;
- Check whether License Fee has been duly recovered;
- Check whether all the books purchased has been duly accessioned, books issued are returned timely as per library rules, if not whether any penalty has been imposed;
- Check whether physical verification of books, consumable and non-consumable items have been done. Condemned and unserviceable items, if any, awaiting for disposal;
- Check whether there are Purchase proposal, Administrative approval and financial sanction, copy of Notice inviting tender, tender document, Comparative statement, selection of lowest quotation, if not, justification for the same, Pro-forma invoice if any etc;
- Check pay fixation, leave account, service verification, increment, nomination etc. of each service book and prepare list of service books checked. Admissibility of allowances should also be checked.

16.6 Points related to the basic record.

Sl No	Basic points to be seen in audit	Related record to be checked	Nature of Observation
1.	Check whether all the figures exhibited in the accounts of School fund and VVN are tallied with the relevant Schedules, ledger head, Journal and Cash book entry	Accounts of School Fund i.e Receipt and Payment account, Income and Expenditure Account and Balance Sheet with the ledger, journal and cash book	Comments on accounts.
2	Whether all the grants received by the Vidyalaya had duly been taken in the	Forwarding letters of Grant received, Cash book and Grant in aid	1. Grant received but not taken in the Cash book/Grant in aid Register

	Cash Books and Grant-in-aid Register properly.	Register and Bank statement.	2. Discrepancy in amount if any shown in cash book, bank statement
3	Check whether there is any excess expenditure over budget allotment in any year.	Budget file	Excess expenditure over budget allotment for which the organization need to obtain ex-post-facto sanction for the expenditure.
4	Whether closing balance bank and cash) of the previous day has been correctly carried forward to the next day in the cash book. Heavy cash and bank balance, if any.	Cash book	1. Understatement of overstatement of closing balance due to wrongly carry forward of closing balance. 2. Retention of huge amount in savings bank account throughout year without any investment in short/long term deposit resulting in loss of interest.
5	Check whether all the entries in the cash book are duly attested by the DDO. Whether system exist for periodical physical verification of cash balance.	Cash book	1. Violation of manual provision. 2. Lapse, if any on the part of DDO resulted in overpayment, short payment or incorrect entry in the cash book.
6	Check whether all receipts and payments recorded in the cash book are supported by the vouchers containing pay order duly signed by the DDO,	Cash book , vouchers and acquittances	1. Payment made if any, without voucher/ payee's acknowledgement should be pointed out as it may resulted in misappropriation of Govt. money.

	acquittances/ payees acknowledgement		
7	Check whether all the vouchers had been properly classified and marked as 'Paid and Cancelled' and duly signed by DDO.	Vouchers, sub voucher	1. If vouchers are not 'Paid and cancelled' it may led to fraudulent use of voucher. 2. Misclassification of expenditure resulted in over/under statement of revenue/capital expenditure
8	Verify stock entry certificate in respect of each purchased items has been recorded in the vouchers indicating page number of the relevant Stock Register.	Voucher, stock register (consumable and non- consumables), Dead stock Register	Store purchased but not entered in the Stock Register need to be pointed out indicating 'lack of inventory management'
9	Whether fees collected by the school has been duly taken in the concerned cash book.	Counterfoils of the fee receipt book, Cash Book, Register of Daily fees collection	Discrepancy between cash book figure and figures appeared in the daily fees collection Register, if any, may arise.
10	Check whether cash book balance and Bank pass book/bank statement balance have been correctly taken in the Bank Reconciliation Statement (BRS). Check whether the amount of each uncashed cheque as appeared in the BRS has been tallied with the amount shown in the	Cash Book, Bank Pass Book/ Bank statement and Bank Reconciliation Statement.	Time barred cheques indicating total number of cheques and amount involved should be pointed out. Wrong debits/credits by the bank or by the school authority but not adjusted in the Cash book or in the bank pass book for a long time should be pointed out, Discrepancy between Cash book balance and Bank pass book / Bank statement

	cash book. Whether there are any time barred cheques. Check whether there are any old wrong debit/credit by the bank or by the school authority which has not cleared.		balance, if any not reconciled may also be pointed out, Non preparation of BRS for a considerable period may be pointed out.
11	Check whether unspent grant, GPF contribution, I.tax, P.tax, Licence fee etc. had been duly remitted to Sangathan Office/ Concerned authority.	Quarter allotment Register, Cash Book, Schedule of GPF deduction/ I. tax/P. tax, Forwarding letter of surrender of unspent grant.	Holding of unspent grant should be pointed out, Non-remittance of P. tax, I. tax resulted in penal interest should be pointed out.
12	Whether there any advances lying outstanding for a considerable period. Analyze the reason.	Any other Departmental Advance Register	Advance lying outstanding for a considerable period
13	Check whether all the TA/ LTC advance has been adjusted in time, if not, whether penal interest@2% above the GPF interest has been imposed.	Cash book, TA/ LTC advance and adjustment Register. Supporting adjustment bills	Unadjusted TA/LTC advance along with the period of pendency should be analyzed and pointed out. Non- recovery of penal interest on unadjusted advance, if any which is to be imposed from the date of drawl should be calculated and pointed out.
14	Check whether licence fee has been duly recovered.	Quarter allotment register and relevant revised order of licence fee, Pay Bill Register	Short realization of licence fee should be pointed out.

15	Check whether all the books purchased has been duly accessioned, books issued are returned timely as per library rules, if not whether any penalty has been imposed.	Library accession Register, Issue register. Voucher for purchase of books.	Book purchase but not accessioned may be pointed out, Non recovery of penal charges for not returning the book within due date as well as list of book lying with the borrowers beyond the permissible period may be prepared.
16	Check Whether physical verification of books, consumable and non-consumable items have been done. Condemned and unserviceable items, if any, awaiting for disposal	Physical verification Report of consumable and non-consumable items, Stock Register	List of Condemned items awaiting disposal indicating money value need to be prepared and issue as AQ.
17	Check whether there are Purchase proposal, Administrative approval and financial sanction, copy of Notice inviting tender, tender document, Comparative statement, selection of Lowest quotation, if not justification for the same, Pro-forma invoice if any etc.	Purchase file	Irregularities in purchase.
18	Check pay fixation, leave account, service verification, increment, nomination, etc. of each service book and prepare list of service books	Service book, leave account, personal file, relevant order for promotion, pay fixation, Pay bill register	Mistake in pay fixation resulted in overpayment or short payment, mistake in leave account, increment allowed during leave, Allowances which are not

	checked. Admissibility of allowances should be checked.		admissible during leave should also be pointed out.
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CHAPTER XVII

FRAUD & CORRUPTION

17.1 Introduction

Fraud and corruption have increasingly become important concerns of countries across the world for which auditors need to be alert for situations, control weaknesses, inadequacy in record keeping, errors and unusual transactions or results which could be indicative of fraud, improper or unlawful expenditure, un-authorized operations, waste, inefficiency or lack of probity.

To fight against fraud and corruption the auditor should take a more active role in evaluating the efficiency and effectiveness of financial control system and aggressively follow up the recommendation of audit organization. Focus audit strategy more on areas and operations prone to fraud and corruption.

17.2 Characteristics of Fraud

- a) Fraud is an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
- b) Fraud involves deliberate misinterpretation of facts and/or significant information to obtain undue or illegal financial advantage.

17.2.1 Difference between Fraud & Error

Fraud should be distinguished from error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. For example, the following actions amount to error and not fraud:

- A mistake in gathering or processing data from which financial statements are prepared;
- An incorrect accounting estimate arising from oversight or misinterpretation of facts; and
- A mistake in the application of accounting principles relating to measurements, recognition, classification, presentation or disclosure.

(CAG's circular No. 126/Audit (AP)/1-2006 dated 6.9.2006)

17.2.2 Legal connotation of Fraud

Fraud has a legal (criminal) connotation. Auditors do not make legal determinations of whether fraud has actually occurred. They can report suspected or presumptive fraud. Ample caution needs to be exercised before terming an act as 'Fraud'. For an act to come within the ambit of 'Fraud', the following elements are required to be present:

- The act is intentional on part of one or more individuals working in collusion with each other;
- The object of the act is to obtain or give illegal advantage in violation of laws, rules and guidelines existing on the subject;
- The intention, collusion and object of obtaining illegal advantage will have to be present when a particular act is committed. An act committed in good faith, which by subsequent turn of events, proves to be incorrect or based on wrong information is not fraud;
- The advantage or benefits to an individual or a group of individuals will have to be tangible and not notional or presumptive; and
- Normally, any such act would cause loss to exchequer or be against public interest.

17.3 Elements of Fraud

Fraud may involve:

- manipulation, falsification or alteration of records or documents;
- misappropriation/ misapplication of assets;
- suppression or omission of the effects of transactions from records or documents;
- recording of transaction without substances; and
- misapplication of accounting policies.

The mandate of Government Audit is broader than solely that of financial statement auditor and includes responsibility for verification of regularity and performance. Hence, the auditor should be aware of the possibility of fraud not only in the preparation and presentation, of financial statements but in other areas covered by regularity (compliance) and performance audits as well.

17.4 Characteristics of corruption

Corruption is a complex issue. The following definitions indicate the nature of corruption

- a) Corruption involves behavior on the part of officials in the public and private sectors, in which they improperly and unlawfully enrich, themselves, and/or those close to them, or induce others to do so, by misusing the position in which they are placed
- b) Corruption is the abuse of public power for personal gain or for the benefit of a group to which one owes allegiance.

17.5 Responsibilities of Audit

Detection of fraud is not the primary objective of audit. Audit must, however, evaluate and report on the adequacy and competence with which the management has discharged its responsibility in relation to prevention, detection response and follow up/remedial measures in relation to fraud and corruption. The auditor should make the management aware that the absence or lack of application of reliable and valid performance measures and indicators could increase the possibility of occurrence of fraud and corruption.

Audit should be alert to short comings in systems and controls that are likely to provide an environment conducive for fraud and corruption and should recommend to the management measures to improve the control environment and minimize the risk of fraud and corruption.

17.6 Considerations of fraud in audit of financial statements

During audit of financial statements, two types of intentional misstatements are relevant to the auditor, viz., misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement user. Fraudulent financial reporting may be accomplished by the following:

- a. Manipulation, falsification (including forgery), or alteration of accounting records or supporting documentation from which the financial statements are prepared;
- b. Misrepresentation in, or intentional omission from, the financial statements of events, transactions or other significant information; and
- c. Intentional misapplication, of accounting principles relating to the amounts, classification, manner of presentation, or disclosure, etc.

d. Misappropriation of assets involves the theft of an entity's assets and can be perpetrated by employees as well as management.

Loss, misuse, misappropriation, theft, encroachment etc. of asset like land, building, store, stock, equipment etc. should be checked. (OAD/Circular/2020-21/139 dated. 18.11.20).

17.7 Identification of areas requiring attention

An understanding of the audited entity should enable the auditor to identify potential high-risk areas and suitably modify audit procedures and techniques: Given the complexity of transactions and refinement of audit methodologies across the globe, taking expenditure as the sole criterion is simplistic and unsophisticated. The broader definition of fraud risk should covers areas of specific concern to the Government Auditor, although potentially not having a material impact on the financial statements. Some of the common high risk areas (illustrative) are:

- contracts of service/procurement (for example, the fraud risk includes violation of prescribed law, and regulations concerning the procedures for inviting, receiving and processing of tenders, selection of bidders)
- inventory and / asset management;
- sanctions/clearances;
- programme management and performance management information;
- revenue receipts (for example, incorrect valuation of goods, inadmissible duty drawback claims, misuse of exemptions and notifications regarding refund claims, embezzlement through incorrect accounting of receipts, etc.)
- cash management
- expenditure on AC bills
- grants
- financial statements
- operating information (for example, the fraud risk includes overstatement/understatement of accomplishments, progress in meeting performance goals, number of citizens served, programme improvements, compliance with policies etc. irrespective of whether the possible fraud is related to the entity's financial statements)
- computerized environment
-

17.8 Audit Evidence

The auditors should clearly understand that the audit evidence obtained persuasive and not conclusive. Yet the evidence in case of suspected fraud and corruption ought to be closer to conclusive. While reporting all cases of suspected fraud or corruption, they should refrain from making any judgement regarding the existence of fraud or corruption but should suggest suspected fraud/corruption or presumptive fraud.

Fraud detection measures need to be built in the audit procedures, so that during the audit, the auditor can highlight a transaction for a possible fraud or identify such consistent system failures, which can lead to a fraud. Some of the checks, which could be applied to determine the red flag items during the course of audit, are illustrated below.

- a) examine the use of delegation of powers particularly in vulnerable areas;
- b) examine the effectiveness and adequacy of internal controls in various areas;
- c) check for collusion between the supplier and employees/ management;
- d) examine cases of misuse of financial powers;
- e) check for false statements and false claims: whether information presented to justify a transaction is incorrect and at the point of time when such information was presented, the person submitting the information had access to correct information;
- f) examine evidence for cartelization, split purchases, collusive bidding, over and under invoicing and making payments on the basis of false progress reports;
- g) check for loss of revenue due to evasion and/or non-accountal or receipt;
- h) examine for payment made for services / supplies not received;
- i) seek confirmation with other related parties;
- j) checking of cross-linking of documents for evidence of known wrongdoing; and
- k) cases of misclassification; etc.

17.9 Fraud specific internal controls

As regards fraud specific internal controls, there could be two types of such controls, viz., active internal controls and passive internal controls. Examples of active internal controls can be the following:

- (i) Signatures and document countersigning procedures;
- (ii) Segregation of duties and functions;
- (iii) Physical asset control;

- (iv) Real time inventory control;
- (v) Document matching and cross linking of documents.

17.10 IT Fraud

IT fraud could involve the manipulation of a computer or computer data by whatever method in order to dishonestly obtain money, property or some other advantage of value or to cause loss. IT frauds are committed by insiders, outsiders, vendors, competitors, etc. Such frauds are committed by manipulation of input, output or throughput of a computer system. Fraud can also be committed by hacking into the system for causing deliberate damage.

17.11 Role of Audit in relation to IT fraud

Collecting computer evidence requires careful planning and execution. Auditors should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence. The steps in prevention of frauds in computerized systems involve setting up of proper access controls both physical and logical. Physical access controls ensure against unauthorized access to computerized system and logical access controls prevent unauthorized access to data and software for its use and manipulation.

Increasing use of IT systems by audited entity requires that the auditor should have access to reliable and verifiable system-based audit trails to evaluate the internal control. Auditor has to be particularly aware of the audit trail, of the checks and balance of IT systems, of the levels of control and needs to also have a fair idea of how processing controls can be circumvented by the perpetrator of fraud and how data can be accessed and manipulated. In case of fraud involving use of computer systems, the audit personnel should also comply with the instructions on IT Audit issued by the IT Audit Wing of Headquarters Office and the C&AG's Manual of Standing Orders (Audit).

17.12 Reporting

17.12.1 Initial reporting

Reports of individual cases of suspected/presumptive fraud/corruption should be addressed confidentially, in the first instance, to the controlling authority concerned with the approval of Group Officers. Copies may simultaneously be sent confidentially to higher authority in cases that are regarded to be so grave or serious. In the case of Controlling Officer based audits, the report should be sent confidentially to the concerned

Controlling Officer (with a copy to the Chief Controlling Officer concerned) whereas in the case of DDO based audits, the report should be sent confidentially to the concerned DDO (with a copy to the Controlling Officer concerned). The situations/events that may be suggestive of fraud/ presumptive fraud should be highlighted in the inspection reports with a recommendation to the executive for detailed investigation and response. The report of the audit party should indicate inter alia the scope of audit, main findings, total amount involved, modus operandi of the suspected fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures (including changes in the systems and procedures) to safeguard against recurrence of fraud/serious financial irregularity. However, the term fraud or corruption may not be used in a conclusive sense unless such action is established in a court of law.

17.12.2 Reporting to Headquarters

The field offices should send half yearly reports on cases of suspected material fraud and corruption noticed by them to the Headquarters Office.

[Authority: CAG's Standing Order on role of audit in relation to cases of Fraud and Corruption, 2010]

17.13 Illustrative fraud and corruption in contracting for goods and services:

- a) Bribery and kickbacks - Money or any other form of reward or favour is exchanged between a public functionary and a provider of goods and services in order to obtain some benefit e.g. acceptance of substandard goods or obtaining unauthorized information.
- b) Changes in original Contracts - Changes are made in the original contract requiring flow of additional funds from the government to the contractor or supplier, which may affect the basis on which the contract was awarded to the contractor or supplier in the first instance. This may also involve front-loading of contract in the hope of increasing the price of the original contract through change orders or subsequent modification to the contract.
- c) Duplicate Payments - The contractor or supplier claims and receives payment for the same service or work done or goods supplied under the same or different contracts.

- d) Collusive or Cartel Bidding - Contractors or suppliers form cartels to fix artificially high prices of goods and services supplied by them.
- e) Conflict of interest - Contracts are awarded on the basis of vested interests of the decision makers.
- f) Defective Pricing - The contractor or supplier submits inflated invoices.
- g) False Invoices - The contractor or supplier submits invoices for goods that have not been delivered or do not properly represent the quantity or quality of goods and services supplied or work done as per contracted specifications.
- h) False Representations - The contractor falsifies the goods specifications or his ability to provide certain services.
- i) Splitting of Purchases - The purchases of goods and services are split either to avoid open competition or having to seek the approval of higher authority.
- j) Phantom Contractor - Purchases are made from a fake supplier or contractor.
- k) Pilferage of Public Assets - Public funds are used to acquire goods for personal use or public assets pilfered by officials.
- l) Tailored specifications – Specifications and time limits are manipulated to favor a certain contractor or supplier.
- m) Supply Orders - in excess of, or without establishment the requirement/ need and much ahead of the actual requirement.

[Authority: CAG's Standing Order on role of audit in relation to cases of Fraud and Corruption,2010]

17.14 Standing orders on role of audit

Standing orders on role of Audit of relation to cases of fraud and corruption – compliance of orders Headquarters' office vide letter dated 19.06.2006 had issued instructions on the above subject and requires that

- a) Accountant General/Principal/Director may require the audit party to provide a memorandum / certificate of Assurance, which should include inter-alia examination of issues relating to fraud and corruption and compliance with the provisions of this standing order and other applicable instructions to the Accountant General supported by detailed documents.

- b) Field offices should establish a database of fraud or corruption related issues for building a linkage across functional groups to identify flag items. The database should be reviewed by Accountant General every quarter for further strategy and direction to the field party.
- c) Cases of Fraud or Corruption etc. should be recorded along with cases of misappropriation, defalcation etc. in the objection book.
- d) Field office should arrange training of their officials at RCB&KI.
- e) Accountant General should develop sector specific guidelines/check lists to deal with cases of fraud and corruption in the audit of entries belonging to specific sectors viz. works, education, health etc. for guidance of field staff and furnish a copy of such guidelines/checklists to Director General (Audit).
- f) The field office should send half yearly reports on cases of suspected material/fraud and corruption noticed by them to the headquarters.

(U.O. No 201/Rep(C)/2011 dated November 2011)

CHAPTER XVIII

ENVIRONMENT AUDIT

18.1 Audit objective and scope:

The objectives of Environment Audit are to ensure that appropriate and adequate policies and procedures are in place and are duly complied with in order to achieve development without destruction of the environment and without foreclosing the options for future needs. The interests of industry and environment have, thus, to be mutually supportive.

The scope of Environment Audit would extend to examination of:

- i. environmental appraisal and impact assessment procedures in the Central Government for developmental activities;
- ii. the extent of compliance with the related Government legislation and regulations.
- iii. The effectiveness of waste minimization and pollution control programs and programs for the conservation and utilization of energy, water and other natural resources like flora, fauna, wild life, etc. The scope of audit would also extend to an examination of the environmental policies and initiatives of Government and of the measures taken to respect its international commitments in this sphere.

18.2 Audit Approach:

Environment Audit would be conducted within the broad framework of Regularity and Performance Audit.

18.3 Issues for audit scrutiny:

18.3.1 Environmental Impact Assessment (EIA)

The objectives of EIA are to identify and evaluate the potential benefits as well as adverse impact of development projects on the environmental and ecological systems. It is a useful aid for decision-making, based on an understanding of the environmental implications, including social, cultural and aesthetic concerns, which could be integrated with the cost-benefit analysis of the projects concerned.

The Ministry of Environment and Forests has made EIA mandatory in a Notification issued in January 1994 and amended in May 1994 in respect of twenty-nine specified categories of developmental activities, including industrial projects, thermal

power plants, mining activities, river valley and hydroelectric schemes, and infrastructure projects. In evaluating the EIA procedures, Audit will examine the following:

- i. Documents submitted by the project proponents which include:
 - a) Feasibility Reports.
 - b) Site clearance in respect of site-specific projects mentioned in the EIA Notification.
 - c) 'No Objection' certificates from the State Pollution Control Boards (SPCBs) and other local authorities.
 - d) Environment Impact Assessment Reports.
 - e) Environment Management Plans.
 - f) Risk Analysis and Emergency Preparedness Plans in the case of projects involving hazardous substances.
 - g) Rehabilitation Plans in respect of projects likely to lead to large scale displacement of the population, etc.
- ii. Minutes of meetings of Expert Appraisal Committees in the Ministry, along with Reports of their site visits with a view to ascertaining the adequacy and efficacy of the appraisal procedures in the Ministry.
- iii. Reports on public hearings, if any, held in respect of particularly controversial projects.
- iv. Adherence to prescribed time schedule for completing the impact assessment.
- v. Recommendations of Appraisal Committees forming the basis of environmental clearances and conditions attached thereto and deviations, if any there-from.

In terms of the EIA Notification, on commissioning of the projects, the project entities are required to submit half yearly reports of compliance with the conditions stipulated in the environment clearance. These are to be examined in the Ministry. The adequacy of the action taken in the Ministry on the compliance reports with particular reference to deficiencies, if any, and of the post-project monitoring by the Regional Offices located at Bangalore, Bhopal, Bhubhaneshwar, Chandigarh, Lucknow and Shillong should be examined in audit. Cases of non-compliance with the conditions subject to which environmental clearances are accorded are brought to the notice of the SPCB concerned, which may then initiate action against the defaulting entities. The action taken in this regard would also need to be reviewed in audit for possible comments.

18.3.2 Prevention and Control of Pollution

The Policy Statement for Abatement of Pollution issued by the Ministry of Environment and Forests in 1992 provides instruments in the form of legislation and regulation, fiscal incentives, voluntary agreements, educational programmes and information campaigns in order to prevent, control and reduce environmental pollution. Evaluation by Audit of the impact of various initiatives taken to prevent and control pollution will involve the following:

- a) Scrutiny of the Acts promulgated by the Central, State and Union Territory Governments to prevent and control pollution, with a view to critically examining their adequacy and efficacy in controlling or preventing pollution.
- b) Examination of the adequacy of the monitoring systems and mechanisms in the Ministry to ensure compliance with these Acts through the Central and State Pollution Control Boards.
- c) Review of monitoring by different monitoring stations of the Central and State Pollution Control Boards of air (including noise) and water quality status intended for ensuring adherence by industries to the prescribed emission and effluent standards.
- d) Polluting units seeking consent under the Water (Prevention and Control of Pollution) Act 1974, or the Air (Prevention and Control of Pollution) Act 1981, or both and authorization under the Hazardous Wastes (management and Handling Rules), 1989 are required to submit an Environment Statement to the SPCB concerned. Consents given by the SPCBs to establish and operate the polluting units and the adequacy of the arrangements for a regular review of these units by the Boards and of the action taken against defaulting units should be examined.
- e) The Central Pollution Control Board (CPCB) has identified 1,551 large and medium industries in 17 categories as highly polluting ones. SPCB & CPCB are also required to monitor compliance with the standards prescribed in this regard. The reports of these Boards should be scrutinized with a view to ascertaining the adequacy of the monitoring. Audit should also review in depth, from ECPA, VFM, or 3Es perspective, specific programs and projects, such as the Ganga Action Plan, Taj Protection Mission, Development and Promotion of Clean Technologies, Hazardous Substances Management, etc. implemented or under implementation by the Ministry for prevention and control of pollution.

18.4 Environmental Education, Training and Information:

The Ministry of Environment and Forests is involved in the organization and management of education plans and extensions activities in the fields of forestry, wildlife and environment through its institutes and autonomous bodies. The Ministry also established as Environment Information System (ENVIs) with centres located all over the country with the objectives of information collection, storage and dissemination to the user groups concerned in the fields of environment and wildlife and associated spheres. The achievement of the objectives envisaged under the program could also be ascertained.

18.5 International Co-operation

The Ministry is the nodal agency in the country for implementations of the initiatives taken by the United Nations Environment Program (UNEP) and the South Asia Cooperative Environment Program. It also functions as the Nodal Agency for participation in international agreement relating to the environment.

Hence Audit would examine various international agreements with a view to ascertaining whether the country's interests have been adequately safeguarded by these accords.

CHAPTER XIX

MANPOWER AUDIT

19.1 Introduction

The probe during organizational analysis should extend to examining whether proper distribution and clear demarcation of functional responsibilities exist among the personnel working in the entity and whether its staffing pattern conforms to the norms and standards prescribed for the purpose and has the competent authority's approval. During this probe, it may also be necessary to examine how far the norms adopted for assessing manpower requirements are realistic and how far the available manpower is utilized efficiently and effectively without any overlap of duties and responsibilities.

The scope of a system-based manpower audit and the nature of examination that can be undertaken are discussed in the subsequent paragraphs. The audit approach contained therein are aimed at streamlining the systems and procedures regulating control of manpower resources and to bring about suitable reforms where necessary. These are, however, not to be taken as comprehensive and must be adapted to suit local conditions. The spirit behind the systems audit of manpower is to suggest positive measures for the optimum utilization of the available human resources and to bring about organizational efficiency.

19.2 Audit approach:

The audit approach varies considerably among the audited entities and may involve examination of all aspects of human resource management within a department or within a branch or program of the department. The system based manpower audit in the office of each cadre controlling authority and in its subordinate offices will have to be supplemented by test check evaluating the efficiency, the efficiency and effectiveness of the actual functioning of the system and to ensure avoidance of overlap of functions and close co-ordination and their adequacy. Audit of manpower will involve examination of a number of aspects but mainly the following:

- i. the job analysis, job description and job specifications for various categories of posts;
- ii. methods and principles adopted for assessment of manpower requirements; norms/standards adopted for computation of requirements.
- iii. Norms/standards adopted for computation of requirements
- iv. allocation and actual deployment of manpower resources.

- v. control systems available for monitoring the efficient and effective utilization of human resources; and
- vi. Training and development of human resources.

System-based manpower audit will ordinarily be undertaken once in three years in each cadre controlling office.

19.3 Source documents:

The documents to be examined in the course of audit will include, inter alia

- Government instructions on procedures for computing manpower requirements, recruitment of personnel to different posts and the pay scales and other terms and conditions relating to the posts;
- files relating to assessment of manpower requirements;
- registers of sanctioned strength;
- statements of actual men-in-position;
- duty allocation registers;
- office manuals describing duties and responsibilities of various posts;
- delegation of powers;
- registers and bills relating to establishment expenditure, etc.

19.4 Issues for audit scrutiny

19.4.1 Job analysis

Job analysis is an analytical examination of a work assignment. It is the process of collecting information about, and analyzing, duties, responsibilities and the conditions of work involved in the job, its inter-relationship with other work assignments and the qualifications necessary for its performance.

19.4.2 Job description

Based on the job analysis, a written statement is prepared outlining the specific duties, responsibilities and organizational relationship that constitute a given job and the conditions of work involved in, and the qualification necessary for, performing the job.

19.4.3 Job specification

The job specification is primarily intended for emphasizing and detailing the personal characteristics required for satisfactory performance of the job. Efficient personnel

management requires that an organization's current and future manpower needs should be determined in terms of both quantity and quality.

19.4.4 Audit examination

The techniques of job analysis, job description and job specifications are extensively used in manpower planning and development for specifying the nature and requirements of a job or a group of jobs, selection and placement of personnel and for job evaluation and are useful in identifying and assessing the training needs of different categories of personnel and in formulating the objectives and design of a training program.

It should be examined during audit that:

- i) arrangements for applying these techniques are sound and effectively managed;
- ii) job descriptions and job specifications are maintained up to date and correspond accurately to current job requirements, and all jobs are periodically reviewed with a view to revising their descriptions and specifications in conformity with the changes in organizational objectives, job content and job context;
- iii) job descriptions and job specification are precise and clear so as not to give for any ambiguity or misconstruction; and
- iv) there is no overlapping of duties and responsibility assigned to different jobs.

19.5 Assessment of Manpower requirement:

Manpower requirements are forecast on the basis of:

- i. opinions of different supervisory or controlling officers within the department; or
- ii. projection of past trends using statistical techniques like extrapolation, regression, correlation, etc., or
- iii. standard formulae devised with reference to the results of work study, job descriptions, specifications, etc.,
- iv. measures of productivity.

19.6 Audit of the system of Manpower requirement:

The following should be examined in auditing the systems for forecasting manpower requirements:

- i. The extent to which the projections of manpower requirements correspond to the numbers, levels and skills of personnel required for the objectives set forth and the work load based on those objectives.;
- ii. Whether the objectives in question continue to be relevant and appropriate for the Department. If not, whether appropriate reductions are reflected in the manpower forecasts;
- iii. Are there standard departmental procedures and standard formula for manpower forecasts and whether they are adequate?
- iv. In the event of changes in the organizational pattern of the Department or changes in policy, corresponding changes in manpower estimate are reflected;
- v. The evidence, such as workload at current levels, additional posts for future expansion programs, etc., are available to support the forecasts and their reliability;
- vi. Extent to which the standard formulae prescribed for different processes of work have been applied in the computation of manpower requirements; and, in case standard formulae have not been evolved, the reasonableness and fairness of the principles adopted for computation.
- vii. Extent to which introduction of computers, electronic data processing, photocopying machines and similar technological improvements have made a difference to the standards and forecasting of manpower requirements.
- viii. Soundness of the procedures prescribed for translating manpower estimates into cash estimates.

19.6.1 Audit analysis of the system of allocation and regulation of manpower resources

In analyzing the system of allocation and regulation of manpower resources, it should be examined whether:

- a) changes in work load that have taken place since the preparation of the initial estimates have been taken into account while allocating the manpower resources;
- b) the cuts imposed in allocations have a proper basis and take care of the priorities laid down for regulation of manpower resources;
- c) the reductions made in the manpower estimates have been correspondingly reflected in the cash estimates and vice versa,

- d) the supply of man-power is insufficient to meet the demands, is it due to absence of or deficiency in the system of supply forecasting and lack of proper policy and planning of the various means of supply like recruitment and promotion, leading to adverse effects on work;
- e) sound procedures have been prescribed for engaging substitutes on a casual basis or for payment of additional remuneration like overtime allowances or honorarium to tide over shortfalls in availability of manpower resources;
- f) Where some reserve is kept in distribution of the man-power allocations, how is it ultimately utilized; and
- g) How the actual deployment of manpower compares with the allocations made.

19.7 Work measurement:

Work measurement is a vital necessity and forms the basis for comparison or control of the organization's capacity, efficiency, economy or relative accomplishment, and involves the following broad steps:

- selection of a specific work for study;
- compilation of relevant information in regard to nature of personnel and of their duties and responsibilities, working conditions, the sequence of actual performance of various items in the total range work and individual elements in cash component etc.,
- critical examination of the recorded work breakdown after separating unnecessary, avoidable and non-productive elements, to ascertain the best method of doing the work;
- assessment of the time involved in each necessary element with reference to the most appropriate technique for the situation;
- determination of time allowances to cater to requirement of relaxation, personal needs, contingencies, etc., and
- computation of the standard time required for each operation which will include the measured time and permissible time allowances.

An independent agency called the Staff Inspection Unit is generally constituted not only to prescribe norms but also to periodically review the actual functioning of offices to ensure that:

- manpower sanctioned for a particular purpose is utilized for that very purpose;

- redundant and profitless activities are eliminated; and
- work methods are simplified so as to effect economies in manpower without sacrificing efficiency.

19.8 Control of manpower

In auditing manpower control systems, it should be examined whether:

- there exists a separate branch or section for coordinating and controlling departmental manpower with a clear demarcation of its role and responsibilities;
- the manpower branch critically examines all demands for manpower taking into account the work norms, the recommendations of the O&M Unit, the Staff Inspection Unit, etc.,
- the utilization of manpower resources is monitored;
- steps have been taken to provide training so as to impart to the staff the latest information and techniques relevant for their job requirements; and
- arrangements exist to correlate the utilization of manpower resources with achievements of targets and goals.

19.9 Training of manpower:

In evaluating an organization's performance, it may be determined whether

- i. short-term and long-term training plans were formulated and training courses designed only after assessing the needs;
- ii. programmes developed for training of personnel are job and development oriented;
- iii. the training function is balanced and cost effective;
- iv. an inventory of personnel trained in various disciplines is maintained so as to ensure the optimum use of the training imparted to them; and
- v. the organization has a system for a periodical review and revision of training courses through classroom evaluation, evaluation by participants and post-training evaluation.

19.10 Use of computerized database

A computerized database may be prepared from the information in respect of various cadres in an office received while conducting audit. This database can be used effectively for manpower audit. Comparison of the data relating to the sanctioned strength in various cadres of an audited entity with that relating to the men-in-position will facilitate to understand the staffing pattern of the unit in its entirety. It will be possible to examine

whether the staffing pattern itself is commensurate with the department's mandate, objectives and programmes. Based on an examination of the database, at least five percent of the major and medium DDOs may be selected for local audit subject to availability of manpower and audit plan approved by the D.G.A (C).

[Source: Chapter 21 of MSO (Audit) 2nd edition 2002]

CHAPTER XX

AUDITING IN AN IT ENVIRONMENT

20.1 Introduction

In order to enhance efficiency and effectiveness in their functioning and delivery of various public services, Governments and other public sector entities have continuously adopted IT system. As organizations increasingly rely on complex IT systems for their operations, and for public deliveries, the scope and importance of IT audits have grown significantly. Auditing in an IT environment involves systematically examining an organization's information technology systems, infrastructure, policies, and procedures to ensure their effectiveness, security, and compliance.

20.2 Audit of IT Systems and IT-assisted audits:

Audits in an IT environment cover either or both of the following:

(i) Audit of IT systems or 'IT Audits':

Audit of IT systems is the process of deriving assurance on whether the development, implementation and maintenance of IT systems meets organizational goals, safeguards information assets and maintains data integrity. In other words, it is an examination of the implementation of IT systems and IT controls to ensure that the systems meet the organisation's business needs without compromising security, privacy, cost, and other critical business elements. It crucially also determines areas such as whether, and to what extent, the data can be relied upon as a single source of truth, for purposes of audit. An IT audit is a comprehensive evaluation of an organization's IT systems and processes. The primary objectives are to:

- Assess the effectiveness of internal controls
- Identify vulnerabilities or weaknesses
- Ensure compliance with regulations and standards
- Support confidentiality, integrity, and availability of information

IT audits help organizations align IT resources with business objectives, safeguard sensitive data, and mitigate risks to enhance reliability and performance

(ii) IT-assisted audits:

This is different from audit of IT systems (IT audits). Financial, compliance or performance audits (or combined audits) using various IT tools for supporting the achievement of the audit objectives – also referred to as “IT- assisted audits”. Thus, in present technological advancement, where each and every organization uses some kind of IT system, maintains organizational and transactional data in electronic forms, the IT assisted audit become inevitably part of all type of Audit.

20.3 IT Audit assurance

IT Audit: It seeks assurance that

i) There is sufficient safeguards of the IT resources.

IT resource are-

- IT Applications –automated systems, as well as the associated manual procedures.
- Information – data (in all forms) input, processed and output by the IT systems
- Infrastructure- Technology and facilities (hardware, system software, networking, environment etc.) that enables the processing of the IT applications
- People: Who are managing IT system and engaged in IT system.

(ii) There is adequacy of controls:

Controls are the policies, procedures, practices and organisational structures designed to provide reasonable assurance that organisational/ business objectives will be achieved and undesired events will be prevented or detected and corrected. Controls may be either manual or programmed/ automated. Adequacy of controls (i.e. whether they are properly designed) and effectiveness of controls (i.e. whether they are functioning as planned) are both important.

(iii) Requisite IT security management systems is in place :

An Information Security Management System (ISMS) consists of the policies, procedures, guidelines and associated resources and activities, collectively managed by an organization in the pursuit of protecting its information assets.

(iv) End-to-end processes for management of enterprise IT :

End-to-end processes for IT Management cover planning, organizing, acquisition, implementation, delivery, support, monitoring and evaluation of information systems and

services. These could be categorized into the IT domains such as Plan & organize; Acquire & Implement; Deliver & Support; Monitor & Evaluate;

20.4 Objectives of IT Audit

The objectives of IT audit include assessment and evaluation of processes that

- a) Ensures asset safeguarding –‘assets’ which include the following five types of assets:
 - i. Data- Data objects in their widest sense, i.e., external and internal, structured and nonstructured, graphics, sound, system documentation etc.
 - ii. Application Systems- Application system is understood to be the sum of manual and programmed procedures.
 - iii. Technology- Technology covers hardware, operating systems, database management systems, networking, multimedia, etc.
 - iv. Facilities- Resources to house and support information systems, supplies etc.
 - v. People- Staff skills, awareness and productivity to plan, organize, acquire, deliver, support and monitor information systems and services
- (b) Ensures that the following seven attributes of data or information are maintained.
 - i. Effectiveness - deals with information being relevant and pertinent to the business process as well as being delivered in a timely, correct, consistent and usable manner. Deals with System effectiveness – evaluating whether the IT system meets the overall objectives of top management and users.
 - ii. Efficiency - concerns the provision of information through the optimal (most productive and economical) usage of resources. Deals with System efficiency – efficient systems use optimum resources to achieve the required objectives
 - iii. Confidentiality - concerns protection of sensitive information from unauthorized disclosure.
 - iv. Integrity - relates to the accuracy and completeness of information as well as to its validity in accordance with the business' set of values and expectations.
 - v. Availability - relates to information being available when required by the business process, and hence also concerns the safeguarding of resources.
 - vi. Compliance - deals with complying with those laws, regulations and contractual arrangements to which the business process is subject; i.e., externally imposed business criteria. This essentially means that systems need to operate within the ambit of rules, regulations and/or conditions of the organisation. For example, an

FIR to be filed normally requires signature of the complainant as per rules, and needs to be reengineered by changing the rules to permit web based complaints. Similarly, banking operations will have to conform to the banking regulations and legislation. It is also the duty of the IT Auditor to see that the work practices are in tune with the laws of the land such as the IT Act promulgated by the Government of India.

- vii. Reliability of information - relates to systems providing management with appropriate information for it to use in operating the entity, in providing financial reporting to users of the financial information, and in providing information for reporting to the regulatory bodies regarding compliance with laws and regulations

Thus, IT Audit is all about examining whether the IT processes and IT Resources combine together to fulfill the intended objectives of the organization to ensure Effectiveness, Efficiency and Economy in its operations while complying with the extant rules.

20.5 Audit of IT Systems – Principles and Considerations:

Important principles and considerations with regard to audit of IT Systems at different stages of the IT Systems Lifecycle are as follows:

- i. Audit of Planning and Organization for IT
- ii. Audit of Acquisition and Implementation of IT Systems
- iii. Audit of Delivery & Support of IT Systems
- iv. Audit of Monitoring and Evaluation for IT
- v. Special Focus Areas
 - Audit of Application Controls such as Input Controls, Processing Controls, Output Controls, Application Security Controls,
 - Substantive testing, as part of detailed testing of application controls,
 - Audit of IT Security
 - Audit of IT Outsourcing

20.6 Processes for Audit of IT Systems

- (i) “Auditability” and Information on IT Systems of Audited Entities :
- (ii) Applicability to financial, compliance and performance audits
- (iii) Risk-based approach to planning

(iv) Requirement for access to audited entity's data

(v) Audit Execution

(vi) Audit Reporting

20.7 Mandate for IT Audit

The mandate of SAI India for IT audit is derived from the Constitution of India and established under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service), Act 1971. The mandate of CAG of India for Systems Audit is governed under Sections 13, 14, 16, 17, 18, 19 and 20, as the case may be, read with Section 23 of this Act.

[For more detailed instruction on conduct of IT Audit the Standing Order on Auditing in an Information Technology (IT) environment issued vide No. 94117-PPGI2019 Date: 06.08.2020 may be referred to.]

20.8 IT assisted audits:

IT assisted audits involve the use of various IT tools including, but not limited to, traditional data analysis tools (also referred to as Computer Assisted Audit Techniques (CAATs)) and data analytics/ big data analytics for supporting the achievement of the audit objectives. Such analysis or analytics is applied on data provided by the auditable entity, which may be available in a variety of structures and formats, as well as external or third party data. Traditional data inquiry and analysis tools (typical CAATs) usually involve exception-based queries. Going beyond such exception-based queries, data analytics is the application of data science approaches to gain insights from data. It involves a sequence of steps starting from collection of data, preparing the data and then applying various data analytic techniques to obtain relevant insights. The insights include, but are not limited to, trends, patterns, deviations, inconsistencies, and relationships among data elements identified through analysis, modelling or visualization, which can be used while planning and conducting audits. Data analytics or big data analytics, in the context of audit, could also involve creating a risk score for individual transactions (based on static or dynamic parameters and with or without use of Machine Learning or Deep Learning). Depending on the gaps in automation, the level of offline documentation, and the adequacy and effectiveness of controls, the reliability of findings through data analysis/ analytics may need to be validated through field examination and verification of a sample of cases.

For more details on data analytics, CAG's guideline issued in 2017 may be referred to :

<https://cag.gov.in/uploads/guidelines/Guidelines-on-Data-Analytics-book-05de4f7fd52e565-67820093.pdf>

CHAPTER XXI

AUDIT OF PAOs AND DDOs

21.1 Procedure for arranging payments, compilation of accounts

Consequent upon separation of accounts from audit, Secretaries of the Ministries/ Departments concerned have been declared as the Chief Accounting Authorities for their respective Ministries/Departments. The Financial Advisor, for and on behalf of Chief Accounting Authorities is responsible for:

- i. Arranging all payments through the Pay and Account Officer/Principal Accounts Offices/Cheque Drawing DDOs.
- ii. Compilation and consolidation of accounts.
- iii. Arranging internal inspection of pay and accounts records maintained by the various sub- Ordinate formations and pay and accounts offices of the departments.

The detailed procedure for arranging payments, compilation of accounts, the scope and extent of pre-checks and post-checks to be exercised by the PAOs has been laid down in the Civil Accounts Manual issued by the Ministry of Finance, Department of Expenditure, Controller General of Accounts.

21.2 Procedure of payment under departmentalized system of accounting

Under the departmentalized system of accounting all payments are as a general rule made by the Pay & Accounts Office after cent percent pre-check except in cases of bills paid by Drawing and Disbursing Offices with cheque drawing powers under the power vested in them. In the latter case, the Drawing, Disbursing officers render accounts, duly supported by vouchers, to the Pay and Accounts Officers who then exercise post-checks. The scope and extent of pre-check and post-check by the Pay and Accounts officers (PAOs) have been laid down in chapter-IV of the Civil Accounts Manual.

21.3 Statutory Audit.

This office is responsible for the statutory audit of the payments and accounting work dealt with by these Pay & Accounts offices and Cheque Drawing Offices. The local audit of Pay and Accounts Offices and Drawing and Disbursing Officers with Cheque Drawing powers should be conducted by sending peripatetic parties.

21.4 Duration of audit

The duration of audit of Pay and Accounts offices should be fixed at 10 to 12 days and that of Drawing and Disbursing officer with cheque drawing powers at 3 to 5 days according to the nature and value of transactions.

21.5 Periodicity

The periodicity of audit of pay and accounts offices should be annual.

21.6 Quantum of check.

The quantum of checks as prescribed in Annexure to C&AG's secret letter no.943/IAI/147-81 dated 14-08-81 should be adhered to by all local audit parties while conducting the audit of Pay and Accounts Offices and Drawing & Disbursing Officers with cheque drawing powers.

21.7 Composition of Audit Parties

The existing compositions of audit parties is a double AAO party for audit of pay and accounts office and single AAO party for audit of Drawing and Disbursing office with cheque drawing powers. The supervision by Sr. Audit Officer may be 50%.

21.8 Scope of Audit

The local audit of Pay and Accounts Offices and Drawing and Disbursing Offices with cheque drawing powers should be directed towards testing the adequacy and efficiency of internal check and checking the efficiency and effectiveness of the working of systems.

21.9 Conduct of Audit

The local audit party should conduct a general review of all accounts records maintained by the Pay and Accounts Officer/Drawing and Disbursing Officer since last inspection or, in the case of new units since the formation of the office to ensure that instructions contained in the Civil Accounts Manual are being followed and that accounts compiled by them on the basis of the said instructions are correct.

21.9.1 PFMS

PFMS has been providing a robust IT platform for more effective cash management in the Gol through "Just in time" transfer of funds and complete tracking of realization of funds from its release to its credit into the bank account of intended beneficiaries.

It has established an interface with financial management system of states, banks and other external systems.

System Based checks:

- (i) To identify Duplicate payment / transactions.
- (ii) To check Mismatch in beneficiary details through Aadhar based verification or any other mechanisms.
- (iii) Transaction check for Payments exceeding predefined limits.
- (iv) To check Whether Funds have been used for intended purpose. Ensuring that expenditure matches approved allocations.

Compliance & Documentation Checks:

- (i) Sanction order
- (ii) Whether proper approvals and sanctions are in place.
- (iii) Budget availability
- (iv) Whether funds are available before sanctioning of payments.
- (v) Compliance to GST & TDS norms/regulations

Reconciliation checks:

- (i) Ensuring transactions recorded in PFMS match with actual bank statements.

Samarth portal:

It is an e-governance platform that helps Universities and Higher Education Institutions (HEIs) to manage their operations.

It is designed to streamline processes like admissions, examinations, payroll, leave, resources, affiliation process and improves automatic operations.

- i) Whether affiliation process for universities done as per norms of MOE/UGC.
- ii) Whether Role based access control was implemented on in the portal so as to ensure the usage of portal by authorised users.
- iii) Whether student related issues are accessed by University or HEIs.
- iv) Whether Higher Educational Institutes/Universities have been integrated with the portal.

21.9.2 Treasury Single Account (TSA)

TSA is a government policy that consolidates all government funds into a single bank account. This helps Governments to manage their cash resources and improve cash flow.

(i) Adherence to SOPs as specified by CGA (Controller General of Accounts) during migration process.

(ii) Whether Autonomous bodies and sub–Autonomous Bodies have opened assignment accounts with RBI through PAO as part of TSA system.

(iii) Compliance to CGA guidelines in operation of such accounts.

(iv) Funds flow directly from the Consolidated fund of India to vendors or beneficiaries. It should be checked whether this mechanism is functioning as intended minimising idle funds ensuring timely payments.

(v) To ensure reconciliation processes between departmental figures and treasury records.

21.10 Checks and Review

21.10.1 Checks generally to be applied

The checks which generally to be exercised may be grouped under the following categories:

i) checks to be exercised in the transactions relating to the month/months selected.

ii) checks to be exercised in respect of cases and records covering the period since last inspection.

iii) checks to be exercised for examining the efficiency of the working of Internal Audit Units.

iv) review of control records.

21.10.2 Checks to be applied on transactions relating to the month selected.

Required percentage as prescribed by the HQs Office from time to time for selected months should be exercised. Vouchers in respect of all the items as detailed in Annexure to CAG's letter No.943-TAI/147-81 dt. 14.08.81 and also in the title sheet should be checked in detail.

21.10.3 Extent of checks to be exercised

Sl. No.	Checks	Extent
1.	Final payment of Provident Fund	Prescribed percentage of cases finalized up to tracing of payments of
2.	Scrutiny of accounts/ compilation Payments/records	A critical review of the records right from compilation (Receipts & Payments) and other records connected with Payments should be required to be maintained are kept properly.
3.	Periodical accounts adjustments	Correctness of all adjustments should be checked.
4.	Bank Reconciliation	To check that the Bank Reconciliation has been done for the month and the outstanding analyzed & explained.

21.10.4 Checks to be exercised for examining the efficiency of Internal Audit Units:

- i) Critical review of the reports of the Internal Audit Units to see that no serious financial irregularities in the accounting procedure have escaped their detection. The guidelines for Internal Audit of the Departmental Accounting Organization issued by the Controller General of Accounts, as contained in chapter XII of the Civil Accounts Manual may be kept in view.
- ii) Review of the adequacy of the action taken by the PAO for remedying the defects pointed out by the Internal Audit Units.

21.10.5 General Review of control to be done once in three years

Besides ensuring that the under mentioned registers and records are maintained according to the instructions contained in the Civil Accounts Manual issued by Ministry of Finance (Department of expenditure) CAG Instructions under the departmentalized accounting system, the extent and frequency of control and checks exercised by the PAO should be looked into for their adequacy.

- Stock register of Cheque Books and accounts of Cheque Forms.
- Check register of outstanding pre-check Cheques.
- Register of insufficient or otherwise irregular sanctions.

- Objection Book and Adjustment register.
- Register of final post check of pre-check bills.
- Register of R. B. Project.
- Register of P.S.B. Suspense.
- Register of Inward claims.
- Register of outside claims.
- Appropriation Audit Register.
- Expenditure Control Register.
- Broad sheet of Provident Fund, Register of un-posted items.
- Register of Broadsheet of long term advances to Govt. servants.
- Broadsheet of PAO Suspense (Receipts & Payments).

(HQs letter No. 943-TAI-/147-81 dt 14.08.81)

21.10.6 While the annual audit of Pay & Accounts Offices can take care of the first three categories referred above, a horizontal inspection for a critical review of all the central records in the Pay & Accounts Offices under each ministry may be undertaken with advantage once in three years for an in-depth examination.

21.10.7 Where an internal audit is in vogue, our audit should be limited to systems and controls and the less of individual transactions audit. Check of certain records like service book, Gr. 'D' Provident Fund Account, Telephone registers, Log books, Library register, overtime bill, liveries accounts etc. can be safely and finally left to the Internal Audit Organisation. These records may, however, be subjected to general review.

[CAG's D.O. Letter No. 181-O&M/35-81 dtd 4-3-81]

21.11 The Drawing & Disbursing Officers with cheque drawing powers act on behalf of pay and accounts officers in discharge of their functions. The paid folios (cheques) and original vouchers are with the pay and accounts office concerned. The local audit of these officers (DDO) may be confined to the following:

- a. Verification of correctness of amounts drawn and shown in the pay bill registers or office copies of the paid vouchers for the selected months with the amounts noted in the office copy of the vouchers.
- b. Verification of the entries in the cash book and other relevant records with reference to amounts noted in the office copies of the vouchers.

- c. Verification of the entries relating to the paid cheques in the copies of the Bank scrolls received by the DDOs from the Bankers with the amounts noted on the counterfoils.
- d. Check of other accounts records maintained by the DDOs with cheque drawing powers.

21.12 Guidelines for audit of pension cases and vouchers in the offices of the PAOs and DDOs

- a) Checks to be exercised in the Offices of DDO
 - i. The statement of service should be checked with reference to service books. It is to be seen that each year of service has been duly verified. In cases where a portion of service has been admitted on the basis of statement of the Govt. servant in the absence of proper records of service, the service has been admitted after taking into account the evidences produced by the Govt. servant and the evidences are such which could be relied upon.
 - ii. Statement of leave should be checked with reference to the service books.
 - iii. In case of retiring Govt. servant who was on Foreign Service the period of service should be checked from the particulars available in the service book. The Foreign Service contribution has been recovered and credited to the proper head.
 - iv. The amount of pension and gratuity has been worked out correctly with reference to last pay and grade pay drawn.
 - v. A note regarding the issue of authorities for payment of retiring benefits has been kept in the service book in order to avoid double claim.
 - vi. Date of retirement/death as shown in the pension papers tallies with those shown in the service book.
 - vii. The claims of gratuity or family pension under CCS (Pension) Rules have been settled in accordance with nominations obtained from Govt. servants.
 - viii. The cases of provisional pension/gratuity, the qualifying years of service and emoluments qualifying for pension are correct in accordance with the information available in office records and the information obtained from the retiring Govt. servants.
 - ix. The amounts of provisional pension and gratuity have been worked out correctly.
 - x. The provisional pension has been sanctioned for period not exceeding 6 months from the date of retirement.
 - xi. 10% of the gratuity or ₹ 1000/- whichever is less has been withheld from the provisional gratuity sanctioned under Rule 64(4)(a)(ii) of CCS (pension) Rules.

- xii. The amounts recoverable from Provisional gratuity under sub rule (1) of Rule 63 have been shown in the sanction letter.
 - xiii. The amounts of provisional family pension and gratuity have been worked out correctly.
- b) Checks to be exercised in the offices of the PAO
- i) The amounts of pension and gratuity have been worked out correctly.
 - ii) The amount of graded relief has been correctly allowed.
 - iii) The amounts of pension and graded relief have been rounded off as per instructions on the subject.
 - iv) Death gratuity in the absence of any valid nomination has been authorized to the legal heir/ family members duly supported by legal document.
 - v) The apportionment of the charge between the central and state govt. has been indicated invariably in the pension report and the correct heads of account have been shown on the pension payment order.
 - vi) Pension payments have been authorized strictly on terms stated and to the pension named in the pension papers.
 - vii) It is to be seen that in cases where there are unassessed dues, 10% of the gratuity have been withheld from gratuity/provisional gratuity.
 - viii) The dues are assessed including those which came to notice subsequently and which remain outstanding till the date of retirement of the Govt. servant have been adjusted from gratuity/ provisional gratuity.
 - ix) The period for which family pension is admissible has been clearly worked out with reference to date of birth of children and has correctly been mentioned in the authority.
 - x) In addition to these broad checks, the local audit party may see that the records, like registers etc. have been maintained properly.

[CAG's circular no. 86-TA-II/1982 dtd 3-11-82]

21.13 Compilation of results of audit.

The result of each local audit should be complied with and sent to OAD HQs in an Inspection Report along with required Title Sheet and Audit Certificate in Annexure-4 as referred to in Annexure I to chapter 16 of C&AG's MSO (Audit) 2002. DIR/SAR alongwith title sheet, top sheet etc. should be kept in a separate file.

(OAD/Circular/20t8-19 / 473 dated 16.11.18)

Save as provided in this chapter the general principles and processes of audit as detailed in other chapters of this manual also apply mutatis mutandis in the audit of pay and accounts offices and cheque drawing DDOs.

Audit comments/findings should be communicated to the office of the Director General of Audit, Central Expenditure, not later than 15th September of each year.

(DGACR Circular No. R-II/2-3/Misc./2009-10/4 dt. 30.04.2009)

CHAPTER XXII

AUDIT OF PPP IN INFRASTRUCTURE PROJECTS

22.1 Introduction

Public Private Partnership (PPP) offers a unique and innovative method of involving the private sector in the nation building activity and in accelerating the delivery of public goods and services of high quality through joint enterprises. In order to sustain the high annual growth rate, the investments in the infrastructure sector will have to be of massive proportions, which is impossible for the public sector to meet in view of its limited capability for additions capital mobilization. The shortfall of the estimated total requirements will have to be met by seeking active private sector involvement in the development of the infrastructure sector. PPP will be an attractive option in meeting this challenge.

22.2 Audit access to records of the private concessionaire

The Supreme Court judgment (17 April 2014) has allowed audit access to records of the private concessionaire in revenue share contracts to ensure that there is no ‘unlawful gain’ to the private concessionaire and no ‘unlawful loss’ to the Government/ public entity. This has expanded the audit access and the PPG group has issued a guidance note (4 July 2014) which lays down the audit protocol in such cases of revenue share PPP arrangements where the records of the private partner can be directly accessed.

(Para 4.2 of Guidance note on-“Compliance audit of Public Private Partnership arrangements”), Reference No: 727 /16-PPG/2016 Dated: August 24, 2016)

22.3 Meaning of PPP

According to the Secretariat for the Committee on Infrastructure, Government of India, PPP means a project based on contract or concession agreement between a government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges”.

22.4 Types of PPP

Broadly, PPPs could be categorized into Institutionalized PPPs and Contractual PPPs. Institutional PPPs are usually a joint venture (JV) between public and private sector stakeholders to carry out PPP projects. On the other hand, contractual PPPs fall under the concession model, in which case a facility is given by the public sector unit concerned to

a private sector partner which usually designs, constructs and operates the PPP project for a given period of time. Under both the categories the users pay for the facility availed and such charges accrue to the JV or the private sector partner.

22.5 GOI scheme for Financial Support to PPPs in Infrastructure

Under the Government of India scheme for Financial Support to PPPs in Infrastructure, however, the eligibility for the support is available for only the following sectors:

- a) Roads and bridges, railways, seaports, airports, inland waterways;
- b) Power.
- c) Urban transport, water supply, sewerages, solid waste management, and other physical infrastructure in urban areas;
- d) Infrastructure projects in special economic zones; and International Convention Centres and other tourism infrastructure projects.

22.6 Scope of Audit

The scope of the public audit will include a verification of the PPP arrangement to ensure that the public sector agency has effectively put in place a sound system to oversee the efficiency and competence of the project implementation including construction, quality management, compliance with contractual conditions, and integrity of the provision of the targeted public service strictly in terms of the established norms and contract conditions. The scope of audit will also extend to the following:

- a) Actual volume of demand (viz., traffic) and revenue generation (including from commercial developments) against the projected flow and the arrangements to monitor the trend periodically.
- b) System to verify the accuracy and reliability of reporting the results.
- c) Economy in the cost of operations and avoiding “padding” of costs, revenue sharing arrangements.
- d) Need to re-adjust the contract period in case the Rate of Return (ROR) is higher than was projected.
- e) Quality and consistency of service at affordable cost to the users at large etc.
- f) Any other related issues which may be project specific.

22.7 Objectives of the PPP Audit

The basic objective of public audit is to ‘provide unbiased, objective assessment of whether public resources are responsibly and effectively managed to achieve the intended results. Auditors, through their evaluation, (should) help the government organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders.

22.8 Documents to be audited

PPP projects go through various stages before they take shape and provide the targeted results. The auditor should verify all such stages and list out the data and documentation applicable to each stage, depending on the status of the project under audit.

Most records relating to the project and due for audit would be available with the government department/public sector agency. These would include the original files and records on formulation, appraisal, bid evaluation and approval of the project, as also various contracts and agreements

22.9 Audit Checks

a) The most important checks to be exercised in a PPP project will include the scrutiny of the initial records in the government agency concerned so as to ensure that the decision to adapt the PPP route was fair and reasonable and was taken after considering all alternatives. The feasibility of the project including demand assessments and projections, the comparative benefit of executing the project departmentally or outright contracting (wherever relevant feasible), detailed specifications arising from the Detailed Project Report, total project cost and operating costs, financing alternatives, financial analysis of funding options, appraisal of the project proposal by empowered ministries, method of determining the concession and viability gap funding, if any, payment of annuity or revenue sharing arrangements etc. would be crucial for audit scrutiny.

b) All documents relating to the tendering procedures, award of tenders, tender conditions and processes, engagement of independent Engineers and Auditors to oversee the construction and operation management, asset transfers, valuation of assets and all related information, which would provide adequate information regarding the execution of the project.

c) Another important set of documents to be checked would be the returns relating to the volume of demand / traffic generation against projections, revenue realization, escrow account details, and periodical accounts statements etc. required to be furnished by the operating partner, after completion of the project.

22.10 Mandate

22.10.1 Provisions of DPC Act and Regulation of Audit and Accounts

Under the Act, and as incorporated in the Regulations of Audit and Accounts (2020), the audit mandate of the C&AG of India will extend to all types of (promoting) public institutions, namely, government departments (as the sole auditor of the accounts of the Union and States), PSUs (in terms of the Companies Act), and to bodies and authorities etc. (as provided under the Act). The Act however does not directly contemplate the audit of PPP projects or joint ventures with only minority participation by the government agency since these are recent innovations under the development strategy. Under the circumstances, the public auditor shall have to confine his audit to the data, records and documents in the possession of the government department, PSU or autonomous

body which is the public sector partner of the PPP arrangement, and rely on it for additional information, as is required to fulfill his tasks.

22.10.2 Audit of PPP on request from the President of India or Governor of a State to the requests the C&AG

The exception would appear to be when the President or the Governor of a State requests the C&AG to undertake the audit of a PPP organization in terms of Section 20 of the Act. To recall, under Section 20(1) of the Act, the President or the Governor may entrust the audit of accounts of anybody or authority, the audit of which has not been entrusted to the C&AG by or under any law, after consultation with the former, and on such terms and conditions that may be mutually agreed upon. Similarly, under Section 20(3) of the Act, the C&AG may propose to the President or to the Governor that he may be authorized to undertake the audit of accounts of a body or authority, the audit of which has not been entrusted to him by law, if he is of the opinion that such audit is necessary because a substantial amount has been invested in or advanced to that body or authority by the Government, and the President or the Governor may empower the C&AG to take up the same. The above two sections are however qualified by Section 20(3) *ibid* to provide that in both cases, the President or the Governor must be satisfied that it is

expedient to do so in public interest, and after giving reasonable opportunity to the body or authority to make representations with regard to the proposals for such audit.

22.11 Audit Methodology

The methodology for PPP audit will have to be devised to suit the requirements of the individual projects under scrutiny. Basically, however, the following common approach to audit will form the basis of all PPP audits.

- a) Detailed scrutiny of project documents starting from the conceptual stage to the formulation and approval stage.
- b) Verifying the legal and contractual obligations arising from the several contracts and agreements entered into between the parties.
- c) Review of financial modeling to test the feasibility and justifications for the grant of concessions, testing revenue generation using quantitative techniques.
- d) Assessment of the transparency and integrity of the bidding process.

22.12 Audit Findings

As is generally accepted, the contents of an audit report should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence, and be independent, objective fair, complete, accurate, constructive and concise. Since the objective of audit is not to audit the private partner as such, but to verify primarily the value for public money, the focus of the audit reports will be the review of end results rather than the how of achieving them.

22.13 Audit Recommendations

Substantial care must be taken in framing the audit recommendations to be included in PPP audit reports. Recommendations, if included in the report, should be specific and precise and to the point. The effort should be to report on the lessons learnt rather than fault findings. Though there may be no occasion to comment on the PPP policy as such, the impact of the policy on the project development and management and on the user community may be highlighted in appropriate cases with supporting evidence.

[Further Reference: (i) Public Auditing Guidelines for PPP in Infrastructure Projects, 2009; (ii) Guidance Note on the subject “Compliance audit of PPP arrangements” issued by CAG Office vide No. 727/16-PPG/2016 dated 24.08.2016.]

CHAPTER XXIII

AUDIT OF PENSION PAYMENT

23.1 Introduction

The Public Sector Banks (State Bank of India and Nationalized Banks) have been authorized to deal with the following categories of government transactions:

- (i) Public Provident Fund scheme.
- (ii) Collection of National Defence Fund.
- (iii) Pension payment of Defence, Railway and Civil pensioners of Central and State Government.
- (iv) Receipt of Direct and Indirect Taxes.
- (v) Deposit Scheme of Provident, Superannuation and Gratuity Funds.
- (vi) Annuity and Compulsory Deposit

23.2 Audit of Public Provident Fund:

Audit of Public Provident Fund will be conducted with reference to the general rules prescribed for the audit of General Provident Fund transactions enumerated in the MSO (Audit). Further in local audit, in addition to the check of relevant records (right from 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 periodical statement of credits and debits under the scheme already received in the Audit offices. This check should be conducted to the extent of prescribed percentage of the number of accounts in each branch whether conducting government business or not. Local Audit will specifically be directed to verify:

- (i) The correctness of the amount of interest allowed with reference to the rate prescribed for the purpose.
- (ii) The signature of the officer of the bank who authorized the payment.

23.3 Pension to Central Civil (Defence), Railway and State Pensioners

The Government of India introduced schemes for making pension payments to Central (Civil) Defence, Railway and State pensioners through Public Sector Banks with effect from 1.6.76, 1.4.77, 1.5.77 and respectively.

23.3.1 Procedure for disbursement and accounting of pension payments

The detailed procedure to be followed for disbursement and accounting of pension payments to the said categories of pensioners has been given in the memorandum of instructions issued by the Government of India, Ministry of Finance, Defence, Railways and the State Government in consultation with the C&AG and the Reserve Bank of India from time to time.

23.3.2 Audit of Pension Payments¹¹

The following¹² are the suggested periodicity and norms for audit of branches of public sector banks responsible for pension payments on behalf of Government:

A. Periodicity

Number of Pensioners Catered to	Periodicity
200 and above	Annual
50 and above but less than 200	Biennial
50 and below	Triennial

Note: Audit of Link Branches is, however, to be undertaken annually. In branches that are audited biennially and triennially, vouchers of two months and three months respectively are to be checked during local audit.

B. Norms

Number of Pensioners	Number of Party Days
(a) Paying Branches	
Up to 25	Nil

¹¹73-PPG (M&C)/210-2012 dated 28.02.2012

¹² Para 6.36 of MSO (Audit) Second Edition 2002

Between 26 and 100	1
Between 101 and 200	2
Above 200 but less than 400	3
400 and above	An extra day for every additional 100 or less cases 2 to 3

(b) Link Branches

***Note:* Audit of branches dealing with 25 pensioners or less should not, however, be ignored altogether but should be clubbed with other visits.**

23.3.3 Checks to be exercised during audit of Public Sector Banks

Following points may be checked during audit of Public Sector Banks : -

- a) Income Tax is deducted at source wherever required and certificate of tax deduction is issued in April every year.
- b) Payment is made only up to the date of death of the pensioner, and any overpayment is recovered and refunded to the Government.
- c) In case of family pension, it should be ensured that family pension, has been started at reduced rates as indicated in pension payment order after the expiry of the period of seven years from the date of death or after the date or which the deceased Government Servant would have attained the age of 67 years had he survived whichever is less.
- d) In the case of death while in service Family Pension at higher rate is payable for a period of ten years from the date of death and thereafter at the reduced rate.
- e) Payment of lifetime arrears of the pensioners has been made only to the legal heir (s) of the pensioners.
- f) When pension ceases to be payable, the PPO is returned by the paying branch to the PAO/Controller of Defence accounts or F.A. & CAO of the Railway concerned through the link branch after making necessary entries in the PPO as well as in the records of the bank as the case may be.
- g) No amendments or changes are made in the PPOs by the bank of its own and payments are made strictly in accordance therewith, except in the cases of grants of relief in the

shape of Dearness allowances which is payable on the basis of Government Orders received by the bank through its Head Office as Link Branch.

h) The correct amount of pension is credited to the pensioners account on the basis of PPO issued by the concerned authorities of pensioner's viz. Central Government (Civil), State Government, Defence and Railway pensioners and received under proper attestation.

i) The local audit of pension payments by the Public Sector Bank both under the state Government and the Central Government scheme should be conducted by the same party so that multiple visits of different audit parties to public sector banks may be avoided.

j) The check in local audit may be the same as prescribed in Note (2) below paragraph 64 of the Secret Memorandum of Instruction regarding extent of audit during inspection of PAO's in addition to checking the scroll sent to the link branches for claiming reimbursement from the Government through Reserve Bank of India have been correctly prepared. The checks prescribed above will be of the nature of a general view and detained test audit of one month's voucher (each individual payment indicate in the scroll) as prescribed in Note (2) below paragraph 64 of the secret Memorandum of Instructions may be done.

k) The records etc. of the link branches relating to claims for reimbursement from the Reserve Bank of India in respect of pension payments may be checked once in a year with a detailed text audit of scrolls for two months.

23.3.4 Issue of Inspection Report on Pension Audit

Separate Inspection Reports may be prepared in respect of each category of pensions i.e. Central Civil Defence, Railway and States and copies thereof may be sent to the different authorities as indicated below besides sent to the concerned branch of the Bank as also to the Head Office/link office: -

i) Central Civil Pensioner – Controller General of Accounts.

ii) Defence Pensioner – Controller of Defence Accounts (Pension), Allahabad

iii) Railway Pensioner - Financial Advisor & Chief Accounts Officers of the respective Areas (as per list attached to the Scheme of disbursement of Pension to Railway Pensioners by the Public Sector Banks.

[CAG's letter No. 848-TA.II/7-80 dated 16-7-81 & No. 1330-TA.II/7-80 dated 27-11-81]

23.4 Receipts of Income Tax & Other Direct Taxes

With effect from 1.4.76 the Government of India introduced a scheme for receipt of Income Tax and other Direct Taxes by the nominated Public Sector Bank in addition to Reserve Bank of India and State Bank of India and its subsidiaries. The detailed instructions issued by the Reserve Bank of India relating to the above scheme are contained in the Memorandum of instructions, for the receipts of Income Tax and other Direct taxes from the citizens at the branches of the State Bank of India and its subsidiaries and other banks in the public sector on behalf of the Central Government.

23.4.1 Functions of the receiving branches of the bank

The functions of the receiving branches of the bank and of the designated main branches thereof are as under:

a) Receiving Branches: -

Assessee can make payment at any branch of the State Bank of India or any branch of the selected nationalized banks either in cash or by cheques or draft drawn on that branch accompanied by the prescribed number of copies of the challan. Different types of challans are filled in by the assessee for payment of Income tax and other direct taxes, wealth tax, excise duty etc.

The receiving branch will prepare a scroll in quadruplicate. A separate scroll is required to be prepared for each type of direct taxes for each branch even though there may be more than one receiving centers in that branch. The number of a challan as entered in the scroll for purpose of identification will be the same as the numbers noted on the copies of the challan. The scroll will be totaled after the close of the business every day by the receiving branch concerned and the books of the branch will be balanced with reference to the total of the day's scrolls and the other transaction of the branch. A running serial number extending to a financial year should be given on each scroll separate running number being given for each type of direct taxes, prefixing the serial numbers by abbreviation for each type of direct taxes. A similar running under should also be given on the forwarding letters. At the beginning of the next working day, the receiving branch will forward three copies of the scroll, one without accompanying challans and other two with one set out of the remaining parts of each of the two scrolls in the serial order in

which they appear on the scrolls to the designated main branch. The receiving branch will also transfer total amount indicated in the scroll through the usual inter branch account procedure of the bank concerned. The fourth copy of the scroll will be retained by the branch for its own record.

b) Designated Main Branch: -

i) On receipt from other branches of the bank the three copies of the scrolls and two sets of copies of the challans attached to two copies of the scrolls, the designed main branch of the concerned branch shall ascertain whether the amount of the remittance to and received by it alias with the deposits by the assessee as per the challans.

ii) Consolidate one copy of the scrolls for the day received from all the branches including main branch (if that happens to be a receiving branch), without the challans by stitching the scrolls together and retain this stitched copy for its records.

iii) Consolidate and stitch the two remaining copies of the scrolls and challans received from all the branches including the main branch ensure that they are in serial order and forward stitched copies to the office of the Reserve Bank of India or the state bank of India with forwarding letter, in triplicate in the form set out in Annexure II of the Instructions and a cheques or a draft of the total amount collected as indicated in the relevant scrolls.

23.4.2 Local Audit Procedure

i) Field Inspection Parties will conduct a test check of the records maintained by the banks to ensure that the direct taxes received by the banks have according to the scrolls to the maintained in the designated main branches been actually remitted to Reserve Bank of India for credit in the Government 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 credit may be traced in the records by reference to the Reserve Bank of India/State Bank of India concerned.

ii) Ten percent of the transaction for each month may be checked during test audit of the designated branches of the public sector banks.

iii) The Controller General of Accounts (Vide his ON dated 21-12-84) has decided to levy penal interest @ 5% from the public sector banks concerned in all cases where the remittances of Government receipts is delayed beyond a period of one month. The

minimum monetary for levy of interest has been suggested as Rupees one crore but revision of the limit will be reviewed in the light of interest gained.

iv) Reserve Bank of India also vide their letter dated 27-5-85 have finalized the procedure for recovery of interest and directed all public sector banks including State Bank of India for issuing instructions to their branch offices in this regard. The provision for levying interest on delayed remittances @ 5% is effected from 1-4-85.

[HQs circular no. 49/85, Letter No. 1525-Rec.A-I /132-84/IDT/CE-DP2 dtd. 6-1-86]

[Source: Manual Of The Outside Audit Department, Office of The Principal Accountant General (Audit), Assam, Beltola, Guwahati]

CHAPTER XXIV

AUDIT OF CONTRACTS AND TENDERS

24.1 Introduction

This chapter deals with the audit procedures of contracts and tenders generally executed in any Central Government Office or Autonomous Body.

24.2 Audit of Vouchers pertaining to Work-Contractors

(1) Running Accounts bills

While checking contractor's Running A/c Bills it should be seen that:

i) The amount shown therein as having been paid in the last bill agrees with the amount actually paid. The voucher No. and date of payment of last bill along with the schedule docket No. should be recorded on the body of the vouchers under audit, against column "Memorandum of Payments".

ii) A certificate regarding issues of store materials, T&P materials and receipt of forest documents against forest produces utilized.

iii) Vouchers under audit should contain the certificate of measurement taken by appropriate authority.

iv) The references of Tender agreement No. & Date, Formal Work Order No. & Date of commencement of the work and the Date of completion of the work should be recorded in appropriate Col. of the bill.

(2) Contractor's Final bills

In respect of contractor's Running Final or First and Final bills, it should be examined that, in addition to the above mentioned checks, deduction on account of Income tax, AGST, Security Deposit, Hire-charges of tools and plants, Forest Royalty and value of stores issued/utilized are duly made, and all outstanding advances such as secured advance, advance made against unmeasured works etc. are properly adjusted in the vouchers under audit.

(3) Audit of vouchers for supplies made

In respect of vouchers relating to supplies of stores, T & P, road metal etc., it should be seen that certificate regarding receipt of materials in full and in good condition, their

accounting in the particular month's Stock Account, Site Account, T & P Account as the case may be are recorded on the body of the vouchers under audit.

24.3 Inviting of tenders

It should be ensured that tenders have been invited with wide publication. The general principal to be followed in entering into a contract is given in Para.3.7.2 to 3.7.5 of MSO (Audit) 2002. It is one of the fundamental principles that contracts should be placed only when the tenders have been openly invited and most advantageous terms secured to Government by accepting only the lowest tenders. Cases in which these principles have not been observed should be included in the IR with necessary data. If it is noticed that the number of tenders received had been very limited, it should be seen whether wide publicity had been given, and sufficient time had been allowed for tendering. The reasons for not calling for open tenders or for accepting those other than the lowest should be scrutinized with a view to see that they are acceptable. If the need for call of competitive tenders had been dispensed on the ground that the work had to be carried out in an emergency, it should be examined whether it was warranted by such emergency and appropriate steps to follow the normal procedure were taken after the emergency was over. The tender notices should be checked to see that:

- a. It includes the details of work to be done or supplies to be made.
- b. The manner in which payment will be made to the contractors/suppliers.
- c. All conditions regarding time frame for completion of works / supplies are incorporated clearly.
- d. Particulars of materials to be supplied from the departmental sources and rates for making recoveries of the value of materials so supplied, from the running account bills for work done etc. are duly specified.
- e. Imposition of penalties for delay in completion or leaving the job incomplete and for non-return of excess materials and tools and plants etc. incorporated in the tender notice.
- f. Conditional and tentative tenders are discouraged and the tender notice should have mentioned that such tender are liable to be rejected.

24.4 Register of tenders

The register should be scrutinized to see that, the amount of earnest money received in response from the tender are recorded properly in the register and taken in the Cash Book. However earnest money received in the form of legal notes, Deposit Call Receipts of schedule bank etc. and whose tenders are rejected on the day of opening of the tenders need not be entered in Cash Book and in the Register of tenders.

24.5 Comparative Statement (CS) and acceptance of tenders

It should be examined in audit that after receipt of tenders (Both Manual or online bids) a comparative statement incorporating the rates and required particulars of each tender was correctly prepared for evaluation of tender rates to determine the lowest tender value, under seal and signature of authorized authority / committee as the case may be. In case of non-acceptance of the lowest tender, it should be seen whether adequate and valid reasons were recorded on the body of the C/s by the tenders accepting authority. It should also be seen that the tender value of the accepted tender is within the financial power of the authority accepting the tender.

Audit check should also be conducted to ascertain whether there was undue delay in taking decisions on the tenders, resulting in higher prices on labour, materials and fuel due to passage of time and the lowest tenderers getting opportunity to go out from his offered rates.

24.6 Consideration of Fraud & corruption in tendering and Selection Stage

Fraud examination is a part of normal auditing procedures and should study the cause of

- a. Inadequacies in record keeping, which could be indicative of fraud and corruption.
- b. Violation of prescribed law and regulation concerning the procedures for inviting, receiving, processing and selection of tenders.
- c. Non adoption of open competitive process, manipulation in
- d. Bidding terms etc.

24.6.1 Possible fraud indicators

Some possible fraud indicators are listed below:

- i. Contracts are awarded on the basis of vested interest of tender accepting authority.
- ii. The contractors/suppliers submit inflated invoices.

- iii. The purchases of goods and services are split either to avoid open competition or to seek the approval of higher authority.
- iv. Fake or non-existing suppliers/contractors are being selected
- v. Specification and time frame are manipulated to favour a certain contractor or supplier.
- vi. Improper assessment/non-assessment of actual requirement before making selection of tenderers.
- vii. Specifications are not clearly defined in NIT.
- viii. Unusual involvement of an official in the process of NIT.
- ix. Evidence of early receipt of information by some contractors or suppliers.
- x. NIT was not properly advertised.
- xi. Unusual handling of bidding process
- xii. Exception to the tender deadlines.
- xiii. Changes in the bids made after their formal receipt.
- xiv. Lowest responsive bidder is not selected
- xv. Unusual withdrawal of bids
- xvi. Re-bid results identical to original bids
- xvii. Inadequate justification for selecting single bidder.

These are only illustrative example. Auditor may find different kind of indicators for fraud and corruption in course of the audit scrutiny of bidding documents.

24.7 Audit of Contract or Agreements

The responsibility for entering into contracts, for works to be done, or supplies to be made, and for enforcing them rests with the Executive Departments. Scrutiny of contracts or agreements is an important function of audit. In course of scrutiny of contracts or agreement in general and in respect of works selected for detail analysis it should be examined to see, whether the contracts or agreements have led to loss or wastage of public money, due to non-incorporating of safeguarding clauses or non-enforcing of the clauses or conditions of contracts when stands applicable. The principles as laid down in Chapter-7 of C&AG's MSO (Audit), 2002 should be followed while conducting audit checks of contracts or agreements. Some of the audit principals are indicated below:

-As far as possible, standard forms of contracts should be adopted.

- i. The terms of contract must be precise and definite and there must not be room for ambiguity or misconstruction.
- ii. Legal and financial advice should be obtained in drafting the contracts before entering into.
- iii. No conditions of uncertain and unusual character should be entered into.
- iv. Terms of contract once entered into should not be materially varied without the prior consent of the competent authority
- v. Even in cases, where a formal written contract is not entered into, no orders for works and supplies should be placed without at least a written agreement in regard to price.
- vi. All important particulars regarding nature, of works to be done or supply to be made, rates agreed and accepted, period and target dates for commencement and completion etc. must be incorporated in the contracts or agreement.
- vii. Mode of payment, to be made, amount to be deducted on account of Security Deposits, Income Tax, GST/VAT, Forest Royalty, Hire Charges of machineries and T&P etc. should be included in the contract agreement.
- viii. The Contract contains clauses for safeguarding the interests of the Govt. by incorporating penal clauses in regard to non-completion of works/ supplies as per agreed time schedule Security for due fulfilment of contractor is taken unless specially ordered otherwise by the competent authority.
- ix. That if materials are to be supplied by Government, the items of materials to be supplied, the place or places of delivery and the rates to be charged to the contractors are specified in the contract and that such rates do not differ from the rates notified in NIT.
- x. That rates to be allowed are clearly stated and that if the contracts provide for payments for work done at a specified percentage above or below the estimated rates, it is stated in clear terms that such percentage will be calculated on the gross and not on net amount of the bills for work done.
- xi. That transaction relating to two or more separate working estimates is not covered by a single contract or agreement.
- xii. All correction in the agreement is attested by both the parties.

- xiii. That the agreement was executed by competent authority before incurring liability.
- xiv. Whether the rates entered in the original agreements are the same as tendered against the NIT, by the contractor / tenderers.
- xv. That the agreements are not revised on the grounds that market rate has risen after the entering of an agreement.
- xvi. A definite condition provided in the agreement that, water that may be required for construction works will have to be arranged by the contractor himself.
- xvii. The contract or the agreement should lay down the condition for imposition of “Compensation for delay” maximum up to 10 percent of tender value and the balance work to be got done through other contractor or agency at the risk and cost of the original contractor etc.

(MSO Audit, 2nd Edition para 3.7.2)

24.7.1 Scrutiny of vouchers relating to work or supplies

In the course of scrutiny of vouchers relating to works or supplies, it should be examined in audit that, in addition to the above-mentioned checks all relevant contracts agreement are made considering the provisions made in Financial Rules are being applied accordingly by the executing authority, while making payments for works done or supplies made.

24.8 Type of fraud and corruption in Contracts or Agreements

The following type of fraud and corruption may occur in entering into Contract or Agreements for goods and services.

- i. Changes are made in the original contracts requiring flow of additional funds, from the Government to the contractor/ suppliers without adequate explanation.
- ii. Contractors are being granted extension of time in relaxation of the provision of contracts.
- iii. Inadequate particulars regarding quality of goods and services incorporated in contract or agreement.
- iv. Contracts repeatedly awarded to one contractor.

24.9 Points to be seen during analysis of selected works

Besides the checks to be exercised on various records as per the C&AG's MSO (Audit) and C&AG's MSO secret memorandum of instruction regarding the extent of audit, in depth analysis is to be done on all relevant records of selected works/schemes. Since different types of works like roads, bridges, irrigation scheme, construction of embankment etc., executed by PW Divisions have their own separate characteristics, it is difficult to lay down certain uniform set of procedures for works analysis. Audit team has to be innovative and has to adopt method of analysis and investigation with reference to the characteristics in the context of examination of different works. However, audit should direct its attention towards the scrutiny of the following aspects: -That before preparation of estimate for the work adequate and proper survey and investigation were carried out,

- a. That cost of all items of work was determined with reference to the prevailing cost of materials and labour in the locality.
- b. That the cost of the work was not understated at the stage for getting it included in the budget, necessitating a substantial revision towards high cost at a later stage.
- c. That, funds for execution of the work were arranged and whether inappropriate funding resulted in poor progress, idle investment, cost and time overrun and delayed benefits.
- d. Whether there was any irregularities and delay in accepting of tenders leading to extra expenditure due to increase in the cost of labour or fuel.
- e. That the accepted tender rates are very low for certain items where quantity to be executed is large and vary high rates for items where quantity is small, but in actual execution the position of quantities executed is found reverse (i.e. large quantities were executed where the accepted rates were very high, and small quantities were executed where the accepted rates were low), leading to huge extra expenditure. In such cases it is to be examined whether, on the basis of quantities of various work, as actually executed some other tender received for the work would have been cheaper. Extra expenditure involved on this account should be worked out and commented upon.
- f. It is to be seen whether the items of work treated as extra are really so and could come under any of the items of the accepted tender. It should be ensured that no extra benefit is extended to the contractor because of treating some items as extra.

- g. Delay in supply of materials by the department (as per tender agreement) will naturally necessitate grant of extension of time to the contractor. In case the contract has any escalation clause, the financial impact of the delay in completion should be worked out and commented upon.
- h. Whether extra expenditure was incurred by the department owing to delay in making the work site, drawing designs, etc. available to the contractor is to be seen.
- i. Whether advance if any to contractors were allowed strictly as per of contract and relevant rules and that no unauthorized benefit was allowed.
- j. It will have to be seen whether in any case contractor had gone to arbitration or to court and the awards went in favour of contractors. The pleas and counter pleas in such cases should be studied to find out whether any lapse on the part of the department had led to the arbitration/court case and consequent avoidable payments to contractors.
- k. Whether any price escalation not provided for agreement was allowed to contractors.
- l. Proper sequencing of different items of work is very important in the execution stage. In the absence of correct sequencing, it may so happen that some items of work will have to wait completion of some other items. If the contractors are different, the contractors for the items of works which had to be delayed for non-completion of some other items by another contractors will naturally claim for extra payment. This aspect is to be seen.
- m. It has to be seen whether the quantity of materials issued to the contractor is in excess of the quantity as estimated by specification of work. Excess issues of materials not utilized in the work amount to extra benefit, in as much as the market rates of materials are generally higher than the departmental issue rates. Further it has to be seen that no carriage or other incidental charges are borne by the department for moving the materials beyond the place where from the contractor was to take delivery thereof.
- n. In case of constructional works, being done departmentally it is to be seen that the works proved not expensive then construction through contractors calculated at the rates allowed for such work at that time and place. However, before commenting upon such cases it should be examined whether departmental construction had to be undertaken because Contractor was not interested to take up the work due to inaccessible area of work site. Contractor does not have required expertise etc.

- o. It is to be seen that all conditions of contracts fully materialized in cases of works left incomplete by the contractors and the balance works had to be done through another contractors.

24.10 Audit Observation on analysis of Selected Works

Some of the categories of audit observation on analysis of works are shown below: -

- i. Infructuous Expenditure: Expenditure incurred on works of defective design, planning and estimates followed by major corrections, abandonment or change of the site of the works.
- ii. Avoidable Expenditure: Payment made to the contractors on account of Interest due to delayed payment for works done, against running A/c or running final bills.
- iii. Extra Expenditure: Due to delay in finalisation of Tenders, the offered lowest rates could not be materialized, and higher rates from subsequent tenderers had to be accepted; or injudicious rejection of acceptable tenders; or execution of works beyond the sanctioned estimated quantity.
- iv. Cost overrun: Slow progress of work due to delay in handing over the worksite, drawings, design or supply of departmental stores for the works in terms of contract agreements.
- v. Unauthorized Expenditure: Taking up of work without AA or shifting of the location of approved work.
- vi. Undue financial benefits: Non-deduction of Security Deposit/interest on Mobilization Advances inadmissible Machinery-Advances etc.
- vii. Unproductive Expenditure: Expenditure on idle staff or Machineries.
- viii. Doubtful Expenditure: Supporting Vouchers, ARPs and relevant records were unavailable.
- ix. Misappropriation of Govt. Money: Forged challans.
- x. Fraudulent drawal of fund: Fictitious bills. LTC claims etc.
- xi. Overpayment to contractors: Disproportionate with the actual execution of works/supplies.

24.11 Audit of Contractor's Bills for works and supplies

It should be seen in audit that

- a) The quantity of each item of work/supply has been correctly entered in the bill from the measurement book, and rates allowed agree with the rates as per terms of Contract Agreement. In respect of bill relating to percentage rate contracts allowing rates at a certain percentage above the Scheduled rates, it should be ensured that the percentage increase is not allowed on the substituted and/or extra items for which analyzed rates are included in the contractor's bills.
- b) The advance payments and/or secured advances etc. if any have been made, are according to the prescribed rules and on not below the rank of Asstt. Executive Engineer and these advances are recorded in the Contractor's Ledger, to watch their recovery.
- c) That recovery of Advance payment, Secured Advance, cost of materials issued to contractors, and hire charge of tools and plants etc. have been made from bills as per relevant rules.
- d) The Security Deposit at the appropriate rate has been recovered from the bills and the amount credited in the register of deposits against the name of contractor.
- e) The figure shown in the memorandum of payment of Contractors Bill against the item "total payment already made" has been correctly recorded from the previous bill.
- f) That in the case of percentage rate contracts allowing rates at a certain percent above or below the SOR the value of work done and measured has been increased or decreased accordingly as per the contract.
- g) That the work or supply was completed within the date as stipulated in the contract and that no extension of time was granted without justification. In case of delay in completion of work/supply because of contractor's lapse and consequent increase in cost, it should be seen whether penal action was initiated against him. If the delay was due to fault of the department such a delay in handing over the site of construction, in supplying designs, drawings or materials as per contract etc., which should be commented upon.
- h) That in respect of final bills involving consumption of materials, theoretical consumption Statement of materials should be subjected to detailed check with supporting document like measurement Books, material at site Account, estimate etc.

In case of any variation noticed between the theoretical consumption and the actual consumption these should be examined to see whether it is indicative of sub-standard works justifying payment at lower rate than the agreed rate. If the variation is in excess the recovery for excess quantity should be affected at penal rate as per provision of standard contract agreement.

i) That all deduction on account of I. Tax, AGST, etc. as per prevailing rate or as per condition of contract should be made for onward remission to the revenue of accounts of the Govt.

24.12 Bills relating to purchase of stores

- i. In case of bills relating to supply of materials/articles, whether they were taken into stock account, materials at site account, tools and plant account as the case may be.
- ii. That vouchers are entered in a chronological order and are given distinct serial no. and date.
- iii. That claims are clearly stated as due and admissible.
- iv. That arithmetical calculation is correct.
- v. That receipts of the claimant are available
- vi. That all vouchers are duly stamped “paid” and cancelled to avoid possibility of double payment.
- vii. That payment is made in time as far as possible.
- viii. That vouchers are correctly classified into appropriate head of account as per sanctions.
- ix. Purchase have been made within the provision of well-defined departmental
- x. regulation, rules, orders and instructions.
- xi. That the quantity purchased was determined taking into consideration of actual requirement for the present and immediate future only.
- xii. That the purchase is made after inviting competitive tenders and that the lowest under the approval of the competent authority.
- xiii. That stores procured are of approved quality and specification.
- xiv. That purchases have been made as per well-defined delegation of powers of the department.

xv. That purchase orders are not split up so as to avoid the necessity for obtaining the sanction of higher authorities.

xvi. In cases where advance was paid to suppliers. It should be examined to see that (a) an agreement was made safeguarding the interest of the Government (b) The amount of advance is within the admissible limit and is not paid ahead of a longer time. (c) A proper record of such advance is kept to watch recovery and adjustment (d) Stores were received within the stipulated period as per conditions of contract/orders.

24.13 Stores and Stock Account

The term “Stores” applies generally to all articles and materials purchased or otherwise for use of Government office/Autonomous Body. It includes both consumable and non-consumable stock of the nature of plant and machineries, instruments, furniture, fittings fixtures etc. Management of stores and stock embraces acquisition of stores, their custody, distribution/issues according to their requirement and disposal. Article of stores are broadly divided into (a) Priced article (b) Unpriced articles (i.e. those for which numerical accounts only are maintained and no value account)

24.13.1 The audit of payments for the purchase of stores is conducted according to the rules prescribed by the C&AG in regard to the audit of expenditure. Since any irregularity in the utilization and disposal of public “stores” is equivalent to misuse or illegal appropriation of public money, an audit of expenditure of money spent on purchase of stores cannot itself be a complete audit of final application of the money without the audit of disposal of stores. Section 17 of C&AG’s DPC Act, 1971 vests in the C&AG the authority to audit and report on the accounts of stores kept in any office or department of the Government.

24.13.2 Purchase of stores

As regards purchase of stores it has to be seen in audit that:

- i. The purchase is covered by proper sanction.
- ii. The purchases are made economically and in accordance with any rules or orders issued by competent authority.
- iii. The authority making purchase has not exceeded the monetary limit/ power delegated to it.
- iv. The orders for purchase/supply have not been split up in order to avoid the necessity of

obtaining sanction of higher authority required with reference to the total amount of the orders.

- v. The system of competitive tenders was adopted and that purchase was made from the lowest tenderer, unless there are recorded reasons to the contrary.
- vi. The rates paid agree with that shown in contract agreement made for the supply.
- vii. Certificate of quality and quantity of stores received and of their proper accounting in stock Accounts/Tools and Plants account of the particular month or the material at Site Account of the particular work/project are furnished by the Government servant responsible for such receiving and passing of the claims for payment.
- viii. There has not been unnecessary purchase or purchases in excess of requirement for a reasonable period of time leading to locking up of capital.
- ix. Purchase for specific works has not been made unless estimates for those works have been sanctioned.
- x. Value of store in stock account does not exceed the reserved stock limit fixed by the Government/Competent Authority.
- xi. Losses due to defective and inferior nature of stores accepted and certified to be of good quality,
- xii. Losses due to prolonged or improper storage of consumable goods etc.

24.14 Pre-audit of Procurements – Role of internal Audit and reporting thereof.

In this backdrop all field audit offices should, as a matter of policy decline to take responsibility of pre-auditing procurement contracts even when these are of higher value. Simultaneously Ministries and departments in different governments need to be encouraged to establish an independent internal audit set up duly empowered to subject critical and high value of procurements contracts and other similarly significant financial proposals, to a credibly independent pre-audit. The field offices should, however, help the government in building capacity and competence in dealing with such responsibilities.

2. It is also to be noted that internal control mechanisms and its adherence play a vital role in establishing accountability in government departments and organizations. Since, internal audit is a very important component of internal control which examines the

effectiveness of internal control and recommends. CAG has directed that the field audit offices in their capacity as external auditors should invariably look at the mandate, scope, powers, capabilities and performance of internal audit as well as the competence and integrity of its financial advice apparatus. Based on that suitable comments should be incorporated in Audit Inspection Reports, in management letters to Secretaries to the Government as well as in the CAG's Audit Report.

3. Appropriate guidance may be taken for this purpose from the 'Internal Controls Evaluation Manual' which was circulated to all field audit offices vide letter No. 228-Audit (AP)/25-2008 KW dated 22-07-2009.

[Source: Manual Of Works Audit, Office Of The Principal Accountant General (Audit), Assam, Guwahati]

24.15 Government e-Marketplace (GeM)

GeM is the Public Procurement Portal for procurement of goods and services for all Central Government and State Government Ministries, Departments, Public Sector Units (PSUs). GeM endeavors to make public procurement process transparent, efficient and inclusive.

- (i) To ensure that procurement was done in compliance with GFR.
- (ii) Audit check to Rules Governing Public Procurement in respect of their organization, all GeM terms and conditions and other procurement Policies / Guidelines notified by the government from time to time, including timely payments as per GeM terms and conditions.
- (iii) Audit of Standardization testing and quality certification (STQC)
- (iv) Audit essential for compliance to quality requirements of e procurements by Ministry of Electronics and IT.
- (v) Audit Check for compliance to guidelines issued by Department of Public Enterprises
- (vi) To ensure that Customer Receipt and Acceptance Certificate (CRAC) is being generated as per the stipulated timelines.
- (vii) To ensure whether the ABs are recording the Non-availability Certificate for procurement done out of GeM.
- (viii) Whether the bids/Reverse Auction (RA) are invited in compliance to GFRs

CHAPTER XXV

AUDIT OF WORLD BANK AND OTHER EXTERNALLY ASSISTED PROJECTS

25.1 Introduction:

The essence of the World Bank² audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank loans were used for the purposes intended¹³, that the annual project financial statements are free from material misstatement, and that the terms of the loan agreement were complied with in all material respects.

The World Bank gives aid for implementation/execution of different schemes projects in two ways:

- i. Sanctioning and releasing an amount for expenditure in advance.
- ii. Reimbursement of claim.

In India, reimbursement of claim system is adopted.

25.2 Project decision and implementation:

The responsibility of identification, determination of feasibility of project, its execution and administration rests with the borrower. However, an appraisal is carried out by the Bank with the assistance of the borrower to examine the economic, financial and technical requirement of the project which provides a basis for decision to support with a loan. The appraisal report includes a detailed explanation and assessment of the financial management system and any additional requirements for the particular project.

25.3 Audit objectives and scope:

Audit is responsible for reporting to the funding agency whether the implementing agencies have carried out expenditure on the scheme in accordance with the pattern specified in the appraisal report, as well as Government of India instructions relating to the schemes and terms of such assistance and to identify matters relating to inadequacies in systems and control, cases of fraud or presumptive fraud, wasteful expenditure, failure of administration to the corrective action on recommendations contained in earlier report.

¹³ The Bank's charter [Article II Section v(b) of IBRD's Articles of Agreement and Article v section 1(g) of IDA's Articles of Agreement] specify that : "The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations."

25.4 Document essential for Audit Certification :

Following documents are essential for scrutiny and issue of audit certificate

- i) Loan/Development Credit Agreement.
- ii) Staff appraisal report.
- iii) Statement of expenditure (SOE).
- iv) Supporting vouchers.
- v) Reconciliation Statement
- vi) IR of local/central audit for inclusion of any serious financial irregularities pointed out in audit.

25.5 Audit Approach:

Local audit is to review viability of the project, review of the project management system to ensure that the work is properly and effectively supervised and executed and that there is accountability throughout the various stages of the project. For some payments of miscellaneous nature, e.g. remittance vouchers, cheques, discount vouchers etc. nothing more than a minimum audit can be prescribed generally, this minimum consists in verifying that there is a sufficient voucher for the payment and that there is sufficient authority for making it.

25.6 Main points to be checked in Different Audit Areas:

The agreements for loan/development credit entered into by the International Bank for Reconstruction & Development and International Development Association with the Government of India for financing development projects to be implemented by departments of the Central Government, State Government, Public Sector Undertakings and Autonomous Bodies, etc. include specific agreement for Accounts and Audit. These agreements, inter-alia, provide that the Project Implementing Agency of the Government shall:-

- i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditure in respect of the Project,
- ii) have the records and accounts of the project for each fiscal year audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Bank,

iii) furnish to the Bank within 9 months or earlier of the close of the financial year a certified copy of the report of audit referred to in the paragraph at (b) by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, and

iv) furnish the report of audit for all expenditures in respect of withdrawals made on the basis of Statement of Expenditure (SOE) (without documentation), as to whether the SOE together with the procedures and internal controls involved in their preparation, can be relied upon in support of such withdrawals.

The World Bank has accepted the C&AG of India to be an independent auditor for the purposes of certification of accounts, issue of audit certificates in respect of projects being executed in India with World Bank financial assistance. As per the loan agreements, in respect of projects executed by Government, Departments and Corporations, the audit of which vests with the C & AG of India is met by the Accountant General (Audit)/Pr.D.A.(C) by furnishing to the project authorities for onward transmission to the Bank, an integrated audit certificate within 9 months or earlier of the close of the financial year based on irregularities noticed in Central Audit as well as Local Audit in relation to the accounts of these projects.

The annual accounts are to be certified by C & AG as sole auditors in respect of projects executed by Government Departments, other bodies and authorities. If any further details are required by the World Bank, these are to be furnished by the project authorities. The integrated Audit Certificate is considered adequate for the purposes of the World Bank and it would not be necessary for the Bank to await the all-inclusive Audit Report of the C & AG submitted to the respective legislatures. As the Audit Certificate is not to be published and is in the nature of a document exchanged between the clients and the Bank, the Certificate should indicate, in brief, the amounts held under objection in relation to wanting vouchers, D.C. bills, sanctions etc. and misclassification, defalcation, overpayments etc. that come to notice.

The Audit Certificates in respect of projects executed by Government Companies are issued by Chartered Accountants who are statutory auditors of the companies and not by the C & AG who conducts only a supplementary audit in such cases under the Companies Act, 1956.

25.7 Audit of implementing Agencies:

1) Funds from Bank loan may be disbursed only on 'account of expenditure for goods and services provided by national of, and produced in or supplied from, Bank member countries. The expenditure should be incurred as per terms and conditions of the World Bank which inter-alia requires:

- i) Utilisation of loan for the purpose projected and sanctioned for
- ii) Consideration of economy and efficiency, extra avoidable expenditure may therefore be objectionable for reimbursement for World Bank Loan. Cost over run due to non-completion of work in stipulated time may also be disputable claim for reimbursement from the Bank.
- iii) Non denial of pre-qualification to a firm for reason unrelated to its capacity to supply the goods/services in question except if the borrower country as commercial relation with that country to which that firm relates provided the bank is satisfied that such exclusion does not preclude effective competition.
- iv) Award of any contract is required to be strictly in accordance with loan agreement or guidelines.
- v) Implementing agency not agreeing to any material modification or waiver of the terms and conditions of contract or extension of the stipulated time of performance which would affect the contract inconsistent with the provision of loan agreement.
- vi) Procurement of goods and services inconsistent with agreed procedure.

2) The items which qualify or do not qualify for reimbursement, are as follows:-

- a. Amount recovered towards security deposit (SD) is not eligible. However, release of SD to the agencies is claimable.
- b. Secured advance paid on material is not reimbursable.
- c. Mobilisation advance paid to the agency is reimbursable.
- d. Income tax/sales tax recovered from contractor is claimable for civil work but not for supplies.
- e. Foreign exchange freight charges are eligible for reimbursement.

- f. Local transportation charges are not reimbursable.
- g. Insurance premiums paid in foreign exchange are eligible for Bank financing; self insurance and premium paid in local currency are ineligible unless explicitly provided in the loan agreement.
- h. The Bank does not finance custom duties and other taxes imposed by borrowing country.
- i. All payments to consultants are made in accordance with contract provisions which normally specify currencies and mode of payment.
- j. Income tax and other duties paid to the consultant are not reimbursable unless specifically provided in the contract.
- k. Fund drawn for incurring expenditure other than the purpose for which the amount was sanctioned/released by the World Bank/State and Central Government.

(HQ Circular No. 493-Rep(s)/109-2002 dt. 14.5.2002 under BO No. OA/IC/2002-03/9 dt. 16.7.2002)

25.8 Issue of Audit Certificate:

1. Where SOE procedure is used for loan disbursement, the SOE should be integrated to become a part of project financial statement. During local audit, it is necessary to obtain a listing of all SOEs submitted during the period under review and for each of the expenditure to perform the following.

i) Evaluate the adequacy of the supporting documentation which should normally include one or more of the following:

- (a) Procurement documents (Bid documents, invitation, evaluation, award)
- (b) Purchase contract
- (c) Purchase order
- (d) Letter of credit
- (e) Supplier's invoice and certification of origin
- (f) Shipping or import documents and inspection certificates
- (g) Contractor's invoices or certificates

- (h) Other evidence of receipt of goods or services
 - (i) force account records
 - (j) Recurrent cost records
 - (k) Authorization for payment
 - (l) evidence of payment/bank statement
 - (m) accounting records of approvals, disbursements, and balances available
 - (n) evidence that refunds have been made by suppliers and corresponding adjustments made in subsequent applications in instances where goods have been returned.
- ii) Ascertain the expenditure was properly authorized and approved.
- iii) Verify that the expenditure is eligible for bank disbursement under the loan agreements. Following ineligible expenditures, if included in the SOE, may be examined.
- i. duplicate invoices.
 - ii. payments made in advance of receipt of goods or delivery of services, unless these payments are consistent with contract provisions and are established in commercial practice.
 - iii. payments that should have been made under normal disbursement procedures with full documentation (e.g. payments against contracts subject to the Bank's prior review, or payments against contracts with values exceeding defined SOE limits); and
 - iv. payments for items that are not procured in accordance with the legal agreements, such as
 - Payments for items from countries that are not eligible under the Bank's Procurement Guidelines:
 - Payments for items not specified in the procurement.
 - Payments made prior to loan signing or before the legible date specified for retroactive financing.
 - Payments for items on the negative list or not on the positive list (for adjustment operation lending).
- iv) Verify the mathematical accuracy of the SOE.

v) Agree the percentage used to determine the Bank's share of the total disbursement to the loan agreements. Verify that the proper amount was requested for reimbursement.

vi) Summarize the results of the work performed on a summary form.

vii) Notify borrower of all instances of negative findings.

2. While conducting the audit on the "Statement of Expenditure"(SOE) in respect of World Bank/Externally aided projects for certifying Expenditure admissible for reimbursement, the field party should also conduct audit on the propriety side of the financial transaction, and a separate IR covering all aspects of financial transaction should be prepared and issued to the implementing authorities and Department for taking necessary action at their end.

(AG's Order dated 27.8.02 circulated under BO NO.- OA/IC-I/2002-03/12 dt. 23.8.2002 and Paragraph 3.17.24 to 26 of MSO(Audit)

Sample Audit report-Unqualified Opinion¹⁴

Report of the Comptroller and Auditor General of India

Addressee¹⁵

25.9 Report on the Project Financial Statements

We have audited the accompanying financial statements of the _____ Project financed under World Bank Loan No. _____/IDA, which comprises the Statement of Sources and Applications of Funds and Reconciliation of Claims to Total Applications of Funds¹⁶ for the year ended _____. These statements are the responsibility of the project's management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and auditor General of India. Those Standards require that we plan and perform

¹⁴ See relevant portion of Auditing Standards of the Comptroller and auditor general of India as applicable from time to time for conditions where unqualified, qualified, adverse or disclaimers of opinion may appropriately be rendered.

¹⁵ The auditor's report should be addressed to the person stipulated in the underlying loan agreement as responsible for providing audited project financial statements.

¹⁶ Insert titles of other required statements and schedules included in or annexed to the project financial statements, if any.

the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of _____ Project for the year ended _____ in accordance with Government of India accounting standards¹⁷.

In addition, in our opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, SOEs/FMRs (each application no. and amount to be indicated) and the connected documents were examined, and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

This report is issued without prejudice to CAG's right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament/State or U.T. Legislature.

[Auditor's Signature]

[Auditor's Address]

[Date¹⁸]

¹⁷ Until the Ministry of Finance prescribes adoption of the accounting standards pronounced by GASAB or other body such as IPSAS, the accounting standards followed by the Government of India shall be the cash basis of accounting applied with due regard to the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

¹⁸ The report should be dated as of the date to which the auditor has become aware of and considered the effects of events and transactions. This is generally the final date of fieldwork, as opposed to the date of signing the audit report